

THE EFFECT OF CORPORATE SOCIAL RESPONSIBILITY PROGRAM ON CONSUMER'S BUYING BEHAVIOR OF FMCG PRODUCTS – A SEM APPROACH

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Abstract: Today the word 'Corporate Social Responsibility program' has become a part of people living in India. Initiating or executing CSR program, this culture is mushrooming across the country's landscape at a faster pace among all industries. This paper explores the customers' buying behaviour towards Fast Moving Consumer Goods companies' products with reference to CSR programs. The analysis is done taking into consideration factors like preference of product as per program, attitude of consumers towards program and awareness of CSR program among consumers. The paper concludes that CSR program puts significant impact on consumer buying behaviour. It also serves as an encouragement to the organisations that cater CSR program for the needs of the Corporate Social responsibility as sustainability factor.

Keywords: Corporate Social Responsibility; Sustainability; Consumer Buying Behavior; FMCG

INTRODUCTION

In the ester years, the goals of organisations were to create wealth and employment, with the help of society which provides a conducive environment for the business to flourish. But in today's world there are number of tasks that organisation has to achieve to the society. These contain the financial, political, environmental and social tasks. To achieve these tasks organisation implements various policies and procedures through various methods. Corporate Social Responsibility (CSR) is the road for business to achieve these tasks.

Corporate Social Responsibility (CSR) is stated as a wide-ranging set of policies, practices and programs that are combined into business operations, supply chains, and decision-making processes all over the organization process and practices, all places wherever they do the business and it also includes responsibility for present and past actions as well as future impacts on business.

The elements which have headed to the development of the concept of Corporate Social Responsibility (CSR) would be perfect beginning with the theoretical improvement of suitable corporate business practices for emerging markets and developing countries.

Today companies are expanding their boundaries from the country of their origin to the evolving markets in the developing countries which have been sometimes referred to as emerging markets. Due to this reason the business environment has undergone vast changes in the recent years, in relations of both the environment of competition and the trend of globalization that has been sweeping across markets. The current trend of globalization has brought a realisation among the firms that in direction to participate effectively in a competitive environment; they need clearly defined business practices with a sound focus on the public interest in the markets.

The word CSR is regularly used interchangeably for other words such as Corporate Citizenship and is also linked to the concept of Triple Bottom Line Reporting (TBL), which is used as a framework for measuring an organisation's performance against economic, social and environmental parameters.

Not only this, today's business organisation considered to be social institutions, apart from being economic entities, for two reasons. Firstly, business organisations exist and operate within a social structure. They need to win social acceptance, for their survival. Secondly, business organisation needs to be socially responsible as they exercise a wide influence on the society's lifestyle.

Business, can succeed only if they maintain good relationships with all their stakeholders. These relations can be strengthened, if organisation fulfills their commitments towards stakeholder and consumer is one among those stakeholders, hence consumers views, behavior and response towards organization CSR programs is also plays important role.

LITERATURE REVIEW

"Corporate Social Responsibility" represents only the social dimension of corporate responsibility, Schüz M (2012). One can connect the main three traditional ethical theories with this dimension, Virtue ethics strengthens the company's ability for taking responsibility, while the utilitarian ethics assesses the consequences as beneficial or damaging, and deontological ethics defines the authority asking for the fulfillment of ethical duties.

Those concepts are not fighting each other, but eventually complementing one another, when linked to the term of ethical responsibility as mentioned in below diagram.



Carroll's CSR Pyramid

Burchell (2006) point to the interaction of four forces or signposts that make corporate social responsibility a mainstream business issue, namely:

- The development of technology and communications which result in companies 'having no place to hide',
- The increased prominence of multinationals globally and the growth in the value and visibility of their brands which make them more susceptible to scrutiny;
- Demographic change and development which encompasses issues such as an ageing population in the developed world, skewed income distribution, limited access to health, education and jobs; and
- The revolution of values and the decline in deference for institutions.

