

Impact of Corporate Social Responsibility on Corporate Image: A Study on FMCG Industry

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Abstract—*The study aims to measure the corporate social responsibility and corporate image of the FMCG companies. The study also aims to measure the relationship between corporate social responsibility and the corporate image. Total five FMCG companies have been selected for the purpose of primary data collection namely; Britannia, ITC, HUL, Godrej and Proctor & Gamble. The sample size of the respondents were 250 which consists 50 employees from each of the five companies. Data has been analyzed using t-test and correlation analysis. It was found from the study that there is a positive and significant relationship between corporate social responsibility and corporate image of the FMCG companies. There is no significant difference has been found in the CSR practices of the FMCG companies towards the environment and government/legal bodies. The mean value of CSR practices towards environment and government, is found to be high for all the FMCG companies. Thus, it can be said that the corporate social responsibility have a great impact on the corporate image and CSR practices of the companies helps in creating and sustaining the positive image of the company.*

Keywords: *Corporate Image, Corporate Social Responsibility, Company, Environment, Government, Legal, Employees and Community.*

1. INTRODUCTION:

According to Australian Treasury, CSR can be defined as “a company’s management of the economic, social and environmental impacts of its activities”. According to Keynesians’ theory, CSR is generally defined as an approach adopted voluntarily by corporations and without external regulation by either stakeholders or the state. European Union’s described corporate social responsibility as “a concept whereby companies integrate social and environmental concerns in their business operations and in their interaction with their stakeholders on a voluntary basis”. CSR is a permanent pattern of business activities aimed at fulfilling and exceeding legal and governmental expectations, ensuring employee safety and health as well as improving the well-being of the local community. CSR as “a company’s commitment to operating in an economically, socially, and environmentally sustainable manner, while recognizing the interests of its stakeholders, including investors, customers, employees, business partners, local communities, the environment, and society at large”. In line with European

Union’s definition, CSR in this study is viewed as corporate ethical conduct, implying that a corporation is responsible for the general stakeholders, and not just stockholders. CSR is rooted in the recognition that businesses are an integral part of society and as such they have the potential to make a positive contribution to social goals and aspirations. CSR is argued to play some positive role in profit-making, it is also seen as an important insurance strategy to minimize risks from negative government intervention, adverse media coverage and consumer or stockholder backlash to corporate behavior.

Carroll’s CSR Pyramid theory is one of the widely used theory by the researcher to understand the concept of corporate social responsibility. The theory includes the four aspects of the CSR namely; economic responsibility, legal responsibility, ethical responsibility and philanthropic responsibility. All these four types of responsibilities comes in decreasing order in the pyramid according to their decreasing importance. Business managers and researchers have made use of this theory to explore and define the concept of CSR. The Pyramid of CSR is very useful for business managers to understand the different obligations of business towards the society within which they operate. Carroll’s theory has integrated the concepts of corporate and stakeholders’ citizenship into the pyramid. The economic responsibility is at the base of the pyramid which shows the increased importance of the business is to maximize the profits of the business. The other type of responsibilities can be fulfilled only when the business fulfill the economic responsibility very well. A business need to earn high profits to serve the society or community. After economic responsibility, legal responsibility comes at the second place. Business need to obey the laws, rules and regulations to survive in the market. The legal component comes to the second on the hierarchy. The third component in the hierarchy of Carroll’s pyramid is the ethical responsibilities of a business. Business should embrace values and norms and should not involve questionable practices. However, it is very difficult to deal with the ethical responsibilities, as they tend to be vague and continually under public debate. Philanthropic responsibility comes at the top of the pyramid. The philanthropic responsibilities are those activities of a business that society expects from a business to

be a good corporate citizen. Philanthropic responsibility involves giving something back to the society and being a good corporate citizen by giving donations and participation in charities or other community welfare programs.



