

EFFECT OF CORPORATE SOCIAL RESPONSIBILITY ON CONSUMER BEHAVIOR

Dr. Poonam Madan, Associate Professor, Department of Management, IIS deemed to be University, Jaipur

Dr. Gargi Sharma, Sr. Assistant Professor, International School of Informatics & Management, Jaipur

Ms. Himani Sharma, Research Scholar, IIS deemed to be University, Jaipur

Abstract

Corporate Social Responsibility means the conscientiousness of companies being a corporate citizen towards society and all its stakeholders. CSR has no single meaning or definition; it holds different meaning in different context. This research paper is an attempt to understand the consumers' perspective on CSR, the study principally focuses on the fundamentals of CSR. The main reason to carry out the study was to find out the general opinion and awareness level of the consumers about CSR and find out how individual perception affects their purchasing decisions or buying behavior. The key finding of the report deals with the level of awareness among people, their intention, their buying behavior and loyalty towards socially responsible firms and the results indicated that CSR practices of the companies have an effect on Consumer Buying Behavior.

Keywords: Corporate Social Responsibility (CSR), Consumer behavior, Awareness, Buying Behavior

Introduction

Responsibility is a moral duty, the conscientiousness of business towards the environment (internal or external) in & with which it is operating is the responsibility of every business.

Corporate Social Responsibility is an unspoken contract between the business and the society within which it operates. According to the UNIDO, "CSR is a management concept whereby companies integrate social and environmental concerns in their business operations and interactions with their stakeholders. CSR is generally understood as being the way through which a company achieves a balance of economic, environmental and social, and environmental and social imperatives, while at the same time addressing the expectations of shareholders and stakeholders. In this sense, it is important to draw a distinction between CSR, which can be a strategic business management concept, charity, sponsorship or philanthropy. Even though the latter can also make a valuable contribution to poverty reduction, will directly enhance the reputation of the company and strengthen its brand, the concept of CSR clearly goes beyond that."

The notion of social responsibility has been there since ages, in fact, it was prevalent since the very beginning of the business and trade, earlier it was considered as charity or philanthropy rather than a responsibility. At that time the large business houses and wealthy businessmen use to bequeath a part of their income through different means and for varied purposes.

Consumer Behavior refers to the actions of the consumers involved in selecting, purchasing and utilizing the goods and services to fulfill their requirements.

Why there is a need to understand consumer behavior? For whom is it beneficial? And most importantly how to understand the behavior of most unpredictable beings whose minds can't be read. The decision-making process which initiates from the internal and external influences and lasts till

the post-purchase assessment is termed as consumer behavior. The process starts before the actual purchase is made; it begins in the mind of the customer and ends in the mind of the consumer. There are many factors which are involved in buyer's decision making and CSR i.e. Corporate Social Responsibility is one of them. Hence, it is vital to understand the perspective of consumers towards CSR. This term is becoming the catch phrase, but still, there are many people who don't understand the underlying principle behind CSR.

Review of Literature

Carroll (1991) introduced the CSR pyramid, according to which each business has economic, legal, ethical & philanthropic responsibilities towards the stakeholders, Carroll described CSR as a field without margin, he clearly stated that CSR is broad and interdisciplinary rather multi disciplinary subject, and the four responsibilities stacked in the pyramid are the expectations of society and the people from the organization & its business.

Pomeroy (2005) in his research paper titled, "CSR- an examination of consumer awareness, evaluation & purchase action" focused on the increasing expectations of the community from the organizations to take on the practice of CSR, the rising level of awareness among the people and availability of plethora of options made it mandatory for companies to involve themselves into socially responsible behavior and practices to survive in this era.

Porter & Kramer (2006) launched an innovative framework which can be used by the companies to assess the impact of their operations and existence on the society so that they can identify the areas where they need to pay attention and successfully resolve it effectively. The authors opined that the best way to employ CSR is to make it a part of the business strategy so that it becomes a part of everything and every operation, plans, programmes, & activities carried out by the organization. And help the company to make a value-creating contribution to the growth of society.

