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# Evaluation of Corporate Social Responsibility of FMCG Companies

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## Abstract

*In the last twenty years there has been a big change in the nature of the triangular relationship between companies, the state and the society. Business practices are changing from the normal practices of solely profit to factor in public goodwill and responsible business etiquettes. Business houses, right from the inception of human race, have been regarded as constructive partners in the communities in which they operate. Though they have been instrumental in creating employment, wealth, products and services, yet the pressure on business to play a role in social issues involving employees, stakeholders, society, environment, government etc. is continuously increasing. Now a days business is performing social responsibility towards society that is known as corporate social responsibility.*

*Activities of CSR ranging from small donations to bigger projects for social welfare sustainable practices differ from organization to organization depending on the resources available to an organization for undertaking sustainable practices. Successful companies, like HUL, P&G and others are also trying to fulfill their corporate social responsibilities via various social projects as like Shakti, Shiksha etc.*

*This study aims to evaluate how CSR practices carried out by FMCG companies are engaged in their value system. The result shows that CSR practices of these companies are well developed.*

**Keywords:** Corporate Social Responsibility, FMCG Companies, Stakeholders, Employment.

**Introduction:** CSR ranging from small donations to bigger projects for social welfare sustainable practices differ from organization to organization depending on the resources available to an organization for undertaking sustainable practices. Successful companies, like HUL, P&G and others are also trying to fulfill their corporate social responsibilities via various social projects as like Shakti, Shiksha etc.

Simply, many companies have found that CSR has often had a positive impact on corporate profits. Of all the topics related to corporate social responsibility, it is environmental initiatives that have produced, so far, the greatest amount of quantifiable data linking proactive companies with positive financial results. Corporate Social Responsibility in fast moving consumer goods (FMCG) sector would be aimed towards addressing the peculiarity of the socio-economic development challenges of the country (e.g. Poverty alleviation, health care provision, infrastructure development, education, etc) and would be informed by socio-cultural influences (e.g. Communalism and charity). They might not necessarily reflect the popular western standard or expectations of CSR (e.g. Consumer protection, fair practice, green marketing, climate change concerns, social responsible investments, etc) as a result of the effect of the global economic meltdown.

## CSR at HUL:

Hindustan Unilever is involved in number of CSR initiatives in India. The main objective of Project Shakti of Unilever is creating rural entrepreneurs. It trained 13,000 underprivileged Indian women distribute the company's products to 70 million rural consumers. The company is working with women's self-help groups to teach selling and book-keeping skills and build commercial knowledge.

## CSR at DABUR:

At Dabur, our commitment to good governance, ethical conduct and social responsibility is core to our way of doing business, and is strongly aligned with our drive to create and increase value for all stakeholders. **We define CSR as conducting business in ways that provide social, environmental and economic benefits for the communities and geographies where we operate.** Dabur's CSR initiatives are driven through Sustainable Development Society or SUNDESH, an outcome of the vision of Dabur India Ltd founder Dr. S.K Burman.

## Research Objectives:

1. To evaluate of CSR practices of FMCG companies in terms of increase in sales.
2. To gather feedback/opinions from retailers and

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customers regarding the CSR activities having an impact on sales of the companies.

3. Based on the feedback result, judge whether the existing CSR expense Provide sufficient financial benefits to companies or not.

**Scope and Limitation of the Study:** The study is focused on FMCG companies. It critically examines what impact Corporate Social Responsibility has on the profitability of HUL and Dabur for the period 2013-14. However the study is limited to finding out how much in monetary terms FMCG companies commit to towards corporate social responsibility programmes yearly.

**Brief Methodology of the Study:** Primary data was used through the administering of questionnaires to respondents at Customers and retailers. The study population is very large, so 50 retailer respondents were selected, which is a good representation of the population based on stratified sampling. Again 50 shoppers/customers were selected through random sampling for identifying relation between Profitability and CSR.

