



Corporate Social Responsibility and Its Effect on Brand Image in The FMCG Sector

Dr. Jagdish Kumar Sahu, Assistant Professor, Department of Commerce, Maharaja Agrasen International College, Raipur, Chhattisgarh

Abstract

The concept of Corporate Social Responsibility (CSR) is one of the most crucial strategies adopted by companies in the fiercely competitive markets especially the exciting ones in the Fast-Moving Consumer Goods (FMCG) industry. This paper looks at the link between CSR practices and brand image and discusses the role that socially responsible activities play in the formation of consumer perception and consumer. The study concludes with descriptive statistics and hypothesis test that CSR initiatives including environmental sustainability, community development and ethical business practices have positive effects on brand trust and image. The results suggest that companies dealing with visible CSR programs obtain long term benefits for retention of consumers and competition.

Keywords: Corporate Social Responsibility (CSR), Brand Image, FMCG Sector, Consumer Perception, Ethical Marketing, Sustainability.

Introduction:

Today, Corporate Social Responsibility (CSR) is more than a voluntary act of philanthropy, instead CSR is a strategy need of a business. Business organizations across the world, and within consumer-based industries (often referred to by their business community as Fast-Moving Consumer Goods or FMCG), are constantly under pressure to incorporate their business processes within social, ethical and environmental norms and principles. FMCG is a very competitive industry, and there are several brands which sell similar product with similar prices. Consequently, brand differentiation is no longer solely dependent upon the quality or price of the product but rather, the intangible factors such as CSR efforts are playing a major role in influencing consumer choices.

One can broadly define CSR as the role of firm to act in a way which will improves the society and environment as against to the deterioration of the same. Sustainable packaging, waste reduction, fair trade sourcing, community development projects, and ethical labor practices are some of the common examples of CSR practices in the FMCG sector. These campaigns not only showcase the values of a company but they also have an impact on the way that people view a particular brand. In a world of buyers becoming more and more socially aware, companies that engage in real CSR activities tend to have a better brand image, customer confidence and brand loyalty.

A range of multinational FMCG corporations, including Unilever, Nestle and Procter and Gamble, have made CSR a part of their fundamental business propositions and show that social responsibility and profitability don't have to be mutually exclusive. Companies such as ITC, Hindustan Unilever and Dabur had also put in place CSR like rural development programs, environmental sustainability programs in India as well. Such programmes are portraying CSR as not a charity programme but as a brand positioning and reputation building programme.

On top of this, consumer awareness has increased tremendously, thanks to the added benefit of being able to access information easily through digital and social media platforms. Modern consumers are better educated about the ethical conduct of a business and want generally to shop in the segments that align with their own values. Positive brand image developed in the process of CSR activities may therefore represent an important contributing factor in the influencing consumers purchasing behaviour in the FMCG industry.

While the role of CSR is growing in importance, there's debate as to how much impact it has on the brand image and consumer behaviour. In some studies, CSR has been considered more



of a marketing tactic with little effects while others have cited CSR's benefits in the long run, in terms of establishing trust and loyalty. This study attempts to address this gap by examining the relationships between CSR efforts and brand image in the consumer goods industry, both from a statistical standpoint and consumer perception standpoint.

Literature Review:

Studies of Corporate Social Responsibility (CSR) in India have moved from conceptual studies on the issue in the early part of the 21st Century to empirical studies of motivations, activities, reporting, and performance effects in the 2010s and beyond. The initial analysis explored the Indian environment and stated that CSR was not a new opportunity, it was only the strengthening the traditional philanthropy. Indeed, Balasubramanian, Kimber and Siemensma (2005) have shown that the attitude towards CSR of Indian firms is on a continuum, between compliance and giving altruistically on one hand and more strategic, more responsive to stakeholders on the other, which reflected a change or transition period in which global notions were reconciled with local norms. In keeping with this, a study done by Arora and Puranik, 2004 on the historical roots of CSR in India (trusteeship, philanthropy), maintained that globalization and liberalization scenarios were changing firms towards the organized CSR in a path with company strategy and the demands received from the stakeholders. About the same period, Sagar and Singla (2004) pointed out that trust is the mediating factor in CSR and stakeholder relations and that believable CSR communication and genuine interaction enhances reputational capital.

An institution and policy-related strand was done to assess the CSR in India in the context of international frameworks. Chahoud et al. 2007 discussed the role of UN Global Compact and found it to be soft guidance and visibility though the effectiveness required local adoption, monitoring and integration into business operations. In their analysis they identified familiar theme to the India CSR journey as voluntary principles build awareness but the impact can be seen through governance, transparency and alignment with business processes.