Ferreira, Avila & Dias de Faria (2010) in their study 'Corporate Social Responsibility and Consumers' Perception of Price' pointed out that companies can make their consumers feel proud of their purchase decisions without sacrificing on their business objective by making a wise investment in consumers' area of concern, in this way they also get a chance to be a part of the Social Responsibility Initiatives. Before commencing an investment the companies must figure out which social action is valued by consumers.

Rationale of the Study

This research aims to determine the extent to which the consumers and their behavior are influenced by CSR practices of organizations. Companies are involving themselves in CSR and CSR Management more than ever, nowadays they have a separate department for CSR, hence, It is the need of the hour to get clarity regarding actual effect, impact, and results of CSR practices and CSR initiatives undertaken by the corporates, to get to know whether the results are actually being received from the viewpoint of the consumers. This study intends to establish a link between CSR & Consumer Behavior.

Research Methodology

The study is descriptive as well as empirical in nature, data is collected with the help of a structured questionnaire, results are analyzed using SPSS software and tables & charts are drawn on to depict and compare the results.

Objectives & Hypothesis

The main objective of the study is to identify the general perception of consumers towards CSR. The questionnaire was divided into four categories- Awareness, Intention, Behavior and Loyalty & Commitment. The objectives of the research also revolve around these four factors.

To determine the awareness level of consumers regarding CSR.

To determine the intent of consumers towards socially responsible firms.

- H₀- Consumers are impartial towards socially responsible and socially irresponsible companies.
- H_a- Consumers have a more favored approach towards socially responsible companies.

To study the impact of CSR on the buying behavior of consumers.

- H₀ - Buying behavior is indifferent towards socially responsible and socially irresponsible companies.
- H_a - Buying behavior is affirmative towards socially responsible companies.

To judge the loyalty and commitment of consumers towards socially responsible firms.

Population

Population for this research includes consumers who have attained the age of 18 or above.

Sampling Frame

- SAMPLING PROCEDURE- Simple Random Sampling
- SAMPLE SIZE- 110

Data Collection

- PRIMARY DATA- Questionnaires were used to collect data from the respondents, the questionnaire consists of questions with five-point Likert Scale.
- SECONDARY DATA- reports, research papers, and publications were thoroughly read.

Tools For Data Analysis

- To study the objectives, Descriptive Statistics like mean and standard deviation have been used. Data compiled is presented in the form of Tables, Graphs & Charts.
- SPSS Software is used.
- One sample T-test is employed to test the Hypothesis.

Objective Wise Analysis

- To determine the level of awareness of consumers regarding CSR

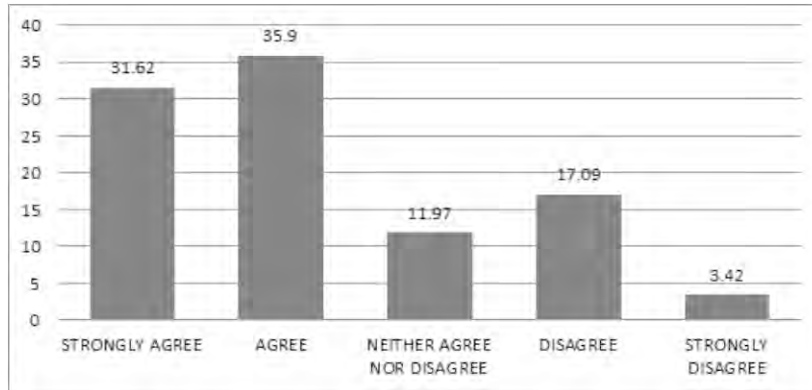


Figure 1 : Do you know what is CSR

Figure 1 From the above graph we get to know that the majority of consumers i.e. 67.52% [35.90 + 31.62] consumers are aware of the concept of social responsibility.

