

Impact Of Corporate Social Responsibility Activities Of The Company On Consumer Purchase Decision In Indian Market.

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ABSTRACT:

This research paper makes an attempt to research into CSR and consumer behavior as this relationship is still relatively young study, there exists a growing interest in link between CSR and marketing. Progressively, the world is recognizing the role of business ethics and its responsibility towards society. In Indian market the Indian customers are now aware about pursuing their business endeavors, companies now a day have to show more responsibilities toward society and environment to build branding and loyalty among customers, where they are operating and vision CSR activities as a marketing tool to help create a competitive advantage. This research paper is an attempt to study weather impact of company's engagement in CSR for social cause on consumer buying behavior.

This research is driven with an intention that there has not been conducted any research about CSR in Indian market in order to determine its influence on consumer purchase behavior and its impacts. The scope of the research is confined to identify abilities of the Indian consumers to support CSR strategy of companies operating in the Indian local market. As the research demonstrated, Indian consumers choose products mainly on the basis of their quality, quantity and price, brand ambassador etc, they are not aware of CSR practices conducted by the company or product, do not always consider it while purchasing products, but are increasingly interested in it, thus may be in future if newer methods adopted by the strategist there could be a positive relationship between perceived CSR activities and consumer purchasing behavior.

Key words: *consumers, behavior, Indian market, engagement, products.*

A. Introduction:

Today's competitive business environment presents important challenges to the companies. Expansion means a constant hunt for resources that go into manufacturing and invariably a conflict between man and nature, beyond the search for conquering superior competitively and productivity levels, there is a mounting concern with the social and environmental impacts of their actions. The level of awareness about corporate social responsibility (CSR) is at the rising trend. Consumers nowadays have set a higher level of expectation towards the companies.

This study intends to investigate whether corporate social responsibility (CSR) would positively influence the benefit and the value perceived by the consumer, ethics, green environment, and philanthropic on customer purchase decision in Indian market. Multinational corporations introduced the term stakeholder in the late 1960's. Stakeholders are those who were in any way affected by the corporations' activities. Later, the term "corporate social responsibility" (CSR) came into exercise. The endeavor of corporate social responsibility is to take responsibility for all the company's actions and to put an optimistic impact on its communities, environment, consumers, employees and all other stakeholders (Freeman, 2010).

CSR is not a new design, more companies than ever before are supporting CSR initiatives like corporate philanthropy, minority support programs, cause-related marketing (e.g.: save girl child) and socially responsible manufacturing practices and employment—and they are doing so with real marketing and financial muscle. More than 80% of the Fortune 500 companies address CSR issues on their websites, brand reflecting the persistent belief among business leaders that today CSR is not only an ethical vital, but also an economic one. One stakeholder group that appears to be particularly vulnerable to a company's CSR initiatives is its customers. Marketplace polls recommend that there is a positive relationship exists between companies CSR activities and consumers' reactions to that company and its products.

The 2002 Corporate Citizenship poll by Cone Communications finds that 84% of Americans said that they would like to switch to the brands which are associated with a noble cause, if quality and price are unchanged. This is a positive link of CSR to consumer backing is spurring companies to assign greater energies and resources to CSR. In other words, attract of larger consumer profits has contributed extensively in current years to the strengthening of the business case for CSR activities. Ethical imperatives notwithstanding, business leaders are struggling with the appropriate goals guiding the formulation and deployment of CSR initiatives that will reap the greatest benefits for their companies. They are also, at the same time, realizing the urgent need to measure the returns to various CSR initiatives especially in Indian markets where the variety and scope of growth is massive. For this, many companies have started practices such as corporate social reporting, social audits, and the triple bottom line. A lot of work has

already been done in the Western countries for identifying an organization's behaviour towards consumer purchasing decisions where the government places a very major role over contributing to CSR practices and protecting the environment by creating awareness among the people. On the other hand, not many studies have been conducted in emerging markets, such as India. CSR activities should improve a corporation's image in the market. Though the Government has taken an initiative by implementing the law of contributing 2% of the profits to CSR activities still it needs a element monitoring. The objective of the paper is to investigate whether CSR initiative has an effect on trust and purchase intention of Indian consumers.