Social responsibility is increasingly being seen as a necessity for doing business in developing economies that lack the infrastructure and capacity to build social capital. Investment in local communities is seen to be a prerequisite in contributing to a sustainable, healthy and stable business environment in which investments will be protected and produce returns. Johnson (2008) notes that "(t)o embrace economic, social and environmental aspects of sustainability in a holistic manner, and to provide maximum development benefits, corporate social responsibility must be integrated into the core activities and decision making of a company. Hence, sustainability needs to be seen as a key concern by top management".

In a seminal article, Carroll (1991) presented corporate social responsibility as a construct that "encompasses the economic, legal, ethical, and discretionary expectations that society has of organisations at a given point in time." In his definition, Carroll argued that these responsibilities are performed not only for the firm's sake but also for the sake of society at large. This means that organisations by their very existence can be viewed as entering into a social contract that obligates the corporation to take the interests of society into consideration when making decisions.

Carroll (1991) proposed four levels (pyramid) of CSR: economic, legal, ethical and philanthropic responsibilities. The author defined economic

responsibility as the expectation of the corporation to maximise its earnings per share. Legal responsibility refers to the obligation of obeying laws and regulations. Ethical responsibility is the responsibility of doing what is expected morally and ethically, whereas philanthropic responsibility refers to charitable expectations of the society for the corporation. Based on these four components, a socially responsible firm should strive to make a profit, obey the law, be ethical, and be a good corporate citizen. The definition of CSR for this paper is based on the Carroll's pyramid of CSR.

In Australia, Jenkins (2004) presented an Australian model of CSR, where economic responsibility was the most preferred responsibility, followed by legal, philanthropic and ethical responsibility. In Malaysia, studies described CSR as the ways in which corporations meet their obligations towards employees as well as their wider communities. It is also found that corporations are seen as responsible corporate citizens by investors if they are engaged in CSR activities. Societies do not oppose corporations' intent to maximise their economic returns so long as they are done in consideration of environmental stability and social development.

Schüz (2012) defined CSR as "a corporation's commitment in minimising or eliminating any harmful effects and maximising its long-run beneficial impact on society." The authors mentioned that socially responsible behaviours include a broad array of actions, such as behaving ethically, supporting the work of nonprofit organisations, treating employees fairly and minimising damage to the environment. In other words, a socially responsible corporation would consider the effects of its actions towards all people directly or indirectly connected to the corporation.

ECONOMIC RESPONSIBILITY

Historically, the social responsibility of corporations is economic responsibility. In business institutions, economic responsibility is the basic unit in a corporation (Carroll, 1991). To satisfy economic responsibility towards society, corporations should provide goods and services that society wants at reasonable prices.

In addition, corporations have an economic responsibility towards themselves, that is, making profits to be able to continue providing goods and services that

society needs and wants at reasonable prices. They also need to pay their employees, increase value for their shareholders, and take care of the interests of other stakeholders (Carroll, 1991). Economic responsibility is seen as the basic obligation of corporations. According to *, the economy is influenced by the ways in which the corporation relates to its stakeholders, such as shareholders, employees, suppliers, competitors, community, and even the natural environment. Economic responsibility lies in maximising not only shareholders' interests but also other stakeholders' interests as well.

According to the research conducted in the US, claiming to be a socially responsible organisation when the economic achievements are not the greatest can be dangerous. It is highlighted the experience of the ice cream manufacturer Ben and Jerry's Inc., which has been repeatedly accused of neglecting economic performance because of its many philanthropic activities.

LEGAL RESPONSIBILITY

In carrying out their economic responsibility, corporations are expected work within the framework of laws and regulations as a partial fulfillment of the "social contract" between corporations and society. Carroll (1991) stated that it is important for legal responsibility to be performed in a manner that is consistent with the expectations of governments and laws complying with the various federal, state and local regulations. A successful corporation should be recognised as one that fulfils its legal obligations.

