



INTERNATIONAL JOURNAL OF CREATIVE RESEARCH THOUGHTS (IJCRT)

An International Open Access, Peer-reviewed, Refereed Journal

CORPORATE SOCIAL RESPONSIBILITY AND GROWTH OPPORTUNITY – A STUDY ON SELECTED FAST MOVING CONSUMER GOODS COMPANIES

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ABSTRACT: Companies are an integral part of the economic and social cycle of any country and being a part of the society, use its resources and hence also are responsible towards its betterment. CSR comes into picture to create a win-win situation to both companies and societies. Under CSR companies have been executing various activities, campaigns for community such as women empowerment, quality education for socially backward children, environment protection etc. Consumer preference is guided by various factors. Our paper tries to mark the role of CSR in this preference. However, the consumers are not completely aware of this and much is needed to be done by the companies to change the attitude and behavior of these consumers and help them become a responsible consumer. Hence, the following research paper incorporates the role of Corporate Social Responsibility activities of Indian FMCG (Fast Moving Consumer Goods) companies in their performance, predominantly in the financial performance of the company based on the annual reports of the company and survey of consumers' behaviour. Thus, elaborating the importance of these activities in order to attract more consumers. It also assesses the potential impact of CSR awareness by FMCG companies on consumer preference directly affecting their overall performance. The research has been conducted by using a combination of primary data (survey of consumers) and secondary data (Company reports, articles, publications) to arrive at the solution. Our paper analyses the CSR activities, overall performance of 2 FMCG companies in India-Hindustan Unilever and Godrej and tries to create a link between this data and the consumer survey conducted of these 2 brands.

Keywords: Corporate Social Responsibility, FMCG Companies, Hindustan Unilever (HUL), Godrej, Consumers etc.

A. Introduction

India is the first country to come up with the mandate where companies are obliged to perform CSR activities based on their revenue. The rule came into effect in 2014 thus making every company contribute to the society for its upliftment. The companies which fall in the ambit of the following three criteria are required to spend on CSR. Such companies are required to do CSR spend amounting to 2 % of their average annual profit over the last three years. Here are the criteria for CSR eligibility for the companies- Net worth of the company to be Rs 500 crore or more; or Turnover of the company to be ₹ 1000 crore or more; or net profit of the company to be Rs 5 crore or more. Companies can perform CSR by getting involved in various sectors like skill training and livelihood, healthcare, rural development, women empowerment and environmental conservation. FMCG i.e., the fast-moving consumer goods industry is 4th largest sector in the Indian Economy with household and personal care accounting for 50% of FMCG sales in India. Growing awareness easier access and changing lifestyles have been the key growth drivers for the sector. Hence linking CSR and FMCG becomes necessary. Our paper explores the most important relation between the two of FMCG company performance dependency on CSR activities and vice-versa. Revenue of a FMCG company is directly proportional to consumer choice relating to the products of that particular brand. Consumer choice is further guided by various factors, CSR being one with growing awareness among citizens.

B. Literature Review

Corporate social responsibility is growing at a rapid pace and is gaining popularity. The demand for reports on the actions of the firm towards society, economy and environment is increasing (Malik and Nadeem, 2014). The impact of corporate social responsibility on the firm's financial performance is extremely relevant now. (Madugba and Okafor, 2016). Various studies have been conducted to find the relationship between CSR and Financial performance of the companies. The variables considered for Financial Performance include Total Assets, Net Profits, Return on Assets, Return on Equity, Earnings Per Share, etc. (Kamatra and Kartikaningdyah, 2015). CSR has been considered as an independent variable and the financial variables such as Net profit (NP), Earnings per Share (EPS), Return on Assets (ROA) and Total Assets have been considered as independent variables (Bhunia and Das, 2015) (Kanwal, Khanam, Nasreen, and Hameed, 2013). The time period for the studies ranges from a few years to over 20 years. (Murtaza, Akhtar, Ijaz, And Sadiqa, 2014). The studies are widespread in various sectors like Banking to mineral sectors. (Pan, Sha, Zhang, and Ke, 2014). The data being used is primary (Google forms) as well as secondary data that have been obtained from

the respective published annual reports. Some studies have shown a significant influence of CSR on Financial performance (*Choongo, 2017*) whereas a few studies resulted in CSR not significantly influencing the firm's financial performance (*Mehar and Rahat, 2007*). This paper focuses on the impact Corporate Social Responsibility has on the financial performance of companies in India taking CSR as the independent variable and Net Profits, Earnings per Share and Return on Assets as the dependent variables.

C. Relevance of the study

1. Consumers

Promotion of CSR activities by a brand allows consumers to make a wiser preference and indirectly influences their choice. It also creates a sense of responsible citizens as consumers are contributing to the betterment of society by adding to revenue of a company which performs qualitative CSR activities.

2. FMCG companies

Companies can also analyze the potential impact their CSR has on consumer preference and also take steps to market their CSR programs/donations to create a favourable image in consumers' mind. They can also see if their main motive of conducting CSR as a promotional tool is adding to their profits or not.

3. Government

CSR conducted by companies is mandated by the CSR Laws in India, under the Companies Act, 2013, a successor to The Companies Act, 1956. It allows the CSR committee to analyze the contribution of FMCG companies to CSR.

D. Research Questions:

1. Are people aware of the concept of CSR?
2. Does the quality of CSR activities performed by private FMCG companies of India affect the preferences of consumers in the market while buying the products?
3. Are consumers aware about CSR activities conducted by specific companies out of their annual profit?

E. Objectives

1. To study the awareness among consumers regarding the concept of Corporate Social Responsibility.
2. To study the consumer behaviour with respect to CSR activities performed by private Indian FMCG companies.
3. To know the relation between the consumer trends and preferences with CSR performance of FMCG companies.
4. To analyse the potential impact of CSR by companies in terms of consumer preference in the market.

F. Hypothesis

1. **Null Hypothesis (H₀):** If consumers are more aware of CSR activities performed by FMCG companies, there will not be any effect on their preferences while buying products in the market.
2. **Alternate Hypothesis (H_a):** If consumers are more aware of CSR activities performed by FMCG companies, it will influence their preferences while buying products in the market.
3. **Null Hypothesis (H₀):** If FMCG companies use CSR activities for their marketing purpose, it will not have any effect on the performance of these companies.
4. **Alternate Hypothesis (H_a):** If FMCG companies use CSR activities for their marketing purpose, it will improve the performance of these companies.

