

The Impact of CSR on Consumer Behaviour in Ahmedabad City

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ABSTRACT

Corporate social responsibility (CSR) is a buzzword in present era. It is gaining importance from both academicians as well as business fraternity continually which depicts its importance. CSR is viewed as the most important and concerned topic for the coming years. Though there is a section of people who consider CSR just as a fashion and a marketing gimmick. There is a group of people who have started to take interest in CSR. The aim of the study is to check customers' awareness regarding CSR and its impact on customer buying behaviour in the Ahmedabad city of Gujarat in the FMCG industry. Furthermore, the aim is also to study customers' preference towards different CSR (dimensions) activities and how customers purchasing behaviour is influenced by these CSR activities. The study combines Carroll's CSR pyramid theory as a base. To study the impact of CSR awareness on consumers' buying decision it refers to customers as one important stakeholder and the word customer and consumer is used interchangeably. A quantitative method will be used in the study. Primary data of consumers' awareness of CSR and consumers' purchasing behaviour will be collected through questionnaire. The results of the questionnaire will be analysed and interpreted.

Keywords: Corporate Social Responsibility, Consumer Behaviour, Awareness

INTRODUCTION

Corporate social responsibility (CSR) is a buzzword in present era. It is gaining importance from both academicians as well as business fraternity. Since decades a lot has been written on CSR and still new concepts and theories are developed continually which depicts its importance. CSR is viewed as the most important and concerned topic for the coming years. Educational institutes are in a process to design CSR as whole teaching programme. Not only that but common public has also started taking interest in CSR. Large numbers of companies are considering CSR as a tool to get connected with local community and at the same time they can address social issue too. Media and government agencies have also understood the importance of promoting the CSR undertaken by companies on a large scale. Thus nowadays CSR is not just a field of interest for the academicians or business people but also for a large number of common people who believed in social and environmental well-being.

Though there is a section of people who consider CSR just as a fashion and a marketing gimmick (Adegbola, 2014). There is a group of people who have started to take interest in CSR. Consumers seem to place higher value on corporate social responsibility (CSR) and consider it to be an important factor determining their support (Mohr, Webb, & Harris, 2001). According to Murphy and Schlegelmilch (2013), the high ranking of corporate social responsibility

(CSR) on research agendas (Maignan, 2001) appears to be reflected in theoretical and managerial discussions that argue "not only is doing good the right thing to do, but it also leads to doing better" (Sen & Bhattacharya, 2001). An added benefit is a staff that feels more accomplished and has a very positive view of their employer (Farooq, Farooq, & Jasimuddin, 2014). This has created shift of CSR from ideology to reality and considered significant for organisations to decide their roles in society and apply social and ethical standards to their business. In today's age CSR has extended its appeal encircling consumers as well as corporate and government agencies.

Bowen (Dahlsrud, 2008) defined corporate social responsibility as "the obligations of businessmen to pursue those policies make those decisions, or to follow those lines of actions that are desirable in terms of objectives and values of our society" Other scholars extended this definition in different ways: restating the concept of a firm from an economic entity engaged in production of goods and services to socio economic entity that needs the help from society and in turn addresses social issues (Carroll, 1979). Carroll defined CSR as the social responsibility that includes economic, legal, ethical and discretionary expectations of society (Carroll, 1979), and relating a business as an "ecologically sustainable" organisation, thereby making CSR a central and integral part of an organisation. Now it has become highly significant that organisations understand the need of time and involve

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in corporate social responsibility as it offers so many advantages along with serving existing customers in a better way increasing the new customer base also. This gives competitive edge to the companies (Arnold & Valentin, 2013).

PROBLEM IDENTIFICATION

Customers often face situations where they have to make a tradeoff between CSR and product quality and price. Suppose a consumer must choose between products of two companies where one company ranks high on product quality and low on CSR issues while the other ranks high on CSR issues but low on products quality. Which product will the person choose, and why? Will the company with a better CSR record be chosen, even though it has a relatively low quality? Under which conditions will favourable information on one aspect can compensate for unfavourable information on the other aspect. The aim of this study will be to study the influence of CSR activities undertaken by FMCG companies on buying behaviour of consumer when they buy FMCG products.