We are concerned about exploring that whether consumers in India take into the consideration of organization's CSR issues before using organizations' products and services. This study will also be useful for business houses in understanding the consumers' concern for the CSR programs that they should be engaging in, and it will also contribute to the existing literature.

B. Scope of study:

1. **CSR has become an important and integral part of companies strategic decisions as it helps** in strengthening the relationship between companies and stakeholders.
2. **CSR** enables continuous improvement and encourages innovations and provides a stepping stone for cutting the competition.
3. Attracts the best industry talent as a socially responsible company and Provides additional motivation to employees along with which Enhances ability to manage stakeholder expectations

C. Purpose of Study:

The western world has simplified much of this debate into the climate change challenge which rests on this simple logic. The Indian challenge and that of any developing country like ours is much more complex. We need food for our teeming millions, education for our children and work for an increasingly young population. While good governance and far reaching policies are part of the answer, much more needs to be done and the new Companies Act has asked Corporate India to step in with the provision that companies invest 2 per cent of their net profits in CSR. This study believes that it is not sufficient for companies to merely 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.

D. Review of literature:

Corporate Social Responsibility

During the 21st century, the environmental aspect of CSR grew even stronger and society's increased interest regarding environmental issues gives a new picture of CSR. Therefore, higher pressure was put on corporations and their initiatives in support of the environment. In the European Commission's CSR-report from 2002, CSR is described to have a close relationship between societies and companies to deal with both social and environmental concerns: "CSR is a concept whereby companies integrate social and environmental concerns in their business operations and in their interaction with their stakeholders on a voluntary basis. In their most recent definition, the European Commission (2011) explains CSR as "the responsibility of enterprises for their impacts on society". Another definition which is very famous is "The total corporate social responsibility of business entails the simultaneous fulfillment of the firm's legal, economic, ethical and philanthropic responsibilities. Or we can say that the CSR firm should strive to make a profit, be ethical, obey the law and be a good corporate citizen" (Carroll, 1991). Carroll proposed other responsibilities in the following decreasing order of importance, after economic: legal, ethical and philanthropic. This concept by Carroll (1979) suggests that a business should follow four components: economic responsibility, ethical responsibility, philanthropic and legal responsibility, (Bhattacharya and Sen, 2004; Carroll, 1995). The first component is economic responsibility. This is the business' fundamental responsibility to make a profit and expand. The second component is legal responsibility which means a business must obey the law and work within the legal framework of society. The third is ethical responsibility which means a business has to value the rights of others and meet the hope applied by society to do what is right. The last component is philanthropic responsibility which means a business should add to and support the broader community and improve the quality of society (Carroll, 1995; Snider et al., 2003). The World Business Council for Sustainable Development (2006) has defined CSR as the continuing commitment by business to behave ethically and to contribute to economic development while improving the quality of life of the workforce and their families, as well as that of the local public and society at large; management studies have defined CSR as a company's obligation to operate in an

economically and environmentally sustainable way at the same time recognizing the interest of all stakeholders and maximizing social, economic and environmental values (Waddock and Post, 1990; Wood, 1991; Matten et al., 2003; Waddock, 2004). Although there is still no agreement on any one definition of CSR, each and every definition is

based on the thought that CSR is about how a business takes account of its social, economic and environmental impacts in the way it operates.

Consumer Trust

Trust is regarded as an important factor in business, but, there is confusion regarding the definition and the concept of trust among many authors who have different perspectives on the definition and concept of trust (Swean & Chumpitaz, 2008). Trust is also defined as a set of beliefs, a desire, and accumulated assumption directed towards a brand (Swean & Chumpitaz, 2008). 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 have there are three main perspectives, which includes perceived credibility (capability of associate to fulfill and satisfy customer satisfaction), perceived truth (capability of associate in terms of keeping promises and honestly), and perceived benevolence (capability of associate to prioritize interest of consumers).

