

CUSTOMERS OPINION TOWARDS THE IMPACT OF CSR ACTIVITIES IN CHENNAI CITY

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ABSTRACT

The Corporate Social Responsibility (CSR) is one emerging concept in India, a concept comparatively new to India, in the companies act 2013 strictly admired to inculcate all companies in CSR activities. CSR has become a fundamental business practice and has gained much attention from the management of large fast moving consumer goods (FMCG) companies. It facilitates the alignment of business operations with social and ethical values. CSR is deemed as a point of convergence of various initiatives aimed at ensuring socio-economic development and uplifted the poor people of the area. Acknowledging the fact that mainstreaming CSR into businesses could be instrumental in delivering societal value, especially in a developing city like Chennai, trichy, Coimbatore etc., This paper aims at empirically evaluating impact of Corporate Social Responsibility (CSR) on personal care product manufacturing FMCG (Fast Moving Consumer Goods) companies based on the perception of the consumers of personal care products. In addition to evaluating the impact, an attempt is also made here to identify the knowledge of consumers on CSR activities, factors considered by them while giving preference to FMCG brands with CSR activities and extent of gains from CSR as perceived by the consumers in the sample.

KEY WORDS: *FMCG, CSR Activities, Customers, Perception, CSR Knowledge .*

INTRODUCTION

Many of the leading FMCG corporations across the world had realized the importance of being associated with socially relevant causes as a means of promoting their brands through interrelation among the nearby village people. It stems from the desire to do well and get self-satisfaction in return as well as societal obligation of business. As an engine for social progress,

CSR helps companies live up to their responsibilities as global citizens and local neighbors in a fast-changing world. For Indian FMCG businesses CSR can be a source of opportunity, innovation, and competitive advantage while at the same time providing with the opportunity to actively contribute to the sustainable development and upliftment of poor villages. FMCG companies in Chennai have been quite sensible in taking up CSR initiatives and integrating them in their business processes. It has become progressively projected in the Indian corporate setting because organizations have recognized that besides growing their businesses, it is also important to shape responsible and supportable relationships with the community at large in around chennai.

STATEMENT OF THE PROBLEM

In current context CSR is an effective way of achieving and maintaining sound business environment. By carrying out social responsibility the FMCG Company can actually enhance its own economic value and brand image as well as benefits the society. In addition, companies and other organizations are required to have accountability towards stakeholders such as consumers, investors, employees, local residents etc. while utilizing the resources of society. This practice is voluntary in nature though the Indian Government Parliamentary Standing Committee on Finance and companies act 2013 has proposed mandatory corporate social responsibility (CSR) by companies as part of change to companies. The committee has stated that every company having net worth of Rs.5000 cr. or more, or a turnover of Rs.1000 cr. or more, or a net profit of Rs.5 cr. or more during a year shall be required to spend every year at least two percentage of the company average net profit towards CSR activities. There are no standard framework and guidelines for CSR practices. Most of the companies are following GRI guidelines but still there is a need to form standard guidelines for CSR practices. hence this study has been made an attempt to study an analysis of customers' perception of corporate social responsibility impact on fmcg companies.

OBJECTIVE OF THE STUDY

customers opinion towards the impact of csr activities in chennai city

METHODOLOGY

This study comprises of both primary and secondary data. The primary data are collected directly from the customers in around Chennai. The secondary data for the study are the financial statements of the selected FMCG firms across domains. The data has been collected from well approved database like proweiss, CMIE, company website etc., The rest would be collected from the publications of journals, magazines, newspapers, related/relevant websites etc.,

SAMPLING TECHNIQUE

The present study proposed to collect data from select Five FMCG companies based on the Stratified Simple Random Sampling technique. This technique is used widely when the population is heterogeneous in nature. Companies listed in the Bombay Stock Exchange (BSE) are heterogeneous in terms of size i.e. total assets and volume of transaction. Hence there are 600 respondents were selected to access their perception towards the CSR activities of selected five FMCG companies in their respective areas.

