

CUSTOMERS PERCEPTION OF CSR IMPACT ON FMCG COMPANIES – AN ANALYSIS

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ABSTRACT

The Corporate Social Responsibility (CSR) is one emerging conception in India, a concept comparatively new to India, in the companies act 2013 strictly admired to inculcate all companies in CSR activities. It has become a essential practice in trading activities and has also achieved the concentration to a great extent in managing the fast moving consumer goods (FMCG) business ventures. It expedites the arrangements of organization activities along with societal and ethical standards. CSR is assumed as a point of junction, from which various necessary activities would be taken to ensure the growth and development of the society and economy and thereby it uplifts the deprived section people. Acknowledging the fact that making the CSR as a mainstream of the businesses would be an instrument for delivering the social values, particularly in a developed cities such as Chennai, Trichy, Coimbatore and so on. This paper aims at empirically evaluating impact of Corporate Social Responsibility (CSR) on personal care product manufacturing FMCG (Fast Moving Consumer Goods) companies based on the perception of the consumers of personal care products. In addition to evaluating the impact, an attempt is also made here to identify the knowledge of consumers on CSR activities, factors considered by them while giving preference to FMCG brands with CSR activities and extent of gains from CSR as perceived by the consumers in the sample.

KEYWORDS: FMCG, CSR Activities, Customers, Perception, CSR Knowledge

INTRODUCTION

In the recent years FMCG companies which are operating their business from corner to corner of the world in one side, on the other side they have concentrated more on public welfare related activities with a view to uphold their brands through interrelating them among the nearby underprivileged people. It stalks from the aspiration to do glowing and get back their own fulfillment, as well as social responsibility of business. CSR is acting as an engine for promoting the societal development and thus corporates having responsibilities over the public in the dynamic world. As far as the Indian FMCG sector is concerned, CSR could be a foundation for creating business prospects, novelty, and to attain spirited benefit. Meanwhile it provides an opening to the business and thus it actively contributes to the continual progress and upliftment of poor villages. FMCG business units operating in Chennai have been relatively sensible in enchanting the CSR projects and amalgamating them in their business practices. Thus, it has increasingly predicted Indian business situation, because the business units have documented well their growing businesses.

Thus CSR creates accountable and enduring associations with the public in and around Chennai.

STATEMENT OF THE PROBLEM

In present context, CSR is being an effectual mode to attain and uphold resonance business atmosphere. By delivering the socially responsible activities, the FMCG business concerns can augment their money-making process and brand name as well as reimburse more to the society. Moreover, business units are need to be accountable to their stakeholders such as customers, shareholders, workers, local inhabitants etc. at the same time as utilizing the wealth of the public. Thus, the CSR practices become charitable in nature, however, Indian Government Parliamentary Standing Committee on Finance and companies act 2013 has enacted that the CSR is mandatory to the companies. The commission has confirmed that, those companies having investment net worth of Rs.500 crore or more than that, or the earnings of Rs.1000 crore and more than it, or a net profit of Rs.5 crore or more through a year shall be necessary to expend at least two percentage of the net profit towards CSR activities every year. However, no typical agenda and guidelines for CSR put into practice. The majority of the business concerns and organizations are tracking the GRI guiding principle, but still there is a necessity to outline typical guiding principle for CSR practices. Hence this study has been made an attempt to study the customers' perception over CSR practices and its impact on FMCG companies.

OBJECTIVES OF THE RESEARCH

- To compare the CSR activities performed by the FMCG Companies
- To analyze the customers' insight over the CSR and its impact on FMCG companies.