G. Working Definitions of Terms

1. **FMCG Products** - FMCG stands for fast moving goods which include products like toiletries, food items, beverages, stationery, personal care products, laundry products etc.
2. **Corporate Social Responsibility [CSR]** - Corporate Social Responsibility is a type of international private business self-regulation that aims to contribute to societal goals of a philanthropic, activist, or charitable nature by engaging in or supporting volunteering or ethically-oriented practices.
3. **Consumer Preference** - Consumer preference is defined as the subjective tastes of individual consumers, measured by their satisfaction with those items after they've purchased them.

H. Population:

All FMCG companies from Indian Market (*Approx – 700: <http://businessnewsthisweek.com>*).

I. Sample:

The Researcher has selected two companies i.e., Hindustan Unilever Limited and Godrej Ltd., by using Convenience Sampling Method for the present research study.

J. Data Collection

Researcher has collected the primary as well as secondary data

- **Primary Data-** Conduction of a survey for consumers by circulating a google form among the sample units.
- **Secondary data-** Studying annual reports of HUL and Godrej company. Reading of articles, publications and journal about CSR and consumer behaviour.

K. Scope

This research includes the survey of urban consumers of age group 18-60 and the annual reports of 2019-20 of Hindustan Unilever Ltd. and Godrej.

L. Analysis of Data:

1. Analysis of Secondary Data:

- **Hindustan Unilever Limited**

As per Companies Act 2013, 2% of last 3 financial years' avg net profit has to be used for CSR activities. HUL, in the F.Y. 2019-20, was able to spend 14,347 lakhs as contribution to social cause. HUL has spent the amount on activities such as Swachh Aaadat Swachh Bharat, Water Conservation Project, Project Shakti, Asha Daan, Project Prabhat, Sanjeevani, Fani Cyclone Relief, Development and Maintenance of public areas, Contribution to Technology Business Incubator, Relief activities towards COVID-19. Few of them were carried out by directly making the payment whereas some of them like Project Prabhat, Asha Daan were carried out with the help of implementing agencies. These activities included initiatives like empowering women from rural India, mobile medical service camp in Assam, running an orphanage for abandoned differently-abled kids.

- **Godrej India**

Godrej has been actively performing social activities since several decades, even before the enforcement of the CSR mandate. Godrej contributes 23% of the promoter holding of the Godrej Group to invest into various trusts which work for the environment, healthcare and education. They have come up with different initiatives:

- **Workplace Giving-** Employees are made to contribute to its non-profit organisation every month from their salary.
- **Teach for India-** This is a nationwide movement to encourage children to learn by providing experts in under-resourced schools.
- **Godrej Good and Green-** Under this initiative, Godrej has trained rural and urban youth for skilled employment which can work efficiently but can also innovate products for greener India in future. It also focuses on practicing zero waste to landfill, carbon neutrality, water conservation, proper energy usage.

2. Analysis of Primary Data:

1. Gender-

Out of the total respondents (212), majority of them were females i.e., 114 and the rest of them were males i.e., 98.

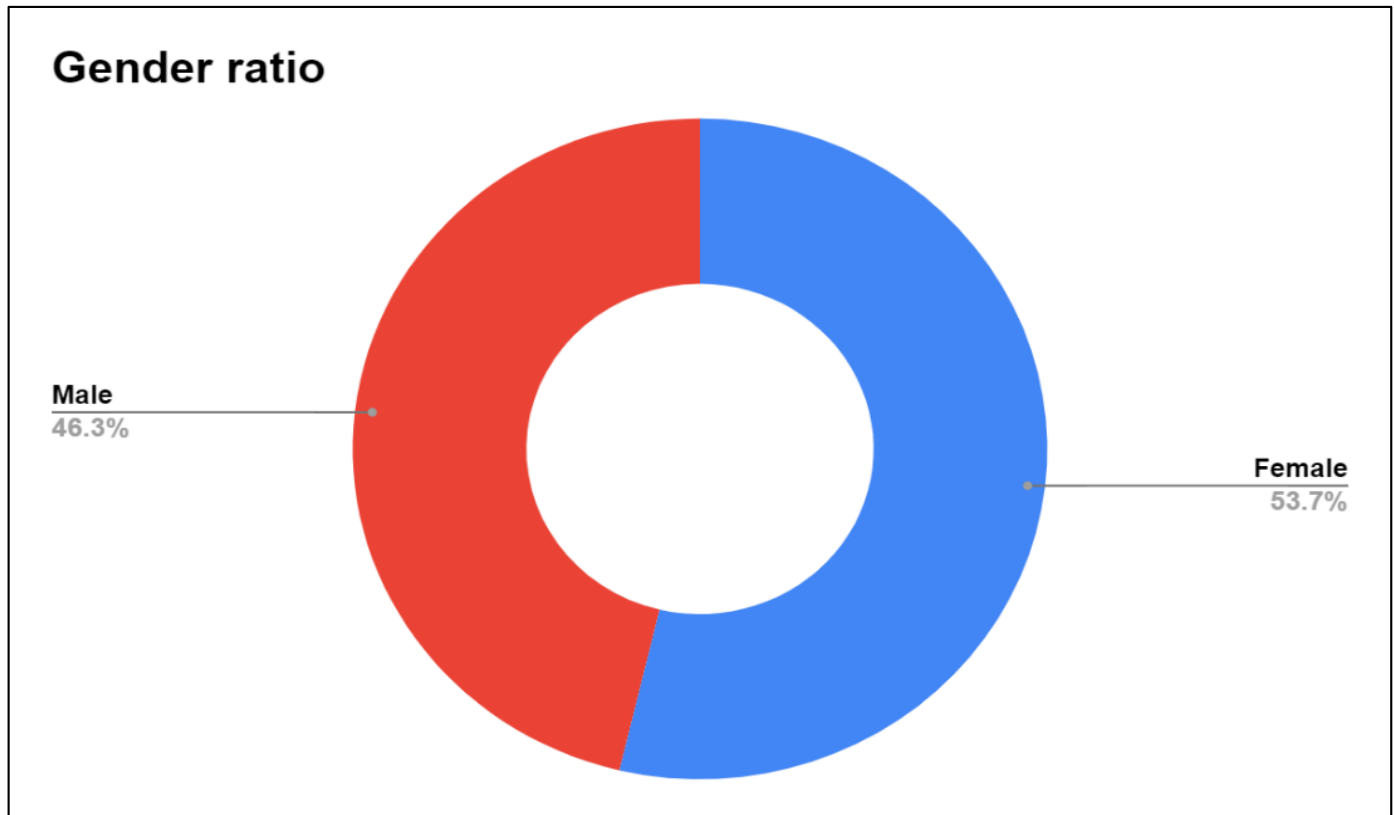


Diagram - 1: Gender Profile of Respondents

2. Age Group

Researcher has collected the data from respondents belongs following three age groups;

