EFFECT OF CORPORATE SOCIAL RESPONSIBILITY ON FMCG (FAST MOVING CONSUMER GOODS) COMPANIES ON THEIR BRAND IMAGE

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Abstract :

The emergence of corporate social responsibility(CSR) has opened up for businesses to pursue. It is a give and take policy where the organizations utilize the society for making profits and in return they spend part of their profit for the benefit of the society. Brands have now used CSR as a means to connect more customers and to create a positive image towards the brand. In fact, these organizations are spending their advertisement budgets to create awareness among the consumers on their CSR initiatives. Moreover, organizations have also realized CSR as a tool to attract investors and build overall worth. The purpose of this study is to review different literatures that studied the impact of CSR on brand equity.

IndexTerms - CSR, Brand, Brand equity, Ethics, Positive CSR, Consumers, stake holders, Investors.

I. INTRODUCTION

Corporate social responsibility has become an important focus of attention among companies in this corporate era. With the advent of the era of globalization and cut throat competition, concern of the companies towards the society has improved. The European Commission defines CSR as "A concept whereby companies decide voluntarily to contribute to a better society and a cleaner environment. This is done by integrating social and environmental concerns in their business operations and in their operations and their interactions with their stakeholders on a voluntary basis." CSR has become increasingly prominent in the Indian corporate scenario because organizations have realised that besides growing their business it is also vital to build trustworthy and sustainable relationship with the community at large. Corporate social responsibility is about businesses transforming their role merely selling products and services with a view to making profits and increasing their revenue, to the development of a society through their abilities of generating capital and investing it for social empowerment. The disciplines of economics and sociology would be interested in knowing if the resources of the society are efficiently utilised, what the corporate returns to the society for utilizing its resources and if the society recognises those doing good to them. The study would benefit the disciplines of politics and public administration to frame policies and provide guidelines for companies to involve in corporate social responsibility which in turn is expected to benefit them.

1.2 STATEMENT OF THE PROBLEM

Corporate social responsibility is expected to create a landing place in the mind of the target consumers. Using CSR in branding is based on the assumption that CSR as a branding tool, will evoke a positive consumer attitudes towards the brand and that these attitude will create a positive corporate image, which will lead to positive and loyal customers. The purpose of the study is to understand consumer perception on corporate social responsibility towards consumer attitude and purchase behaviour. It investigates the efficiency of corporate social responsibility initiatives of FMCG companies creating positive brand image in the minds of consumers.

1.3 IMPORTANCE OF THE STUDY

The concept of corporate social responsibility has gained extensive consideration in recent years. Nowadays firms are using CSR to gain a competitive advantage and to establish long lasting relations with its stakeholders. Although CSR is much popular in the development world but the potential benefit of CSR are less highlighted in the developing markets like India. In India Ministry of Corporate affairs had released voluntary Guidelines on CSR in 2009 as the first step towards mainstreaming

the concept of Business Responsibilities. As per Section 135 and schedule VII of the Companies Act 2013 as well as the provisions of the companies (Corporate Social Responsibility policy) Rules, 2014 every company, private limited or public limited, which either has a net worth of Rs 500 crore or a turnover of Rs 1000 crore or a net profit of Rs 5 core, needs to spend at least 2% of its average net profit for the immediately preceding three financial years on corporate social responsibility activities. Companies therefore engage in CSR as a result of changes in and increased pressure from regulators and society. In recent years, corporate social responsibility has been the subject of increasing public scrutiny and consumers have become more concerned about whether enterprises are contributing to the betterment of the society. Hence the notion of CSR will undoubtedly persist in being and many varieties, sorts and forms of social

1.4 OBJECTIVES OF THE STUDY

The following are the objectives of the study:

1. To analyse the extent to which the CSR initiatives of FMCG companies affect their brand image.
2. To analyse the positive brand attitudes if created by CSR, affect the consumer's purchase   decisions of FMCG brand.
3. To identify the dimensions of CSR that has got the highest impact on brand image.

1.5 HYPOTHESES

1. There is no significant difference between the mean rank towards the consumers opinion regarding the preferred aspect of CSR.
2. There is no relationship between brand image of FMCG companies created by CSR and the purchase decision of product of those companies.
3. There is no significant difference between mean rank towards the dimension of CSR that has got the highest impact on brand image
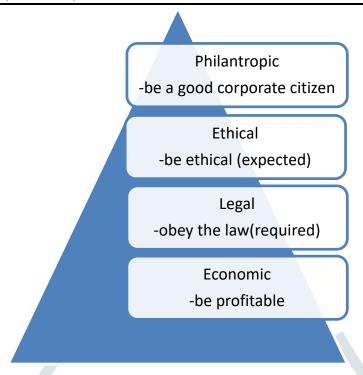
1.7 METHODOLOGY

The study entitled "EFFECT OF CORPORATE SOCIAL RESPONSIBILITY OF FMCG COMPANIES ON THEIR BRAND IMAGE" is an exploratory study based on primary and secondary data. Primary data was collected from respondents with the help of an interview schedule and secondary data relating to the study was collected from the internet, journals, magazines, reference books etc.. The data was analysed and presented by using percentages, tables, chats, diagrams, composite indices, Linker's scaling technique, Friedman test, Oneway ANOVA, one sample t test, correlation test.