Affect-Based Trust

Affect Based Trust is the emotional based trust of one individual collective with others (McAllister, 1995). According to the study of Chun Ha, Yang-Kyu, & Cho (2011) affective trust includes the characteristics of openness, considerate, honesty, liking, benevolence and respect. Affect based trust is one individual's degree of confidence in a partner on the basis of a feeling or an emotional factor, a concern displayed by the partner (McAllister, 1995). Therefore, affective trust is usually based on a long-term trust between two parties. **Disposition-Based Trust** Dispositional-Based Trust is the tendency of one person to trust another, it is the propensity to trust others, it represents an individual's stable personality trait (Rotter, 1980). Based on the study by Rotter (1980), an individual's general orientation relating to trust is very significant in new situations and in situations of ambiguity when the individual is unable to predict the behavior of others. Gill et al. (2005) supported the thought that tendency to trust is very important when there is uncertain information about the trustee's intention.

Cognition-Based Trust

Cognition-Based Trust is explained as rational, objective, methodical evaluation by a trustor concerning a target as being trustworthy (Olugbenga, 2006). The idea of cognition-based trust was explained by several authors McAllister (1995), Johnson & Grayson (2005) and Erdem & Ozen (2003) in terms of a rational based willingness or you can say degree of confidence of one individual used in trusting the other party's competence and reliability. Mayer et al. (1995) stated that previous researchers explored different characteristics of a trustee that leads to cognitive trust, including accessibility, consistency, competence, fairness, integrity, locality, discreetness, openness, receptivity, judgment, trustworthy intentions, promise fulfillment, motives, benevolence, ability, honesty, and group goal. Though, ability, benevolence and integrity are the three commonly mentioned characteristics that trustors use when cognitively judging the trustee. Mayer et al. (1995) suggested that a trustor is likely not to trust in future interactions, if the trustee lacks benevolence, ability, or integrity. Regarding the three characteristics of a trustworthiness,

Concept of Consumer's Purchase Intention (PI) and Impact of Purchase Intention and CSR

According to Espejel et al. (2008) buying intention is a forecast of consumer attitude or behavior towards a future purchase decision. In other words, buying or purchase intention is a pattern of consumers' attitudes or beliefs, regarding their future purchases. The positive attitudes of consumers towards the company's reputation, image, and product evaluation can be influenced by CSR activities (Dacin & Brown, 1997). A number of studies have showed that there is a positive relationship between a business's CSR program and consumers' attitudes towards that organisation and its products (Brown & Dacin, 1997; Ellen, Webb, & Mohr, 2000; Creyer Ross, 1997). Mohr, Harris and Webb (2001) examined and their finding indicated a important relationship between CSR and consumer responses. Sen and Bhattacharya (2001) research on reaction of consumers to CSR shows that CSR will directly affect consumers' intentions to purchase corporation's products. By supporting CSR activities, consumers are labeled ethical consumers (Auger et al., 2010). Accordingly, ethical consumption is be defined as the conscious and deliberate choice to make certain consumption choices due to personal and moral beliefs. This can be as simple as buying a product at an Oxfam store or as complex as boycotting goods consumption (Crane, 2001). Research suggests that consumers in the developing or emerging economies cannot afford to be socially conscious, thus suggesting that social consciousness at the checkout counter is a luxury (Auger et al., 2010). In contrast, consumers in developed countries are thought to be more socially conscious due to product availability, and to possess greater willingness to pay for the "luxury" of social consciousness (Auger et al., 2010; Pelsmacker, Driesen and Rayd, 2005). It seems clear that there are certain trends in

ethical consumption. However, it is important to note that the majority of published empirical research on this topic emanates from developed countries (e.g., Becker-Olsen, Cudmore and Hill, 2005; Brown and Dacin, 1997; Creyer and Ross, 1997; Maignan, 2001; Maignan and Ferrell, 2000; Mohr and Webb, 2005; Sen, Bhattacharya and Daniel, 2006; Sen and Bhattacharya, 2001; Maignan, 2001; Matten and Moon, 2004; Freestone and McGolrick, 2007). Yet, a number of studies have shown that consumer attitudes towards CSR tend to vary between cultures (Srnrka, 2004; Vitell, 2003; Auger et al., 2008) currently, we know very little about ethical consumption in developing countries.

