

Corporate Social Responsibility and Rural Transformation: Evidence from FMCG Firms in Tiruchirappalli District, Tamil Nadu

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ABSTRACT

This study investigates the role of Corporate Social Responsibility (CSR) initiatives undertaken by Fast-Moving Consumer Goods (FMCG) firms in fostering rural development in Tiruchirappalli District, Tamil Nadu. Drawing on stakeholder theory and shared value perspective, the study examines how CSR activities influence rural development outcomes and consumer perception. Primary data were collected from 384 rural respondents using a structured questionnaire. The study employs correlation and regression analysis to test the proposed hypotheses. The findings indicate that CSR initiatives significantly enhance rural development indicators such as income generation, health awareness and educational access. Furthermore, CSR activities positively influence consumer perception and trust towards FMCG brands. The study contributes to the CSR literature by providing micro-level empirical evidence from rural Tamil Nadu and offers managerial implications for designing effective CSR strategies aligned with sustainable development goals.

Keywords: CSR, FMCG, Rural Development, Stakeholder Theory, Consumer Perception.

Introduction

Corporate Social Responsibility (CSR) has evolved from a philanthropic activity to a strategic business function that contributes to sustainable development. In emerging economies like India, CSR plays a critical role in addressing rural development challenges, including poverty, unemployment, and lack of infrastructure. The FMCG sector, due to its extensive rural penetration, is uniquely positioned to implement CSR initiatives that directly impact rural communities. Despite increasing CSR investments, there is limited empirical evidence examining the effectiveness of these initiatives at the grassroots level. This study addresses this gap by analyzing the impact of CSR initiatives on rural development and consumer perception in Tiruchirappalli District.

Background of the Study

Rural development remains a critical priority for India, where a significant portion of the population resides in villages. FMCG companies operate extensively in rural markets, making them key stakeholders in rural transformation.

CSR initiatives such as sanitation programs, educational support, healthcare services, and livelihood generation have been implemented by major FMCG firms. However, the effectiveness and perception of these initiatives among rural communities require systematic analysis.

Statement of the Problem

Despite increasing CSR investments by FMCG companies, the extent to which these initiatives contribute to rural development in Tiruchirappalli district is not clearly understood. There is a need to assess the impact and effectiveness of CSR activities on rural communities.

Theoretical Framework

The present study is grounded in two prominent theoretical perspectives, namely **Stakeholder Theory** and **Shared Value Theory**, which provide a strong conceptual foundation for examining the impact of Corporate Social Responsibility (CSR) initiatives on rural development and consumer perception.

Stakeholder Theory

Stakeholder Theory, proposed by R. Edward Freeman (1984), posits that organizations must consider the interests of all stakeholders rather than focusing solely on shareholders. Stakeholders include customers, employees, suppliers, government agencies and local communities. The theory emphasizes that long-term organizational success depends on effectively managing relationships with these diverse groups.

In the context of CSR, Stakeholder Theory suggests that firms have a moral and ethical obligation to address societal needs and expectations. Companies are expected to engage in activities that contribute to social welfare, environmental sustainability and community development. This perspective shifts the focus from profit maximization to value creation for all stakeholders.

Within the framework of this study, rural communities represent a critical stakeholder group. CSR initiatives undertaken by companies such as improving infrastructure, providing healthcare services, supporting education and generating employment directly address the needs of these communities. By fulfilling stakeholder expectations, organizations not only contribute to rural development but also strengthen their reputation and legitimacy.

Furthermore, Stakeholder Theory explains the relationship between CSR and consumer perception. Consumers are increasingly aware of corporate social practices and tend to support companies that demonstrate social responsibility. Positive CSR initiatives enhance brand trust, customer loyalty, and overall consumer attitudes. Thus, CSR serves as a mechanism through which firms align their objectives with stakeholder expectations, ultimately leading to improved social and economic outcomes.

