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THE EFFECTS OF CORPORATE SOCIAL RESPONSIBILITY ON CONSUMER DECISION MAKING

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ABSTRACT

The paper attempts to explore CSR and consumer behavior and the relationship between them, as it still is a comparatively young study and there persists an ever increasing interest in unfolding this relation between CSR and the impact on consumer decision making. Furthermore, there is considerable amount of recognition for the role of ethics and its responsibility towards our society. In the Indian market customers are now aware about pursuing their business endeavors and companies now have to show more responsibility towards the society and environment to gain more customer loyalty, where they are seeing CSR activities as a major marketing tool to help create a competitive advantage. The paper attempts to study the role of company's engagement in CSR for a social cause on consumer decision making. There has been almost negligible research about CSR and its role on consumer buying behavior. The paper studies Indian consumer support to CSR strategy of various companies. Consumers make the choice of products based on their quality, quantity and price, brand ambassador etc, and remain unaware about CSR practices of the company, but are progressively interested in it. Thus, if more innovative methods are implemented in future by the companies there could be a positive relationship between perceived CSR activities and consumer purchasing behavior.

Introduction

Today, CSR awareness level amongst the consumers is rising and cannot be neglected as a competitive advantage. A great deal of research has been conducted in this area; however, limited research has been worked from consumer's perspective. Furthermore, consumer's level of awareness in this regard is still to improve in India. Therefore, this paper examines the effect of CSR in affecting consumer buying behavior. It is indicated that ethical responsibility and philanthropic responsibility are associated with consumer buying behavior. Making consumers aware regarding the company's CSR is very crucial. It is very helpful in building a strong and positive image of the company. But we should focus on doing rather than just advertising as it might go against the strongly build image of the firm. Consumers feel mistrusted with deceptive advertising and can create a negative ripple effect which may prove to be harmful for the company. Celebrity endorsement and expert consultancy are fruitfully used to enhance company credibility. But this kind of endorsement has heavy costs involved. Such investments are worth too, as the market analysts use this endorsement contract to evaluate the firm's potential credibility, which further has an effect on its profits. To sum up, the impact of these endorsements on the final returns looks affirmative to the level that it offsets the hiring cost of the spokesperson. A study on celebrity endorsement in marketing reported that it produced 9.4 percent higher consumer viewership than advertisements without them.

It is perplexing that, can crime prevention, covid prevention, charitable contributions or even the concept of family planning be advertised and sold to consumers in a similar way as some firms sell soaps or detergents? Several studies suggest that CSR activities undertaken by the companies are viewed as services or ideas attempting to target a peculiar consumer segment. Often these companies attract consumers with their product offerings in addition to attempting to satisfy some need or want. Explicitly a clear understanding of consumer decision making process can help achieve affirmative outcomes for these establishments.

For instance, fruits of spreading knowledge related to the causes and precautions against covid by some hand wash or Sanitizer Company cannot be neglected currently. Some major undertakings of such CSR activities may be to solicit consumer's contribution to support social distancing and use of sanitizers to control the spread of this pandemic.

Corporate social responsibility

CSR is a sort of private business self-regulation with a purpose to contribute to societal goals such as voluntary activities ethical in nature. It involves corporate ethics strategy, involving various laws in the organizations and further pushed outside as industry wide undertakings. Today's competitive business environment posits complicated challenges to the companies. Expansion brings pressure on resources and productivity, thus has severe

environmental impacts. Consumers nowadays have set a higher level of expectation towards the companies. This study intends to investigate whether CSR positively impacts the perceived value by consumers. CSR endeavors to shoulder the responsibility for the firms actions and affirmatively impact its stakeholders. Philanthropy and cause-related marketing are at an all time high from the end of various companies. CSR initiatives are undertaken by more than 80% of the fortune 500 companies. Current day market studies reflect that there exists is a positive relationship between the firms CSR activities and consumers 'buying behavior.