2.0 REVIEW OF LITERATURE

2.1 CORPORATE SOCIAL RESPONSIBILITY

Social responsibility has been defined and conceptualized in many dimensions by different writers, researchers etc. During the 1950s the pioneer of the CSR concept Bowen explained CSR as "the obligations of businessmen to pursue those policies, to make those decisions, or to follow those lines of action which are desirable in terms of the objectives and values of our society" **(Gualtieri & Topic, 2016).** During 60s the discussion and study about CSR started being beneficial and several researchers (such as Davis, Johnson & Manne) started to argue for CSR strategy as a tool for profit maximizing and requested by the society. In the early 80s the concept of CSR started to gain popular and support as a possible business opportunity to create wealth by serving the society **(Kashyap & Mir).**

The CSR concept has constitute a wide range of economic, legal, ethical and philanthropic (discretionary) activities of business performance at a given point in time, without any hierarchic order **(Carroll, 1979; Carroll, 1991).** Carroll (1979) was one of the first researchers who debated and had a big influence on the CSR concept. He claimed that the economic category was the most important within social responsibility, and the other three were ranked in the following decreasing order of importance: legal, ethical and philanthropic. Carroll (1991) developed the most known and a leading paradigm of CSR in the in the management field: The Pyramid of Corporate Social Responsibility:

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                    Philantropic
                -be a good corporate citizen

                    Ethical
                -be ethical (expected)

                    Legal
                -obey the law(required)

                    Economic
                -be profitable
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The fundamental responsibility of all businesses is the economic responsibility where a business must produce and sell what the society requires to fulfil the economic mission. This economic issue must operate under a legal responsibility of laws and regulations. Both the economic and the legal responsibilities must embrace the ethical norms, but there are also other ethical activities that are not well defined and are above the legal requirements. However, the CSR activities requested by the society are expected to be followed. The stakeholder's image of the company encourages ethical standards. The ethical responsibilities imply that organizations should produce goods and services that are demanded and desired by customers at, for example, a reasonable price and in an efficient way **(Valentzas & Broni, 2010).** The philanthropic responsibility consists of individual business discretion, where societal expectations must be taken into consideration. The implemented activities within this dimension are voluntary **(Carroll, 1979),** e.g. avoiding hazardous waste within the service industry or being involved in community issues. These four types of social responsibilities form what is called CSR **(Iamandi, 2007).** By designing a good CSR strategy companies create an exclusive and an explicit position in the market by establishing a definite company image that is recognizable by their customers **(Valentzas & Broni, 2010).**

Another famous model by Wartick and Cochran (1985) traced the evolution of the corporate social performance model by focusing on three challenges of the CSR concept, instead of four as in The Pyramid of Corporate Social Responsibility. These three are: economic responsibility, public responsibility, and social responsiveness **(Wartick & Cochran, 1985).**

During the early 90s, Elkington contributed to the research of CSR and developed and composed a new framework. This framework is called The Triple Bottom Line (TBL), also known as the 3P, and is more focused on sustainability issues. The framework includes not only profitability aspects but also helps to measure and identify the impact of the business on environmental and social dimensions. Elkington's model concentrates on performance along the interconnected dimensions of profit (financial), people (social) and the planet (environmental), which are the tools for achievement of sustainability. Making money is essential but it must also work harmoniously in the aspects of people and planet; it is important to take the employees and the community (people) into consideration and being cost effective (profit), but at the same time consider the cost of polluting (planet) when making decisions within the company. TBL measurements for sustainability are not standardized and can be accommodated depending on the project, industry sector, business goal, entity etc. **(Slapper & Hall, 2011).**Friedman (1970) is known for claiming that social responsibility of a business is a strategy for increasing its profit, where someone have to pay for it (usually consumers or employees). Since the CSR concept intends to increase profits, the priority, according to Friedman, is to increase the shareholder value. **Uddin, Hassan and Tarique (2008),** on the other hand, refer to Friedman's definition of CSR and mean that: as the strategy increases profit, CSR is not a threat to achievement of economic goals of a corporation, the CSR concept is rather an opportunity.