Fig. 1: Carroll's Pyramid of CSR

Bromley (2001), "Corporate image can be defined as an "immediate mental perception of the organization held by an individual, group or network." Gray and Balmer (1998), corporate image is the mental picture of an organization that can be created quickly through communication programs. Whetten and Mackey (2002), corporate reputation refers to a particular type of feedback received by a company from its stakeholders with regard to "the credibility of the organization's identity claims". According to Wood (2000), corporate reputation is an assessment by outsiders of how well a company meets its commitments and conforms to its stakeholders' expectations. Fombrun and Shanley (1990) stated that a firm with high reputation in the market can attract investors and better qualified personnel, low cost of capital and can also enhance its competitive ability. Herremans et al. (1993) found that companies with better corporate image outperform those with poorer image and provide investors with higher stock market returns. Fombrun, (1996). Firms with good corporate image also command higher prices, generate more employee loyalty and greater productivity, have bargaining power with their suppliers, more stable revenues, and are less exposed to crises.

2. REVIEW OF LITERATURE:

Sudibyo and Atikah (2016) measured the relationship between corporate social responsibility and corporate image. Researchers have used the regression model where, corporate social responsibility was taken as independent variable and corporate image was taken as dependent variable. It was found from the study that any increase in the CSR activities by the company leads to positive image of the company in the market. Nasikan and Bariate (2015) has measured the effect of corporate social responsibility on the competitive advantage and corporate image. Researchers have used the primary data which was collected from the customers of the telecom sector

of Nigeria. Regression and chi-square methods were used for the data analysis. The study showed that there is a positive and significant relationship between corporate social responsibilities with the competitive advantage of the company. It was also found from the study that CSR practices of the companies helps in building a positive image of the company in the minds of all the stakeholders. CSR practices of the company related to customers, employees, environment and society support in making a positive impression about the company and that definitely help the company in the long run. Nasikan et al. (2015) researchers have measured the relationship between corporate social responsibility and corporate image. It was found from the study that CSR is positively related to the corporate image, employee commitment, profitability and brand awareness. Further the study specifies that active participation of companies in CSR activities can boost its image in the market which may prove a competitive tool for the company. Corporate image of the company depends on the involvement of a company, in the CSR activities which are beneficial for the society. The study also shows that the four aspects of CSR namely; ethical, legal, philanthropic and economic are positively related with the corporate image. CSR helps in building a positive corporate image among the customers, which directly affect the sales volume and profitability of the company. Lenguyen Tuongdung (2011) measured the impact of corporate social responsibility practices on the corporate image. Researcher stated that CSR is positively related to the performance of the companies. CSR activities has a long run impact on the profitability of the companies. CSR practices of the companies helps in developing the positive perception among its stakeholders. Stakeholders show high trust towards the companies which conducts CSR programs in order to give something back to the society. Lesser involvement of companies in the CSR activities, lead to negative image among its stakeholders and customers will start switching to other companies. Virvilaite and Daubaraitė (2011) also shows the importance of the corporate social responsibility practices of the companies in building positive image of the companies. The research shows that CSR helps in generating positive word of mouth communication which leads to positive corporate image. It was stated by the researchers that legal and economic aspects are the two main dimensions of the CSR. Corporate image is extremely predisposed by the CSR activities of any company. The customers gets more interest in buying product of a company which performs various CSR activities towards the society, shows its concerns towards the environment, social evils and helps in raising standards of the society by providing superior service quality by harming very less to the environment. The greater involvement in CSR practices helps in developing long run relationships with its customers. Muller Roland (2006) stated that the effect of CSR practices get multiple over the stakeholders. The CSR activities towards the employees, leads to employees satisfaction and satisfied employee delivers better service quality and also helps in maintaining healthy relationships