Top management faces the challenge of formulation as well as deployment of such initiatives like social audits, corporate social reporting and triple bottom line, that will prove highly rewarding for their firms. Unlike the western countries not much of research has been undertaken in the Indian markets to understand this relationship, only the law of contributing 2% of the profits to CSR activities has been formulated by the government with very less monitoring tough. The paper posits to investigate the relationship between CSR initiatives and of Indian consumer decision making. We shall explore the concern weather Indian consumers consider any firms CSR before using its services or its products.

Key Elements of CSE

- 1. Enabling Environment: For this, the firms must inculcate an entrepreneurial environment which in turn would make an enabling environment and transforme the whole organization.
- 2. Corporate Purpose: Firms must make sure that their mission and value statements should comprise of social value generation and fulfilling social responsibilities.
- 3. Value Creation and the Double Return: Firms must aim to create value from optimizing returns to their stakeholders by advancing various social agendas. The firms must be concerned with the increase of both the social capital as well as the economic capital.

Consumer Trust

Trust is a crucial factor in business. Trust is consequential from the motives, characteristics, and intentions of the exchange partners and the evaluation, assumptions, and prediction by the consumers as to the promised outcomes of the company (Cannon &Doney, 1997). According to Swean & Chumpitaz (2008) Trust has three main perspectives, which includes perceived credibility, perceived truth, and perceived benevolence.

Concept of Consumers Purchase Intention (PI) and Impact of Purchase Intention and CSR

According to Espejel et al. buying intention is a forecast of consumer behavior towards a future purchase decision. Optimistic consumer attitudes towards a firms's image, and product evaluation may be influenced by their CSR initiatives. Considerable amount of research points towards an affirmative relationship between firms CSR initiatives and the attitude of consumers. When consumers approve of certain CSR initiatives, they are classified as ethical consumers. (Auger et al., 2010). Accordingly, ethical consumption can be defined as the deliberate and conscious choice for consumption considering some personal and moral beliefs. Consumers are willing to pay for the luxury of social consciousness. It looks like there exists some clear cut trends in general management ethical consumption. Though, most of the published empirical research regarding this relationship comes from the developed countries. Still, many studies show that consumer attitudes towards CSR differ from culture to culture.

Relationship between CSR and Trust

CSR is considered as a characteristic factor of trustworthiness that shows the attempts of a firm in ways of improving consumer welfare. These initiatives have an affirmative influence on customer's trust. Customer purchase intention can be weighted by a company's CSR activities as it reduces the inherent uncertainty in any transaction. Morgan and Hunt (1994) claimed that the affect of customers trust is derived from existing values that customers and the company share with each other. Thus, customers trust can be defined as joint beliefs, regarding whether certain kinds of behaviors, goals and policies are significant or not. A company can gain benefit from CSR activities through customer loyalty, positive brand attitude, customer trust, increased profits. In addition, there is much research supporting the idea that CSR activities increase the purchase intention, customer loyalty and trust.

Psychological factors that affect consumers purchasing decision Four major psychological factors influencing a person's buying choices are:

- Perception
- Learning
- Beliefs and Attitudes
- Motivation

Consumer Behavior towards CSR in India

India has the world's richest tradition of CSR. Though the term CSR is comparatively new, the concept itself dates back to over a hundred years. Hinduism and CSR are like merchants of the Hindu religion that teaches us to charity, making houses for the needy, building places of worship etc. Dharmada in Hinduism pursues that the businessmen charge certain amount from the purchaser which is used for philanthropy. Sikhs pursue daashaant. In India, CSR has developed in various phases, for instance socially responsible production, engaging the community fruitfully and socially responsible employee relations. Its evolution can be divided in four phases: Phase1 (1850 -

1914) Phase2 (1910 - 1960) Phase3 (1950 - 1990) Phase 4 (1980 onwards). Complete philanthropy and charity throughout the industrialization; businesses are only pledged to the managers and the owners. CSR is seen as a social development amidst the struggle of Independence where the businesses are pledged to the managers, owners, and employees. CSR during the "mixed economy paradigm"; where the businesses are responsible to owners, managers and other target environments also. When we talk about CSR amidst this globalised world, we can see it is in a perplexed state where the businesses are pledged to the owners, managers, other target environments and the public at large.