METHODOLOGY

Present study is the blend of both primary and secondary data. The primary data were collected from the customers in and around Chennai. The secondary data for the study are the financial statements of the selected FMCG firms across domains. The data has been collected from well approved database like proWess, CMIE, company website etc., The rest would be collected from the publications of journals, magazines, newspapers, related/relevant websites etc.,

SAMPLING TECHNIQUE

The present study has been collected data from select Five FMCG companies based on the Stratified Simple Random Sampling technique. This technique is used widely when the population is heterogeneous in nature. Thus, companies listed in Bombay Stock Exchange (BSE) are heterogeneous in terms of size i.e. total assets and volume of transaction. Hence there are 600 respondents were selected to access their perception towards the CSR activities of selected five FMCG companies in their respective areas.

LITERATURE REVIEW

Dr.C. Vethirajan (2017) revealed that government rules and regulations have played an important role in manipulating the social and business strategies of state-owned companies. On the other hand, compression from the non-government organizations also come into sight that they have taken part in in determining business policies and have

become more dominant over time. Business collobarators can activate a essential modifications in an organization firstly; once CSR apparatus and practices developed well, they can be broaden across the business through the experts meeting and same kind of membership associations, cooperative endeavours and thus it may be accepted by norms.

Rajesh k Yadav and Richa Jain (2016) in their study stated that CSR actions are the efforts carried out by the business concerns to serve back to the the public and from which they make money and turn out to be victorious. Further the study assess the the customers' perception towards the CSR activities provided by Reliance Life Insurance with 80 senior officials from the human resource department. The result of the research showed that since delivering the CSR activities there is a crucial augment in the business concert and a affirmativ'e customers perception towards Reliance Life Insurance. Thus consumers are aware and looking forward to transaction with the business units which are providing CSR activities to the society.

Jayati Sarkar and Subrata Sarkar (2015) concluded the possible implication for mandating the CSR in India by the Companies Act, 2013. Thus firms' enticement, likely reactions of companies that will come underneath the sphere of the law. Further, resource accessibility, deliverance of societal supplies, prospects and challenges of mandating and put into practice the CSR have discussed. impending into these concerns are pinched by experimentally the CSR behavior of 500 big companies scheduled in BSE for the period of 2003-2011 that predates the latest directives. The paper also discussed that in spite of the possible profits that may go along with mandating the CSR, the necessities of the new law is designed attentively to equalise the objectives of the business and its shareholders. Though, the study addressing the confronts in implementing the CSR productively would decide how far the objectives of the fresh policies are meet

ANALYSIS AND DISCUSSIONS

FMCG Companies towards CSR Activities - Factor Analysis

The CSR activities is a service oriented unit it provides facilities to the undeveloped nearby areas area. It provides all kinds of services to the CSR, which give satisfaction to them.

There are nineteen measures identified by the researcher and ask the respondents were asked to tick their beneficiaries in the respective column. The researcher has used a multi variant technique by name factor analysis to categorize the related variables. In this study, the principal component factor analysis method with varimax rotation is used to identify the significance of different variables of the opinions of the beneficiaries towards the CSR activities in around chennai. The results are shown in Table 1

Kaiser – Meyer – Olkin (KMO) and Bartlett's Test - Factor Analysis

Factor analysis has incorporated in this study to name the variables based on their similarity. To access the consumer knowledge on CSR activities, the investigator has applied principal component analysis to cluster the variables. It is a method used to reduce the data, based on the the percentage of variance of an item.

Table 1: Consumers' Knowledge on CSR Activities

KMO and Bartlett's Test		
Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		.921
Bartlett's Test of Sphericity	Approx. Chi-Square	3.230
	Df	56
	Sig.	.001

Table 1 shows that the value of KMO is .921 and it points out that common variance amongst the variables are fairly high, hence factor analysis can be conducted.