Table - 1: Age Group of Respondents

Sr. No	Age Group	No. of Respondents
1	18 - 25	121
2	25 - 40	21
3	40 - 60	60

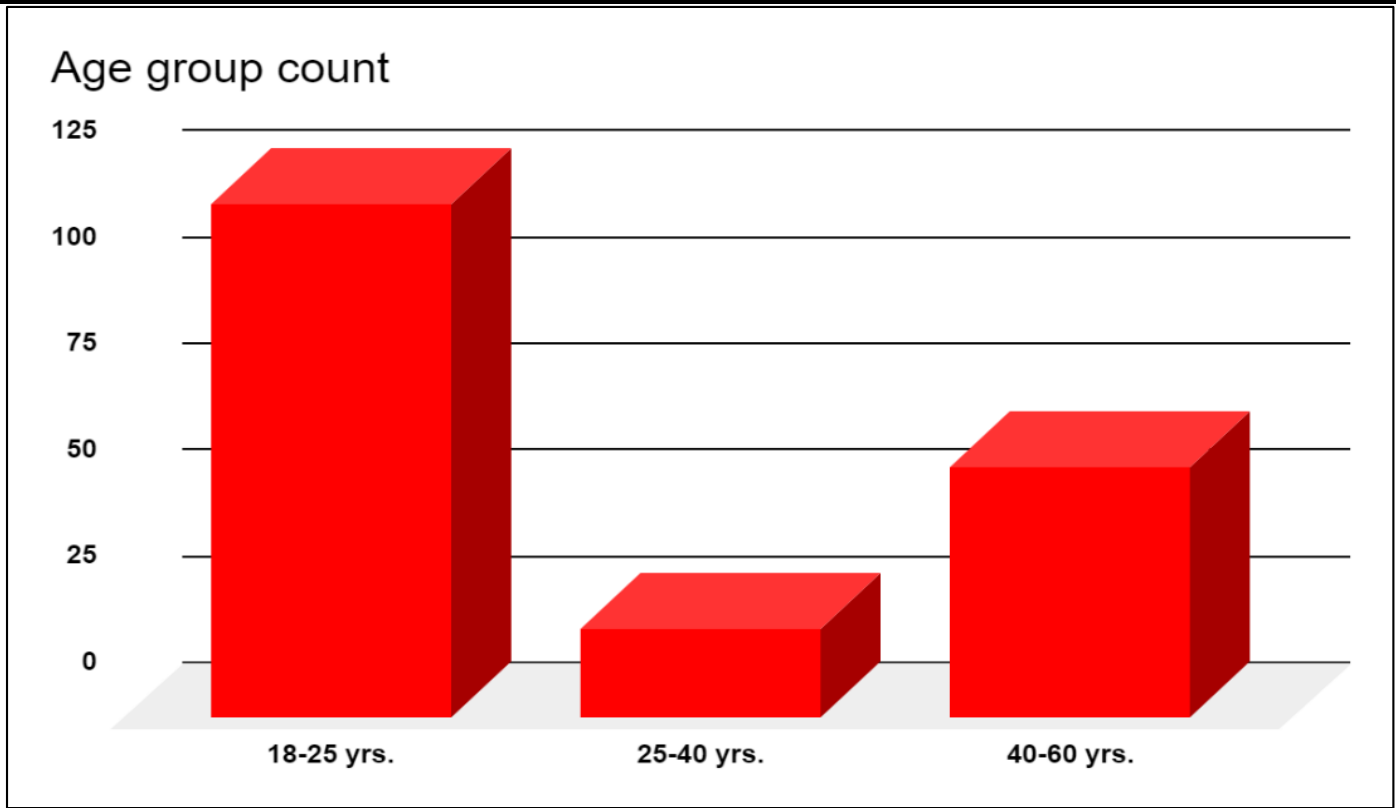


Diagram - 2: Age Group of Respondents

3. CSR Awareness Among Consumers

Out of 212 respondents only 121 had an idea about CSR whereas 93 people were completely new to this concept. This shows us that CSR even after being an important element for environment and societal upliftment, is not familiar in our community.