#### Literature Review:

##### Introduction:

CSR as defined by European Commission (2001) is - a concept whereby companies integrate social and environmental concerns in their business operations and in their interaction with their stakeholders on a voluntary basis? following increasingly aware that responsible behavior leads to sustainable business success. CSR is about managing change at company level in a socially responsible manner which can be viewed in two different dimensions:

- a) Internal socially responsible practices that mainly deal with employees and related to issues such as investing in human capital, health and safety and management change, while environmentally responsible practices related mainly to the management of natural resources and its usage in production.
- b) External CSR beyond the company into the local community and involves a wide range of stakeholders such as business partners, suppliers, customers, public authorities and NGOs that representing local communities as well as environment. A company should focus on areas such as economic, environmental and social when developing sustainability strategy (Szekely & Knirsch 2005). Sustainability strategy development can be based on legitimacy, economic and social theories. These theories explain social disclosures pattern by organizations (Haniffa & Cooke 2005). Thus, CSR practices can be based on these three strategies.

**Research Methodology:** Questionnaires was used as the instrument of gathering information from knowledgeable respondents and also going beyond the observation of the correlation between independent and dependent variables.

**Population and Sample Size:** The study population is very large, so 50 respondents were selected from the Retailers of top FMCG companies. Again 50 customers were selected from customers through random sampling for identifying relationship between CSR and Profitability of FMCG companies which are indulged in these type of activities.

**Data Analysis Technique:** The statistical techniques employed in analyzing data collected in this study are:

- Tables
- Percentages
- Correlation Analysis

Product moment correlation coefficient (r) is given as;

$$r = \frac{\sum_{i=1}^n (X_i - \bar{X})(Y_i - \bar{Y})}{\sqrt{\sum_{i=1}^n (X_i - \bar{X})^2} \sqrt{\sum_{i=1}^n (Y_i - \bar{Y})^2}}$$

Where: r = Pearson's Product Moment correlation.

$\Sigma n$  = Number of pairs of values

X = Independent variable (CSR)

$\bar{X}$  = Mean of independent variable (CSR)

Y = Dependent variable (Profitability)

$\bar{Y}$  = Mean of dependent variable (Profitability).

#### Data Presentation, Analysis and Interpretation:

**Introduction:** This chapter deals with presentation, analysis and interpretation of the data collected from the field by means of questionnaire as well as those collected from secondary sources (annual report) to show the impact of corporate social responsibility of the profitability on multinational companies.

##### Data Presentation and Analysis:

**Questionnaire to Retailers:** The table shows the suggested answer and the numbers of respondents with the percentage of the respondent to each.

## Descriptive Statistics:

### Section A

**Table 1: Sex Distribution of Respondents**

SEX	FREQUENCY	PERCENTAGE
MALE	45	90
FEMALE	5	10
<b>TOTAL</b>	<b>50</b>	<b>100</b>

The table reveals that 45 (90%) of the respondents are male while 5 (10 %) are females indicating that female also working in this sector.

**Table 2: Marital Status of Respondents**

MARITAL STATUS	FREQUENCY	%
SINGLE	25	50
MARRIED	20	40
DIVORCED	4	.08
WIDOWED	1	.02
<b>TOTAL</b>	<b>100</b>	<b>50</b>

The table reveals that 25 (50%) are single, 20(40%) are married, 4 (.08%) are divorced and 1 (.02%) are widowed out of the respondents.

**Table 3: Age Distribution of Respondents**

AGE BRACKET	FREQUENCY	%
16-25	12	24
26-35	10	20
36-45	11	22
45 and above	12	24
<b>TOTAL</b>	<b>50</b>	<b>100</b>

The table reveals that 12(24%) of the respondent are within the ages of 15-25, 10(20%) are within the ages of 26-35, 11(22%) are within the ages of 36-45 and 12(24%) are within the ages of 45 and above.

### Presentation and Analysis of Research Questions:

Q.1 Have you heard about Corporate Social Responsibility?

**TABLE: 1**

RESPONSES	FREQUENCY	%
YES	35	70
NO	15	30
<b>TOTAL</b>	<b>50</b>	<b>100</b>

35 out of the 50 respondents representing 70% have heard about CSR

Q.2. Do you use FMCG products?

**TABLE: 2**

RESPONSES	FREQUENCY	%
YES	50	100
NO	0	0
<b>TOTAL</b>	<b>50</b>	<b>100</b>

50 out of the 50 representing 100% use various types of Dabur and HUL products such as Fair & lovely, Dabur honey, Dabur Hazmola.

Q.3. Which FMCG Company's product do you buy always?