Van de Ven (2008), on the other hand, stated that legal responsibility includes abiding by consumer and product laws, environmental laws and employment laws while also adhering to laws and regulations governing competition in the marketplace. However, legal responsibilities do not embrace the full range of behaviours expected of corporations by society. Laws are important, but they are often inadequate. First, they cannot possibly address all of the issues or areas that a corporation may face. Second, laws often lag behind more recent concepts of what is considered right behaviour, and third, laws may represent the personal interests and political motivations of legislators (Carroll, 1991).

ETHICAL RESPONSIBILITY

Although economic and legal responsibilities represent ethical standards concerning fairness and justice, ethical responsibility encompasses those activities and practices expected or prohibited by society that expand beyond the limitations of legal responsibilities. Ethical responsibility embodies those standards and expectations that reflect a concern for what consumers, employees, shareholders, and the community regard as fair, just, or in keeping with the respect or protection of stakeholders' moral rights (Carroll, 1991). This is confirmed that a survey on the parents of elementary school students to measure responses to the ethical behaviour of corporations. They found that most of the respondents expected corporations to carry out their businesses ethically. Some of the respondents even expressed that they were willing to pay higher prices for products of ethical corporations.

According to Carroll (1991), business performance can be determined by the corporation's consistency in promoting moral and ethical standards. If a corporation practices good corporate citizenship, the activities of the corporation are trusted. Ethical responsibility also recognises that corporate integrity and ethical behaviour should go beyond the requirements of laws and regulations. Balancing economic, legal and ethical responsibilities is important. If the corporation does something that is appropriately economic and legal, it must also be appropriately ethical.

PHILANTHROPIC RESPONSIBILITY

Philanthropic responsibility refers to corporate actions that are in response to society's expectations of good corporate citizens. Corporate philanthropy is likely to enhance the image of corporations especially those that have high public visibility. Corporate philanthropy should also increase employee loyalty and improve customer ties. Philanthropic activities include business contributions in terms of financial resources or executive time, such as contributions to the arts, education, or communities.

According to Carroll (1991), it is important for managers and employees to participate in voluntary and charitable activities within their local communities, especially in projects that enhance a community's quality of life. The distinguishing characteristic

between philanthropic and ethical responsibilities is that philanthropic responsibilities are not expected in an ethical or moral sense. Philanthropy is located at the most voluntary and discretionary dimension of corporate responsibility and has not always been linked to profits or the ethical culture of the firm.

Society desires corporations to contribute their money, facilities and employee time to humanitarian programs or purposes, but society does not regard the corporation as unethical if they do not achieve the level of philanthropic responsibility. Although society wishes corporations to be philanthropic, it is voluntary on the part of corporations (Carroll, 1991). *, the case for philanthropy comes from two different sources; strategic philanthropists argue that, although philanthropy may not generate direct economic returns, it will enhance the firm's long-term competitive position through intangible gains in reputation, legitimacy or employee loyalty.

STAKEHOLDER THEORY

A compelling argument behind the motivation of firms to invest in CSR programs comes from the domain of stakeholder theory *. Stakeholder theory suggests that organisational survival and success is contingent on satisfying both its economic (e.g., profit maximisation) and noneconomic (e.g., corporate social performance) objectives by meeting the needs of the company's various stakeholders *. Early research in the area of stakeholder management defines a stakeholder in an organisation as any group or individual who can affect or is affected by the achievement of the organisation's objectives. Stakeholder theory suggests that firms are motivated to broaden their objectives to include other goals in addition to profit maximisation. Based on this theory, many companies embrace a CSR program as a way to promote socially responsible actions and policies and to effectively respond to stakeholder demands. Motivation for satisfying stakeholder demands stems from the fact that addressing stakeholder needs can be correlated with a firm's survival, economic well-being, competitive advantages, and the development of trust and loyalty among its targeted customers.

