

RURAL TRANSFORMATION BY INTEGRATING SOCIAL BUSINESS WITH CORPORATE SOCIAL RESPONSIBILITY: ITC'S WAY OF DOING BUSINESS*

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Abstract: The activities of the business shall protect the interests of the society. The social business is built around the concept of social justice and is required to adhere to the principles of social business. The Corporate Social Responsibility (CSR) is the responsibility of the corporate firms in protecting the interests of the society. The current business with principles of social business is required to address the problems of society pertaining to poverty, livelihood, renewable energy, and climatic compliant and nature perseverance. This paper presents ITC initiatives through CSR, by combining with social business principles and with Information, Communication and Technology (ICT). The e-Choupal model offers personalized services to farmers. The e-Choupal initiative is big success story in enabling social business; fulfill Global Compact Principles and integrating ITC business goals with social business goals. The rural transformation is achieved by better yield, productivity, discovery of best price. The model presented in this article is an adaptation of the IS-LM model for an open economy in which we took into account the temporal variable to more accurately determine the equilibrium levels of the macroeconomic indicators. We analyzed the periods during which the values of the indicators exceeded the level of equilibrium and we identified the possible causes that led to these situations

Keywords: Social Business, Corporate Social Business, rural transformation, global compact principles, Capabilities Building.

1 Introduction

The modern way of production has disturbed the existing balance between the climate cycle, social order and development. The natural formations of earth were exploited for resources and consequently indigenous occupations, culture were displaced with modern activities. These modern activities require large scale investments in capital and machinery. The displaced people lost their livelihood and traditional knowledge. The traditional knowledge is implicit in nature and was transferred from generation. The flora and fauna were destroyed. The social effects of

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modernization are reflected on the climate cycle, rural societies and threatened the very existence of the world.

The business is responsible to the society; the activities of the business shall protect the interests of the society. The social business is built around the concept of social justice. The majority of the social business enterprises are classified under informal sector. The clash between modern business and social business is basically ideological in nature; the social business is laid on sound principles of belief, poverty eradication, and livelihood promotion, self-employment protection of nature and small scale of operations. The social business lacks mass scale of support in form of investment and production. In Bangladesh, the needs of social business were met through microfinance banks which operated at the national level and were success (Bertrand Moingeon, Muhammad Yunus and Laurence Lehmann-Ortega, 2009).

The current business is required to adhere to the principles of social business. The vision statements of top Companies in the world on close examination reveals the inclusion of principles of social business. The sustainability of Global Organizations is invariably linked to the extent to which it adheres to the above principles. The Corporate Social Responsibility (CSR) is the responsibility of the corporate firms in protecting the interests of the society.

The society was sensitized by the United Nations Framework Convention on Climatic Change conducted at Rio, Nairobi Kyoto and Paris. The objectives of the protocol are to decrease the release of harmful gases (United Nations Treaty Collections, 2015). This requires investment in green technology and the consequences on rural economy have wide ramifications. The current business is required to adhere to the principles of social business to address the problems of society pertaining to poverty, livelihood, renewable energy, and climatic compliant and nature perseverance.

2 Methodology

The present paper introduces the concept of social business and corporate social responsibility. The later part describes the e-Choupal initiative of ITC for sustainable development and transformation of Indian rural society with social business. The ITC way of doing business and fulfillment of Global Compact Principles with ITC e-Choupal initiative were examined.

3 Concept of Social Business and Corporate Social Responsibility

The concept of social business is at evolving phase, the social business is defined as providing necessary framework for addressing the social issues and problems with business model (Mohammed Yunus and Karl Weber, 2010). The social business model combines the business principles with society needs in doing business. The basic principles of social business a) conduct business not for profit maximization b) no charity (Mohammed Yunus and Alan Jolis, 2007). CSR (Corporate Social Responsibility) is an acronym for business interests in society. The concept evolved from social responsibility to business social responsibility. Keith Davies (1973) and Bowen (1953) were instrumental in developing the concept. Caroll (2009) defines the term as the fulfillment of economic, legal, ethical, and philanthropic responsibilities of the corporate towards the society. The philanthropic

views of the business community towards society were now a matter of right of the society from the business. CSR is a company's commitment to operate in an economically, socially and environmentally sustainable manner (Department of Public Enterprises, Government of India, 2010). The sustainable development is foremost objective of the business in servicing the needs and wants of the society. The philanthropic attitude is transformed to commitment attitude, the business model is viable only when it is economically, socially and economically viable to the society and ensures sustainable development and progression.