**TABLE: 3**

RESPONSES	FREQUENCY	%
HUL	40	80
DABUR	10	20
<b>TOTAL</b>	<b>50</b>	<b>100</b>

40(80%) of the respondents always prefer HUL product compared to other products from competitors. This means out of the 50 respondents 96% are loyal to HUL and HUL Market is large in comparison of other FMCG company.

Q.4 Do you Know FMCG companies are Involved in Corporate Social Responsibility?

**TABLE: 4**

RESPONSES	FREQUENCY	%
YES	35	70
NO	15	30
<b>TOTAL</b>	<b>50</b>	<b>100</b>

The table reveals 35 (70%) are aware about FMCG company are following CSR practices.

Q.5 What impact of the CSR programme had on the Community?

**TABLE: 5**

RESPONSES	FREQUENCY	%
POSITIVE	40	80
NEGATIVE	10	20
<b>TOTAL</b>	<b>50</b>	<b>100</b>

40 (80%) of the respondents says that CSR having positive impact on Community development.

Q.6 Do you think that sale has increased due to Corporate Social Responsibility of FMCG companies?

**TABLE: 6**

RESPONSES	FREQUENCY	%
YES	35	70
NO	15	30
<b>TOTAL</b>	<b>50</b>	<b>100</b>

35(70%) said that sales are increasing due to CSR of FMCG companies

Q.7 Are there other benefits of FMCG stands to gain aside profitability from the execution of CSR projects?

**TABLE: 7**

RESPONSES	FREQUENCY	%
Large Customer Base	25	50
Customer Confidence	10	20
Good Corporate Image	10	20
Other Benefits	5	10
<b>TOTAL</b>	<b>50</b>	<b>100%</b>

50% of the respondent believes FMCG also benefit Large Customer Base, 20% believes it will have Customer Confidence, 20% believes Good Corporate Image and only 10% believes other benefit could be gained from the execution of CSR projects apart from Profitability.

Q.8. Corporate Social Responsibility has a significant impact on the profitability of FMCG sector.

**TABLE: 8**

RESPONDENT	FREQUENCY	PERCENTAGE
STRONGLY AGREE	5	100
AGREE	0	0
UNDECIDED	0	0
DISAGREE	0	0
STRONGLY DISAGREE	0	0
<b>TOTAL</b>	<b>5</b>	<b>100</b>

The responses above shows that 100% of the respondent strongly agreed, 0% of the respondent agreed, 0% of the respondent was undecided, 0% of the respondents disagreed while 0% of the respondent strongly disagreed that Corporate Social Responsibility has a significant impact on the profitability.

**Section B:**

**Test of Hypotheses**

**Restatement of Hypotheses:**

H0: Corporate Social Responsibility has no significant impact on the Profitability of FMCG.

H1: Corporate Social Responsibility has a significant impact on the profitability of FMCG.

The Pearson product moment correlation (PPMC) is used to establish and test the relationship between the response of HUL and dabur customers and retailers.

Pearson product moment correlation is denoted by =r'.

r which stands for the co efficient of correlation is defined below as

$$\text{Where: } r = \frac{\sum_{i=1}^n (X_i - \bar{X})(Y_i - \bar{Y})}{\sqrt{\sum_{i=1}^n (X_i - \bar{X})^2} \sqrt{\sum_{i=1}^n (Y_i - \bar{Y})^2}}$$

r = Pearson's Product Moment correlation.

Σn= Number of pairs of values

X = Independent variable (Corporate Social Responsibility)

$\bar{X}$  = Mean of independent variable (Corporate Social Responsibility)

Y = Dependent variable (Profitability)

$\bar{Y}$  = Mean of dependent variable (Profitability).

Corporate social responsibility has no significant impact on the profitability of HUL and Dabur.

The required response included strongly agree, agree, undecided, disagree and strongly disagree.