Relationship Between Trust And CSR

According to Swean & Chumpitaz (2008), CSR is regarded as a signal of trustworthiness that clarifies the effort of a company in terms of enhancing the welfare of customers. CSR programs have positive influence on customer's trust. Regarding a theory proposed by Spence (1974), 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, appropriate or good. A company can gain benefits 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 re purchase intention, customer loyalty and trust (Yoon, 2006).

Consumer Behavior towards CSR in India:

India has the world's richest tradition of corporate social responsibility. Though the term CSR is comparatively new, the concept itself dates back to over a hundred years. CSR and Hinduism where Merchants belonging to the Hindu religion gave alms, got temples and night shelters made for poor. Hindus followed Dharmada where the manufacturer or seller charged a specific amount from the purchaser which was used for charity. CSR and Islam: Islam had a law called Zakaat which ruled that a portion of one's earning must be shared with the poor in the form of donation, CSR and Sikhism where Similar to Islam's zakat, Sikhs followed what they called daashaant. CSR in India has evolved through different phases, like community engagement, socially responsible production and socially responsible employee relations. Its history and evolution can be divided into four major phases:

Phase 1 (1850 - 1914)	Phase 2 (1910 - 1960)	Phase 3 (1950 - 1990)	Phase 4 (1980 onwards)
Purely philanthropy and charity during industrialization; corporation is only responsible to owners and managers	CSR as social development during the Independence struggle; corporation is responsible to owners, managers and employees.	CSR under the "mixed economy paradigm"; corporation is responsible to owners, managers and other target environments	CSR in a globalised world is in a confused state; corporation is responsible to owners, managers, other target environments and the public at large.

Phase I (1850 TO 1914)

The first phase of CSR is known for its charity and philanthropic nature. CSR was influenced by family values, traditions, culture and religion, as also industrialisation. The wealth of businessmen was spent on the welfare of society, by setting up temples and religious institutions. In times of drought and famine these businessmen opened up their granaries for the poor and hungry. With the start of the colonial era, this approach to CSR underwent a significant change. In pre-Independence times, the pioneers of industrialisation, names like Tata, Birla, Godrej, Bajaj, promoted the concept of CSR by setting up charitable foundations, educational and healthcare institutions, and trusts for community development. During this period social benefits were driven by political motives.

Phase 2 (1910 TO 1960)

The second phase was during the Independence movement. Mahatma Gandhi urged rich industrialists to share their wealth and benefit the poor and marginalised in society. His concept of trusteeship helped socio-economic growth. According to Gandhi, companies and industries were the 'temples of modern India'. He influenced industrialists to set up trusts for colleges, and research and training institutions. These trusts were also involved in social reform, like rural development, education and empowerment of women.

Phase 3 (1950 TO 1990)

This phase was characterised by the emergence of PSUs (Public Sector Undertakings) to ensure better distribution of wealth in society. The policy on industrial licensing and taxes, and restrictions on the private sector resulted in corporate

malpractices which finally triggered suitable legislation on corporate governance, labour and environmental issues. Since the success rate of PSUs was not significant there was a natural shift in expectations from public to private sector, with the latter getting actively involved in socio-economic development. In 1965, academicians, politicians and businessmen conducted a nationwide workshop on CSR where major emphasis was given to social accountability and transparency

Phase 4 (1980 ONWARDS)

In this last phase CSR became characterised as a sustainable business strategy. The wave of liberalisation, privatisation and globalisation (LPG), together with a comparatively relaxed licensing system, led to a boom in the country's economic growth. This further led to an increased momentum in industrial growth, making it possible for companies to contribute more towards social responsibility. What started as charity is now understood and accepted as responsibility.

CSR activities in India:

- i. **Child Education:**
The study indicates that providing infrastructure support is the most common activity in the education domain, undertaken by approximately 88% or 44 out of a total of 50 companies focusing on education.
- ii. **Healthcare:**
In the healthcare domain, organising health camps to offer curative services and raising awareness on health issues are the most common activities implemented by nearly 74% of the companies.
- iii. **Environment protection:**
CSR initiatives aimed towards the betterment of the environment include green initiatives such as tree plantation drives to promote afforestation, as well as efforts to conserve water, and to manage and dispose of waste responsibly. Green initiatives garner the highest attention with 76% of all companies undertaking specific initiatives to improve the environment and approximately 64% taking measures to conserve water.
- iv. **Livelihood:**
Out of the 50 companies approximately 88% support skill development through vocational training, and 78% support income generation activities.
- v. **Rural Development:**
In rural development, 68% of companies have been working towards betterment of rural areas by providing infrastructure support.