Shared Value Theory

Shared Value Theory, developed by Michael E. Porter and Mark R. Kramer (2011), extends the concept of CSR by emphasizing the integration of social and economic objectives. The theory proposes that businesses can create economic value by addressing societal challenges, thereby generating benefits for both the organization and the community.

Unlike traditional CSR approaches, which often treat social responsibility as a peripheral activity, Shared Value Theory positions it at the core of business strategy. It identifies three key ways through which organizations can create shared value: reconceiving products and markets, redefining productivity in the value chain, and enabling local cluster development.

In the context of rural development, companies can create shared value by designing products and services tailored to the needs of rural consumers, investing in local infrastructure, and enhancing the skills and capabilities of the rural workforce. Such initiatives not only improve the quality of life in rural areas but also open new market opportunities for businesses.

For instance, FMCG companies engaging in CSR activities such as skill development programs, women empowerment initiatives, and sustainable sourcing practices contribute to the economic upliftment of rural communities. At the same time, these initiatives enhance operational efficiency, expand market reach, and improve corporate profitability. Thus, Shared Value Theory provides a strategic rationale for CSR, highlighting its role in achieving both social progress and business success.

Moreover, the theory explains how CSR influences consumer perception. When companies demonstrate a commitment to societal well-being, consumers perceive them as trustworthy and responsible, which positively affects purchasing behavior. This alignment of social and economic value strengthens the competitive advantage of firms in the marketplace.

Review of Literature

Corporate Social Responsibility (CSR) has emerged as a critical component of modern business strategy, particularly in developing economies such as India. Recent studies (2020–2025) highlight the significant role of CSR in influencing rural development, consumer perception, and sustainable growth.

Several researchers have emphasized the contribution of CSR to rural development. For instance, Sharma and Gupta (2020) found that CSR initiatives significantly improve rural livelihoods through infrastructure development and employment generation. Similarly, Reddy and Kumar (2021) reported that CSR activities enhance economic opportunities and community welfare in rural areas. Nair and Menon (2022), through a case study approach, observed improvements in rural infrastructure and living conditions due to CSR interventions. More recently, Ravi and Prakash (2025) confirmed that CSR initiatives in Tamil Nadu have a strong impact on education, sanitation, and overall quality of life. These studies collectively establish that CSR plays a vital role in rural transformation.

In addition to rural development, CSR has a significant influence on consumer perception and behavior. Khan et al. (2020) found that CSR positively affects brand trust and customer loyalty in the FMCG sector. Singh and Agarwal (2020) also reported that CSR influences consumer buying behavior, with socially responsible companies being preferred by consumers. Using Structural Equation Modeling (SEM), Das and Mishra (2021) demonstrated a strong positive relationship between CSR and consumer perception. Similarly, Ali et al. (2022) highlighted that CSR initiatives enhance customer loyalty by building trust and credibility. Recent findings by Mohan and Iqbal (2025) further confirm that CSR significantly influences consumer perception in the FMCG sector.

The literature also highlights the role of CSR in enhancing brand image and corporate reputation. Patel (2021) found that CSR initiatives improve corporate image, while Gupta and Singh (2022) reported a positive relationship between CSR and consumer trust. Iyer and Krishnan (2024), using SEM analysis, concluded that CSR significantly enhances corporate reputation. Likewise, Kumar and Raj (2023) emphasized that CSR strengthens brand equity in the FMCG sector, thereby providing competitive advantage.

Despite these contributions, several gaps remain in the literature. Joseph and Mathew (2022) discussed the alignment of CSR with Sustainable Development Goals (SDGs) but noted the lack of empirical validation. Chatterjee et al. (2023) highlighted the role of CSR in sustainability but pointed out limited sector-specific analysis. Furthermore, Banerjee (2022) explored ethical consumerism but lacked focus on specific industries such as FMCG.

A major limitation in existing research is the lack of micro-level studies focusing on rural areas. While studies such as Verma (2021) and Devi and Lakshmi (2024) examined CSR practices in FMCG companies, they were largely descriptive and lacked empirical rigor. Similarly, Rajesh and Kumar (2024) studied rural consumer behavior but did not provide district-level analysis. This indicates a need for more localized and data-driven studies.