PROBLEM STATEMENT

Overall, the reasons mentioned above lead to study the major research question “Does CSR impact consumers’ buying behaviour when they buy FMCG products in the state of Gujarat? are the customers sufficiently aware of CSR activities undertaken by FMCG companies? and what kind of CSR activities they expect the firms to perform in the FMCG industry. Thus this study intends to study the impact of CSR activities on consumer buying decision. The results of this study will be useful for business organisations in understanding the customers’ priority for the CSR activities that they should be engaging in, and it will contribute to the existing literature.

LITERATURE REVIEW

Since many decades, scholastic thinkers and authors have been working on definitions of CSR. However, Howard R. Bowen is believed to be the pioneer of contemporary writing on CSR. He published his influential book “Social Responsibilities of the Businessman” in 1953 (Carroll, 1991), thus giving birth to new considerations of business’ functions and obligations. Since then, various aspects of socially responsible behaviour have been described and plenty of attempts are made to define CSR. (For example Carroll, 1979; Epstein, 1987; Carroll & Schwartz, 2003).

Carroll is considered to be the most prominent thinkers in the area of CSR. His approach will serve as a base.

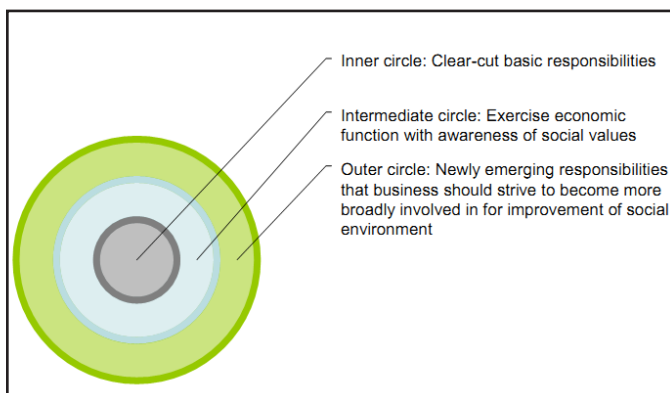
Archie B. Carroll chose term of ten years, starting in the 1950s with Bowen’s book “Social Responsibilities of the Businessman” (Carroll, 1998). In his book, Bowen gave the first definition of social responsibilities of businessmen: “It refers to the obligations of businessmen to pursue those policies, to make those decisions, or to follow those lines of action which are desirable in terms of the objectives and values of our society” (Dahlsrud, 2008). Furthermore, he quoted a survey of the *Fortunes* magazine, which implied that, the enormous number of 93, 5% of responding businessmen agreed with the statement that “businessmen are responsible for the consequences of their actions in a sphere somewhat wider than that covered by their profit-and-loss statements.” Due to the impact of Bowen’s work which brought up decisive results, Carroll proposes to call him the “Father of Corporate Social Responsibility” (Carroll, 1998).

In the 1960s Keith Davis brought up a new definition of social responsibility, stating that it refers to actions and decisions of businessmen which go “at least partially beyond the firm’s direct economic or technical interest”. Furthermore, Davis introduced a first relationship between CSR and a firm’s financial performance by arguing that socially responsible business is paying back by bringing long-run economic gain to the firm (Dahlsrud, 2008). Three years later, Joseph W. McGuire, in his book “Business and Society”, added a legal obligation to the economic one and further on stated that corporations do not only have economic and legal obligations but also responsibilities towards society. For the first time, he then defined more precisely what these obligations towards society look like. To him, it means that “the corporation must take an interest in politics, in the welfare of the community, in education, in the ‘happiness’ of its employees, and, in fact, in the whole social world about it” (Dahlsrud, 2008).

In 1967, Clarence C. Walton put his emphasis on a different idea. He was of the opinion that social responsibility of a corporation always includes a certain degree of voluntarism, since companies have to accept that costs are involved in social actions without any measurable economic return (Dahlsrud, 2008). This shows that Walton also saw a link between a firm’s social responsibility and its financial performance. But in contrast to Davis’ view, he saw a negative correlation.