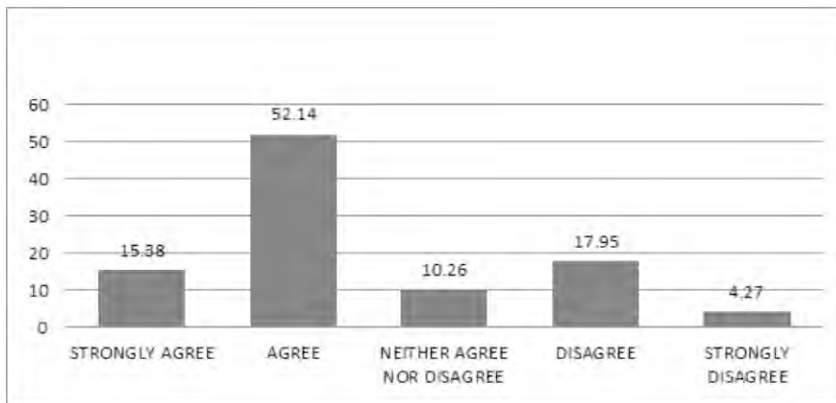


Figure 2: Do you Know about the Companies that are more Socially Responsible than others?

Figure 2 this graph shows that more than half of the total population of 67.62% (52.14% + 15.38%) is aware of those companies which are more socially responsible than others. While a very small proportion is not at all aware of those companies which are socially responsible.

Table 1: To Determine the Intent of Consumers towards Socially Responsible Organizations Three Questions were Stated under the 'Intention Block'.

QUESTIONS	MEAN RESPONSE	Sig (2-tailed)	INTERPRETATION
Are you willing to pay a premium price for a product/service from a company that is socially responsible?	2.4909	.000	Consumers agreed to pay a premium price.
Would you prefer to buy a product from a socially responsible firm even when there are cheaper alternatives available from socially irresponsible companies?	2.6128	.001	Consumers agreed to buy products from a socially responsible company.
Do you consider the CSR activities of a company before making a purchase decision?	2.6909	.005	Consumers agreed that they regard the CSR activities of a company as an important factor.

The value of p is less than .05, which entails that there is a significant difference between the sample mean & the population mean. Therefore, the alternative hypothesis stating, 'Consumers have a more favored approach towards socially responsible companies' will be accepted.

Table 2 : To Study the Impact of CSR on Buying Behavior of Consumers Two Questions were asked under the 'Behavior Block' of the Questionnaire.

QUESTIONS	MEAN RESPONSE	Sig (2-tailed)	INTERPRETATION
Would you stop buying products from a company which is not socially responsible?	2.8364	.126	Consumers responded neutrally.
Do you deliberately look for products which are offered by a socially responsible company?	2.7727	.061	Consumers have more or less neutral outlook towards this question.

In the above table 2, the value of p is .126 & .061, which is more than .05 which means there is no significant difference between the sample mean & the population mean. Therefore the null hypothesis is accepted which states that 'Buying behavior is indifferent towards socially responsible & irresponsible companies.

- To comprehend the loyalty & commitment of consumers towards socially responsible firms, they were asked if they would agree to sign a contract binding them to make purchases only

from socially responsible firms. Their answer was somewhat neutral, only a few of them enthusiastically agreed to sign such a contract while others denied being bound by such a pact.

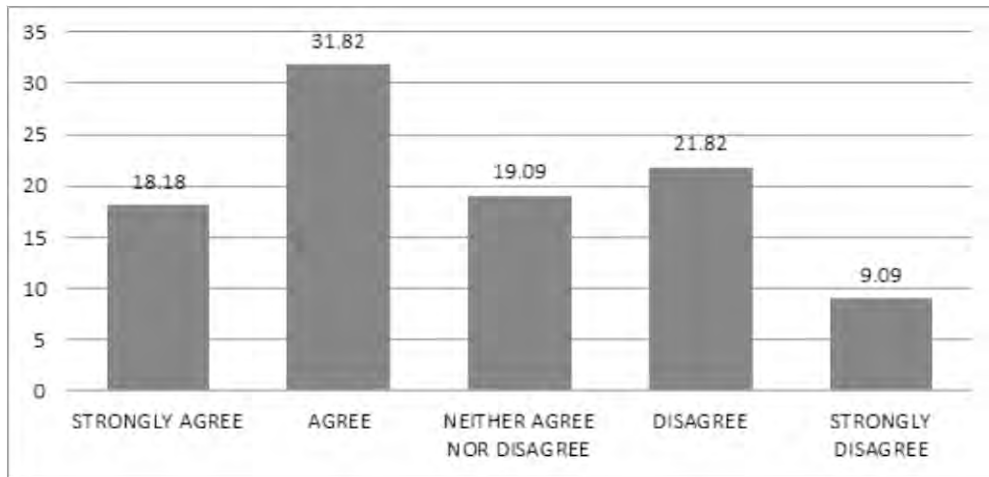


Figure 3: Would you Sign a Contract Binding you to Buy Products/Services only from a Socially Responsible Company?