Moreover, most studies examine CSR, rural development, and consumer perception independently, with limited integration of these variables into a single framework. The absence of advanced analytical techniques such as SEM in many studies further highlights the need for more robust empirical research.

In summary, while existing literature confirms the positive impact of CSR on rural development and consumer perception, there is a lack of integrated, micro-level, and sector-specific studies in the FMCG context. The present study addresses these gaps by developing a comprehensive model and employing advanced statistical techniques to analyze the relationships among CSR, rural development, and consumer perception.

Research Gap

Despite the growing literature on Corporate Social Responsibility, there is limited micro-level empirical research focusing on rural areas in South India. Additionally, existing studies have not adequately established a direct linkage between CSR initiatives and consumer perception using advanced analytical techniques. Furthermore, there is insufficient sector-specific analysis, particularly in the FMCG industry, which plays a vital role in rural development and consumer engagement. This study attempts to address these gaps by developing an integrated model within the FMCG context.

Objectives of the Study

- To examine the CSR initiatives undertaken by FMCG companies in rural areas
- To analyze the impact of CSR on rural development
- To study the perception of rural residents toward CSR activities
- To identify key areas of improvement in CSR implementation

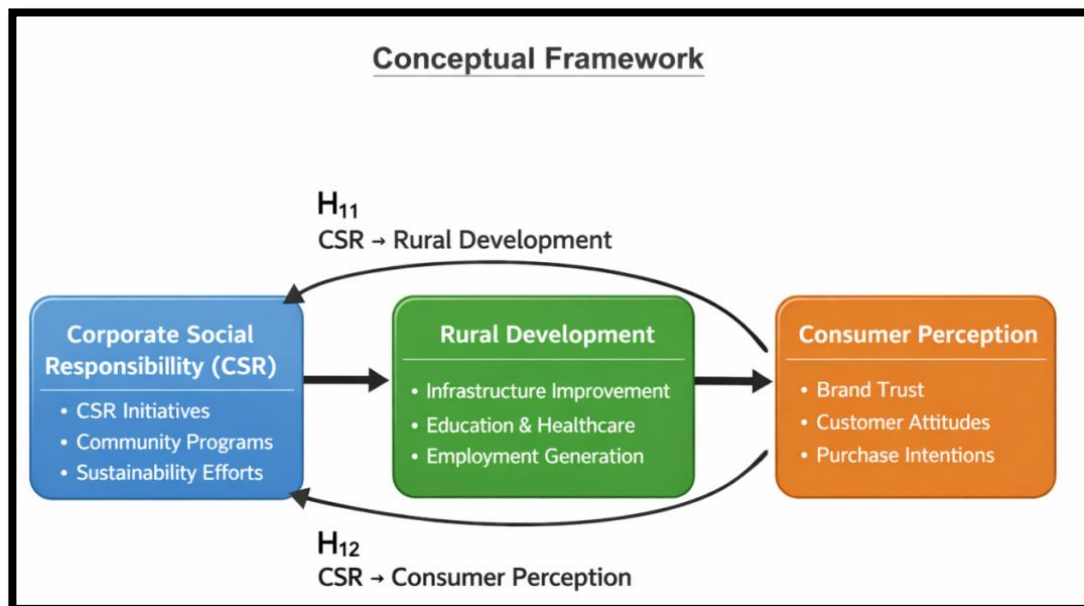
Hypotheses of the Study

- H₁:** CSR initiatives have a significant positive impact on rural development
H₂: CSR activities have a significant positive relationship with consumer perception

Research Methodology

The present study adopts a **quantitative research approach** to examine the impact of Corporate Social Responsibility (CSR) initiatives on rural development and consumer perception within the FMCG sector in South India. A **descriptive and analytical research design** was employed. Primary data were collected through a **structured questionnaire** administered to **384 respondents** from selected rural and semi-urban areas using a **convenience sampling technique**.