Purpose of the Study

This study believes that good governance, and the new company act it is not sufficient for firms to just invest in CSR projects and meet the 2 per cent norm, but they need to understand whether CSR is looked at strategically. The study will contribute to building a body of knowledge in literature for further research. Secondly, the outcome of the research will also serve as a reference resource for other researchers to investigate further into areas that this study will not cover. It will also contribute slightly to the stakeholders understanding of the effect of CSR on consumer purchasing decision of Indian market.

Scope of the Study

- 1. CSR has become integral to the firms strategic decisions, as it aids in improving the stakeholders and companies relationship and motivates innovation.
- 2. Best of the industry talent is drawn as socially responsible firm, and it increases employee motivation and strengthens the skill to manage the expectations of the stakeholders.

Implications of the Study

Findings suggest not only the significance of formulating reports in an all-inclusive manner and covering more of stakeholders and related issues, but also the demand for striking a balance amidst informative needs, thus averting concentrated structures. Subsequently, the firms that report high on themes and present a comprehensive as well as a balanced product, establish an exceedingly better stakeholder network. Such firms attain a superior corporate social performance.

Major CSR funding has gone for Covid 19 relief when we talk about the current day situation. Let's discuss some of the companies Best Practices presently. According to a study by the Futurescape, Tata Chemicals Ltd. is ranked number one, third year consecutively for sustainability and CSR practices in Responsible Business Ranking 2019. The study follows the ESG framework (environment, social and governance) for examining the corporate

performance. The spending patterns on CSR are reviewed along with the performance of the firm.

CSR activities in India

- 1. Tata Chemicals: 37.81 crores were spent by the company on community development projects. Enhancing the quality of life along with community development is the prime focus to Tata Chemicals corporate philosophy for which they formed Tata Chemicals Society for Rural Development. From the time of lockdown, they have distributed disinfectants, stitching masks, giving medical help and ensuring food security to the communities it works with.
- 2. Infosys Ltd.: They spent close to 360 crore rupees for CSR with majority of covid relief activities like the quarantine bed setups. They undertake social development initiatives through the Infosys Foundation.
- 3. Bharat Petroleum Corporation: BPCL contributed INR 4.27 crores as its CSR for Covid relief. The PSU organized 'Swachhata Pakhwada 2020' and distributed special kits having dustbins, masks and hand sanitizers to 400 families in villages. BPCL's CSR philosophy also includes involving the creation and maintenance of toilets, associated sanitation facilities, waste management initiatives leading to overall health and hygiene for the communities.
- 4. Mahindra & Mahindra Ltd.: They took to numerous initiatives during the pandemic, for example manufacturing ventilators to utilizing Mahindra Holidays resorts for Covid patients. They spent INR 93.50 crores on CSR in the financial year 2018-19. They spent INR 8.36 crore project Nanhi Kali which grants educational support to underprivileged girls in India.
- 5. ITC Ltd.: ITC Limited spent INR 306.95 Crores in FY 2018-19 and distributed food and hygiene products in 25 States and Union Territories. They also set up a covid contingency fund of INR 215 crores.
- 6. Ambuja Cement Ltd.: Their CSR initiatives aim to energize, involve and enable the communities to realize their potential. Their CSR undertakings address the requirements of people by engaging with the NGOs, beneficiaries, and the government.
- 7. Vedanta Ltd.: Vedanta Limited spent INR 309 crores on CSR initiatives and social investments. They have re-build Anganwadis for ensuring the health and learning of children in rural areas, and also for becoming a platform of women's empowerment and skilling.

