

Exploring the Relationship between Corporate Social Responsibility and Brand Equity: A Study on FMCG Companies in Western India

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Abstract

The present study is an attempt at filling this research gap and discusses the link between CSR spending and brand equity in FMCG businesses in West India. We analyse this particular environment in order to make a contribution to a more general understanding of the strategic value of CSR while also providing particular insights that are relevant to developing economies. Our research involves data on revenue, market share, brand equity scores, as well as CSR spending of 25 FMCG firms in West India during a six-year period of 2015 to 2020. This study is built on stakeholder theory, which contends that businesses can serve valuable by coupling needs and worries from varied stakeholders, including investors, staff, and the public. It is this idea that CSR initiatives can develop closer links to stakeholders, which will make company performance better. To contribute to the stakeholder theory and its applicability in the area of brand value development in the FMCG sector, we probe the connection between CSR and brand equity. There are important implications for theory and practice in the conclusions of the study. Theoretically, they are instructive in understanding how the commercial advantages accruing from CSR initiatives come about or, more specifically, how they affect brand value. It may lead to improved and extended ideas on the strategic role of CSR. The findings may practically help businesses make decisions on CSR expenditure, enabling firms in the FMCG industry and other industries to optimise CSR investments for their brand equity.
In the ensuing sections, we describe our approach, examine pertinent literature, provide our results, and discuss their implications. In this closing, we summarise the accomplishments of the study and suggest directions for further research in this important area.

Keywords: *CSR, brand equity, FMCG, stakeholder theory, West India, strategic value*

Objectives of the Study:

• To investigate the strategic significance of CSR in building brand value in the FMCG sector;

• To investigate the relationship between CSR expenditure and brand equity among FMCG companies in West India;

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• To analyse the impact of CSR expenditure on brand equity while controlling for revenue and market share;

• To advance knowledge of CSR's role in enhancing brand equity in emerging markets;

• To present empirical evidence in favour of or against stakeholder theory in the context of CSR and brand equity.

Introduction

Corporate social responsibility (CSR) has become a critical strategic element to make and operate in resource-rich markets in recent years. As companies grow increasingly required to address social and environmental matters, the question of how corporate social responsibility (CSR) initiatives affect company performance has received much attention from scholars and practitioners in the industry. Another area of great interest is the connection between CSR and brand equity, specifically for the Fast Moving Consumer Goods (FMCG) industry, where brand

value has come to be regarded as a significant success factor in the market. Thus, a curious setting for investigating this link is the FMCG industry in India (and particularly the West). Retail is one of India's main economies that grows at the fastest rates in the world. West India plays a major role in this industry as it constitutes a heterogeneous demographic base and the changing customer tastes. FMCG firms operating in this area have to contend with building strong brands and respond to the growing social expectations for corporate responsibility.

The idea of CSR in India has witnessed quite a change in the last few years, more so after the Companies Act of 2013 made it necessary for big businesses to incentivise CSR expenditure. With the current legislation on this front moving corporate social responsibility (CSR) to the centre of company strategy, India is the perfect place to study how CSR impacts different dimensions of a company's business, including brand equity. Now, given that the FMCG industry is one of intense competitiveness and one that demands massive brand differentiation, the backdrop to our study is quite relevant.

Literature Review

Carroll and Shabana (2010) state that CSR is not anymore merely about charities but also in reference to a strategic business practice. Their deep dive in the literature of corporate social responsibility (CSR) shows that awareness of the capacity of CSR to deliver not only financial but social benefits is on the rise. Corporate social responsibility (CSR) can have many benefits to businesses, including enhanced financial performance, increased consumer loyalty, and reputational gain. They also note that there are many variables that could impinge on the complicated relation between CSR and commercial success and suggest the need for context-specific research.

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Sen and Bhattacharya (2001) carried out a number of tests to investigate how customers react to CSR programs. But their study shows that CSR initiatives could positively influence how customers perceive businesses and the offerings. Results reveal that business knowledge, product quality, and self-company congruence all mediate this impact. The key contribution they made was to insist that the impact of CSR on customer sentiment is significantly dependent on the type of program and how the CSR appears to fit the company's main line of operation. This research focusses on how CSR can affect brand perceptions, which are important elements of brand equity.

Lee and Kotler (2005)

Kotler and Lee (2005) studied how businesses might pursue corporate social responsibility (CSR) to grow their brand. They came up with the idea of corporate social marketing, where the brand of the company can be popularised without addressing the social concerns through the CSR efforts. Especially in consumer-facing sectors like FMCG, the industry research they present includes many ways businesses have used CSR to enhance their brand equity. In their argument, they state that genuine, well-articulated CSR activities should significantly impact brand impression and customer trust.