LITERATURE REVIEW

1. Rajesh k Yadav and Richa jain (2016) in their study stated that customer perception towards CSR - a case study of reliance life insurance. Last decade has seen a remarkable change and upgrade in the way companies look and invest in corporate social responsibilities that they owe towards the society and the nation as a whole. CSR activities are those efforts undertaken by corporates to give back to the society as a whole from which they earn and become successful. This study aims in finding out how significant CSR activities are in making the customers' perception towards a company with the overview of customers of Reliance Life Insurance. This study also intends to seek and show how a company can change customers' perception towards its products and services by widening the scope of their CSR activities. Interview of Human Resource senior Official and 80 other customers were undertaken to complete this study. The findings of the study suggest that there is a significant rise in the business performances and a very positive customer perception towards Reliance Life Insurance through the conduction of CSR activities. Customers being aware are assertively looking forward to deal with companies that are active in CSR actions.
2. Jayati Sarkar and Subrata Sarkar (2015) Drawing on existing theoretical and empirical literature on the rationale behind Corporate Social Responsibility (CSR), this paper analyses the potential implications of mandated CSR under the recently enacted Companies Act, 2013 in India on firm incentives, likely responses of corporates that come under the ambit of the law, implications for resource availability and delivery of social goods, and the prospects and challenges of implementing mandated CSR. Insights into these issues are drawn by empirically examining the voluntary CSR behavior of a sample of 500 large companies listed on the Bombay Stock Exchange for the period 2003-2011 that predates the new regulation. The paper argues that notwithstanding the potential economic costs that may accompany mandated CSR, the provisions of the new Act are designed thoughtfully to balance the objectives of the corporation and its shareholders on the one hand and that of the society and its stakeholders on the other.

However, addressing the challenges of implementation successfully would determine how far the objectives of the new regulations are met.

3. CSR has been assuming greater importance in the corporate world in 21th century. Indian Government has drafted guidelines for CSR practices, which of late proposed companies to contribute a percentage share towards that cause (CSR). This study compares the CSR activities of Tata Company and ITC Company on different areas i.e. environmental friendliness, social accountability, employee's safety, human rights promotion and healthcare etc. The study also focuses on the reporting methods used by these companies. From this study, it is observed that all the two big private companies of the country are directly engaged in social responsibility in various areas, from innovation in agriculture & education to saving the environment. It is concluded that environment, education, community involvement and health care activities practiced as CSR by both companies.

ANALYSIS AND DISCUSSION

FMCG COMPANIES TOWARDS CSR ACTIVITIES - FACTOR ANALYSIS

The CSR activities is a service oriented unit it provides facilities to the undeveloped nearby areas area. It provides all kinds of services to the CSR, which give satisfaction to them.

There are nineteen measures identified by the researcher and ask the respondents were asked to tick their beneficiaries in the respective column. The researcher has used a multi variant technique by name factor analysis in order to classify the related variables. In this study, the principal component factor analysis method with varimax rotation is used to identify the significance of different variables of the opinions of the beneficiaries towards the CSR activities in around chennai. The results are shown in Table 1

Kaiser – Meyer – Olkin (KMO) and Bartlett's Test - Factor Analysis

The factor analysis is used to group the factors based on their relevant similarities. In order to access the consumer knowledge on CSR activities, the researcher has applied principal component analysis method to group the factors. Principal component method of data reduction, in this method, the proportion of variance of a particular item that is due to common factor is communality.

TABLE 1
Consumers' Knowledge on CSR Activities

KMO and Bartlett's Test		
Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		.921
Bartlett's Test of Sphericity	Approx. Chi-Square	3.230
	Df	56
	Sig.	.001

Table 1 shows that the KMO is .921 which indicates that the degree of common variance among the variables is quite high, therefore factor analysis can be conducted.

Table 2
Consumers' Knowledge on CSR Activities

No	Description of Items	Factors			
		1	2	3	4
16	Play a role in society that surpasses the mere generation of profits	0.869			
13	Facilitate solutions for social problems	0.862			
15	Apportion some resources to philanthropic activities	0.853			
14	Contribute to the management of public affairs	0.848			
5	Ensure that employees act within the standards defined by the law		0.770		
8	Always follow the principles defined by the regulatory system		0.707		
7	Abstain from manipulating the law even when it helps improve performance		0.595		
6	Abstain from personal gain on contractual obligations		0.500		
11	Commit to a well-defined set of ethical principles			0.796	
10	Ensure that respect for ethical principles has priority over economic performance			0.782	
12	Avoid compromising ethical standards to achieve corporate goals			0.611	
9	Allow ethical concerns to negatively affect economic performance			0.573	
2	Strictly control production costs				0.731
1	Maximize profit as the primary goal				0.720
3	Establish a plan for long-term success				0.700
4	Improve economic performance				0.514
Factor Label		Philanthropic Responsibility	Legal Responsibility	Ethical Responsibility	Economic Responsibility

Source: Primary Data

The items 11 (Commit to a well-defined set of ethical principles), 10 (Ensure that respect for ethical principles has priority over economic performance), 12 (Avoid compromising ethical standards to achieve corporate goals) and 9 (Allow ethical concerns to negatively affect economic performance), which are symbolizing the ethical aspects, are highly loaded on third factors and therefore, this factor is identified as consumer awareness on “**ethical responsibility**” in CSR activities.