Nowadays, social responsibility is an important factor to customers and shareholders. Since businesses only make profit when products and services are being consumed by the society, a business must run its activities in a socially acceptable way to maintain a long-term relationship and long-run sustainability of the business **(Uddin, Hassan & Tarique, 2008).** Companies are learning that good governance and CSR is no longer a choice that can be made by companies, nor is it an added cost to the company **(Jhunjhunwala, 2014).** Similarly, **Jhunjhunwala (2014)** argues that firms need to develop and integrate CSR into their business strategy for a long-term success, due to the social request by customers and shareholders. A study by **Mahonet and Thorne (2005)** examined the link between CSR and long-term compensation for 90 publicly traded Canadian firms. The results showed that executives' long-term compensation (efforts done by executives on optimizing long term progress) was positively related to CSR and significantly associated with the firm's environmental action **(Mahonet & Thorne, 2005).**

3.0 TESTING OF HYPOTHESIS

3.1 Hypothesis 1

H_0: There is no significant difference between mean ranks towards customer preference regarding implications of CSR.
H_1: There is significant difference between mean ranks towards customer preference regarding implications of CSR.

Implications of CSR	Mean Rank	Chi square	P value
Contribute to charitable purpose	3.60		
Care about consumers and employees	3.03		
Participate in community services	3.97		
Care about people, environment and profit	3.98	**62.207**	**.000****
Behave ethically	3.08		
Comply with law and regulation	4.87		
Maximize shareholders	5.47		

Source: primary data
** 1% level of significance

The P value is less than .01 and hence the null hypothesis is rejected at 1% level of significance. Hence concluded that there is significant difference between mean rank towards customer preference regarding the dimensions of CSR .Based on the mean rank care about consumers and employees (3.08) are the most preferable implications of CSR by the of FMCG companies ,and the least preferable implication of CSR are maximise shareholders value.

3.2 Hypothesis -2

H_0: There is no relationship between purchase decision of products or services of FMCG companies with good CSR performance and their brand image
H_1: There is relationship between purchase decision of products or services of FMCG companies with good CSR performance and their brand image.

Variable		Purchase decision	Brand image
Purchase decision	Pearson Correlation	1	.673**
	Sig. (2-tailed)		.000
	N	60	60
Brand image	Pearson Correlation	.673**	1
	Sig. (2-tailed)	.000	
	N	60	60

Source : primary data

**. Correlation is significant at the 0.01 level (2-tailed).

Since p value is less than .01, null hypothesis is rejected at 1% level of significance. Hence concluded that there is relationship between purchase decision of products or services of FMCG companies with good CSR performance and their brand image. The correlation coefficient between purchase decision and brand image is .673 which indicates 67.3% positive correlation between purchase decision of products or services of FMCG companies with good CSR performance and their brand image.

3.3 Hypothesis -3

H_0: There is no significant difference between mean ranks towards the dimension of CSR that has got the highest effect on brand image.

H_1: There is no significant difference between mean ranks towards the dimension of CSR that has got the highest effect on brand image.

Dimension of CSR	Mean Rank	Chi square	P value
Economic	3.12		
Legal	2.80	41.300	.000**
Ethical	1.68		
Philanthropic	2.40		

Source: primary data

** 1% level of significance.

The p value is less than .01 and hence the null hypothesis is rejected at 1% level of significance and concluded that there is significant difference between ranks towards the dimension of CSR that has got the highest effect on brand image. Based on the mean score, ethical (1.68) dimension of CSR that has got the highest effect on brand image.

3.4 Result of the hypothesis testing

➢ The first hypothesis 'there is no significant difference between mean rank towards customer preference regarding implications of CSR' is tested by using the test static Friedman test and it generated a p value .000. Hence the null hypothesis is rejected and accepted the alternative hypothesis that there is significant difference between mean rank towards customer preference regarding implications of CSR.

➢ The second hypothesis 'there is no relationship between purchase decision of products or services of FMCG companies with good CSR performance and their brand image'is tested using test static correlation and it generated a p value .000. Hence concluded that there is relationship between purchase decision of products or services of FMCG companies with good CSR performance and their brand image.

➢ The third hypothesis, 'there is no significant difference between mean ranks towards the dimension of CSR that has got the highest effect on brand image', is tested by using the test static Friedman test and it generated a p value .000. Hence the null hypothesis is rejected at 1% level of significance and accepted the alternative hypothesis and concluded that there is significant difference between ranks towards the dimension of CSR that has got the highest effect on brand image.

4.0 CONCLUSION

Today, as customers and society are becoming more concerned with social related issues, thus the importance of CSR is increasing as well. Many corporate are engaged in different CSR activities to meet demand and requirement of its various stakeholders including society. By communicating this engagement to customers, CSR has become a strategic marketing tool to enhance the brand image. Nowadays, the competition between companies has become stronger and corporate social responsibility become a positive marketing tool to cope up with the competition strongly by creating brand image and their by brand loyalty. To enhance the brand image, it is important to consider the customer's way of identifying with the brand.

 Since the studies within this area are limited in number and scope, this specific research area was chosen. The purpose of this study 'EFFECT OF CORPORATE SOCIAL RESPONSIBILITY ON FMCG COMPANIES' was to explore CSR and its different dimension's effect on brand image within FMCG companies to increase the understanding of CSR as a marketing tool for creating brand image .this study leads to the conclusion that corporate social responsibility have great influence on creating brand image for the products of the companies with good CSR performance.

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