with the customers, which will lead to increased level of customer satisfaction and a positive image of the company in the minds of the customers. Therefore, CSR activities related to any stakeholder of the company will effect multiple times on stakeholders. The study also shows that the positive image of the company guarantees the long term sustainability. CSR is considered as the most trustworthy tools While doing communication With the external environment and it also helps in formation of a positive corporate. Brown and Perry (2004) stated in their research that the ethical behavior of the companies towards the society and environment plays a vital role in developing a positive and sustainable image of the company in the minds of the customers and positive corporate image leads to higher level of profitability. Andreasen and Drumwright (2001) have measured the relationship between corporate image and corporate social responsibility. The results shows that the CSR activities of a company plays an important role in creating a positive and promising image of the company in the mind of the stakeholders. The higher involvement in CSR practices indicates the higher concern of a company towards its obligations towards the society and shows the responsive behavior of the company too. Companies mainly develops and sustain positive image in the market by showing concern for environment, by involving in various charity events, by fulfilling their responsibilities towards their employees and by its involvement in various social welfare activities. Thus, keeping in mind that the corporate social responsibility and corporate image are positively and significantly related to each other, current study is an attempt to measure the relationship between both in context of FMCG companies.

3. OBJECTIVES OF THE STUDY

The study aims to measure the corporate social responsibility of the FMCG companies and also to measure the relationship between corporate social responsibility and corporate image of the FMCG companies.

4. RESEARCH METHODOLOGY

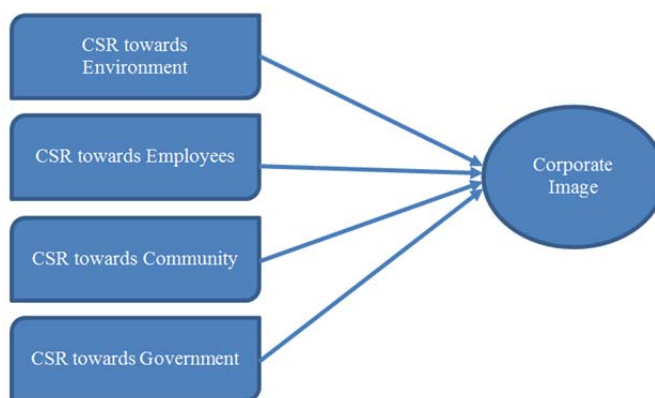
The study is based on both the primary and secondary data. Secondary data has been collected from the annual reports of the companies surveyed during the study, newspapers, magazines and various websites. Primary data has been used to measure the corporate social responsibility and corporate image of the selected FMCG companies. Primary data has been collected with the help of self-developed questionnaire. The respondents of the study were employees working in the FMCG companies and the sample size of the study was 250 which consists 50 employees from each of the five selected companies. The FMCG companies which were surveyed during the study namely; Britannia, ITC, HUL, Godrej and Proctor & Gamble. The method of data collection was through GoogleDocs, emails and personal contacts. The null

hypothesis which was formulated and tested during the study was as follows:

Null Hypothesis: There is no relationship between CSR and Corporate Image.

Null hypothesis: There is significant difference in the CSR practices of the FMCG companies.

Corporate social responsibility of the FMCG companies has been measured from all the aspects which get affected by an organization such as; environment, society, employees and government or legal bodies. Thus the CSR activities of the companies includes all the activities of the companies which are performed by the company in favor of all the above stakeholders. Corporate image of the company has also been measured from the point of view of employees of the company using some statements which indicates the image/reputation of the company in the society. In order to measure the relationship between the corporate social responsibility and corporate image of the FMCG companies' correlation analysis has been used. T-test has been used to measure the difference between the CSR practices of the five selected FMCG companies. The following conceptual model has been tested during the study:



5. DATA ANALYSIS AND ITS INTERPRETATION

The profile of the respondents have been given in table 1 in detail.

