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The Moderating Role of Government in Enhancing CSR Outcomes: An Empirical Study of FMCG Firms in the Baddi-Barotiwala-Nalagarh Industrial Belt

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Abstract

Government rules have emerged as a factor influencing Corporate Social Responsibility (CSR) particularly in developing countries like India, where CSR is enforced by the Companies Act, 2013. This research explores the role of government regulation in shaping the connection between governance, stakeholder engagement and the execution of CSR, in the Fast-Moving Consumer Goods (FMCG) industry situated in the Baddi-Barotiwala-Nalagarh (BBN) industrial area of Himachal Pradesh. Drawing on a survey of 120 CSR professionals and managers complemented by qualitative insights from interviews and secondary CSR documentation this study offers empirical proof that corporate governance and stakeholder involvement considerably impact CSR results. Crucially government regulation amplifies these effects suggesting that institutional pressure is a factor in directing CSR conduct within industrial clusters. The results highlight the role of policy frameworks oversight systems and compulsory CSR mandates, in improving the strategic impact of CSR programs. This study contributes to CSR literature by offering sector- and region-specific evidence and highlights the need for coordinated government-industry-community approaches to sustainable industrial development.

Keywords: Corporate Social Responsibility, FMCG Sector, Government Regulation, Corporate Governance, Stakeholder Management, Moderation Analysis, Baddi Industrial Area, India, Companies Act 2013, Sustainability

1. Introduction

Corporate Social Responsibility (CSR) has experienced changes worldwide shifting from charitable acts to a strategic corporate function influenced by governance stakeholder demands and legal obligations (Carroll, 1999; Dahlsrud, 2006) [2, 3]. In emerging markets like India government action has been crucial in influencing CSR implementation via the Companies Act, 2013 which requires companies to allocate funds, for CSR (Sheehy, 2015) [11]. This legal structure has transformed the governments role from an influencer to a proactive enforcer of corporate accountability.

The Moving Consumer Goods (FMCG) industry is especially significant owing to its substantial environmental and social effects, reliance on resources and broad engagement with communities. The Baddi-Barotiwala-Nalagarh (BBN) industrial region-among India's FMCG

and pharmaceutical production centers-offers a vital setting for studying CSR practices because of its swift industrial growth, environmental challenges and the necessity, for community advancement.

Although studies have investigated the factors influencing CSR there is empirical research on how government influences the relationship, between internal corporate activities and CSR results especially within cluster-based industrial environments. This research fills this void by focusing on the Baddi FMCG sector.

1.1 The research suggests that

- Effective governance has an impact, on CSR results.
- Successful stakeholder engagement improves the execution of CSR.
- Government regulation tempers these connections enhancing the influence of corporate policies, on CSR.

This article provides empirical evidence from an industrial region heavily influenced by regulatory mechanisms, offering theoretical and practical insights for policymakers, practitioners, and scholars.

2. Materials and Methods

2.1 Research Design

A quantitative research framework enhanced by perspectives was utilized. A structured survey evaluated governance, stakeholder engagement, government oversight and CSR results employing a 5-point Likert scale. Semi-structured interviews complemented the findings.

2.2 Sampling

A purposive sampling method was employed to collect data from 120 participants working in FMCG firms, in Baddi comprising CSR heads, HR managers, senior executives and sustainability officers.

2.3 Data Collection

The data was collected through the process of -

- Structured questionnaire
- Interviews with CSR managers
- Secondary data from company websites, CSR reports, and government records

2.4 Variables

- **Independent Variables:** Corporate Governance, Stakeholder Management
- **Moderating Variable:** Government Regulation
- **Dependent Variable:** CSR Outcomes

2.5 Statistical Tools

- Descriptive statistics
- Correlation matrix
- Multiple regression
- Moderation analysis

2.6 Reliability and Validity

Cronbach’s alpha values exceeded 0.70, confirming internal consistency. Expert validation ensured content validity.

