
“The Impact of Corporate Social Responsibility on Business Performance: A Case Study of Some Selected FMCG Companies in Pune City”

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The growing FMCG market is highly splintered considering a huge percentage of population still buys non-branded non-packaged products. Hence the FMCG companies can use this opportunity to lure this section to use branded high valued products. Most of the FMCG companies are involved in the social responsibility activities in several sectors like education, environment, Community development, rural development etc. that will create a positive image of the company and will benefit by increasing the sales. In the earlier stage, the social responsibilities of a companies was inculcate just confined to proper return of tax payable by the company established. However, CSR is now encompassing initiatives taken in respect to welfare of the workers and their family as well as providing quality up to the standard, rational pricing, contribution in women-children empowerment and awareness, steps for providing an ideal environment to live in.

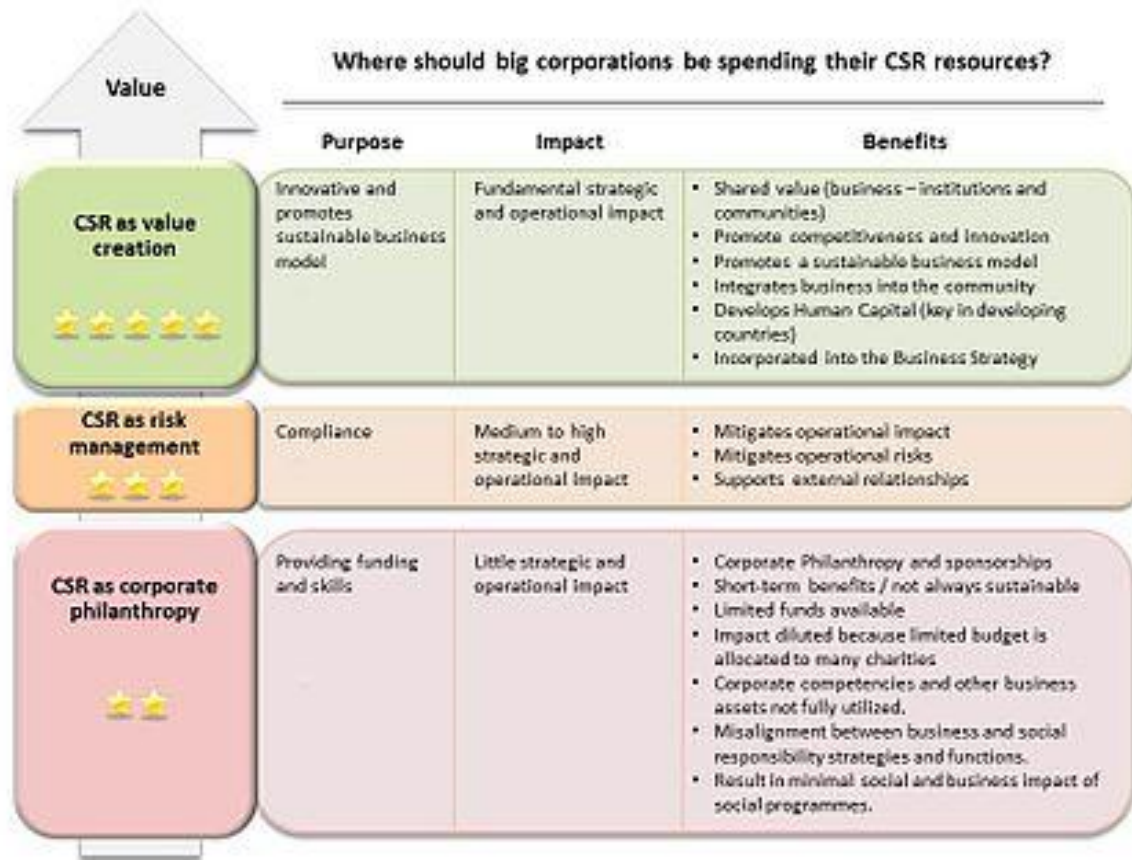
In this research paper the study is exploratory, descriptive as well as casual. Data is collected through Primary Data Sources and Secondary Data Sources. Pre-designed questionnaire and pre-structured interview schedules is canvassed for collecting primary data from stakeholders. The sample is drawn using stratified random sampling. The stakeholders of FMCG companies like employees, suppliers, investors, representative of Trade union, Customers, Investors, Citizens and Government officials were selected. Secondary data source is collected through web sites, local Reports, official reports, records, books and journals, Annual report published etc.