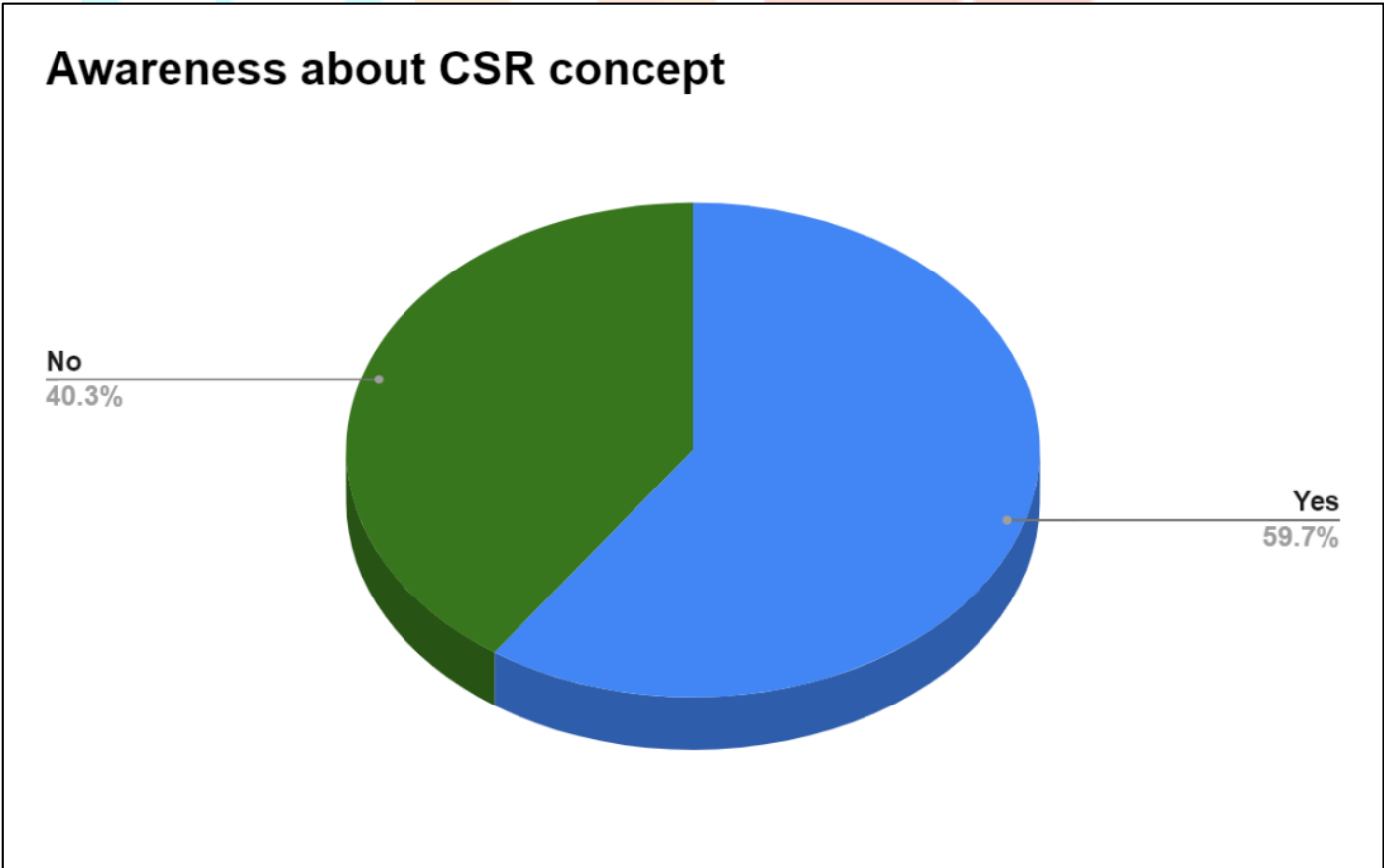


Diagram – 3: Awareness about CSR among Respondents

4. Frequency of Purchasing FMCG

Maximum number of respondents purchases products once a month (137) whereas there very few who purchase them twice or more than thrice a month. This shows that maximum number of respondents plan grocery visit with pre-determined grocery list.