**Response of FMCG companies retailers and FMCG customers**

RESPONSE REQUIRED	Retailers Responses (x)	Customers responses (y)
STRONGLY AGREE	18	5
AGREE	26	0
UNDECIDED	2	0
DISAGREE	0	0
STRONGLY DISAGREE	0	0

### PMCC Correlation Analysis Computations

X	Y	-	-	2	2	- -
		X-X	Y-Y	(X-X)	(Y-Y)	(X-X)(Y-Y)
18	5	9	4	81	16	36
26	0	15	-1	225	1	-15
1	0	-8	-1	64	1	8
0	0	-9	-1	81	1	9
0	0	-9	-1	81	1	9
45	5	0	0	532	20	47

$\Sigma X = 45$

$\bar{X} = 45/5$

$\bar{X} = 9$

$\Sigma Y = 5$

$\bar{Y} = 5/1$

$\Sigma XY = 47$

$$r = \frac{\Sigma XY - \frac{\Sigma X \Sigma Y}{N}}{\sqrt{(\Sigma X^2 - \frac{(\Sigma X)^2}{N})(\Sigma Y^2 - \frac{(\Sigma Y)^2}{N})}} = 0.45$$

"r" = 0.45 means that there is a positive strong relationship between the response of the retailers and customers.

In order to test the degree of significance of the relationship at the particular degree of freedom, the Pearson product moment correlation coefficient table was used.

At 0.05 level of significance Degree of freedom = N - 2

Where N = 50 - 2 = 48

Decision Rule: If calculated r (rc) > tabled value (rt) reject H0  
If tabled r > calculated value accept H0

From the result obtained the calculated r (rc) 0.48 is greater > tabled value (rt) 0.24 thus, reject H0 and accept H1.

#### Findings:

- 35 out of the 50 respondents representing 70% have heard about CSR
- 50 out of the 50 representing 100% use various types of Dabur and hul products such as Fair & lovely, Dabur honey, Dabur Hazmola.
- 3.40 of the respondents always prefer HUL product compared to other products from competitors. This means out of the 50 respondents 96% are loyal to HUL and HUL Market is large in comparison of other FMCG company.
- 35 (70%) are aware about FMCG company are following CSR practices.

- 40 of the respondents says that CSR having positive impact on Community development.
- 35(70%) said that sales are increasing due to CSR of FMCG companies.
- 50% of the respondent believes FMCG also benefit Large Customer Base, 20% believes it will have Customer Confidence, 20% believes Good Corporate Image and only 10% believes other benefit could be gained from the execution of CSR projects apart from Profitability.
- The responses above shows that 100% of the respondent strongly agreed, 0% of the respondent agreed, 0% of the respondent was undecided, 0% of the respondents disagreed while 0% of the respondent strongly disagreed that Corporate Social Responsibility has a significant impact on the profitability of HUL and Dabur.
- The Correlation confirms that there is a positive relationship between Corporate Social Responsibility and profitability.

**Conclusion:** The concept of CSR has become more and more common in business practices and customers today almost expect companies to be socially responsible. Even though CSR is very important for companies, it has historically not been a very lucrative approach for them to involve in these activities. The business of the 21-st century will have no choice but to implement CSR. Like any successful management strategy, a CSR process needs both high level management vision and support, and buy-in at all levels of the company.

CSR does not give immediate results. The same CSR initiative will also not work for all types of organizations. Designing CSR initiative requires careful planning and implementation mechanism. Corporate organizations should integrate the innovative CSR strategies into different marketing communication strategies to build and sustain a competitive advantage. Corporate social responsibility has a significant impact on the profitability of MNCs, and it is a positive impact, which includes good

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business relationship, good will among other benefits. In today's competitive market, CSR offer an opportunity for companies to explore other areas of improving profitability.

**Recommendation:** This section recommends measures to be considered by academia, corporate organization and stakeholders as well as customers so long as corporate social responsibility is concerned.

CSR deserves greater attention and more commitment from corporate organizations in that it guarantees other benefits other than just profits. This offers an opportunity to the corporate world to think out of the box and explore other potentially viable areas to improve the company profits portfolio. A corporate organization stands to gain over a period of time some leverages other than just products and services they render to the society.

CSR projects should be well structured and implemented to have maximum impact. This would enhance the well-being of the beneficiaries. From the survey it revealed that some customers or inhabitants of a community are not aware of any CSR programme ongoing. Mostly they are unable to connect with the results of the programme. It tends out that the community expectations are somewhat different from the corporate organization. Organizations could lease with community authorities to identify areas or opportunities available to them to better the lives of the people through the provision of some social amenities. This will go a long way to improve the general living standards of the people.

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