3. Results

3.1 Descriptive Statistics: All variables showed means above 3.5, indicating strong engagement:

Table 1: Descriptive Statistics

Variable	Mean	SD
Corporate Governance	4.02	0.61
Stakeholder Management	3.88	0.66
Government Regulation	4.10	0.58
CSR Outcomes	3.95	0.63

3.2 Correlation Analysis

Table 2: Correlation Analysis

Variables	CG	SM	GR	CSR
Corporate Governance	1	—	—	—
Stakeholder Management	0.48**	1	—	—
Government Regulation	0.54**	0.52**	1	—
CSR Outcomes	0.62**	0.57**	0.68**	1

p<0.01

3.3 Regression Analysis

Corporate Governance and Stakeholder Management significantly predicted CSR outcomes:

Table 3: Regression Analysis

Predictor	β	Sig.
Corporate Governance	0.41	0.000**
Stakeholder Management	0.36	0.000**
Government Regulation	0.29	0.001**
Adjusted R ² = 0.48		

3.4 Moderation Analysis: Government regulation significantly strengthened both relationships:

Table 4: Moderation Analysis

Interaction Term	β	Sig.
CG × GR → CSR	0.19	0.022*
SM × GR → CSR	0.22	0.010*

Indicating that CSR is more effective when strong regulation exists.

4. Discussion

A key contribution of this research is the discovery that government regulation notably influences CSR relationships enhancing the impact of governance and stakeholder involvement, on CSR results. This supports theory, which posits that regulatory and coercive institutional forces heavily influence corporate conduct especially in developing countries where voluntary CSR practices are less established (DiMaggio & Powell 1983; Jamali & Karam 2018) [4, 7]. Within the setting the Companies Act, 2013 has turned CSR into a quasi-mandatory compliance-focused responsibility. The findings of this research verify that FMCG companies subject to government scrutiny-like audits, compliance documentation and monitoring, at the district level-tend to better synchronize internal governance and stakeholder mechanisms with CSR effectiveness. The Baddi industrial cluster serves as an illustration of how regulatory policies shape CSR conduct. Numerous companies in this area implemented organized CSR initiatives only following the introduction of CSR regulations. Our finding aligns with the researches that indicating that government mandates can act as a driving force for ethical business actions. Particularly in contexts, with significant industrial externalities and environmental hazards (Moon, 2004; Adeyeye, 2011) [9, 1]. Therefore, the moderating effect of government regulation is identified in this research and indicates a transformation, in emerging economies, where regulatory systems can promote companies to advance from charitable CSR to strategic impact-driven actions.

Overall, our study highlights that CSR outcomes in industrial area are shaped not only by internal corporate mechanisms but also it depends on the regulatory environment in which firms operate. The changes detected in governance strength, stakeholder engagement, and regulatory enforcement creates a robust ecosystem for CSR effectiveness. This adds to current CSR scholarship by demonstrating the importance of contextual institutional forces that is shaping corporate responsibility practices in India’s rapidly industrializing regions.

5. Conclusion

Government regulation plays a important role in improvement of the CSR outcomes by emphasizing the effect of governance and stakeholder practices. FMCG companies in Baddi with strong internal systems and operating under strict compliance regimes achieved higher levels of CSR integration. Our study confirms the importance of regulatory environments for promoting sustainable industrial development.

6. Implications

6.1 Managerial Implications

- Strengthen governance structures for CSR.
- Enhance stakeholder engagement mechanisms.
- Align CSR projects with government development priorities.

6.2 Policy Implications

- Improve monitoring and auditing of CSR projects.
- Create cluster-level CSR coordination bodies.

6.3 Theoretical Implications

- Reinforces institutional theory in CSR.
- Provides empirical evidence from an underexplored industrial region.

7. Recommendations

- Promote public–private partnerships for regional development.
- Implement long-term CSR planning aligned with SDGs.
- Use standardized impact assessment tools.
- Encourage collaborative CSR among Baddi firms.

8. Limitations

- Limited to FMCG firms in one industrial cluster.
- Reliance on self-reported data.
- Cross-sectional design.

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