Key Words: Business Performance, Corporate Social Responsibility, FMCG, Stakeholders

INTRODUCTION

FMCG Companies in India have tremendous strengths; they have extremely capable people, technology, access to money, the ability of geographical reach, etc. Many of such companies operate worldwide and now even in India are more powerful than governments and even countries, and thus corporate are important stakeholders in society. CSR Ratings are important to various stakeholders for different reasons: - government bodies can use CSR Ratings to develop industry-wise CSR guidelines, industry associations can use them to set benchmarks of CSR for companies to follow, NGOs get to know about the CSR undertaken by companies, thus enabling partnerships with them, and companies themselves learn about and from the CSR initiatives of other companies.

Striving towards social welfare may or may not be lucrative in terms of profitability to the firm but it's company's turn to pay back to the society for playing the role of production factor by providing their work effort to the company and also by consuming the goods and services as a customer that plays the most important role in profit as well as wealth maximization.



Nearly all leading corporate in India are involved in corporate social responsibility (CSR) programmes in areas like education, health, livelihood creation, skill development, and empowerment of weaker sections of the society. Notable efforts have come from the Tata Group, Infosys, Bharti Enterprises, ITC Welcome group, Indian Oil Corporation among others.

CSR in FMCG sector

The activities that can be undertaken by the FMCG company to fulfill its CSR obligations include eradicating hunger, poverty and malnutrition, promoting preventive healthcare, promoting education and promoting gender equality, setting up homes for women, orphans and the senior citizens, measures for reducing inequalities faced by socially and economically backward groups, ensuring environmental sustainability and ecological balance, animal welfare, protection of national heritage and art and culture, measures for the benefit of armed forces veterans, war widows and their dependents, training to promote rural, nationally recognized, Paralympics or Olympic sports, contribution to the prime minister's national relief fund or any other fund set up by the Central Government for socio economic development and relief and welfare of SC, ST, OBCs, minorities and women, contributions or funds provided to technology incubators located within academic institutions approved by the Central Government and rural development projects. However, in determining CSR activities to be undertaken, preference would need to be given to local areas and the areas around where the company operates.

India is the first country to enact the mandatory minimum CSR spending law and the rules came into effect from 1 April 2014. Companies Act, 2013. But still there is low CSR awareness level towards customers. Much needs to be done to change the attitude and behavior of the customers towards a cause related product. Drumright, 1994; Smith, 1994 stated that CSR activities have been posited to include corporate philanthropy, socially responsible employment, minority support programs, cause-

related marketing and manufacturing practices and organization's goal advancement. The Companies are very much interested to spend on CSR. Van de Ven 2008 pointed in his study that lack of awareness of company's CSR practices does not allow a company to enjoy any benefits. Companies have to inform consumers properly about their CSR initiatives only then they will receive the benefits of their investments in CSR. Changing attitudes of customers have driven marketers to find new ways to make marketing relevant to society, dialogue seeking, responsive and involving.

CSR Rules under Companies Act, 2013

The Ministry of Corporate Affairs has notified With effect from April 1, 2014, every company, private limited or public limited, which either has a net worth of Rs 500 crore or a turnover of Rs 1,000 crore or net profit of Rs 5 crore, needs to spend at least 2% of its average net profit for the immediately preceding three financial years on corporate social responsibility activities. The CSR activities should not be undertaken in the normal course of business and must be with respect to any of the activities mentioned in Schedule VII of the 2013 Act.

Profits from any overseas branch of the company, including those branches that are operated as a separate company would not be included in the computation of net profits of a company. Besides, dividends received from other companies in India which need to comply with the CSR obligations would not be included in the computation of net profits of a company.

Corporate Social Responsibility In India:

Corporate social responsibility (CSR, also called corporate conscience, corporate citizenship or sustainable responsible business/ Responsible Business) is a form of corporate self-regulation integrated into a business model. CSR policy functions as a self-regulatory mechanism whereby a business monitors and ensures its active compliance with the spirit of the law, ethical standards and international norms. With some models, a firm's implementation of CSR goes beyond compliance and engages in "actions that appear to further some social good, beyond the interests of the firm and that which is required by law." CSR aims to embrace responsibility for corporate actions and to encourage a positive impact on the environment and stakeholders including consumers, employees, investors, communities, and others. Indian companies are now expected to discharge their stakeholder responsibilities and societal obligations, along with their shareholder-wealth maximization goal.

The 2010 list of Forbes Asia's '48 Heroes of Philanthropy' contains four Indians. The 2009 list also featured four Indians. India has been named among the top ten Asian countries paying increasing importance towards corporate social responsibility (CSR) disclosure norms. India was ranked fourth in the list, according to social enterprise CSR Asia's Asian Sustainability Ranking (ASR), released in October 2009. According to a study undertaken by an industry body in June 2009, which studied the CSR activities of 300 corporate houses, corporate India has spread its CSR activities across 20 states and Union territories, with Maharashtra gaining the most from them. About 36 per cent of the CSR activities are concentrated in the state, followed by about 12 per cent in Gujarat, 10 per cent in Delhi and 9 per cent in Tamil Nadu.