- 8. Hindalco Industries Ltd.: They spent INR 34.14 Cr, which is much more than the prescribed INR 29.97 Crore supporting healthcare, education, sustainable livelihood, and social reformation under their CSR initiatives.
- 9. Indian Oil Corporation Ltd.: Their CSR spent Rs. 490.60 Crores in FY 2018-19. They work on the Skill India Mission and Swachh Bharat Abhiyan. Their key CSR areas are protecting the water resources and safe drinking water, sanitation and healthcare, women empowerment etc.
- 10. Wipro Ltd.They have strong social and environmental initiatives within the firm as well as outside the firm. Their social and sustainability initiatives focus on ecology, education, and community care. Wipro earthian, started in 2011 brings together two main concerns namely sustainability and education.
- 11. Hindustan Zinc Ltd.: HZL regards human dignity and consider an all inclusive growth, aiming to improve quality of life, specifically in the neighboring areas by partnering with the government and NGOs for executing flagship projects.
- 12. GAIL (India) Ltd.: GAIL (India) Ltd was incorporated in August 1984 as a PSU under the Ministry of Petroleum & Natural Gas. Their CSR covers a wide range of development and welfare initiatives covering their various thrust areas.

Difference between corporate social responsibility and corporate social entrepreneurship

CSR Corporate Social Responsibility	CSE Corporate Social Entrepreneurship
Minimize negative impact	Maximize positive impact
Incremental Innovation	Transformational innovation
Separated from the business	Part of the core business
Reactive	Pro-active
Business as usual	Exploring new markets
Stimulating sustainable behavior	Stimulating entrepreneurial DNA and innovation
Meeting Today's	Meeting Tomorrow's

Suggestions

The paper shows that consumer perception is based on their emotional, rational, and individual judgment to buy a product in context of the concept CSR (sustainable, profits the local community, and environment friendly). There exists is a positive relationship between CSR and consumer decision making, these persists positive perception for such products. CSR has a crucial

part in establishing a strong relation with the consumers. Thus, CSR initiatives give boost to the consumers trust on a firm and increase the perceived credibility too. The study is also supported by the findings by Kenning (2008) that general and specific trust has an affirmative impact on the consumer buying behavior. Government has an important role in increasing the consumer awareness by enforcing many policies that can have role of CSR activities conducted by any company. Government organizations must market various schemes to increase consumer awareness towards the requirement and vitality of CSR initiatives and not let it remain just paper work. It will facilitate the much needed strong Indian consumer vision for seeing as to where are they right now, and where do they wish to be in the next 10 years. Consumers must increasingly visualize CSR as an innovation rather than just documentation.

Conclusion

CSR has been much researched over in the past few years and part of various deliberations due to the increasing awareness and importance for various industries. It has also gained focus in the business arena as well as the academic world. Evolved over a period of time CSR and its relation with consumer decision making has grown from just a philanthropic focus to a systematic and strategic activity. In India the CSR mandates have made the whole issue an all time important strategic decision too. Others like UK, Norway, Sweden, etc are pursuing some distinct codes for socially accountable business as well as sustainability. The US, with its existing affluent of corporate and industrial establishments, administers stringent mandates to review the corporate spending reports. Legislation for CSR spending in India has increasingly impacted the consumer's perception and their buying behavior.

Post the enforcement of the Companies Act-2013, it is approximated that more than 2,500 establishments came under the domain of mandated CSR with the approximated budget of INR 15,000 crores. Thus we can say that the legislation has proved to be a game-changer in strategic efforts towards CSR that impact the consumer's choices. This has furthered fresh investments and accountability of implementing CSR in India and the way it is conceived by the consumers. These opened new opportunities for all stakeholders including the government, corporate sector, not-for-profit firms and the whole society to comit to equitable economic as well as the social advancement. Regulatory bodies and organizations like Ministry of Corporate Affairs (MCA), the Department of Public Enterprises (DPE), and Indian Institute of Corporate Affairs (IICA) have positively directed CSR, so the consumers are increasingly headed towards buying products that impact and contribute to the betterment of the society through their initiatives. These institutions have played a crucial role and have definitely fastened the pace of consumer awareness as well as impacted their buying behavior that is cause related more than ever now. This consumer behavior will surely aid in ensuring a holistic success for the firms

and in shrinking inequalities. This will further help reduce poverty, bring about hope for the whole society and of course a brilliant future for our country.

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