The time from the end of the 2000s was also the beginning of empirical research, storing perceptions and practices. Surveying Indian stakeholders, Narwal and Sharma (2008) found that, although there was lopschedom awareness, depending on the area (environment, community, labor), stakeholders are in general positive toward CSR. In his research on the leading Indian firms, Gupta (2011) not only found increasing formalisation in their CSR policies, allocated budgets and reporting to their stakeholders, but also observed inconsistent depth in their policy, strategy and means of assessment. Singh and Agarwal (2013) went further to identify practices-what one would observe on the ground-by firms and sectors, where there is wide current activity in health, education, and environment, mirroring development preoccupations at the national level and thus reflecting reputational incentives and social demands.

Parallel work, related to CSR, with business results. Mishra and Suar (2010) provided strong evidence the correlation between CSR and the enhancement of the firm performance for Indian firms, which provide the idea that doing well by doing good proposal in an emerging economy. According to Bihari and Pradhan (2011) these trends were also evident in the Indian banking sector as CSR was related to performance and reputational differentiation particularly salient in an industry that relies on trust. Arekar et al. (2012) have narrowed the association when it comes to brand outcomes stating that CSR significantly influences brand image - which is a key linkage one encounters in Consumer Facing Industries like FMCG, where the significance of brand image and brand perception are still very exploitable and affected by the sign of ethics and ecology.

Communication and motivation proved important keys to CSR effectiveness. Dhanesh (2015) examined drivers of CSR in India such as moral commitments and regulatory nudges,



strategic benefits, and focus on transparent and dialogic communication for converting CSRs activities into stakeholder trust and legitimacy. Profiling the initiatives of major Indian businesses in the fields of health, education and environment, Sharma and Kiran (2013) established that visible and locally-based initiatives can build credibility and a social license - especially when they focus on salient issues that matter for the community, and when these are communicated in a consistent way.

This was catalysed by The Companies Act 2013 (Section 135). Mukherjee and Bird (2016) reported about the post-mandate developments including the way in which legal imperatives enabled formalisation, board-level control and focusing of impacts, while suggesting box-ticking and inequitable measuring of impact. In its national survey for CSR reporting (2017) while KPMG found that quality of disclosures has been increasing, projects are becoming better articulated and priorities on Schedule VII are becoming better aligned, it also highlighted the need to go far beyond input/output reporting with more impact assessment and outcome metrics.

In the late 2010s, performance finance linkages and governance quality got increasingly entwined into literature. Kumar and In the literature, there seems to be a kind of homogenous pattern: CSR nowadays in India have been transformed into a more strategized, controlled and communicative process. CSR, if sincere, properly managed and expressed, maximizes trust, incorporating a credible brand image, potentially returning to an increased performance from financial information. In the case of FMCG companies, specifically, which have people at the forefront to consider, the implication of this body of literature suggests that the most effective initiatives are ones generated from a credible company backed by effective reporting and stakeholder involvement which will most likely lead to sustainable brand equity.

Objectives of the Study:

- To examine the impact of Corporate Social Responsibility (CSR) initiatives on the brand image of FMCG companies.
- To analyze consumer perceptions and attitudes toward CSR practices adopted by FMCG firms.
- To evaluate whether CSR activities influence customer loyalty and trust in the FMCG sector.

Hypothesis:

- **H₀ (Null Hypothesis):** CSR has no significant effect on brand image in the FMCG sector.
- **H₁ (Alternative Hypothesis):** CSR has a significant positive effect on brand image in the FMCG sector.

Research Methodology:

The research methodology presents the methodological system for the study of the relationship between the two variables Corporate Social Responsibility (CSR) and brand image in the FMCG industry. It also covers research design, population and sampling, different methods of data collection, and tools and statistical methods for data analysis.

1. Research Design

The research design used for this study is descriptive and quantitative. Quantitative methods will be used to quantify the relationship between CSR and brand image with the application of statistical tools while descriptive research is used to get the perception of the consumers regarding CSR Initiatives in the FMCG Sector. This will be done in a two-fold manner with the hope that we will have a broad picture of the issue.

2. Population and Sample

The population for the study is the consumers of FMCG products who belong to different age



groups and different income and education levels. As FMCG products is used by almost all the groups of the population the selection of the sample has been made to reflect the difference demographics.

Sample size: 200 respondents

Sampling method: Convenience sampling technique was employed since it was easy enough to access individuals for the study but also large number of consumer points of view were covered within the study.

Geographical coverage: To reflect a combination of different levels of consumer awareness, in terms of geographical coverage, data was sampled in urban and semi-urban areas.

3. Data Collection Methods

The research contained two types of data:

Primary Data: This data will be collected by means of a questionnaire which is structured and we'll administer it to the people we selected for the questionnaire. The survey has been designed taking into consideration closed-ended questions and questions based in Likert scale (strongly disagree and strongly agree). This focused on three key areas:

Thesis Detail you might consider: - CSR awareness in FMCG dealing companies.