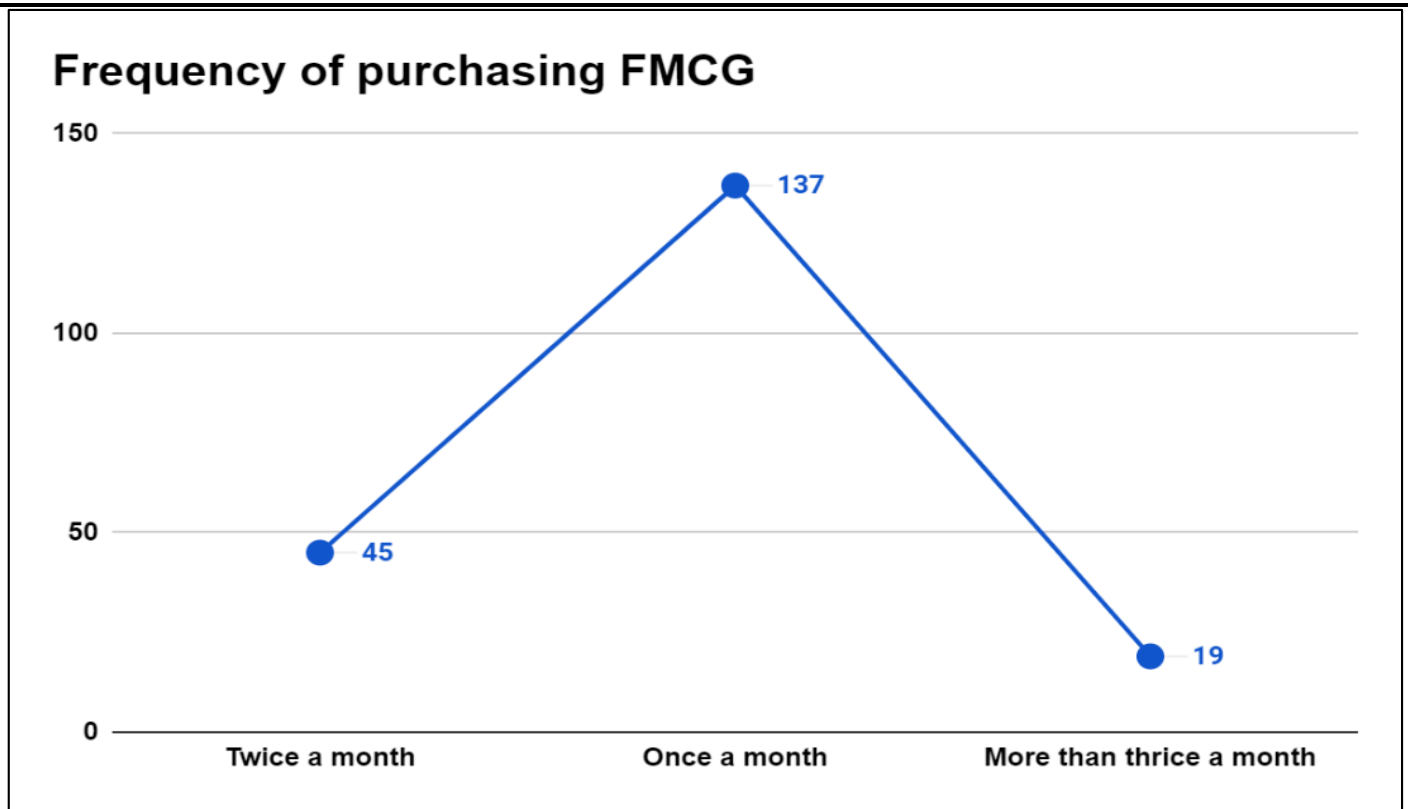


Diagram – 4: Frequency of Buying FMCG Products

5. Factors Considered While Buying the Products:

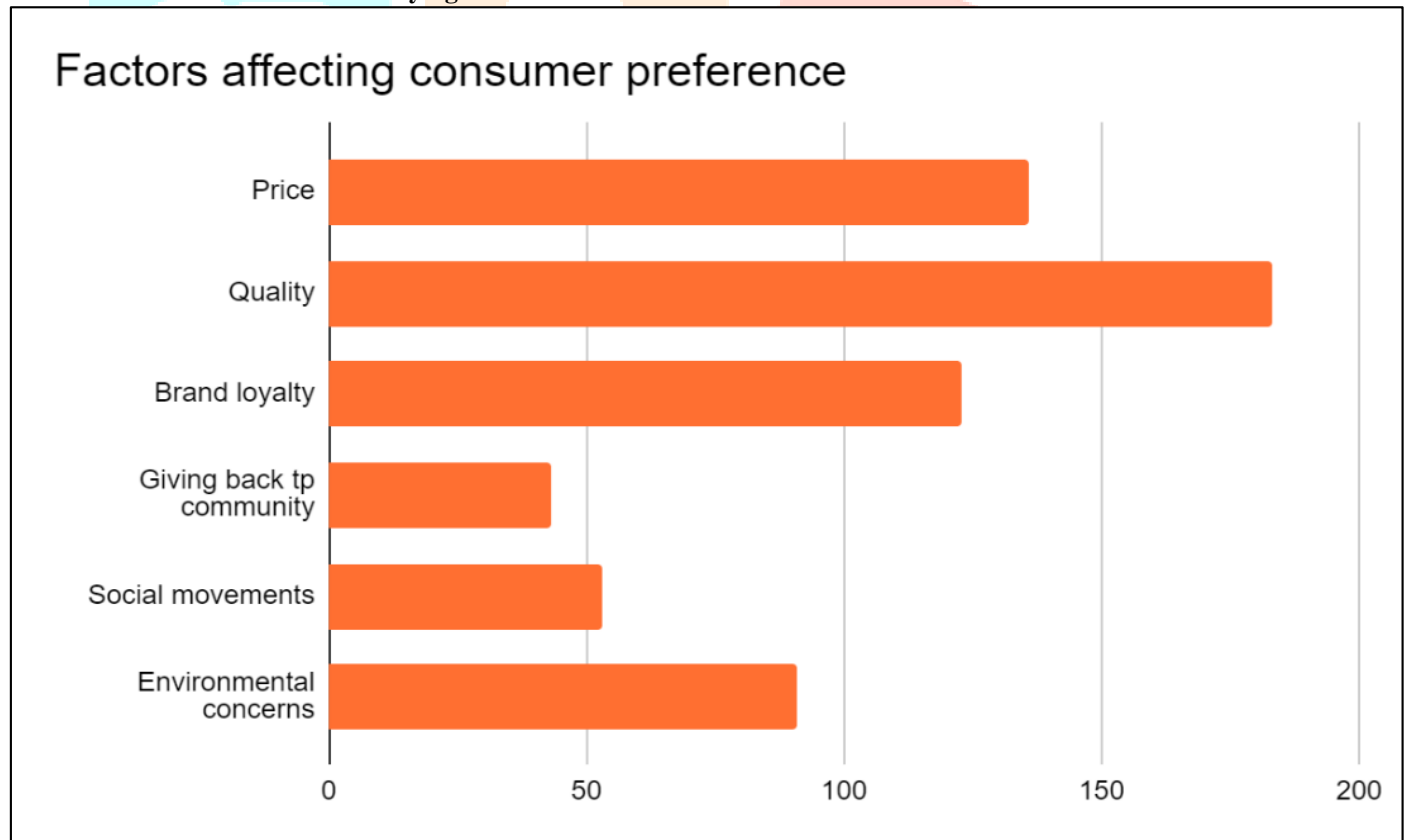


Diagram – 5: Factors Considered While Buying the Products

According to the statistics received, following things can be analyzed:

- (i) People give importance to the quality of products but also consider affordability of a product.
- (ii) Consumers buy product based on the reliability and comfort of the brand i.e., most of them give importance to brand loyalty.
- (iii) Only a few consumers are actually concerned about their preferred company's contribution to society.
- (iv) Due to higher awareness about sustainability and environment protection, there are consumers concerned about environment.