Psychological factors that affect consumers purchasing decision:

Four major psychological factors influencing a person's buying choices are:

- a. perception
- b. learning
- c. beliefs and attitudes
- d. Motivation

E. Research Methodology:

Research Type: Descriptive Research

Type of Data/Data Source used: Secondary Data/Data source. The present study is based on **secondary data**. Basically, the required information has been derived from

1. Various books.
2. Articles from Newspapers, Magazines and Journals, and
3. From the various related web-sites which deal directly or indirectly with the topics related to Indian retail sector and manufacturing sectors. After searching the important web-sites, relevant information was down loaded and analyzed to address the objectives of present study.

F. Limitations of study:

1. The study is based on published data and information available on internet. No primary data is being collected.
2. Every precaution has been taken to entice qualitative and correct data; still secondary data have collected for the purposes other than problem at hand.
3. The objectives, nature and methods used to collect secondary data may not be appropriate to the present circumstances as the research is based on secondary data.
4. Time constraint remained the major limitation in the study
5. The biasness can always be there.

6. Before using secondary data, it is important to evaluate them on above mentioned factors. So, it consumes the same time as the primary data

G. Suggestions:

In this paper we have shown the perception of consumers based on their rational, emotional and individual judgments towards their willingness to purchase a product in the context of the concept CSR (Local Community, Environmental Sustainability, and Green Product). On the basis of the analysis of this study, we have shown that there is a positive relationship between CSR result in consumer trust and a positive intention to purchase a product, found that CSR can play an important role in building a long-term relationship with consumers. Therefore, CSR programs encourage people to trust a company to fulfill the terms of the exchange and do as expected (perceived credibility) and be forthright and honest (perceived integrity) (Swaen & Chumpitaz, 2008). This study also supported by the results found in Kenning (2008) that specific and general trust has positive effects on buying behavior.

Government places a major role in educating the consumers by implementing various policies that can have transparent polices of CSR activities conducted by any corporate. Government organizations should promote various schemes to motivate people to understand the need and importance behind CSR activities and not let it be mere documentation. Indian customers lack to visualize “Where are we now?” and should think about asking “Where do we want to be in 10 years?” we fail to see CSR as an innovation rather than documentation.

H. Conclusion:

CSR as a perception has been the focus of various deliberations and much research over the past few years; and has come to occupy an important place in the academic and business arena. Developing all the time, it has morphed from a purely philanthropic to a systemic and, finally, strategic activity. India is the first country to have legislated CSR mandates. Others like Sweden, Norway, UK, South Africa, Ghana and Ivory Coast follow some specific codes for sustainable and socially accountable business practices, like Social Labour Plan (SLP) and Local Content Law (LCL). The US, though it has a rich presence of industrial firms and big corporates, has only some mandates for reviewing reports on corporate spending. There is no strong legislation, as in India, for CSR spending.

After the enactment of the Companies Act-2013, it is estimated that approximately 2,500 companies have come in the domain of mandated CSR; the budget could touch approximately INR 15,000 crores.¹⁵ It is very likely that the new legislation will be a game-changer, infusing new investments, strategic efforts and accountability in the way CSR is being conceived and managed in India. It has opened new opportunities for all stakeholders (including the corporate sector, government, not-for-profit organisations and the community at large) to devise innovative ways to contribute to equitable social and economic development. Currently, CSR in India is headed in a optimistic direction as there already exists a multitude of enabling organisations and regulatory bodies such as the Department of Public Enterprises (DPE), Ministry of Corporate Affairs (MCA), and Indian Institute of Corporate Affairs (IICA). These institutions have already set the wheels in motion and are playing an important role in making CSR a widespread practice and in ensuring success in reducing inequalities without risking business growth.

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