Philip Kotler and Nancy Lee (2004) defines it as an effort to improve community well being through discretionary business practices. This definition makes a clear indictment of linkage between the business practices and the wider society's sustainable development.

4 Corporate Social Responsibility Models and Approaches

The basic framework for delivery is build on a model or through an approach to reach the end results.

Caroll (2009) has based his model on multilayer concept with three layers a) business imperatives b) sustainable development and c) way to manage business. C.K.Prahalad (2007) has applied the former U.S.A President Roosevelt's concept of bottom of the pyramid and devised an approach which envisages that wealth lies at the lower strata of society and development of the lower strata provides the business an opportunity to engage and develop future customers. The stakeholder approach view community, employees, suppliers and government as stakeholders.

The triple bottom line approach views while growing economic profits business has to fulfill societal roles. The enterprises performance is measured against three indicators a) Economic Performance Indicators b) Environmental Performance Indicators and c) Social Performance Indicators. The social responsive actions are authenticated for transparency, fairness and justice. The achievement of social justice and responsiveness is the feature of this model and it is attained through alignment of structure, culture and processes with social goals.

The Global Compact Principles were codified under four heads Human Rights, Labor, Environment and Anti-Corruption (Sateesh Gouda M, A.G. Khan, S.L. Hiremath, 2017; United Nation Global Compact, 2010). The principles on Environment are as follows, Businesses should support a precautionary approach to environmental challenge, undertake initiatives to promote greater environmental responsibility; and encourage the development and diffusion of environmentally friendly technologies. The multinational corporations adhere to these principles by framing different policies. Michel Coulmont, Sylvie Berthelot, Marc-Antoine Paul, (2017) has examined firms implementing United National Global Compact and find them adopting variety of policies to integrate strategies with United Nation Global Practices Principles.

The rate of exploitation of global is ten times during the period 1950- 2015 compared to post industrialization phase 1760-1950(United Nations on Sustainable Development Goals, 2010). The United Nations Conference on Human Environment (1972) in Stockholm declared that to defend and improve the human environment for

present and future generation is the immediate goal for mankind. The World Business Council for Sustainable Development(2017) approach to build a sustainable business with circular economy and aid business to develop sustainable agriculture with technology to develop high-impact business solutions across the systems of Energy, Food & Land-Use, Cities and Mobility and Redefining Value. The Council calls for continuing commitment by business to have ethically, contribute to economic development, quality of life, local community and society at large. The business shall aim to improve the quality of life for sustainable development and the channel for meeting the development model for society is through corporate social responsibility.

5 Corporate Social Responsibility: Legal Right of the Society in India

In India, the incorporated provision under section 135 of the Company Act, 2013 makes CSR mandatory for all the business firms registered under the Company Law, 2013. The Corporate firm has to spend 2 per cent of the average net profit for the last three years on corporate social responsibility activities and the list of activities were provided in the appended schedule-VII (Kapoor and Sanjay Dhamija, 2017). Therefore, it is mandatory for all the corporate firms with a turnover of over Indian rupees 1000 crores or net profit of Indian rupees 50 crores to commit for societal development.