6. Impact of CSR activities on the preferences of consumers

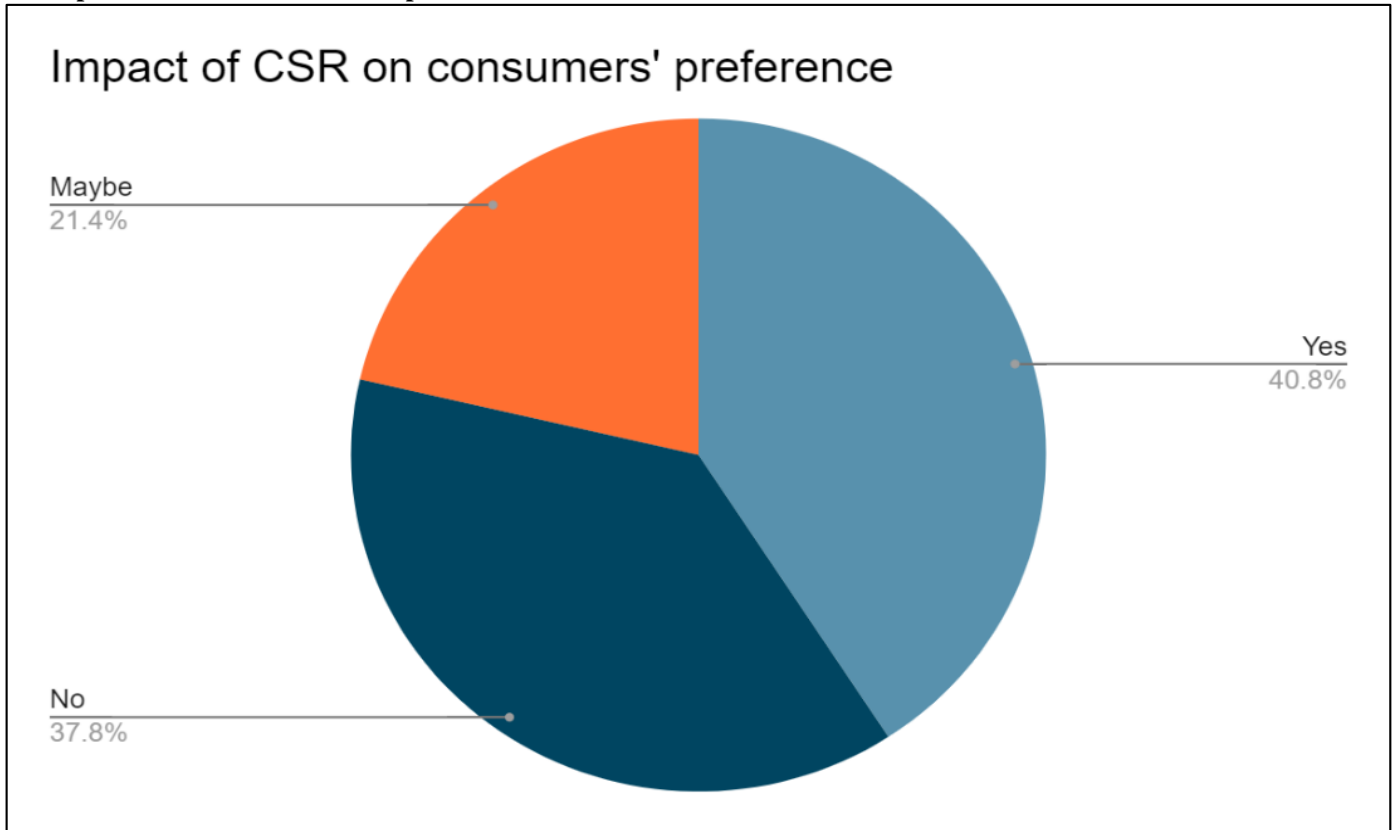


Diagram – 6: Impact of CSR activities on the preferences of consumers

The above pie-chart shows that most of the consumers do consider CSR activities performed by HUL and Godrej while buying their products. But at the same time there isn't a large difference between those who consider CSR and those who don't i.e., only of 2%. There are 21% of respondents who are confused about CSR and its influence on their preference while buying the product.

7. Way the preferences are influenced

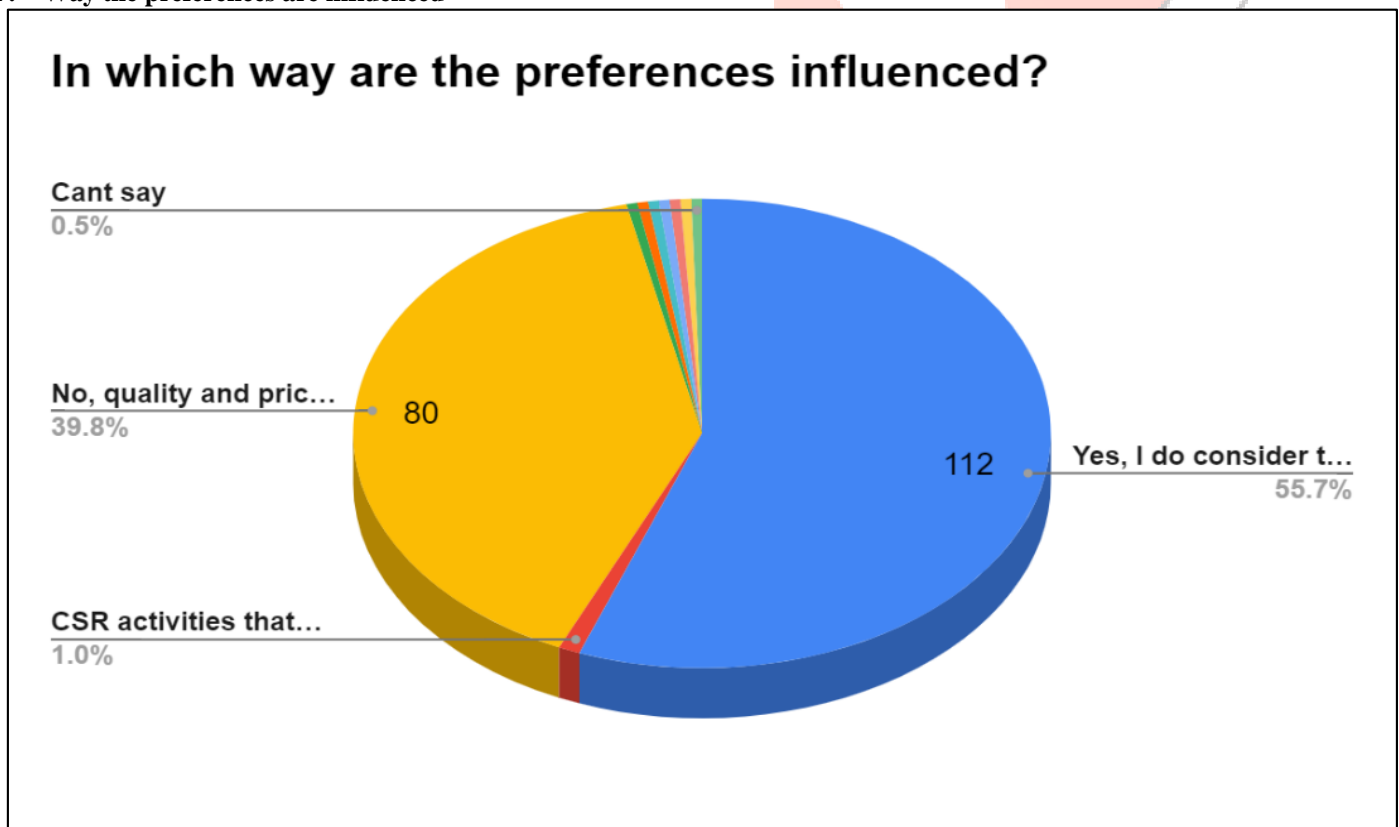


Diagram – 7: Way the preferences are influenced

There are many people who are impacted by the social activities company does under CSR which counts to 112 respondents and whereas 80 respondents think that it's not as important as manufacturing place, quality and other economic and political factors.