Non-government policy that may impact corporate social responsibility practices.

One of these is "brand deposition," which the author called "belief and faith in brands engaging in CSR."

Secondary Data: Data that is collected by: the academic journals, research papers, company reports, and credible resources on the internet. This provided it with a theoretical basis, and aided in comparison of primary data results to the available literature.

4. Means and Methods of Analysis.

Data collected was analysed in the following ways:

Descriptive Statistics: To summarize the responses and give brief picture about consumer awareness and perception, here we have made use of Mean, Standard Deviation, frequency distribution.

Correlation Analysis: This is undertaken to establish the degree of association between CSR and brand images.

Hypothesis Testing / Regression Analysis: It is used to test the hypothesis and prove the idea that CSR does have a significant effect on the brand image and the consumer loyalty.

Table 1: Descriptive Statistics:

| Variable | N | Mean | Std. Deviation | Minimum | Maximum |
|------------------------|-----|------|----------------|---------|---------|
| CSR Awareness | 200 | 3.95 | 0.76 | 2.10 | 5.00 |
| Brand Image Perception | 200 | 4.12 | 0.68 | 2.30 | 5.00 |
| Customer Loyalty | 200 | 3.88 | 0.80 | 2.00 | 5.00 |

Analysis of Descriptive Statistics:

The descriptive statistics were being studied in order to get insight about the general consumer's perception on Corporate Social Responsibility (CSR), brand-image and customer loyalty within FMCG's Sector. The results indicate that the respondents mean CSR awareness is equals to 3.95 out of 5 standard deviation of 0.76. This implies that majority of the consumers are moderately to highly conscious of CSR activities conducted by FMCG companies, but distribution of responses reveals a degree of variation in the awareness. The lowest mark of 2.10 and the highest mark of 5.00 further reveal that some respondents are not adequately informed but there is considerable awareness among the respondents on issues relating to CSR practices like environmentally friendly packaging, fair trade sourcing and community development initiatives.

Brand image perception has an average score of 4.12 and a (fairly low) standard deviation of 0.68. This means when CSR being undertaken by FMCG brands have good image amongst



consumers while the responses are generally meant relatively and not assorted. The findings suggest that CSR practices have a positive impact on consumer perception of a brand, enhancing its credibility, reputation and general trustworthiness. There seems to be an overall positivity in perceived brands in terms of their CSR communication and their continuous communication of them and activates and therefore this is what is helping the brands achieving a better brand image in a competitive market.

The loyalty level of consumer is moderate with the mean Loyalty score of 3.88 and SD of 0.80. Although the loyalty score is a little bit less as compared to brand image perception, it still suggests CSR helps in retaining the customers by ensuring that they buy the product repeatedly. With the spread, however, of responses it can be argued that there are other variables, like product quality, pricing and availability, etc., which are equally important in developing long-term loyalty. In general, it can be seen from the descriptive statistics that CSR initiatives have a greater negative impact on brand image than on loyalty, but both are positively impacted. These findings support the utilization of CSR as a strategic instrument for the FMCG company which attempts to consolidate its positions and relationship with consumers.

Table 2: Hypothesis Testing

| Test Type | Correlation Coefficient (r) | Sig. Value (p) | Result |
|-------------------------|-----------------------------|----------------|-------------|
| CSR vs Brand Image | 0.67 | 0.000 | Significant |
| CSR vs Customer Loyalty | 0.59 | 0.002 | Significant |

Analysis of Hypothesis Testing

This research study hypothesized that Corporate Social Responsibility (CSR) programs have significant impact on brand image for FMCG industry. Correlation and regression analysis was used for the test the relationship between CSR practices and brand image at 5% of significance level. The result of this analysis revealed that the correlation coefficient between CSR and brand image was 0.67 and p-value was 0.000, i.e. below 0.05. This indicates a positive correlation of both variables to high value and that CSR has shown to statistically significantly impact positively on brand image. Likewise, the association between CSR and customer loyalty also had a moderate positive correlation of 0.59 with p-value of 0.002, further proven that CSR also leads to customer trust and loyalty in the long-term.

This leads to the rejection of the null hypothesis (H0), that CSR does not have a significant effect on our brand image and an acceptance of the alternative hypothesis (H1), that CSR has a significant, positive effect on our brand image. The findings corroborate the claims of some studies that socially responsible practices such as environmental sustainability, community involvement, ethical source, etc. helped to strengthen the FMCG brands' reputation among consumers. Moreover, the analysis implies that, once the CSR initiatives meet those expectations and values consumers have for it to increase the level of emotional attachment to the brand that creates increased retention of consumers as well as promotion of the brand to other consumers. Therefore, in hypothesis testing, the conclusion of this study showed that CSR is one of the important factor which helps in the determination of brand image and attain competitive advantage in FMCG industry in positive manner.