From this graph we can compare the total number of consumers who agreed or denied to sign the contract to only buy from a socially responsible firm, from which it can be figured out that a total of 50% agreed to sign the contract while other 50% either had no clue or disagreed to sign such a contract.

Findings

The main findings of the research are as follows;

- Most of the respondents are aware of the concept of Social Responsibility but there is a small proportion which is not at all aware of this concept.
- When there are cheaper alternatives available by a less socially responsible firm then consumers are not so much interested in purchasing from a socially responsible firm.
- Majority of consumers consider the CSR activities of a company while purchasing products and services from it.
- Most of the respondents admitted that they have stopped buying products and services from a company after finding out that the company is socially irresponsible.
- Lastly, when consumers were asked to sign a contract to only purchase from a socially responsible firm they responded in a neutral manner.

Suggestions

- Although consumers agree to the fact that CSR is necessary when it comes to identifying the companies which are publicizing their CSR activities they need to be more conscious.
- The government can take more measures to make consumers aware of CSR and CSR practices.

- Consumers should appreciate the companies taking CSR initiatives & fulfilling their social responsibilities in order to encourage other companies to take such initiatives.

Conclusion

In this study, efforts were made to understand the manner in which consumers are taking into consideration companies' CSR practices at the time of making a purchase decision. India is a developing country, the Indian corporates hold an important position in the economy of the country and there is an urgent requirement of their involvement as a corporate citizen for tackling major social and economic issues like malnutrition, illiteracy, water scarcity, technological backwardness etc. The practice of giving back to society, to the nation, to the people is based on a humanistic approach, but it also brings a lot of benefits to the company as well.

The concept of CSR is not only based on a humanistic approach which includes only giving to the society, but it includes the business approach as well because when a company remains honest and responsible towards the society then it gains the respect in the heart of the consumers in the society which ultimately leads to increment in the goodwill of the company and betterment of society as well. CSR is a tool for the growth of our country and its economy but the role of consumers is imperative in order to make CSR a success.

Possibilities For Future Research

- Comparative studies can be carried out in which CSR practices of different countries can be evaluated side by side.
- Impact of CSR practices, initiatives & programmes on any of the following dimensions- workplace, community, environment etc. can be measured.

References

- Agarwal, S. K. (2014). Corporate social responsibility in India. New Delhi: SAGE publications.
- Carroll, A. B. (1991). The pyramid of corporate social responsibility: Towards the moral management of organizational stakeholders. *Business Horizons*, 34(4), 39-48.
- Ferreira, D. A. , Avila, M. G. , & Dias de Faria. (2010). Corporate social responsibility and consumers' perception of price. *Social Responsibility Journal*, 6(2), 208-221.
- Perrin, F. , Russo, A. , Tencati, A. , & Vurro, C. (2009). Going beyond a long-lasting debate: What is behind the relationship between corporate social and financial performance? The Valuing Business research programme.
- Pomeroy, A. A. (2005). Corporate Social Responsibility (CSR): An examination of consumer awareness, evaluation and purchase action. Proceedings of the Australian and New Zealand Marketing Academy Conference, 75-81.
- Porter, M. E. , & Kramer, M. R. (2006, December). The Link between Competitive Advantage & CSR [Review]. *Harvard Business Review*. Retrieved January 31, 2019, from <https://hbr.org/2006/12/strategy-and-society-the-link-between-competitive-advantage-and-corporate-social-responsibility>.
- Werther, W. B. , & Chandler D. (2015). Strategic Corporate Social Responsibility. New Delhi: SAGE publications.