6 Divergence and Convergence of Goals

The divergent goals of the business and the society are to be converged. The goals of business are to fulfill the society needs, wants and wishes, maximize the wealth or earn more profits. The society aims to preserve its resources, protect the environment against exploitation, preservice of traditional or indigenious knowledge, quality life, and economic upliftment with livelihood promotion, skill upgrading, financial support, employment and balance in climatic cycles. The businesses are formed to bring the fruits of science to people in the society. The exploitative technology is disruptive and is applied in the name of development to explore and exploit the natural resources. The ultimate receiver of either the clean technology or disruptive technology is society. The social goals of the society are fulfilled through Corporate Social Responsibility initiatives by incorporating social business principles in the vision and business strategy by ITC Limited (hereinafter referred as ITC) in India.

7 Corporate Social Responsibility as Business Strategy: ITC's Approach for Social Business and Sustainable Development

Vision and Policy:

Vision: Sustain ITC's position as one of India's most valuable corporations through world class performance, creating growing value for the Indian economy and the Company's stakeholders

Mission: To enhance the wealth generating capability of the enterprise in a globalizing environment, delivering superior and sustainable stakeholder value
ITC's vision is woven around sustainable and inclusive growth. ITC strives to bring enduring value to all the stakeholders through equality, participation and innovative models. The focus for value addition is on three pillars Economic, Social and

Environment. The policy statement of ITC Limited outlines the broader contours for sustainable inclusive growth and rural transformation.

“It is axiomatic that high rates of economic growth cannot be sustained without putting in place an effective growth strategy for rural India. Growth in rural incomes is both a means and an end of India’s economic development. Growth must be inclusive and sustainable to free millions of disadvantaged citizens from the indignity of poverty” (Deveshwar, Y.C., 2015).

ITC is an Indian multinational company with business interests in fast moving consumer goods such as cigarettes, cigars, branded packaged foods, lifestyle apparel, personal care products, education & stationery products, safety matches and agarbattis, hotels, paperboards & specialty papers, packaging, agri business and information technology. ITC Limited is in agri-business and critical inputs to its major products in biscuits, confectioneries, food grains, ready to eat foods, edible oils, papers, tobacco etc. are from agriculture. The value services to agriculture in form of packaging material forms major business to ITC.

The foundation for ITC Limited’s Core Values is on Trusteeship, Customer Focus, Respect for People, Excellence, Innovation and Nation Orientation with focus on value for customers. The concern to protect the social business in India is derived from the Vision and Core Values. The global business is competing with the social business which mostly comprises of unorganized sector. The social fabric is woven around the social business; the failure to meet the local needs of the society will not result in inclusive economic development. The concern of business conglomerates is to improve the social living standards and quality of life in both rural and urban areas.

ITC – Triple Bottom Line:

ITC believes in Corporate Governance, it aims to enhance the wealth generating capacity by protecting the interests of the society. The society is a consumer and an important stakeholder in the business process. The accountability to societal aspiration is achieved through triple bottom line reporting for the business and social cause. The triple bottom line reporting envisages commitment to three indicators

Economic Indicators: Net profit, financial position

Social Indicators: Livelihood promotion, ITC e-Choupal, social assets creation and social empowerment.

Environmental Indicators: The company practices are aligned with climatic compliance. The energy requirements for production or operations is sourced from renewable energy resources, it achieved 40 percent compliance in that aspects. The new corporate office is green compliant, preserves natural light and carbon prints.

The climatic compliance, livelihood promotion, social empowerment and other social goals, environmental goals are inter-twined into the business strategy and functional strategy of the Organization. The business strategy is formulated to empower the society, protect social business and translate in the process new business, profit for the ITC.

Strategy for rural transformation:

The statement speaks about the strategic approach to social business and sustainable development.

- sustainable and inclusive growth strategy
- integrated rural development strategy
- digital information dissemination strategy

ITC has formulated Integrated Rural Development Program to empower the farmers and transform the rural economy. The strategy has been formulated covering with four distinctive areas.

1. Information and knowledge dissemination
2. Access to quality inputs and markets
3. Generating supplementary incomes
4. Natural resource augmentation

ITC e-Choupal Initiative:

The technology revolution in Information, Communication and Technology (ICT) is introduced to the rural farmer for informed decision making and economic development. The e-Choupal is formalized with the following objectives.