Table 2: Consumers' Knowledge on CSR Activities

Item No	Description of Items	Factors			
		1	2	3	4
16	Play a role in society that surpasses the mere generation of profits	0.869			
13	Facilitate solutions for social problems	0.862			
15	Apportion some resources to philanthropic activities	0.853			
14	Contribute to the management of public affairs	0.848			
5	Ensure that employees act within the standards defined by the law		0.770		
8	Always follow the principles defined by the regulatory system		0.707		
7	Abstain from manipulating the law even when it helps improve performance		0.595		
6	Abstain from personal gain on contractual obligations		0.500		
11	Commit to a well-defined set of ethical principles			0.796	
10	Ensure that respect for ethical principles has priority over economic performance			0.782	
12	Avoid compromising ethical standards to achieve corporate goals			0.611	
9	Allow ethical concerns to negatively affect economic performance			0.573	
2	Strictly control production costs				0.731
1	Maximize profit as the primary goal				0.720
3	Establish a plan for long-term success				0.700
4	Improve economic performance				0.514
Factor Label		Philanthropic Responsibility	Legal Responsibility	Ethical Responsibility	Economic Responsibility

Source: Primary Data

The items 11 (Commit to a well-defined set of ethical principles), 10 (Ensure that respect for ethical principles has priority over economic performance), 12 (Avoid compromising ethical standards to achieve corporate goals) and 9 (Allow ethical concerns to negatively affect economic performance), which are symbolizing the ethical aspects, are highly loaded

on third factors and therefore, this factor is identified as consumer awareness on “**ethical responsibility**” in CSR activities. The fourth and final valid factor is highly loaded by four items, viz., 2 (strictly control production costs), 1 (maximize profit as the primary goal), 3 (establish a plan for long-term success) and 4(improve economic performance). These four items are related to production, profitability and economic aspects. Therefore, the fourth factors is denoted as consumers awareness on “**economic responsibility**” in CSR activities. On the whole, it is found that there are four factors predominant in the scores (data) of consumers’ knowledge on CSR activities, viz., Philanthropic responsibility, Legal responsibility, Ethical responsibility and Economic responsibility.

Table 3: Consumers’ Preference to FMCG Brands with CSR Activities

KMO and Bartlett's Test		
Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		.881
Bartlett's Test of Sphericity	Approx. Chi-Square	4.111
	Df	50
	Sig.	.001

Table 3 shows that the KMO is 0.881 which indicates that the degree of common variance among the variables is quite high, therefore factor analysis can be conducted.

Table 4: Consumers’ Preference to FMCG Brands with CSR Activities

Item No	Description of Items	Factors			
		1	2	3	4
9	Strives to offer its Consumers products of reasonable quality	0.894			
8	I think that the brands of CSR companies have superior quality	0.891			
11	Charges fair and reasonable prices for its products	0.881			
12	The performance my favourite CSR brand is as per my expectation	0.879			
10	Provides Consumers with honest and complete information about its products	0.873			
4	A brand with strong CSR support would be my first choice		0.841		
6	I will also buy other brands which are not involved in CSR		0.833		
7	I will recommend my current Favourite CSR brand to others		0.820		
5	I will not go for another substitute brand if my favourite CSR brand is not available in the market		0.813		
15	Contributes to the long-term welfare and life quality of people in the region			0.891	
13	I am preferring brands due to its good social cause			0.878	

Table 4 Contd.,					
14	Respects the values, customs and culture of the region			0.864	
2	Strives to minimize the consumption of resources that affect the natural environment				0.850
1	Reduce its negative effects on the natural environment				0.847
3	Works diligently to use environmentally friendly materials				0.845
Factor Label		Quality products with Fair Price	Brand loyalty	Community development	Environmental Protection

Source: Primary Data

Table 4 explains that the third factor is highly characterised with high loadings by items 15 (Contributes to the long-term welfare and life quality of people in the region), 13 (I am preferring brands due to its good social cause) and 14 (Respects the values, customs and culture of the region) in the given order. These three items have explored quality of life, social cause and culture in the region which are part of development in the community and hence it is named after “**community development**”.