Table I: Respondents' Profile

Respondent Profile	Frequency	Percent	Cumulative Percent
AGE (In years)			
Less than 25 Years	22	8.8	8.8
25-35 Years	51	20.2	29.0
35-45 Years	125	50.5	79.4
45-55 Years	35	13.9	93.4
55 & above Years	17	6.6	100.0
Total	250	100.0	
GENDER			
Female	55	22.6	22.6
Male	195	78.2	100.0

Total	250	100.0	
EDUCATIONAL QUALIFICATION			
Below Secondary (10+2)	26	10.4	10.4
Secondary (10+2)	16	6.4	16.8
Diploma/ITI	93	37.3	54.1
Graduate	103	41.0	95.1
Post Graduate	12	4.9	100.0
Total	250	100.0	
JOB TENURE			
Less than 5 Years	54	21.6	21.6
5 to 10 years	131	52.2	73.8
10 to 15 years	25	9.8	83.7
More than 15 Years	41	16.3	100.0
Total	250	100.0	

Interpretation: Table 1 shows the profile of the respondents from whom the primary data has been collected during the current study. It can be interpreted from the table 1 that the 50.5 percent of the total respondents belongs to the age group of 35 to 45 years, 20.2 percent of respondents belongs to age group of 25 to 35 years. While only 6.6 percent of total respondents belongs to the age group of 55 and above which is the lowest percentage among all the age groups. Thus majority of the respondents belong to the age group of 35 to 45 years. It can also be seen from the table 1 that the majority of the respondents are males which is 77.4 percent while the

percentage of the female respondents is only 22.6 percent. It can also be seen from the table I that majority of the respondents i.e. 41.0 percent are graduates and 37.3 percent of the total respondents are having educational qualifications such as Diploma/ITI. Lowest percentage of respondents i.e. 4.9 percent are post graduate in educational qualification. It is apparent from the table I that 52.2 percent of the total respondents are working with the current organization from five to ten years, followed by 21.6 percent of respondents whose job tenure in their current organization is less than five years. The lowest percentage of respondents i.e. 9.8 percent are having their job tenure from ten to fifteen years. 16.3 percent of the respondents are working with their current organization for more than 15 years. Thus conclusively it can be said that respondents for the survey are mostly male respondents, with an age group of 35 to 45 years, graduate by educational qualification and with a job tenure of five to ten years.

The mean values of the five companies surveyed in the current study corresponding to each of the item used to measure the corporate social responsibility have been given in table 2, with the t-value and acceptance or rejection of hypothesis on the basis of significance level of t-value. Table 2 shows the results of the t-test. T-test was performed to measure the differences in the CSR practices of the selected FMCG companies.

Table 2: t-test Results

Items / Mean Values of Companies	Britannia	ITC	HUL	Godrej	P&G	t-value	Hypothesis
CSR Towards Environment							
Green advertisement/environment friendly policy	4.03	3.79	3.96	3.79	3.32	12.54 (NS)	Accept
Green Products/environment friendly products	3.80	3.84	3.91	3.80	3.89	15.28 (NS)	Accept
Reduced use of paper, by using email for inter-office communications and reduced power consumption through various energy conservation measures	3.69	3.02	3.05	3.83	3.71	19.41 (NS)	Accept
Environment friendly Waste disposal policy	3.70	3.68	3.84	3.65	3.19	21.96 (NS)	Accept
Commitment to voluntary programs, sponsorship of events about the environmental awareness among people, and tree plantation campaigns	3.72	3.29	3.48	3.28	3.42	11.06 (NS)	Accept
Environment friendly production policy	3.23	3.56	3.98	3.21	3.24	11.23 (NS)	Accept
CSR towards Employees							
Employee friendly environment	3.05	2.25	4.01	2.31	2.16	1.35*	Reject
Compensation and benefits as per the industry norms	2.05	2.93	4.11	2.69	3.12	3.67*	Reject
Career development and advancement opportunities within the organisation	3.19	2.78	4.24	2.33	4.01	3.89*	Reject