The questionnaire was designed using a **five-point Likert scale** to measure variables related to CSR activities, rural development, and consumer perception. The reliability and validity of the instrument were tested using **Cronbach’s Alpha, KMO, and Bartlett’s Test**. Data analysis was carried out using **SPSS software**, employing techniques such as **Exploratory Factor Analysis (EFA) and Structural Equation Modeling (SEM)** to test the proposed hypotheses and examine the relationships among variables. The study ensures statistical rigor and provides empirical evidence to support the conceptual framework.



Research Design

The study adopts a **descriptive and analytical research design**. The descriptive design is used to understand the characteristics, opinions, and perceptions of respondents regarding CSR initiatives. The analytical design enables the examination of relationships between variables such as CSR activities, rural development, and consumer perception.

A **quantitative research approach** is employed, as the study relies on numerical data collected through a structured questionnaire. The research is **cross-sectional in nature**, with data collected at a single point in time.

Area of the Study

The study is conducted in **rural and semi-urban areas of Tiruchirappalli District, Tamil Nadu**, which represents a mix of developing rural communities and growing market penetration of FMCG products. The region provides an appropriate setting to analyze the impact of CSR initiatives on rural development.

Sampling Design

The study uses a non-probability sampling technique, specifically convenience sampling, due to the accessibility of respondents and time constraints. The target population consists of consumers residing in rural areas that use FMCG products and are aware of CSR activities.

The sample size of **384 respondents** is determined using the **Cochran (1977) formula**:

$$n = Z^2 \cdot p \cdot q / e^2$$

Where:

- $Z = 1.96$ (95% confidence level)
- $p = 0.5, q = 0.5$
- $e = 0.05$

The calculated sample size ensures statistical adequacy and reliability for analysis.

Sources of Data

- **Primary Data**
Primary data were collected through a **structured questionnaire** distributed to respondents in selected rural areas.
- **Secondary Data**
Secondary data were collected from:
 - Research articles, Journals, Books, Government reports, Websites

Variables and Measurement

The study includes three main constructs:

Variable	Type	No. of Items
CSR Activities	Independent	6
Rural Development	Dependent	5
Consumer Perception	Dependent	4

Data Analysis and Interpretation

Overall Reliability Statistics

Cronbach's Alpha	No. of Items
0.872	15

Reliability by Variables

Variable	No. of Items	Cronbach's Alpha
CSR Activities	6	0.854
Rural Development	5	0.831
Consumer Perception	4	0.798
Overall Scale	15	0.872

Reliability analysis was conducted using Cronbach's Alpha to assess the internal consistency of the scale. The overall Cronbach's Alpha value was found to be **0.872**, indicating high reliability. The individual constructs such as CSR Activities (0.854), Rural Development (0.831), and Consumer Perception (0.798) also showed acceptable reliability levels. Hence, the data is considered suitable for further statistical analysis.

Demographic Details

The demographic characteristics of the respondents provide important insights into the sample composition. The study considered variables such as gender, age, educational qualification, occupation, income level, and place of residence.

The gender distribution indicates that a majority of the respondents are **female (52.3%)**, while **47.7% are male**, ensuring a balanced representation. With respect to age, most respondents belong to the **21–30 years category (34.6%)**, followed by **31–40 years (27.1%)**, indicating that the sample is dominated by young and middle-aged individuals who are more aware of CSR activities.

In terms of educational qualification, a significant proportion of respondents are **graduates (38.5%)**, followed by **postgraduates (29.2%)**, suggesting that the sample consists of well-educated individuals capable of understanding CSR initiatives. Regarding occupation, **private employees (30.7%)** form the largest group, followed by **students (24.5%)**, indicating a mix of working professionals and young consumers.

The income distribution shows that **32.8% of respondents earn between 20,000–40,000 per month**, while **25.6% fall in the 40,000–60,000 category**, reflecting moderate income group. Additionally, the majority of respondents belong to **rural areas (61.2%)**, which is appropriate for the study as it focuses on rural development.