CONSUMER BEHAVIOUR TOWARDS CSR

Several studies have suggested that there is a positive relationship between a corporation's CSR activities

and consumers' attitudes towards that corporation and its products. Nielsen (2009) examined the impact of CSR knowledge on consumers' attitudes and purchase decisions and whether CSR will affect consumers' decisions and why it does or does not. Their survey attempts to measure the size and composition of the consumer segment that is affected by CSR, whereas their experiment attempts to determine whether CSR has a significant impact on consumer responses. Their finding indicated a significant relationship between CSR and consumer responses. Research on reaction of consumers to CSR shows that CSR will directly affect consumers' intentions to purchase corporation's products.

As cited in Nielsen (2009), marketplace polls reported that consumers expect corporations to provide information about what they do, and they will support those corporations that pursue CSR initiatives. * conducted a survey regarding consumer responses towards corporate social responsibility. The result of the survey indicated that Australians have the highest CSR consumer expectations from businesses. A total of 86% of US respondents in the survey of * said that corporations should provide information on how they support social issues.

The findings of the study indicated that consumers regard ethical behaviour as an important consideration during their purchase decisions. It is then concluded that as society becomes more affluent and faces an increase in the level of awareness among consumers, these consumers become more sensitive to the ways in which corporations behave, which in turn may influence their buying decision behaviour. On the other hand, Burchell (2006), manipulated the size of donations and found that a product was evaluated as being more appealing when the donation was larger (i.e., 10 cents per package of juice) and that the company was evaluated as exploiting the nonprofit organisations when the donation was smaller (i.e., one-fourth of a cent per package).

Studies in Germany and France, found that the respondents viewed legal concerns as the most important responsibility, followed by ethical, philanthropic and then economic responsibilities. The CSR pyramid in Africa differs from Carroll's classic pyramid. In Africa, economic responsibility was the responsibility most preferred by consumers. However, the second most preferred responsibility was philanthropic responsibility, followed by legal and ethical responsibilities.

Although ample evidence exists supporting the idea that companies that invest in CSR will achieve positive benefits across all stakeholder groups in Western countries, this paper proposes that companies in Malaysia can also maximise consumer stakeholders' response to CSR programs in the marketplace by carefully identifying which categories of CSR affect or are noticed by consumers the most. By understanding these connections, managers can adopt a specific category of a CSR program contingent on the desired response from the consumer stakeholder group. In addition, the findings of this research will also contribute to academicians as well as public policymakers. Figure 1 shows the conceptual framework of this study.

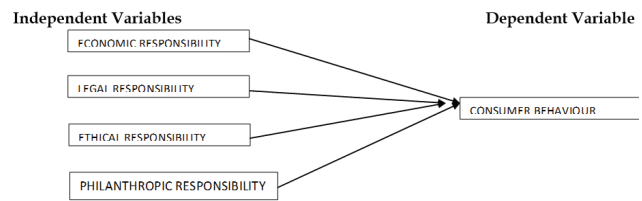


Figure 1. Conceptual framework

OBJECTIVES

1. To examine the nature of relationship between corporate social responsibility (Economic, Legal, Ethical and Philanthropic) responsibility and the consumer buying behaviour.
2. To study the impact of consumer buying behavior based on the sources available about CSR programmes implemented by FMCG companies

RESEARCH METHODOLOGY

The study is based on descriptive in nature supported by data analysis. One hundred sample customers were selected at random and a well structured interview schedule was used to collect data from them. Madurai city was the geographical area covered.

RESULTS AND DISCUSSION

Cronbach Alpha: Reliability and Validity

Cronbach alpha is a measure to test the reliability of the data, if the alpha value is greater than 0.60 (60%) it states that the data which have been collected is highly reliable and valid. This is an important measure, because

only if the data is reliable the researcher can proceed with other analysis.

Sl. No	Construct	Cronbach Alpha	Interpretation
1	Economic Responsibility	0.957	Accepted
2	Legal Responsibility	0.974	Accepted
3	Ethical Responsibility	0.949	Accepted
4	Philanthropic Responsibility	0.957	Accepted

Interpretation: From the above analysis it is noted that the cronabach alpha is greater than 0.930 which states that the data is highly reliable and valid.