- Improving price realization for agri-produce.
- Enhancing farm productivity.
- Knowledge on farming.
- Cost minimizing.

The initiative was original launched in the year 2000, but ITC was compelled to slow the process after 2007 as Government of India has prohibited or restricted inter-state sourcing of agri-products or commodities. The original e-Choupal model was extended in 2012 and 2017 offering personalized services and digital payment services.

e-Choupal Version 1: An e-Choupal Community Initiative networking farmers to information through an e-kiosk platform at village level and Choupal Saagars at district level.

e-Choupal Version 2: Networking of Choupal Saagars (procurement centres) across the country.

e-Choupal Version 3: Personalized Crop Management Advisory Services with information on sowing time, best agriculture process and practices. Rozgaarduniya initiative is a rural employment exchange platform for rural youth to register for employment and emerge as Choupal Haat (rural market).

e-Choupal Version 4: An aggregator of services for farmers and digital gate-way for payments and receipts through personalized Digital Payment Services proposed to be launched in 2018.

The activity areas to achieve the stated objectives are providing real time information on price trends, demand-supply position in the market, advisory services, weather information, prices of inputs for cultivation, best farming methods and practices for different crops, cost saving, advice on alternative crops and organic farming.

The focus areas for the e-Choupal is shown in the table number 1 below.

Table No.1: Focus Areas

Area	Products
Feeds	soybeans
Food Grains	wheat
Marine Foods	shrimp and prawn
Processed Fruits	organic fruits, concentrates, fruit pulp
Beverages	coffee

The ITC e-Choupal kiosk initiative is implemented through three layer structure.

Layer -1: e-kiosk (Internet Access Shop):

Located at the village level and under the control of lead productive farmer called as Shanchalak. The kiosk has internet access and serves 5 villages within the 5 km range. The progressive farmer is trained in handling the information and communication technology. ITC has established 6500 kiosk in 11 States serving 4 million farmers under this initiative.

Identification of e-kiosk Handler:

The farmer with highest yield per acreage is selected from a cluster of 5 to 6 villages in the periphery of 5 km range. The progressive farmer is trained to handle the computer and in use of internet by the ITC trainers. The information services provided by Shanchalak are feed through online and assisted by state of art software developed by ITC.

Services Offered at e-kiosk are agriculture inputs, expert advice, information and e-training modules. The information cover areas on weather reports, climatic requirements for different agriculture produce, agri-calendar/organizer, procurement price at different hubs/mandis, pesticides, insecticides and seeds. The e-training modules are prepared documentaries on cultivation of plants for viewing, further expert advice for preventing crop losses and improving yield per hectare. The ITC company products are displayed in the kiosk for the farmers to purchase.

Layer -2: Hubs (Procurement Centre):

Choupal Saagars are procurement centre's located within 25-30 km range. Each hub is managed by samyojak and the hub is place for farmer-buyer interaction. ITC has 24 hubs all the country. Each hub is networked with the e-kiosk.

The farmer can locate procurement hub nearest to the village and verify the prices offered by the dealers or buyers. The farmer moves the agriculture produce by following the market trend through the e-kiosk. The logistic costs are saved by timely movement of produce to the right hub. In case the prevailing price is not acceptable, the farmers can store it in cold storages and wait for better prices. The market hubs are integrated with information technology. The Procurement Centre provides logistics and warehousing solutions at the hub, further the farmer has access to scientific measurement instruments, quality testing tools to give better bargaining capacity to the farmers. The one day lead-time is comparatively less than the ordinary market yards which are in operation in the country. The settlement is done on the day of sale and in cash.

Layer -3: A Network of Companies:

The consumers of farmer produce and suppliers of farm inputs like seeds, fertilizers, implements, micro-finance lenders, banks are networked with the farmer. The e-Kiosk centre and Procurement Hub terminals are integrated with dedicated network all over India. Further the data base with hyperlinks to the suppliers, customers and financiers are provided for easy access to farmer.