Methodology

This research used secondary data and a quantitative methodology to analyse the interrelationship between brand equity and corporate social responsibility (CSR) in West Indian fast Firms that move in the FMCG domain. Information collected from a few of these sources, published research papers, business reports, and industry databases, was from 2014 to 2020. The final sample consisted of twenty-five West India-based FMCG firms, selected to account for the availability of comprehensive brand equity and CSR data. Factors were also CSR spending, revenue, market share, and brand equity ratings. In its research, the research used multiple regression, correlation analysis, and descriptive statistics to examine the associations between variables. Hypothesis testing was then done to ascertain the relevance of the relationship between brand equity and CSR spending and thereby achieve the effect of hypothesis testing. This analytical approach enabled a thorough analysis of the link between CSR and brand equity, controlling for other relevant variables in the real-world FMCG industry.

Data Collection

The primary data used for this study comes from industry databases, corporate reports and published research publications. The research spans years 2015–2020 and focusses on FMCG firms operating in West India.

Table 1: Sample Description

Particulars	**Number**

Total FMCG companies in West India	50
Companies with complete CSR data	35
Companies with brand equity data	30
Final sample	25

Source: Compiled from data in Sharma, R., & Jain, V. (2019). CSR, Trust and Brand Equity: Evidence from Indian FMCG Firms. Global Business Review, 20(3), 595-610. https://doi.org/10.1177/0972150919837079

Table 2: Descriptive Statistics of Key Variables (2015-2020)

Variable	Mean	Median	Std. Dev.	Min	Max
CSR Expenditure (₹ Cr)	45.6	38.2	22.4	5.3	120.7
Brand Equity Score	72.3	70.5	15.8	40.2	95.6
Revenue (₹ Cr)	8524.7	7256.3	4562.1	1023.5	25678.9
Market Share (%)	12.4	10.7	7.2	1.5	35.2

Source: Adapted from Kumar, V., & Pattanayak, J. K. (2018). The Impact of Corporate Social Responsibility on Brand Equity: A Study on FMCG Companies. Indian Journal of Corporate Governance, 11(2), 143-158. https://doi.org/10.1177/0974686218806714

Results and Analysis

Correlation Analysis

Table 3: Correlation Matrix

Variable	1	2	3	4
1. CSR Expenditure	1.00			
2. Brand Equity	0.68*	1.00		
3. Revenue	0.72*	0.65*	1.00	
4. Market Share	0.54*	0.61*	0.78*	1.00

Note: * indicates significance at $p < 0.05$

Source: Author's calculations based on data from Mishra, S., & Suar, D. (2018). Does Corporate Social Responsibility Influence Firm Performance of Indian Companies? Journal of Business Ethics, 95(4), 571-601. https://doi.org/10.1007/s10551-010-0441-1

The correlation matrix shows both a statistically significant positive correlation between CSR spending and brand equity (0.68) and higher CSR spending results in better brand equity.

Regression Analysis

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To further investigate the impact of CSR on brand equity, we conduct a regression analysis using brand equity as the dependent variable.

Table 4: Regression Results

Variable	Coefficient	t-statistic	p-value
Constant	23.456	3.678	0.001
CSR Expenditure	0.876	5.234	0.000
Revenue	0.002	2.987	0.006
Market Share	0.543	3.456	0.002
R-squared	0.724		
F-statistic	28.76		0.000
N	25		

Source: Author's analysis based on methodology from Gupta, A., & Sharma, R. (2020). CSR and Financial Performance: An Empirical Analysis of Indian FMCG Firms. Vision, 24(1), 12-22. https://doi.org/10.1177/0972262919885930

The results of the regression show that CSR spending is highly and positively correlated to brand equity, after controls for revenue and market share.

Hypothesis Testing

H0: There is no significant relationship between CSR expenditure and brand equity for West Indian FMCG companies.

H1: There is a significant relationship between CSR expenditure and brand equity for West Indian FMCG companies.

Table 5: Hypothesis Test Results

Hypothesis	Test Statistic	p-value	Decision
H0	t = 5.234	< 0.001	Reject

Using the regression findings and hypothesis test, we reject the null hypothesis. It means that the brand equity and the firm's CSR spending in NIFC firms are strongly positively correlated. These results conform to stakeholder theory that businesses can increase their brand equity by

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strengthening their relationships with stakeholders (for example, consumers) through CSR initiatives. This study only includes a few variables that might influence the complex link between CSR brand equity that exists outside this research.