Writing on CSR in the 1970s began with Harold Johnson’s article “Business in Contemporary Society: Framework and Issues”. In this article the author presented a first kind of a ‘stakeholder’ approach by mentioning that a responsible company is not only striving for profits for its stockholders but also keeps its employees, suppliers, dealers, local communities and even the whole nation

in mind (Donaldson & Preston, 1995). In line with Davis and hence in contrast to, Donaldson, he argued that social responsibility programmes can help organisations to acquire more profits. To him, social responsibility can be seen as long-run profit maximisation and is thus positively correlated with the financial performance of a firm (Donaldson, & Preston, 1995). In the same year the Committee for Economic Development introduced a completely new definition of CSR. This committee consisted only of business people and can therefore be seen as representing a practitioners' view (Carroll, 1979). They came up with a definition of three circles as shown in Fig. 1.



<Figure head>Fig. 1: The three circles of the Committee for Economic Development (1971)

The inner circle, the intermediate circle and the outer circle. Carroll summarised the main ideas of the three different circles as below:

“The inner circle includes the clear-cut basic responsibilities for the efficient execution of the economic function - products, jobs and economic growth. The intermediate circle encompasses responsibility to exercise this economic function with a sensitive awareness of changing social values and priorities: for example, with respect to environmental conservation; hiring and relations with employees; and more rigorous expectations of customers for information, fair treatment, and protection from injury. The outer circle outlines newly emerging and still amorphous responsibilities that business should assume to become more broadly involved in actively improving the social environment (for example, poverty and urban blight).” (Carroll, 1979).

In the beginning of the 1980s, Jones went back to a more stakeholder-oriented approach. He formulated that companies do have an obligation which goes beyond what is written in law and union contracts and which is not only directed towards stockholders, but also customers, employees, suppliers and neighbouring

communities (Donaldson, & Preston, 1995). One can see that on the one hand theory agrees with older stakeholder approaches (for example with Johnson, 1971) but that on the other hand narrows the field of responsibility a bit. In 1983, Carroll made an elaboration of his well-accepted definition he had set up in 1979. He still defined four different categories and he also kept the first three ones: economic, legal and ethical. But the fourth category was changed from “discretionary” into “voluntary/philanthropic” (Carroll, 1998). He did so because he realised that the term “discretionary” was best described by “voluntary/philanthropic”, since the “best examples of discretionary activities” came from this “arena” (Carroll, 1998). This definition including the new terminology was hardly changed until the 1990s. Then, precisely in 1991, it was again Carroll who revised his own model and suggested, that “total CSR” is composed of four kind of social responsibilities: “economic, legal, ethical, and philanthropic” (Carroll, 1998). He summarised his theoretical model in more practical and managerial terms: “The CSR firm should strive to make a profit, obey the law, be ethical and be a good corporate citizen” (Carroll, 1998). Hence for Carroll it is enough to just obey the law (and not go beyond it as suggested by for example Davis, 1973). The new aspect in his 1991 definition was the introduction of corporate citizenship (CC). Furthermore, Carroll suggested depicting his four CSR categories as a pyramid as shown in Fig. 2 (Carroll, 1991).

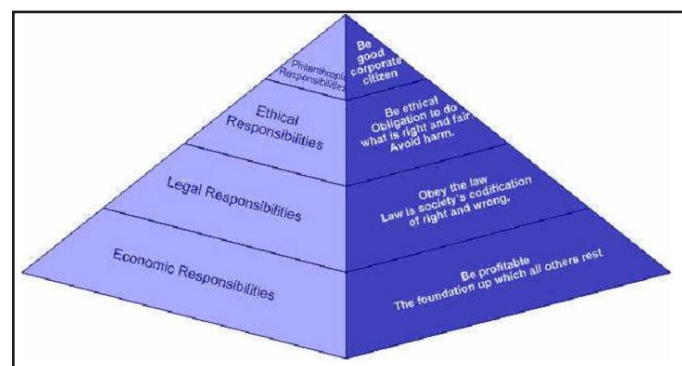


Fig. 2: Carroll's CSR Pyramid

CSR AND CONSUMER BEHAVIOUR

Prior research has demonstrated that CSR has an impact on consumers' attitudes, purchase intentions, consumer-company identification, loyalty, and satisfaction. Initial studies indicate that consumers take a firm's commitment to CSR initiatives into account when evaluating companies and their products. The main conclusions