The fourth and final valid factor is highly loaded by four items, viz., 2 (strictly control production costs), 1 (maximize profit as the primary goal), 3 (establish a plan for long-term success) and 4(improve economic performance). These four items are related to production, profitability and economic aspects. Therefore, the fourth factors is denoted as consumers awareness on “**economic responsibility**” in CSR activities. On the whole, it is found that there are four factors predominant in the scores (data) of consumers’ knowledge on CSR activities, viz., Philanthropic responsibility, Lega responsibility, Ethical responsibility and Economic responsibility.

TABLE 3
Consumers’ Preference to FMCG Brands with CSR Activities

KMO and Bartlett's Test		
Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		.881
Bartlett's Test of Sphericity	Approx. Chi-Square	4.111
	Df	50
	Sig.	.001

Table 3 shows that the KMO is 0.881 which indicates that the degree of common variance among the variables is quite high, therefore factor analysis can be conducted.

Table 4
Consumers’ Preference to FMCG Brands with CSR Activities

No	Description of Items	Factors			
		1	2	3	4
9	Strives to offer its Consumers products of reasonable quality	0.894			
8	I think that the brands of CSR companies have superior quality	0.891			
11	Charges fair and reasonable prices for its products	0.881			
12	The performance my favourite CSR brand is as per my expectation	0.879			
10	Provides Consumers with honest and complete information about its products	0.873			
4	A brand with strong CSR support would be my first choice		0.841		
6	I will also buy other brands which are not involved in CSR		0.833		
7	I will recommend my current Favourite CSR brand to others		0.820		

5	I will not go for another substitute brand if my favourite CSR brand is not available in the market		0.813		
15	Contributes to the long-term welfare and life quality of people in the region			0.891	
13	I am preferring brands due to its good social cause			0.878	
14	Respects the values, customs and culture of the region			0.864	
2	Strives to minimize the consumption of resources that affect the natural environment				0.850
1	Reduce its negative effects on the natural environment				0.847
3	Works diligently to use environmentally friendly materials				0.845
Factor Label		Quality products with Fair Price	Brand loyalty	Community development	Environmental Protection

Source: Primary Data

Table 4 explains that the third factor is highly characterised with high loadings by items 15 (Contributes to the long-term welfare and life quality of people in the region), 13 (I am preferring brands due to its good social cause) and 14 (Respects the values, customs and culture of the region) in the given order. These three items have explored quality of life, social cause and culture in the region which are part of development in the community and hence it is named after “**community development**”.

The fourth factor is loaded highly by the remaining items 2 (Strives to minimize the consumption of resources that affect the natural environment), 1 (Reduce its negative effects on the natural environment) and 5 (Works diligently to use environmentally friendly materials), which are used to measure the environmental aspects of the FMCG companies in CSR activities. So, this factor is christened as “**environmental protection**”. On the whole, it is found that the preference to FMCG brands with CSR activities given by consumers is based on four major aspects, viz., product quality and fair price, brand loyalty, community development and environmental protection.

CONSUMERS’ PERCEPTION ON IMPACT OF CSR ON FMCG COMPANIES

Table 6 depicts the loadings of items with five valid factors. As depicted in the table, the loadings of items 16 (Our company could easily create revenue streams due to CSR), 15 (Better community relations result in better profit for the company) and 14 (Our company has done lot of cost savings because of CSR) with first factors are more than the minimum required level of 0.40 and higher than that of these items with other remaining factors. All these three items

identify the revenue status, profitability and cost savings of the FMCG companies and therefore this factor is labelled as “**Cost Savings & Better Profit**”

