

INCLUSIVE BUSINESS MEASURES: A CASE STUDY OF INDIAN FMCG SECTOR

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Abstract : A significant section of population in the developing nations earns minimal income. India, a developing country, has almost 21% population that earns less than \$1.90 a day. (Census, 2011). People who live on far less than \$2 are classified as Bottom of Pyramid- BoP (Pralhad, 2010). When BoP are involved as stakeholders of the business by using inclusive business innovations, it can boost the consumer and supplier base. This research is an effort to identify how companies can include BoP as their suppliers, customers and distributors. In current scenario, when the country is facing an economic slowdown, measures need to be taken at the grassroot level. Use of resources delivered by BoP can not only help in manufacturing at low costs but will also support this group of population. Different ways for inclusive business used by some of the Fast Moving Consumer Goods (FMCG) companies have been identified. The information from big companies has thereafter been used to suggest how the participation of BoP population can be extended by the companies that have less resources and are not geographically spread to a varied region.

Key Words - India, Inclusive Business, Bottom of Pyramid (BoP), Economy.

I. INTRODUCTION

International Finance Corporation defines Inclusive business as a business that provides goods, services, and livelihoods on a commercially viable basis, either at scale or scalable, to people living at the base of the economic pyramid (BoP), making them part of the value chain of companies' core business as suppliers, distributors, retailers, or customers. IFC's definition of inclusive business excludes BoP employment.

On the other side, people who live on far less than \$2 have been defined as Bottom of Pyramid (Pralhad, 2010). The base of Pyramid population forms a significant part of the Indian economy. In current scenario where we talk about technological and modern innovations, this section of the population is somewhere ignored. If tapped, they can provide a large market for the businesses and can result in inclusion of this section of the society. In India, the population that earns less than \$1.90 a day is categorized as living below the poverty line.

Table 1: Poverty headcount ratio at \$1.90 a day (2011 PPP) (% of population)

Year	1977	1983	1987	1993	2004	2009	2011
Poverty ratio	61.6	54.8	48.9	45.9	38.2	31.1	21.2

Source- (World Bank)

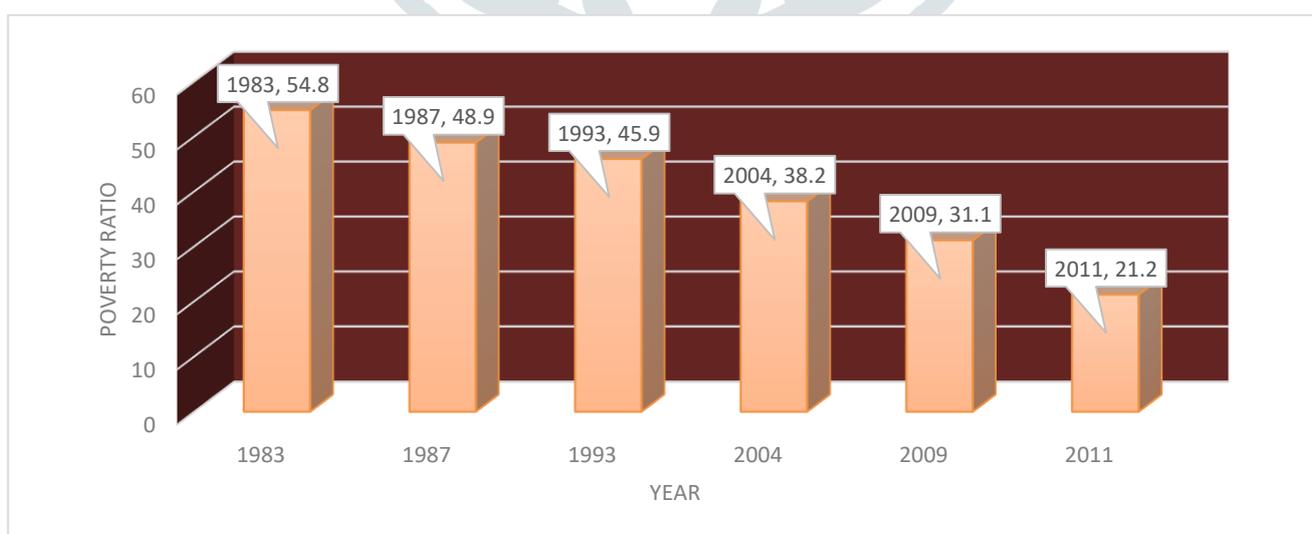


Figure 1: Poor as a Percentage of Population: India

The percentage of Indian population living below poverty lines has drastically reduced over the years. Still, in 2011, more than 20% of the Indian population was categorized as living below the poverty line (Table 1). For BoP, the number is even more when compared with the \$2 criterion. The population in 2011 was 124.72 crores (census, 2011). As such, 24.944 crore of Indian population was living below poverty line. Hence, the BoP counts a relevant number.