The companies have on an aggregate, identified 26 different themes for their CSR initiatives. Of these 26 schemes, community welfare tops the list, followed by education, the environment, health, as well as rural development.

LITERATURE REVIEW

A huge number of empirical study have tested in the past the relationship between social responsibility and corporate performance.

With some approximation we can divide the existing empirical study into three groups. The first finds a positive relationship between CSR and corporate performance. Soloman and Hansen (1985) find that the

costs of having a high level of CSR are more than compensated by benefits in employee morale and productivity. Pava and Krausz (1996) and Preston and O'Bannon (1997) observe that CSR is positively associated with financial performance, while positive synergies between corporate performance and good stakeholders relationships are found by Stanwick and Stanwick (1998) and by Verschoor (1998). Ruf et al. (2001) find that change in CSR is positively associated with growth in sales and that returns on sales are positively associated with CSR for three financial periods. Simpson and Kohers (2002) document a positive link between social and financial performance on a sample of banking firms. According to Foote (2010) the importance of CSR concept to improve the firms performance is mostly discussed around the results inference by various researchers as CSR can negatively, neutrally and positively affects the firm's financial performance.

The effects of implementing the CSR on firm's performance are very vast. Poddi & Vergalli (2009) implies that the honorable firms that implement the CSR idea results in better long term performance. These firms are subjected to some early costs that results in achieving higher profits by the increase in their sales due to the fact that they maximize their social responsibility and minimize their long term costs that will increase their goodwill.

RESEARCH DESIGN AND METHODOLOGY

Hypothesis

H1: SR Activities affect the performance of the organization

H2: There is significant relationship between Corporate Social Responsibility and development of society

Objectives

1. To determine the effect of Corporate Social Responsibility on Business Performance.
2. To study the impact of corporate social responsibility on capable of enhancing business reputation.

Research methodology

The present research paper is exploratory and descriptive as well as causal. Data is collected through Primary Data Sources with the help of questionnaire to some of the stakeholders. The stakeholders of FMCG companies like employees, suppliers, investors, representative of Trade union, Customers, Investors, Citizens and Government officials were selected in pune city. The sample taken for the study was 500 respondents out of which 488 questionnaires were completely filled with the help of stratified random sampling. Secondary Data Sources were books, journals, website, Annual Report etc.

Hypothesis Testing

H₀: CSR Activities does not affect the performance of the organization

H₁: CSR Activities affect the performance of the organization

It has been distinguished that Social responsibility activity can enhance the market share, profitability which increased the value of the firm through good will, increased sales and demand in the market. So hypothesis SR Activities affects the performance of organization is accepted.

13 independent variables of CSR Activities were selected and response was taken on 5 point scale where 5 being most important to 1 being not at all important. Factor analysis¹ was applied and 7 most important variables of CSR Activities were extracted.

Tables No 1 gives the Independent variables of CSR Activities extracted and their factor loading values.

Table No 1 Factor Loading H₁

Independent Variables	Factor loading	Cronbach's Alpha
Community welfare	.801	.905
Education	.660	
Environment	.807	
Girl Child	.738	
Health care	.782	
Water	.746	
Women's empowerment	.750	

Hypothesis of this study was tested using regression analysis with the 7 extracted independent variables of CSR Activities. Result of the test shown in table no 2 and 3

Table No 2 Summary H₁

R	R Square	Adjusted R Square	Std. Error of the Estimate
.816 ^a	.666	.661	.09025

a. Predictors: (Constant), Women's empowerment, Education, Environment, Water, Girl Child, Community welfare, Health care

b. Dependent Variable: Performance of the organization

Table No 3 Regression ^b H₁

	Sum of Squares	Df	Mean Square	F	Sig.
Regression	7.795	7	1.114	136.721	.000 ^a
Residual	3.910	480	.008		
Total	11.705	487			

a. Predictors: (Constant), Women's empowerment, Education, Environment, Water, Girl Child, Community welfare, Health care

b. Dependent Variable: Performance of the organization

The critical value obtained from F table at 0.05 level of statistical significance is 2.01. We should reject the null hypothesis if calculated value is more than table (critical) value. The Table shows the value of F =136.721 which is significantly higher value than the critical value 2.01 so we reject the Null hypothesis. Moreover the result gives the value of coefficient of determination $R^2 = 0.666$ which indicated that 66.6 percent of variance in performance of organization is explained by these seven independent variables of CSR Activities. The value of R Square is close to 1. Thus, it can be concluded that estimated functional relationship between CSR Activities and Performance of the organization is not due to chance or random variation; there does appears to be association between the CSR Activities and Performance of the

organization. We **accept the alternate hypothesis** - CSR Activities affects the performance of the organization.