Table 5
Consumers’ Views on Impact of CSR on FMCG Companies

No	Description of Items	Extracted Factors				
		1	2	3	4	5
16	Our company could easily create revenue streams due to CSR	0.897				
15	Better community relations result in better profit for the company	0.892				
14	Our company has done lot of cost savings because of CSR	0.886				
10	Our company value system has improved due to CSR		0.858			
8	CSR initiatives adopted by company has promoted corporate image among the competitors		0.845			
7	The company’s CSR initiatives help create brand awareness		0.844			
9	CSR initiatives results in goodwill of the company		0.813			
11	CSR has created an environmentally friendly technology and process for production			0.895		
12	Eco friendly Innovative products have resulted in our company due to CSR efforts			0.879		
13	Our company has easily complied with the standards and regulations based on CSR			0.878		
6	Improvement in Consumer satisfaction development through continuous interactions due to CSR				0.873	
4	Market share has increased substantially due to CSR initiatives				0.868	
5	CSR initiatives has led to higher consumer satisfaction				0.862	
2	CSR activities has increased production					0.883

3	Quality of products has improved due to CSR					0.870
Factor Label		Cost Savings & better profit	Create Brand awareness & goodwill	Resulting in Eco-friendly Innovative Products	Increase in Market Share and Improved Consumer Satisfaction	Increased Production of Quality Products due to ethical motivation

Source: Primary Data

With second factor, the items 10 (Our company value system has improved due to CSR), 8 (CSR initiatives adopted by company has promoted corporate image among the competitors), 7 (The company’s CSR initiatives help create brand awareness) and 9 (CSR initiatives results in goodwill of the company), which exposes company value, corporate image, brand awareness and goodwill, are highly loaded. Based on the characteristics of these items, the second factor is christened as “Create Brand Awareness & Goodwill”.

The loading of items, 11 (CSR has created an environmentally friendly technology and process for production), 12 (Eco friendly Innovative products have resulted in our company due to CSR efforts) and 13 (Our company has easily complied with the standards and regulations based on CSR) with third factor is higher than that of these items with other factors. These three items expose the environmental friendly production process, eco-friendly innovative products, standard and regulations. So, this factor is named after “Resulting in Eco-friendly Innovative Products”. The fourth factor is highly contributed by items 6 (Improvement in Customer satisfaction development through continuous interactions due to CSR), 4 (Market share has increased substantially due to CSR initiatives) and 5 (CSR initiatives has led to higher consumer satisfaction) in the specified order and these three items possess the information relating to customer / consumer satisfaction and market share of the FMCG company. Therefore, the fourth factor is named as “Increase in Market Share and Improved Customer Satisfaction”. Due to high loadings of items 2 (CSR activities has increased production), 3 (Quality of products has improved due to CSR) and 1 (Ethical motivation of company has increased due to CSR initiatives) with fifth factor, which are used to measure increased production, improvement in quality of products and ethical motivation of the FMCG companies, the fifth and final factors is assigned with name as “Increased Production of Quality Products due to ethical motivation”. On the whole, it is found from the factor analysis results that the consumers in the sample have viewed the impact of CSR on FMCG companies in five different ways, viz., Cost Savings & better profit, Create Brand awareness & goodwill, Resulting in Eco-friendly Innovative Products, Increase in Market Share and Improved Customer Satisfaction and Increased Production of Quality Products due to ethical motivation.

RECOMMENDS

In order to ensure that CSR is progressively contributing and benefiting, the following suggestions are given to make CSR initiatives more effective:

- It is found that there is a need for creation of awareness about CSR amongst the general public to make CSR initiatives more effective
- It is noted that partnerships between all stakeholders including the private sector, employees, local communities, the Government and society in general are either not effective or not effectively operational at the grassroots level in the CSR domain. It is recommended that appropriate steps be undertaken to address the issue of building effective bridges amongst all important stakeholders for the successful implementation of CSR initiatives. As a result, a long term and sustainable perspective on CSR activities should be built into the existing and future strategies of all stakeholders involved in CSR initiatives.
- Allocating finance for treating CSR as an investment from which returns are expected.
- Monitoring CSR activities and liaising closely with implementation partners such as NGOs to ensure that initiatives really deliver the desired outcomes.
- A long term perspective by organisations, which encompasses their commitment to both internal and external stakeholders will be critical to the success of CSR and the ability of companies to deliver on the goals of their CSR strategy.

CONCLUSION

CSR is really about ensuring that the company can grow on a sustainable basis, while ensuring fairness to all stakeholders, CSR has come a long way in India. It has successfully interwoven business with social inclusion and environment sustainability. From responsive activities to sustainable initiatives, corporate have clearly exhibited their ability to make a significant difference in the society and improve the overall quality of life. In the current social situation in India, it is difficult for one single entity to bring about change, as the scale is enormous. Corporate have the expertise, strategic thinking, manpower and money to facilitate extensive social change. Effective partnerships between corporate, NGOs and the government will place India's social development on a faster track.

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