II. OBJECTIVES

- To identify the benefits of inclusive business measures.
- To identify inclusive business measures followed by some of the largest FMCG companies of the country.
- To identify the measures that can be taken at the grassroots level by the small and medium businesses.

III. REVIEW OF LITERATURE

- 1) (Bonnell & Filippo, 2011) For inclusive business, the companies need to innovate. They can enter into new markets or create employment for the lower income group, or they can provide low priced goods or services. This encourages entrepreneurship and can also leads to economic growth. Thus the companies can expand access to goods, services, and livelihood opportunities for low-income communities in commercially viable ways. Development of BoP can encourage development.
- 2) (Lashitew, Bals, & Tulder, 2020) Inclusive businesses combine profit making objective of the business with social impact. They encourage poverty alleviation. They allow the entrepreneurs to make innovations for the benefit of society. that combine profit making with social impact are claimed to hold the potential for poverty alleviation while also creating new entrepreneurial and innovation opportunities. The innovations can become sustained in business organizations.

IV. RESEARCH METHODOLOGY

The current research uses case study method. Few topmost companies in the FMCG sector has been selected as it is the 4th largest sector of the Indian economy (IBEF, 2020). FMCG sector contributes to 20% of the GDP. The inclusive business measures taken by these companies have been analysed. To accomplish the objectives, secondary data for this research has been collected from articles, journals, annual reports and websites of the companies. Conclusions and suggestions have been given on the basis of collected data.

V. RESULTS AND DISCUSSION

FMCG sector has accounts to about 20% of the GDP of the country. Many Indian companies in the FMCG sector have been working for many years now. These companies include BoP as their stakeholders and hence include them in the business operations. Inclusive business is separate from the Corporate Social Responsibility (CSR) policies of the company. For inclusive business, the objectives of the company include BoP. Whereas, CSR is what companies do for the society beyond their basic objectives.

Table 2: Inclusive Business efforts by some top FMCG Companies

NAME OF COMPANY	INCLUSIVE BUSINESS MEASURE
Adani (Farm- Pik) apples ²	The apples are produced by 15,000 farmers farmers in Himachal Pradesh. more than 90% these are small and marginal farmers from Shimla, Kinnaur and Kullu valleys spread across 700 villages. The company involves BoP as suppliers.
(Amul)	The Amul dairy co-operative includes 12 million farm members as a part of the supply chain. farmers control processing, controlling and marketing.
(Dabur, 2018-19)	We procure our inputs from reliable and sustainable sources and ensure steady supply of natural ingredients which go into our products. The company covers 44,068 villages in India. It encourages and trains farmers and tribal communities to cultivate herbs and medicinal and aromatic plants and help augment their income. The acts as an additional source of income for the farmers. providing them an economic opportunity and an additional source of income.
(Emami Ltd., 2018-19)	The company promotes the concept of wellness for all and not for just one economic strata. The company includes BoP as both suppliers and customers.
(Hindustan Unilever Ltd.)	The company has the purpose of making sustainable living. The company is creating thousands of job opportunities in remote villages.
(ITC Ltd.)	The company generated six million sustainable livelihoods, many of whom belong to the weakest in society. The company contributes to the development of the nation's economic, social and environmental capital. These together have been titled as the "triple bottom line" by the company.

VI. CONCLUSION

The 'Big' companies in the FMCG sector include BoP as their stakeholders. These companies have greater availability of resources. If small companies also imitate them, a large proportion of BoP will be included in the business process.

VII. LIMITATIONS OF THE STUDY

Conclusions have been drawn on the basis of a limited number of companies in the FMCG sector. There are many other companies that use inclusive business models, that have not been taken as a part of the current study.

The data has been collected from the annual reports of the respective companies. If there are any discrepancies in the provided data, errors might creep in.

VIII. SUGGESTIONS FOR OTHER MANUFACTURING COMPANIES

- Better efforts need to be made to identify the needs of this group.
- The government should make efforts to increase the spending capacity of the BoP.
- The following efforts can be made by the company to include BoP as Suppliers, Distributors and customers-



Figure 2: Suggestive measures for inclusive business

IX. BENEFITS OF INCLUSIVE BUSINESS MODELS

- Better opportunities for the lower income group
- Optimum use of indigenous resources
- Increases the income of BoP which in turn accelerates the entire economic cycle
- Reduction in imports has its own benefits. Imports should be reduced up to the possible extent.
- Availability of material at low cost.

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