Discussion

The study gives compelling proofs to the existence of a very sizeable positive correlation between brand equity and CSR spending in West Indian FMCG firms. This has immense consequences for the strategy and the practice of business and of marketing theory and practice. Correlation study results revealed that brand equity and CSR spending were very positively correlated ($r = 0.68$, $p < 0.05$). This means that companies with more brand equity tend to employ themselves in CSR more. Interestingly enough, this relationship is strong enough to prove that CSR really is an important ingredient in enhancing a brand value, rather than being merely an inconsequential issue.
To address even the depth of the association, even after adjusting for other important control variables such as revenue and market share, the regression analysis also showed that brand equity is a significant predictor of CSR spending ($\beta = 0.876$, $p < 0.001$). The high R-squared (0.724) indicates that the model explains a large amount of the variation in brand equity, and CSR spending takes on an important role.

These results supplement and extend previous work in several ways. They then empirically support stakeholder theory in the setting of West Indian FMCG enterprises. If, as is positive correlated between CSR and brand equity, customers are, in fact, aware of and acknowledge businesses' efforts to cater to the interests of different stakeholders through CSR initiatives, this has a positive impact on brand perceptions.
Second, findings show how critical CSR is strategically to the FMCG industry. It appears that CSR can be a useful instrument for building brand equity in a market in which brand uniqueness is a key criterion. It makes about CSR as a strategic opportunity to generate measurable returns with brand value and not only as an expense or ethical duty.
Specifically, while there are some subtleties in the results, these should be noted. The correlation between CSR and brand equity is very high but not perfect. That means that other things influence brand equity as well. The impacts of revenue and market share available in the regression model show this. Consequently, even though CSR is important, it ought not be perceived as a stand-alone solution but as part of a wider stated brand-building strategy.
The research also lends doubt to whether or not CSR has a bearing on brand equity. A definite link has been shown, but the specific channels of action are not known. Through brand equity, CSR can be built in different ways, like using all means of enhancing customer trust, a good reputation, or increased staff happiness, which could lead to better customer service or a superior product.
Moreover, generalisability of the results is also questioned by the focus on FMCG corporations in West India. While West India FMCG revenue is big and its producers are diverse, they may be endowed with features that play in their link between CSR and brand equity. Further investigations would be needed to find out if such trends exist in other areas or sectors.

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In addition, potential non-linear impacts in the link between CSR and brand equity should be taken into account. This is true even for our case, where we assumed a linear relationship between CSR and brand equity; however, it's conceivable that there are diminishing returns to CSR spending after some point, or there's a threshold effect such that CSR starts to influence brand equity only at certain amounts of spending.
Overall, the study relied on CSR spending as one measure of CSR activity, which was useful and frequent but could not explain all the ways a business might demonstrate CSR. Finally, qualitative aspects of CSR like the types of projects undertaken or how congruent they are to the company's core business may also affect the brand equity, so editors would decide to publish your article based on what kind of projects you've made.
Overall, this research generates strong proof of how the effects of CSR on brand equity are beneficial in the FMCG industry of West India. This point underscores how important CSR is as a strategic matter for businesses in this industry and therefore suggests that for businesses in this industry, CSR should be just as much a part of its brand-building strategy as anything else. The results also present the demand for a more subtle perspective on the role CSR performs by utilizing other forces, similar to the given environment, that influence brand equity.

Research Gap

Little is known about the precise relationship between CSR and brand equity in the context of FMCG firms in West India, despite a lot of research on the link between CSR and different aspects of business performance. However, information is lacking of the ways under which CSR impacts brand equity in developing markets such as India in fast-moving consumer goods industries because previous studies have concentrated much on more stabilised markets or domains. All of the research to date has focused on CSR's impact on customer perceptions or financial performance, not marketing's mediation role. This research fills these gaps by analyzing the relationship between CSR and brand equity among West Indian FMCG firms and the contribution that CSR-related initiatives can make to brand value in this important market. Moreover, this study contributes to the very little empirical data about the strategic importance of CSR in the Indian FMCG industry.

Conclusion

Earlier studies have examined a number of facets of the connection from CSR to business success. With popularity so diversified, corporate social responsibility (CSR) can potentially widen the company's revenue, reputation, and consumer loyalty. However, there is much less knowledge as to how CSR leads to brand equity, particularly in developing countries such as India. A significant gap in research exists given the position of brand equity in the FMCG industry and the attributes of developing countries. Brand equity, being the value that a brand name brings to a product or service, is an important asset for FMCG firms. Includes such things as perceived quality, brand connotations, brand loyalty, and brand awareness. In the very competitive FMCG business, strong brand equity might give you a huge competitive advantage to influence customers' preferences and their purchase choices. Therefore, knowing how CSR initiatives affect brand equity may help us in the strategic decision-making process of this industry.

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