from this previous research include the following points. Consumers evaluate companies as well as products in terms of CSR, whereby negative CSR associations are more influential and have a more detrimental effect than positive ones. However, positive associations do boost company and product evaluations (Sen & Bhattacharya, 2001). The influence of CSR on consumers' purchase intentions is more complex than previously thought, in that CSR can affect purchase intentions directly or indirectly. The effect is indirect when a corporate context for purchase intentions is created, while it is direct when the CSR activity reflects the consumer's CSR beliefs (Mohr & Webb, 2005; Sen & Bhattacharya, 2001). However, only a small segment of consumers uses CSR as a purchase criterion (Mohr *et al.*, 2001). Fig. 3 shows the conceptual framework of research paper.

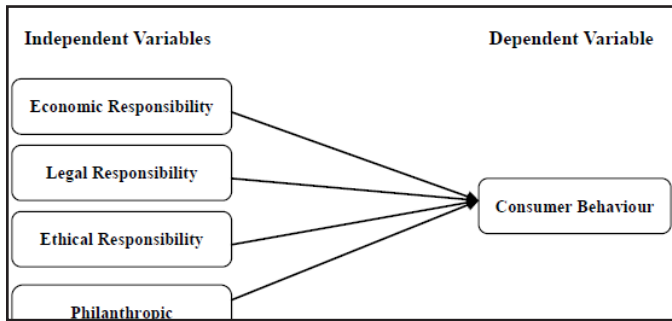


Fig. 3: Conceptual Framework

RESEARCH METHODOLOGY

Objective

- To check the awareness of respondents with respect to CSR activities of FMCG companies.
- To study the association between gender and CSR driven buying decision.
- To study the impact of CSR awareness on consumer behaviour

Data Collection

The purpose of this study is to study impact of CSR awareness on consumer behaviour in FMCG industry. Therefore, a quantitative method is more suitable than a qualitative method. In this paper, primary data are collected through questionnaire. The questionnaire consists of three major sections. Section A gathers information on consumers' awareness towards corporate social responsibility (CSR). This section covers some general

questions to obtain the respondent's understanding of the term CSR, which indicates the ability of the respondent to complete the rest of the questionnaire. The respondents who indicated having no knowledge in CSR will not be included in the data analysis. Section B covers statements on consumer behaviour towards CSR activities engaged by the business organisations. The statements are divided into four subsections based on Carroll's pyramid of CSR, which include economic, legal, ethical and philanthropic responsibilities. This section attempts to assess the effect of CSR in affecting consumer behaviour. Section C gathers demographic information of the respondents such as gender, age, race, education level. The study aims to examine the impact of CSR on consumers' buying behaviour in the Ahmedabad city, so all the consumers of Ahmedabad city will be the population of the study by using convenience sampling method 200 respondents are surveyed.

DATA ANALYSIS AND FINDINGS

This section presents the results of the findings on respondent's demographic factor and general awareness towards CSR.

Gender

Table 1: Gender of Respondents

Gender	No.
Male	104
Female	96
Total	200

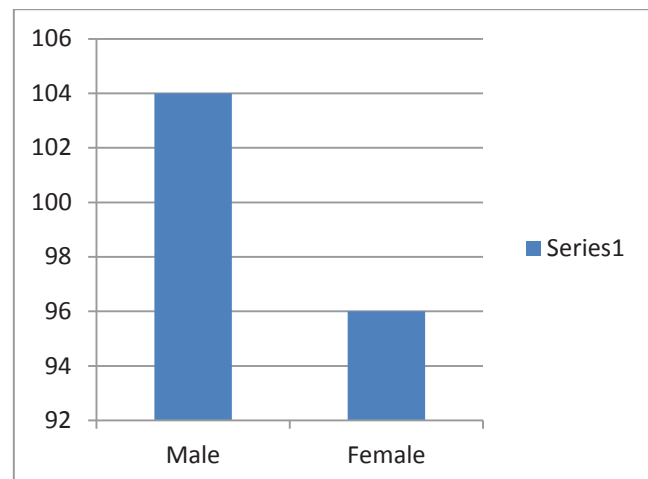


Fig. 4: Gender of Respondents

Age

Table 2: Age of Respondents

Year	No.
18 to 25 years	40
26 to 33 years	16
34 to 41 years	60
42 to 50 years	49
Above 50 years	35
Total	200