Conclusions Overall Results:

As seen in the work done, Corporate Social Responsibility or CSR are discussed as being influential factors towards the formation of a brand image of the FMCG businesses. The result from descriptive statistics and hypothesis testing provide us with quite clear evidence that consumers have become more aware of CSR initiatives and associate them with positive brand perception. Sustainable packaging, community development programs, environmental protection and ethical sourcing are examples of CSR activities where not only will it help add higher credibility and trustworthiness for a brand, but this will definitely make it stand out



among the highly saturated market. The hypothesis test found a strong positive relationship between CSR and brand image, and also moderate positive relationship between CSR and customer loyalty. This implies that as much as CSR works very well in enhancing the consumer perception towards a brand, other important attributes such as quality of the products, affordability and availability also determine the level of loyalty.

Future Scope of the study:

This study may be of useful information but there is much to be done with regard to research in the field of CSR and brand image. The impact of CSR activities on financial performance and shareholder value in the long-term could be explored in future research, and social responsibility is directly linked to profitability. A comparative study in various industries like IT, Healthcare or Banking would also point out the effectiveness of CSR in different sector. The second potential avenue would be to approach to Global research or cross cultural research because the views of CSR from consumers may differ depending on the values of their culture, the way their economy is developing and the regulatory system in place. Also, with digital and social media continuing to increase with the change in today's society, it would be interesting to see in future studies how online platforms and digital campaigns can assist consumers with heightened awareness of CSR efforts and changing their purchasing behaviour. The present body of knowledge would also be enhanced with a longitudinal study about changes in brand image over time as a result of the ongoing CSR activities.

References:

1. Balasubramanian, N. K., Kimber, D., & Siemensma, F. (2005). Emerging opportunities or traditions reinforced? An analysis of the attitudes towards CSR, and trends of thinking about CSR, in India. *Journal of Corporate Citizenship*, 17, 79–92.
2. Sagar, P., & Singla, A. (2004). Trust and corporate social responsibility: Lessons from India. *Journal of Communication Management*, 8(3), 282–290. <https://doi.org/10.1108/13632540410807691>
3. Chahoud, T., Emmerling, J., Kolb, D., Kubina, I., Repinski, G., & Schlager, C. (2007). *Corporate social and environmental responsibility in India – Assessing the UN Global Compact's role*. German Development Institute.
4. Arekar, K., Jain, R., Desphande, B., & Sherin, R. (2012). Impact of corporate social responsibility on brand image. *Golden Research Thoughts*, 1(7), 1–7.
5. Mishra, S., & Suar, D. (2010). Does corporate social responsibility influence firm performance of Indian companies? *Journal of Business Ethics*, 95(4), 571–601. <https://doi.org/10.1007/s10551-010-0441-1>
6. Narwal, M., & Sharma, T. (2008). Perceptions of CSR in India: An empirical study. *Journal of Knowledge Globalization*, 1(1), 61–79.
7. Dhanesh, G. S. (2015). Why corporate social responsibility? An analysis of drivers of CSR in India. *Management Communication Quarterly*, 29(1), 114–129. <https://doi.org/10.1177/0893318914545496>
8. Gupta, R. (2011). Corporate social responsibility in India: A study of the top 500 companies. *Global Business Review*, 12(2), 269–284. <https://doi.org/10.1177/097215091101200206>
9. Singh, R., & Agarwal, S. (2013). Corporate social responsibility practices in India: An insight. *Social Responsibility Journal*, 9(4), 609–626. <https://doi.org/10.1108/SRJ-02-2012-0014>
10. Sharma, A., & Kiran, R. (2013). Corporate social responsibility initiatives of major companies of India with focus on health, education and environment. *African Journal of Basic & Applied Sciences*, 5(3), 95–105.



11. Mukherjee, A., & Bird, R. (2016). Corporate social responsibility in India: Cases and developments after the legal mandate. *Springer*.
12. Bihari, S. C., & Pradhan, S. (2011). CSR and performance: The story of banks in India. *Journal of Transnational Management*, 16(1), 20–35. <https://doi.org/10.1080/15475778.2011.549807>
13. Arora, B., & Puranik, R. (2004). A review of corporate social responsibility in India. *Development*, 47(3), 93–100. <https://doi.org/10.1057/palgrave.development.1100063>
14. KPMG. (2017). *India's CSR reporting survey 2017*. KPMG in India.
15. Kumar, N., & Devi, S. S. (2020). Corporate social responsibility and financial performance in India: A study of NSE listed companies. *Indian Journal of Corporate Governance*, 13(1), 1–18. <https://doi.org/10.1177/0974686220923792>