Digital Initiative:

The digital eco-system is widening with new age connectivity devices and smart phones. The existing stage wise e-Choupal infrastructure will be enabled with digital devices. The fourth generation model will enter the transformation phase by leveraging the information technology to provide wider agriculture services. The digital cash transactions can be done through the rural e-Choupal Haats. The fourth generation e-Choupal 4.0 was in beta stage and proposed to be launched in the middle of the year 2018. The agriculture services pertaining to crop management, farm mechanization, health care, banking and insurance were proposed to be provided. The objectives of digital initiatives

- Awareness mobilization through extensive campaign on digital payments.
- Digital payment through payment gateways
- Discount to customers on purchase of ITC products through cashless transactions.
- Customizing farmers to use digital swiping devices.

Benefits accrued to the farmers:

The CSR initiative of ITC has covered 11 States in India till date, i.e. Madhya Pradesh, Haryana, Uttarakhand, Karnataka, Andhra Pradesh, Telangana, Uttar Pradesh, Rajasthan, Maharashtra, Kerala and Tamil Nadu.

The results published by ITC show remarkable economic gains to the soya farmers in Maharashtra, the handling charges per ton at the procurement centre's is Indian rupees 300 compared with Indian rupees Indian rupees 1,115 at the traditional commission mandi. Similarly, for e-Choupal farmers the yield and profits per hectare for soya farmers has increased from Indian rupees 5,700 to 19, 330 during the period 2000 to 2016. The e-Choupal initiative is big success story in enabling social business and integrating ITC business goals with social business goals. More than 160 companies were reaching the farmers through networking enabled by the e-Choupal. The 23 e-Choupal Saagars spread across India proposes to offers one discount for cashless transactions through digital payments.

Global Compact Principles and ITC Initiative:

The ITC through e-Choupal initiative was in compliance with the Global Compact Principles framed by the United Nations. The ITC e-Choupal initiative fulfilled each of the Global Compact Principles.

Principle

ITC e-Choupal Initiative

Human Rights:

Principle 1: Businesses should support and respect the protection of internationally proclaimed human rights;

Farmers' right to livelihood is protected and encourages social dialogue.

Principle 2: Make sure that they are not complicit in human rights abuses.

Make informed decisions on obtaining information through interactive networks

Labor Standards:

Principle 3: Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining;

Farmers virtual network

Principle 4: The elimination of all forms of forced and compulsory labor;

Remunerative Prices and increase in wage

Principle 5: The effective abolition of child labor; and

Farmers increase in income and send children to schools
No discrimination in enrollment in virtual network

Principle 6: The elimination of discrimination in respect of employment and occupation

Environment:

Principle 7: Businesses should support a precautionary approach to environmental challenges;

Paperless transactions through e-Choupal.

Principle 8: Undertake initiatives to promote greater environmental responsibility; and

Green Technology

Digital payments

Avoid Wastage

Principle 9: Encourage the development and diffusion of environmentally friendly technologies.

Anti-Corruption:

Principle 10: Businesses should work against corruption in all its forms, including extortion and bribery.

Removal of middlemen.

Transparency and Fairness

8 Conclusion

ITC believes in sustainable development, but it can be achieved only by protecting the societal social interest and empowerment. In this connection it formulates business strategy by helping the society to empower and sustain social business it earns profits by selling ITC brand to the stakeholders. The CSR route is used for channel the benefits to the end stakeholders. The strategy for rural

transformation is integrated with business strategy of the Organization. The ITC Limited has established itself as third largest agri-exporter for the year 2016 in India. The e-Choupal has met the objectives of the strategy to provide critical information for price discovery, improve farm productivity and sustainable agri-supply chain to ITC for its food division.

The foods division and agri-division has high brand value products with sizable market share. The penetration of ITC branded products is attributed to its support for social business through CSR initiatives. The CSR initiatives have addressed the issues confronting the rural farmers. The farmer is benefitted through continuous stream of information from the kiosk and has leeway to formulate strategy for better yields, identification of right type of crop and to handle crop diseases. The information on prices increases ability to make rational decisions in purchase of inputs, sales and crop planting.

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