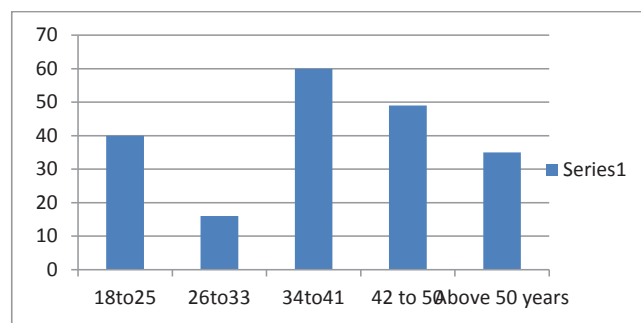


Fig. 5: Age of Respondents

Awareness level of CSR

Table 3: Awareness of Respondents

Year	No.
Very Poor	22
Poor	30
Average	86
Good	44
Excellent	18
Total	200

Hypothesis Testing

To check the awareness of respondents with respect to CSR activities of FMCG companies.

Mean awareness score should be 3 and above 3 would be considered as aware customer.

H0: $P=0.60$

H1: $P>0.60$

Test Applied proportion Test (Z test)

As per calculations, Z calculated is less than 1.96, thus Null Hypothesis gets rejected and it is proved that more than 60 % respondents are aware about CSR.

To study the association between Gender and CSR driven buying decision.

H0: There is no significant association between age and CSR driven buying decision of

customer.

H1: There is a significant association between gender and CSR driven buying decision of

customer.

Test Applied Chi-square

Table 4: Symmetric Measures

		Value	Approx. Sig.
Nominal by Nominal	Phi	.597	.083
	Cramer's V	.298	.083
N of Valid Cases		200	

It is discovered that there is no significant association between gender and CSR driven buying behaviour. As the significance value is greater than .05 the null hypothesis gets selected. It means alternative hypothesis gets rejected. It means there is no significance association between gender and CSR driven buying behaviour.

To Study the Impact of CSR awareness on Consumer Behaviour

H0: There is no significant impact of awareness of CSR on consumer behaviour of FMCG products.

H1: There is a significant impact of awareness of CSR on consumer behaviour of FMCG products.

Test Applied- Simple Regression

Table 5: Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.760 ^a	.577	.575	.40483

The aim of the research is to study the impact of CSR awareness on consumer behaviour. The R Square is equal to 0.577 which means that our model composed of two variables explains 58% of the variance of the consumer behaviour driven by CSR awareness so it is an acceptable result.

Table 6: ANOVA^b

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	44.348	1	44.348	270.602	.000 ^a
	Residual	32.449	198	.164		
	Total	76.797	199			

The significance of this result was demonstrated by looking the ANOVA table, with a level of significance equal to 0.000 so our model explains more than the half of the variance of the Consumer Behaviour (77%).

Table 7: Coefficients^a

Model B		Unstandardised Coefficients		Standardised Coefficients	t	Sig.
		Std. Error	Beta			
1	(Constant)	.128	.189		.680	.498
	awareness	1.100	.067	.760	16.450	.000
a. Dependent Variable: avgcb						

A coefficient table is another important table to explain the relationship between CSR awareness and its impact on consumer behaviour. p value is greater than 0.05 it means null hypothesis gets rejected. Thus CSR awareness impacts consumer behaviour.

CONCLUSION

The result of the study indicates CSR awareness has an impact on consumer behaviour when they purchase FMCG products. Apart from that, gender has no association with impact of CSR awareness on consumer behaviour. Female and male react in similar manner as far as CSR awareness is concerned. Managers should note that this study supports the previous research which suggests that considerable and viable group of people exist who gives importance to CSR while they purchase FMCG products. This study also provides an opportunity to the policy makers to motivate employment and revelation of CSR activities in all types of business as the findings suggest a strong impact of CSR awareness on consumer behaviour. However, the limitation of study should also not to be ignored. The major limitation is with the size of the sample. This study covers only 200 samples from Ahmedabad city, so generalisation of the findings may

limit the validity.

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