Fairness in promotion and internal transfer	4.04	4.24	4.14	4.60	4.59	11.542*	Accept
Transparent policies	2.88	2.01	4.45	2.02	3.51	2.45*	Reject
CSR towards Community							
Socio-economic welfare activities	4.10	3.93	2.17	3.23	1.98	1.35*	Reject
Campaigns against social evils	4.09	2.66	2.37	2.74	1.37	1.26*	Reject
Charity/donation to poor or needy people	4.19	2.73	3.94	2.01	1.45	2.63*	Reject
Support to girl child education	4.21	2.06	2.65	2.71	2.11	1.95*	Reject
Provisions for Society development funds	3.87	2.77	2.25	2.82	2.17	3.57*	Reject
CSR towards Government and Legal Bodies							
Keeping all the financial accounts according to law	4.21	4.13	4.01	4.16	4.26	18.23 (NS)	Accept
Paying taxes on time	4.11	4.12	4.10	4.21	4.09	14.11 (NS)	Accept
Transparency in financial records	4.23	4.24	4.15	3.99	4.02	16.78 (NS)	Accept
Following ethical policies in business	3.98	3.56	3.48	3.34	3.39	12.45 (NS)	Accept

* Indicates significant at 1% level of significance and NS stands for not significant.

Interpretation: It can be interpreted from the table 2 that CSR practices of all the five selected companies towards the environment and towards the government and legal bodies are indifferent. There is no significant differences have been found in the CSR practices of the five selected companies towards the environment and towards the government and legal bodies. Thus it can be said that all the five surveyed companies' focuses equally on the CSR practices towards the environment and towards the government and legal bodies. The CSR practices towards community and employees are significantly different among the five FMCG companies. Britannia has been found to be very active in performing CSR activities among all the other four FMCG companies surveyed in the study.

Table 3 shows the results of correlation between corporate social responsibility and corporate image of FMCG companies.

	Correlation Analysis				
	Corporate Image	CSR towards Environment	CSR towards Employees	CSR towards Community	CSR towards government/legal bodies
Corporate Image	1				
CSR towards Environment	0.613**	1			
CSR towards Employees	0.825*	0.594**	1		
CSR towards Community	0.842*	0.487**	0.763*	1	
CSR towards government/legal bodies	0.802*	0.698**	0.867*	0.836*	1

*at 1 percent level of significance and ** at 5 percent level of significance.

Interpretation: It can be interpreted from the table 3 that corporate image is positively related to the corporate social responsibility. CSR towards environment, CSR towards Employees, CSR towards Community and CSR towards government/legal bodies have been found positively and significantly related to the corporate image. On the basis of the results of correlation analysis, the null hypothesis which states that there is no relationship between corporate social responsibility and corporate image stands to be rejected. Thus, it can be said that there is a positive relationship between corporate social responsibility and corporate image of the FMCG companies.

6. CONCLUSION

It can be concluded from the study that corporate social responsibility and corporate image of the companies are positively and significantly related to each other. More the company involves in the CSR activities higher will be the

corporate image of the company. The company which performs various CSR activities towards the environment, employees, community and government; attains a good image in the market. Positive and sustained image leads to higher level of profits to the company. It can also be concluded from the study that FMCG companies are highly involved in the CSR activities towards the environment. FMCG companies are making use of green advertisements, follows environment friendly waste disposal policies, production policies and also involved in conducting environmental awareness campaigns. FMCG companies are also found to be highly responsible towards the government and legal bodies by following all the rules, regulations and laws applicable to these companies, following ethical practices, paying taxes honestly and transparency in keeping financial records of the companies. CSR practices towards employees and community have been found different in FMCG companies.

7. LIMITATIONS OF THE STUDY

The study is based on the primary data, thus it suffers from biasness in responses of respondents. The interpretations by the researcher has been done on the basis of his own knowledge and skills. The study is limited to FMCG sector which can extended to other industrial sector also. The sample size of the companies can be extended. The sample size of the respondents is 250 only which can also be extended.

8. MANAGERIAL IMPLICATIONS

The current study shows that there is a positive relationship between corporate social responsibility and corporate image of the company. The study is useful for the managers and decision makers of the companies. The company should focus on performing CSR activities in order to create and sustain a positive corporate image in the market. It is equally important to communicate about the CSR practices of the company to all of its stakeholders to improve the corporate image in the market. Any type of CSR practices whether it is towards the environment, community, employees or government contributes positively to the corporate image of the company.

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