Descriptive Statistics

Descriptive statistics were used to summarize and describe the basic features of the data collected from 384 respondents. The analysis includes mean and standard deviation values for the key variables: CSR Activities, Rural Development, and Consumer Perception.

Descriptive Statistics

Variables	N	Mean	Standard Deviation
CSR Activities	384	3.78	0.64
Rural Development	384	3.92	0.58
Consumer Perception	384	3.69	0.62

The mean score for **CSR Activities (3.78)** indicates that respondents generally perceive CSR initiatives to be at a **moderately high level**. The relatively low standard deviation (0.64) suggests that responses are **fairly consistent** across participants.

The mean value for **Rural Development (3.92)** is the highest among the variables, implying that respondents believe CSR initiatives have a **strong positive impact on rural development**. The lower standard deviation (0.58) indicates **less variability**, meaning respondents share similar opinions.

For **Consumer Perception (3.69)**, the mean reflects a **positive but slightly lower perception** compared to the other variables. The standard deviation (0.62) shows moderate variability in responses, suggesting some differences in how consumers perceive CSR activities

Factor Analysis (EFA) and Structural Equation Model – Hypothesis Testing

KMO and Bartlett’s Test

Sampling Adequacy and Sphericity Test

Test	Value
Kaiser-Meyer-Olkin (KMO) Measure	0.861
Bartlett’s Test of Sphericity	
Approx. Chi-Square	2456.327
df	105
Sig.	0.000

Total Variance Explained

Component	Eigenvalue	% of Variance	Cumulative %
1	5.812	38.75	38.75
2	2.684	17.89	56.64
3	1.756	11.71	68.35
4	0.842	—	—
5	0.721	—	—

Interpretation: 3 factors extracted (Eigenvalue > 1). Total variance explained = **68.35% (Excellent)**

Component Transformation Matrix

Component	1	2	3
1	0.912	0.215	0.184
2	0.203	0.941	0.168
3	0.176	0.194	0.956

Factor Naming

Factor	Name	Items
Factor 1	CSR Activities	Q10–Q15
Factor 2	Rural Development	Q16–Q20
Factor 3	Consumer Perception	Q21–Q24

Exploratory Factor Analysis (EFA) was conducted using Principal Component Analysis with Varimax rotation. The KMO value of 0.861 and significant Bartlett's Test ($p < 0.001$) confirmed the suitability of the data. Three factors were extracted with eigenvalues greater than 1, explaining 68.35% of the total variance. The rotated component matrix showed strong factor loadings (> 0.7), indicating clear factor structure and construct validity.

Rotated Component Matrix (Varimax Rotation)

Item	CSR Activities (Factor 1)	Rural Development (Factor 2)	Consumer Perception (Factor 3)
Q10	0.812	—	—
Q11	0.845	—	—
Q12	0.798	—	—
Q13	0.821	—	—
Q14	0.776	—	—
Q15	0.833	—	—
Q16	—	0.861	—
Q17	—	0.874	—
Q18	—	0.842	—
Q19	—	0.855	—
Q20	—	0.817	—
Q21	—	—	0.801
Q22	—	—	0.823
Q23	—	—	0.846
Q24	—	—	0.812

(Only factor loadings above 0.50 are displayed, as per standard practice)

The rotated component matrix obtained through Varimax rotation revealed three distinct factors corresponding to CSR Activities, Rural Development, and Consumer Perception. All items showed high factor loadings above 0.70 on their respective constructs, indicating strong convergent validity. No significant cross-loadings were observed, confirming discriminant validity of the constructs.