H₀: There is no significant relationship between Corporate Social Responsibility and development of society

H₂: There is significant relationship between Corporate Social Responsibility and development of society

It is prove that the CSR done in Healthcare (medical checkup camps and primary health care centers) , environmental care and programmes, Education, Better living conditions (drinking water, environment friendly projects), cleanliness in society, women's empowerment and equality (women's education , social strengthening)and childcare (specially in field of mal nutritional children and education) help in development of the society.

The relationship between the two variables which are 'Corporate Social Responsibility' and 'development of society' were selected and response was taken on 5 point scale where 5 being Strongly agree to 1 being strongly disagree. And there correlation is tested using Pearson Correlation.

Table no 4 Reliability Statistics

Cronbach's Alpha	N of Items
.839	2

The table shows the alpha coefficient for the two items is .839, suggesting that the items have relatively high internal consistency.

Table No 5 Correlations

		Conducting activity	CSR development of society
Conducting CSR activity	Pearson Correlation	1	.725**
	Sig. (2-tailed)		.000
	N	488	488
development of society	Pearson Correlation	.725**	1
	Sig. (2-tailed)	.000	
	N	488	488

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

From Table we can see that the correlation coefficient between the 'Corporate Social Responsibility' and 'development of society' is 0.725 and the p value for two tailed test of significance is less than 0.0005 (values less than 0.0005 are shown as 0.000 in SPSS output) from these figures this can be conclude that there is strong positive correlation between 'Corporate Social Responsibility' and 'development of society' and that this correlation is significant at the significance level of 0.01. Thus the Null hypothesis is rejected and **we can accept the hypothesis** that there is a significant relationship between Corporate Social Responsibility and development of society.

FINDINGS, RECOMMENDATIONS AND CONCLUSION

- In the study we studied of CSR initiatives taken by some well recognized FMCG companies playing a very important role in the field of social welfare successfully. Though, the list of leading FMCG companies never ends here. Himalaya, Haldiram, Godrej and what not, their appreciable contribution in respect of CSR is not ignorable at all. All these companies are not just a successful business houses but are the trend setters and somewhat the charming face of the Indian Economy.

- Business houses all over the world are realizing their stake in the society and engaging in various social and environmental activities. The need of the hour is to formulate effective strategic policies and adopt various instruments according to the company history, its content, peculiarity in relationship with its different stakeholders so that CSR can be best implemented towards its goals – sustained environmental, social and economic growth.
- A feature noticed in the development of CSR reporting is the influence of several international and local organizations with different frameworks, indices, directives and initiatives etc.
- There are several companies in India involved in diverse issues such as healthcare, education, rural development, sanitation, microcredit, and women empowerment. Analysis of several surveys in India suggest that though many companies in India have taken on board the universal language of CSR, CSR seem to be in a confused state.
- Individual companies define CSR in their own limited ways and contexts. The end result being that all activities undertaken in the name of CSR are mainly philanthropy, or an extension of philanthropy.
- It is essential that companies develop an effective value chain system of their products through their CSR activities, which is essential for competing in the global market. It will give better results if activities are based on a more practical & participatory approach and touch the grassroots level.
- Special training needs to be given to business managers in working with social issues. Participation of small and medium business should be encouraged. Experience has shown that working with NGOs is more worthwhile and result-oriented. Joining hands with related NGOs is therefore advisable.
- It has been distinguish that Social responsibility activity can enhance the market share, profitability which increased the value of the firm through good will, increased sales and demand in the market. 13 independent variables of CSR Activities were selected and 7 most important variables of CSR Activities were extracted (Community welfare, Education, Environment, Girl Child, Health care, Water and Women's empowerment).

Recommendations

- The company must have a division dedicated to CSR well-trained, qualified and experienced professionals from social science or social work Sociology, Rural Development and Development Studies and experience in management for a better planning, implementation and evaluation of CSR initiatives.
- Social audits should be conducted by an external source agency to evaluate the performance of CSR of a Company.
- The government can encourage the big players of the business world to take into account the ethical, social and environmental issues of the country. The government should play the role of motivator, catalyst, facilitator rather than director of corporate social responsibility
- An annual report on social responsibility must be prepared to highlight the company commitment to sustainable community development.

CHAPTER FIVE: BIBLIOGRAPHY

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