8. Willingness to pay higher price for a product because of CSR activities

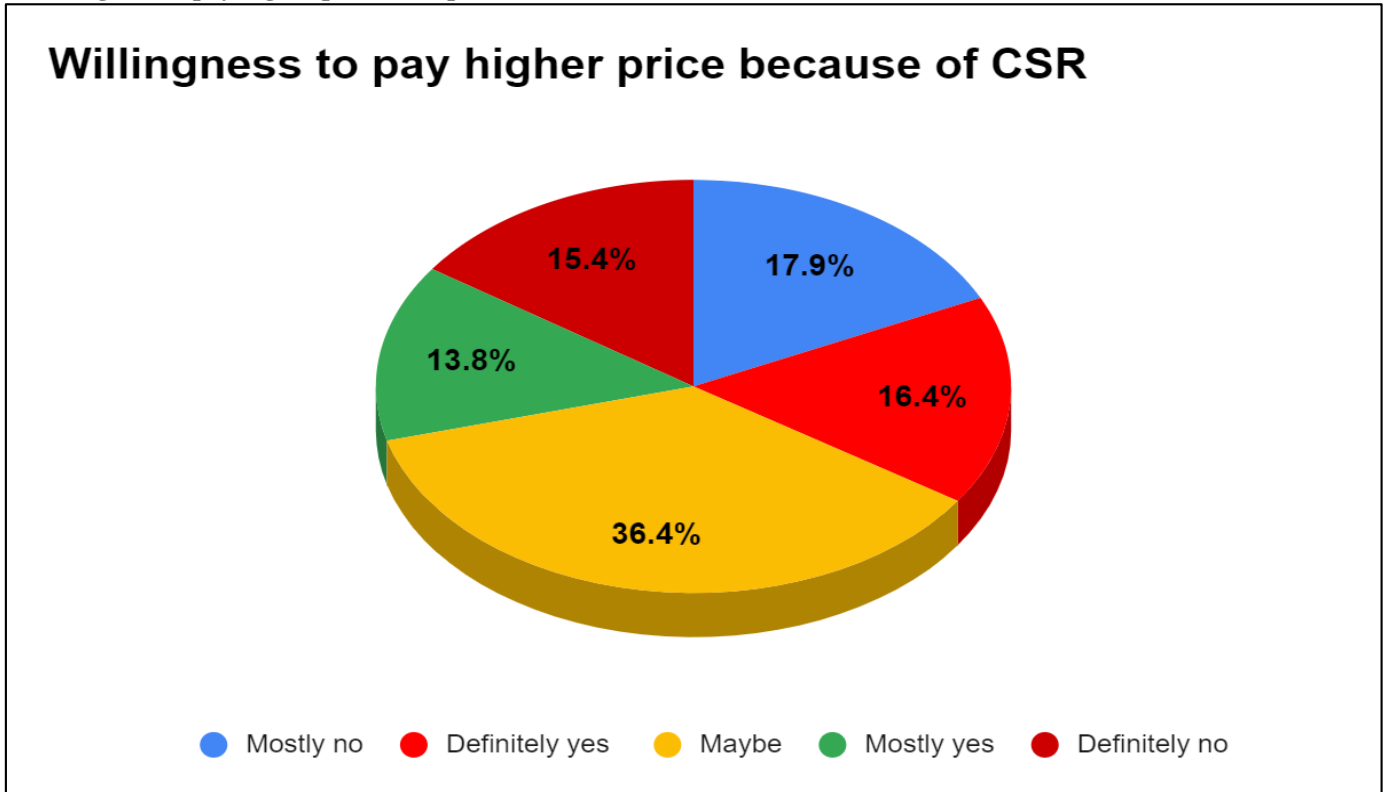


Diagram – 8: Willingness to pay higher price because of CSR activities

The above pie-chart shows that

1. Most of the respondents are confused if they would pay a higher price to a product.
2. Almost equal number of respondents said definitely yes and definitely no which again proves that not many respondents give importance to CSR and won't let it affect their buying decision on a larger scale.

9. Perspective of consumers towards using CSR activities for marketing purpose

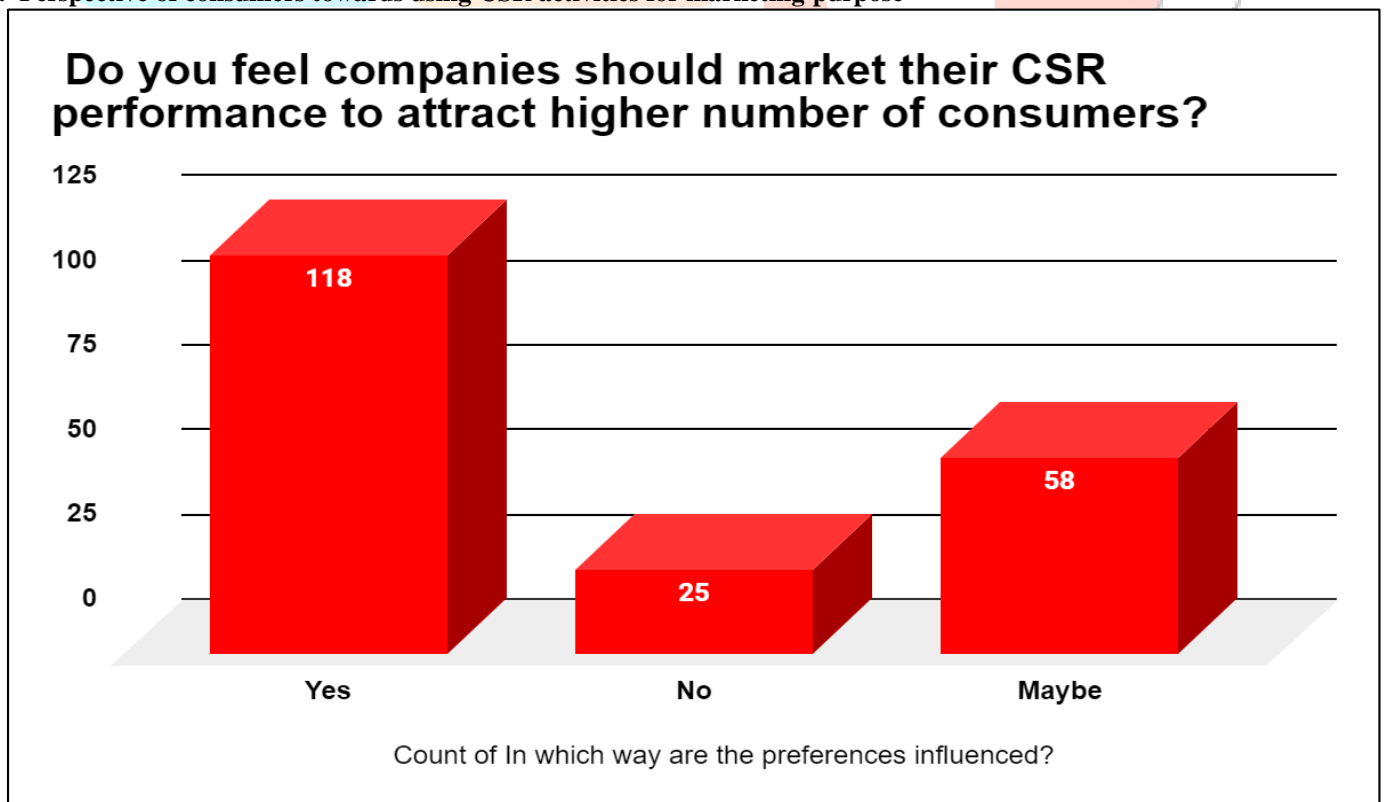


Diagram – 9: Consumers' Perspective on use of CSR for Marketing

Above statistics shows that maximum number of respondents feel that companies should market their activities to attract higher number of consumers. This shows that consumers are more likely to consider CSR as an influencing factor while buying a product if companies marketed their CSR contribution at higher levels. This also shows the need of FMCGs to promote this inform at such level that this information is easily accessible and understandable to common people.