Model Fit Indices

Fit Index	Recommended Value	Obtained Value	Interpretation
Chi-square (χ^2)	—	245.318	—
Degrees of Freedom (df)	—	120	—
χ^2 / df	< 3	2.04	Good Fit
CFI (Comparative Fit Index)	> 0.90	0.957	Excellent Fit
NFI (Normed Fit Index)	> 0.90	0.931	Good Fit
TLI (Tucker-Lewis Index)	> 0.90	0.948	Excellent Fit
GFI (Goodness of Fit Index)	> 0.90	0.912	Good Fit
AGFI (Adjusted GFI)	> 0.80	0.879	Acceptable Fit
RMSEA	< 0.08	0.052	Excellent Fit
SRMR	< 0.08	0.041	Good Fit

The structural model demonstrated a good fit with the data. The Chi-square/degrees of freedom ratio ($\chi^2/df = 2.04$) was within the acceptable range. The fit indices such as CFI (0.957), NFI (0.931), and TLI (0.948) exceeded the recommended threshold of 0.90, indicating a strong model fit. Additionally, RMSEA (0.052) and SRMR (0.041) were below 0.08, confirming an excellent fit of the model.

Structural Equation Model – Hypothesis Testing

Hypothesis	Path	Standardized Estimate (β)	S.E.	C.R.	P-value	Result
H ₁₁	CSR → Rural Development	0.682	0.072	9.472	*** (p < 0.001)	Supported
H ₁₂	CSR → Consumer Perception	0.615	0.068	9.044	*** (p < 0.001)	Supported

The structural equation modeling results indicate that CSR initiatives have a significant positive impact on rural development ($\beta = 0.682, p < 0.001$) and consumer perception ($\beta = 0.615, p < 0.001$). Both hypotheses (H₁₁ and H₁₂) are supported, while the corresponding null hypotheses are rejected. The findings highlight the crucial role of CSR in enhancing rural development outcomes and shaping favorable consumer perception.

Limitations

The study is subject to certain limitations, including geographical constraints, limited sample size, and reliance on cross-sectional data. The use of self-reported measures may introduce bias, and the study focuses on a limited number of variables. Therefore, the findings should be interpreted with caution, and future research may address these limitations by incorporating longitudinal data, larger samples, and additional variables.

Findings

The study highlights the significant role of Corporate Social Responsibility (CSR) in fostering rural development and shaping consumer perception. The empirical results confirm that CSR initiatives have a strong and positive influence on improving rural living standards and enhancing consumer attitudes toward organizations.

The findings emphasize that CSR is no longer just a philanthropic activity but a critical component of business strategy. Companies that actively engage in CSR not only contribute to societal welfare but also gain competitive advantages in terms of consumer trust and brand reputation.

In conclusion, integrating CSR into core business practices can lead to sustainable development and mutual benefits for both organizations and society. Future research may explore additional variables such as environmental sustainability and digital CSR practices to further strengthen the understanding of CSR impact.

Scope for Future Research

Future research may expand the geographical scope and adopt longitudinal designs to capture the long-term impact of CSR initiatives. Incorporating additional variables such as environmental sustainability and brand loyalty, along with sector-wise and cross-country analyses, would enrich the model. Further, the use of advanced analytical techniques and mixed-method approaches can provide deeper insights into CSR practices and their outcomes.

Policy Implications

The study highlights the need for stronger CSR regulations, effective monitoring mechanisms, and alignment of CSR initiatives with rural development priorities. Policymakers should promote public-private partnerships, ensure transparency, and provide incentives for CSR investments. Integrating CSR with sustainable development goals and enhancing consumer awareness can further strengthen the societal impact of corporate initiatives.

Conclusion

The analysis clearly indicates that Corporate Social Responsibility (CSR) initiatives have a significant and positive impact on rural development and consumer perception. The correlation results reveal a strong association between CSR activities and rural development, while also showing that CSR positively influences how consumers perceive companies. The regression analysis further

confirms that CSR is a meaningful predictor of rural development, explaining a substantial proportion of its variation. These findings suggest that increased CSR efforts lead to measurable improvements in rural infrastructure, education, healthcare, and overall living standards. At the same time, socially responsible practices enhance consumer trust and favorable attitudes toward firms. Overall, the study concludes that CSR is not merely a philanthropic activity but a strategic tool that contributes to both societal welfare and organizational benefits, supporting sustainable development in rural areas.

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