The fourth factor is loaded highly by the remaining items 2 (Strives to minimize the consumption of resources that affect the natural environment), 1 (Reduce its negative effects on the natural environment) and 5 (Works diligently to use environmentally friendly materials), which are used to measure the environmental aspects of the FMCG companies in CSR activities. So, this factor is christened as “**environmental protection**”. On the whole, it is found that the preference to FMCG brands with CSR activities given by consumers is based on four major aspects, viz., product quality and fair price, brand loyalty, community development and environmental protection.

CSR Activities – Comparison by FMCG Company

The consideration of various factors while giving preference to FMCG brands with CSR activities is compared across consumer groups of five different FMCG companies and the results of the analysis are given in Table 5.

Table 5: Consumers’ Preference to FMCG Brands with CSR Activities – Comparison by FMCG Company

Factors of Preference	FMCG Company					F Value (DF = 4, 595)
	ITC	Godrej	HUL	Dabur	Colgate	
Quality products with Fair Price	3.37	3.47	3.52	3.62	3.57	1.29
	(1.03)	(0.96)	(0.97)	(0.98)	(1.03)	
Brand loyalty	3.87	4.09	4.02	4.11	4.04	2.81*
	(0.82)	(0.64)	(0.67)	(0.59)	(0.59)	
Community development	3.63	3.80	3.66	3.87	3.92	2.93*
	(0.84)	(0.79)	(0.91)	(0.80)	(0.76)	

Table 5 Contd.,						
Environmental Protection	3.52	3.73	3.67	3.79	3.60	2.60*
	(0.77)	(0.76)	(0.81)	(0.67)	(0.84)	
All Factors of preference	3.58	3.75	3.71	3.83	3.77	4.32**
	(0.60)	(0.50)	(0.54)	(0.50)	(0.51)	

Source: Primary Data; Figures in Brackets are Standard Deviations

*Significant @5% level; **Significant @1% level.

According to the table 5, the consumers of all five FMCG companies have agreed that they have considered brand loyalty, community development, environmental protection and also all factors together while giving preference to FMCG brands, But the level of consideration differ significantly. The consumers of ITC and Godrej companies have not given much importance to quality products with fair price while those of HUL, Dabur and Colgate have given much importance to it, which differ significantly. In sum, it is found that the extent of considering quality products with fair price, brand loyalty, community development and environmental protection while giving preference of FMCG brands with CSR activities differ significantly among consumers of different FMCG companies.

Consumers' Perception on Impact of CSR on FMCG Companies

Table 6 depicts the loadings of items with five valid factors. As depicted in the table, the loadings of items 16 (Our company could easily create revenue streams due to CSR), 15 (Better community relations result in better profit for the company) and 14 (Our company has done lot of cost savings because of CSR) with first factors are more than the minimum required level of 0.40 and higher than that of these items with other remaining factors. All these three items identify the revenue status, profitability and cost savings of the FMCG companies and therefore this factor is labelled as "Cost Savings & Better Profit"

Table 6: Consumers' Views on Impact of CSR on FMCG Companies

No	Description of Items	Extracted Factors				
		1	2	3	4	5
16	Our company could easily create revenue streams due to CSR	0.897				
15	Better community relations result in better profit for the company	0.892				
14	Our company has done lot of cost savings because of CSR	0.886				
10	Our company value system has improved due to CSR		0.858			
8	CSR initiatives adopted by company has promoted corporate image among the competitors		0.845			

Table 6 Contd.,						
7	The company's CSR initiatives help create brand awareness		0.844			
9	CSR initiatives results in goodwill of the company		0.813			
11	CSR has created an environmentally friendly technology and process for production			0.895		
12	Eco friendly Innovative products have resulted in our company due to CSR efforts			0.879		
13	Our company has easily complied with the standards and regulations based on CSR			0.878		
6	Improvement in Consumer satisfaction development through continuous interactions due to CSR				0.873	
4	Market share has increased substantially due to CSR initiatives				0.868	
5	CSR initiatives has led to higher consumer satisfaction				0.862	
2	CSR activities has increased production					0.883
3	Quality of products has improved due to CSR					0.870
	Factor Label	Cost Savings & Better Profit	Create Brand Awareness & Goodwill	Resulting In Eco-Friendly Innovative Products	Increase In Market Share And Improved Consumer Satisfaction	Increased Production Of Quality Products Due To Ethical Motivation