M. Testing of Hypothesis

1. **Null Hypothesis (H_0):** If consumers are more aware of CSR activities performed by FMCG companies, there will not be any effect on their preferences while buying products in the market.
2. **Alternate Hypothesis (H_a):** If consumers are more aware of CSR activities performed by FMCG companies, it will influence their preferences while buying products in the market.

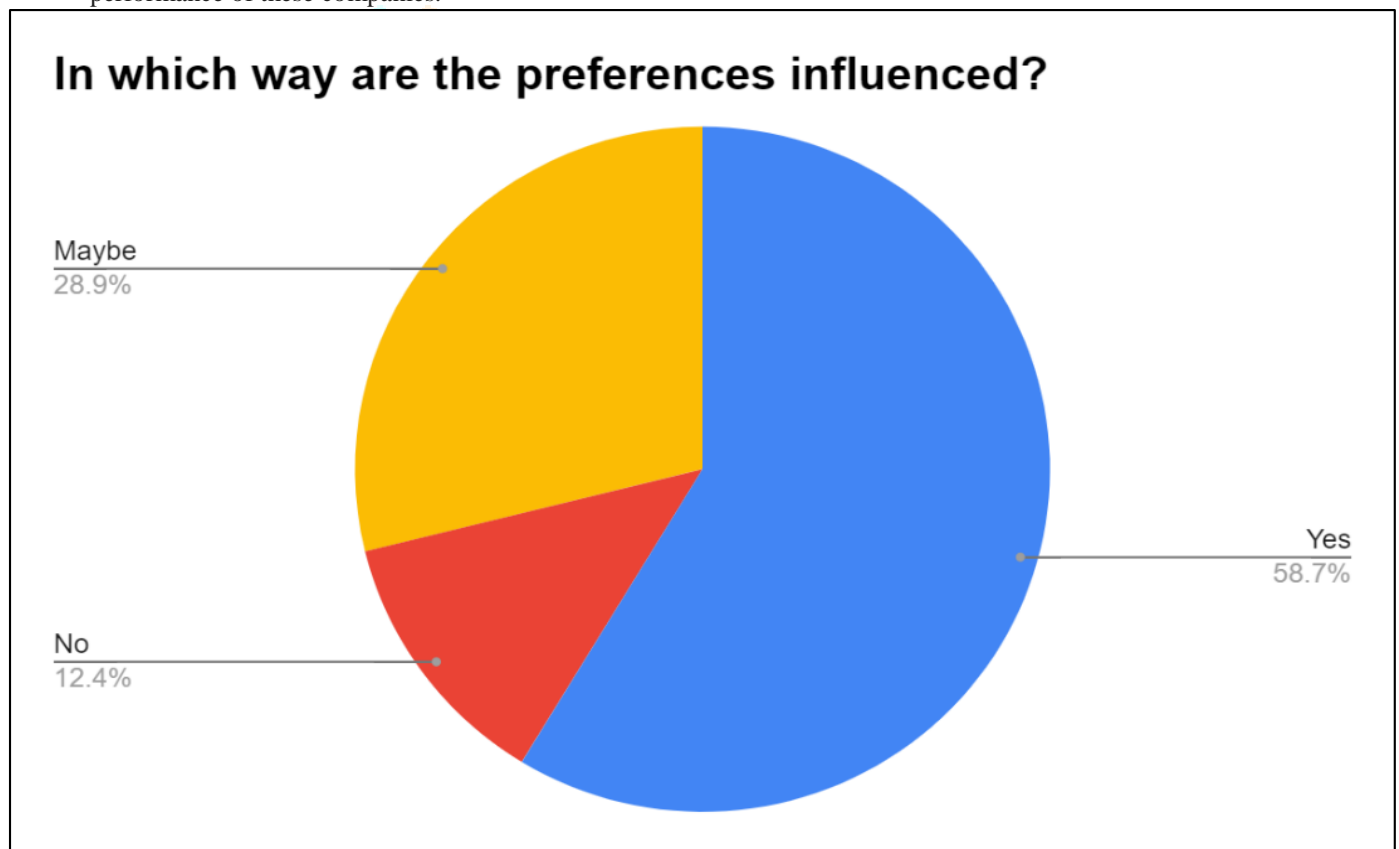
Table - 2: Reponses towards Awareness about CSR and its impact on their Buying Decision

Definitely Yes	16.4%	30.2%
Mostly Yes	13.8%	
Maybe	36.4%	36.4%
Mostly No	17.9%	33.3%
Definitely No	15.4%	

The five-point scale method was used where the respondents were asked about their willingness to pay higher price for a product because of CSR. The results show us that most of the consumers have given a neutral response regarding the same. Followed by maximum number of consumers to not be willing to pay a higher price which shows that it will not affect their consumer preference.

Hence, alternate hypothesis is rejected and null hypothesis is accepted.

1. **Null Hypothesis (H_0):** If FMCG companies use CSR activities for their marketing purpose, it will not have any effect on the performance of these companies.
2. **Alternate Hypothesis (H_a):** If FMCG companies use CSR activities for their marketing purpose, it will improve the performance of these companies.



Based on the data received, it can be observed that null hypothesis is rejected and alternate hypothesis is accepted, thus CSR making positive impact on consumers by its marketing.

N. Limitations

- (1) This research is limited to private Indian FMCG companies which provide only toiletries and daily care products.
- (2) This research is carried out with limited no. of consumers staying in Pune.

O. Suggestions

- (1) CSR governing body should take additional efforts to impart knowledge about the concept and need of CSR to create awareness among laymen. This can be done by including topic in students' curriculum and by effective communication through print media or any other source.
- (2) Consumers should try to prefer products of the companies which actually contribute to the society and bring the required change.
- (3) Companies should use their CSR activities as a promotional tool using social media to rip overall benefits by reaching out maximum consumer

P. Conclusions

Despite growing environmental and societal concerns, very few people are actually familiar with the concept of CSR which is a key concept for betterment of the community. Most of the consumers consider price, quality and brand reputation as important determinants of their buying decision. A larger group of consumers is unsure about CSR affecting their purchasing decisions. However, CSR also positively influences the buying decision of many consumers.

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