Source: Primary Data

With second factor, the items 10 (Our company value system has improved due to CSR), 8 (CSR initiatives adopted by company has promoted corporate image among the competitors), 7 (The company's CSR initiatives help create brand awareness) and 9 (CSR initiatives results in goodwill of the company), which exposes company value, corporate image, brand awareness and goodwill, are highly loaded. Based on the characteristics of these items, the second factor is christened as "Create Brand Awareness & Goodwill".

The loading of items, 11 (CSR has created an environmentally friendly technology and process for production), 12 (Eco friendly Innovative products have resulted in our company due to CSR efforts) and 13 (Our company has easily complied with the standards and regulations based on CSR) with third factor is higher than that of these items with other factors. These three items expose the environmental friendly production process, eco-friendly innovative products, standard and regulations. So, this factor is named after "Resulting in Eco-friendly Innovative Products". The fourth factor

is highly contributed by items 6 (Improvement in Customer satisfaction development through continuous interactions due to CSR), 4 (Market share has increased substantially due to CSR initiatives) and 5 (CSR initiatives has led to higher consumer satisfaction) in the specified order and these three items possess the information relating to customer / consumer satisfaction and market share of the FMCG company. Therefore, the fourth factor is named as “Increase in Market Share and Improved Customer Satisfaction”. Due to high loadings of items 2 (CSR activities has increased production), 3 (Quality of products has improved due to CSR) and 1 (Ethical motivation of company has increased due to CSR initiatives) with fifth factor, which are used to measure increased production, improvement in quality of products and ethical motivation of the FMCG companies, the fifth and final factors is assigned with name as “Increased Production of Quality Products due to ethical motivation”. On the whole, it is found from the factor analysis results that the consumers in the sample have viewed the impact of CSR on FMCG companies in five different ways, viz., Cost Savings & better profit, Create Brand awareness & goodwill, Resulting in Eco-friendly Innovative Products, Increase in Market Share and Improved Customer Satisfaction and Increased Production of Quality Products due to ethical motivation.

RECOMMENDATIONS

In order to make the CSR is increasingly serve and benefit, the subsequent implications are given:

- It is established that there is a necessity for creating consciousness about CSR among the ordinary public is necessary.
- It is renowned that affiliation among all stakeholders together with the private sector, workers, neighboring group of people, the Government and the public in common are not effective or not effectively operational at the grassroots level in the CSR domain. It is suggested that suitable actions need to be taken to speak the issues of constructing effective way amongst stakeholders for the booming completion of CSR efforts. As a result, sustainable and possible CSR activities should be construct into the existing and prospective policy of all stakeholders concerned in CSR initiatives.
- allotting the finance for care for CSR as an asset from which proceeds are anticipated.
- Supervising CSR activities and liaise intimately with the execution of partners such as NGOs should make sure that efforts really bring the preferred results.
- A long term viewpoint by organisations includes the obligation to both domestic and outside stakeholders will be dangerous to the achievement of CSR and the aptitude of companies to bring on the goals of their CSR strategy.

CONCLUSIONS

CSR is actually about make sure that the company can produce on a sustainable base to ensure the equality to all its stakeholders, since CSR has come a long way in India. It has productively integrated with business, society and the surrounding. For the sustainable development of the society, companies have obviously demonstrated their capabilities in improving the society and quality of life. However, it is hard to an individual entities to make changes in the prevailing social structure of the country. But still, organizations have their own strategical planning, technical proficiency, human resource and financial support for delivering the socially responsible measures to the society.

Though, both the corporates and NGOs should join together for achieving faster social development within short span of time.

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