DESCRIPTIVE STATISTICS

Age

	Frequency	Per cent	Valid Per cent	Cumulative Per cent
Valid Less than 25	24	24.0	24.0	24.0
26 - 35	52	52.0	52.0	76.0
36 - 45	12	12.0	12.0	88.0
Greater than 45	12	12.0	12.0	100.0
Total	100	100.0	100.0	

Education

	Frequency	Per cent	Valid Per cent	Cumulative Per cent
Valid Schooling	12	12.0	12.0	12.0
Undergraduate	24	24.0	24.0	36.0
Post graduate	44	44.0	44.0	80.0
Professional	20	20.0	20.0	100.0
Total	100	100.0	100.0	

Occupation

	Frequency	Per cent	Valid Per cent
Valid Student	20	20.0	20.0
Self Employed	56	56.0	56.0
Employee	24	24.0	24.0
Total	100	100.0	100.0

Salary

	Frequency	Per cent	Valid Per cent	Cumulative Per cent
Valid Less than Rs 8000	12	12.0	12.0	12.0
Rs 8001 - Rs 15,000	54	54.0	54.0	66.0
More than Rs 15,000	34	34.0	34.0	100.0
Total	100	100.0	100.0	

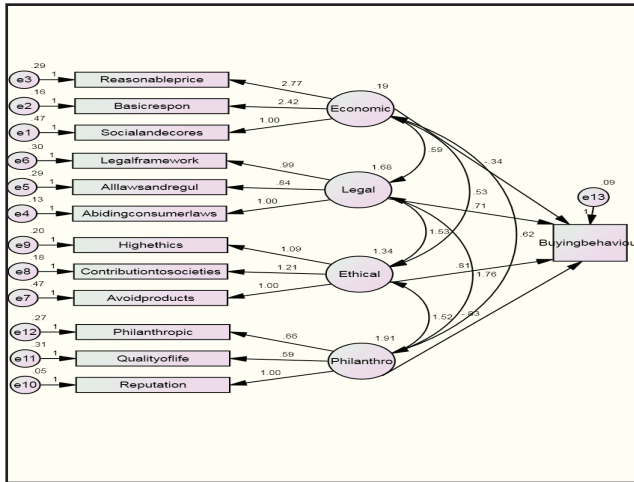
Gender

	Frequency	Per cent	Valid Per cent	Cumulative Per cent
Valid Male	74	74.0	74.0	74.0
Female	26	26.0	26.0	100.0
Total	100	100.0	100.0	

Marital status

	Frequency	Per cent	Valid Per cent	Cumulative Percent
Valid Single	24	24.0	24.0	24.0
Married	76	76.0	76.0	100.0
Total	100	100.0	100.0	

SEM MODEL FOR EXAMINING THE RELATIONSHIP BETWEEN CORPORATE SOCIAL RESPONSIBILITY AND THE CONSUMER BUYING BEHAVIOUR.



Standardized Regression Weights: (Group number 1 - Default model)

Variables	Con-struct	Esti-mate	Relationship
Social and economic	Economic	.538	Positive
Basic responses	Economic	.936	Positive
Reasonable price	Economic	.915	Positive
Abiding consumer laws	Legal	.963	Positive
Allowances	Legal	.897	Positive
Legal frame work	Legal	.920	Positive
Avoid products	Ethical	.861	Positive
Contribution to soci-eties	Ethical	.958	Positive
High ethics	Ethical	.942	Positive
Reputation	Philanthro	.987	Positive
Quality of life	Philanthro	.828	Positive
Philanthropic	Philanthro	.867	Positive
Buying behaviour	Economic	-.195	Negative
Buying behaviour	Legal	1.225	Positive
Buying behaviour	Ethical	1.244	Positive
Buying behaviour	Philanthro	-1.527	Negative

From the above analysis it is noted that

- There is a positive relationship between Economic responsibility and buying behavior
- There is a positive relationship between Philanthropic responsibility and buying behavior
- There is a negative relationship between Legal responsibility and buying behavior
- There is a negative relationship between Ethical responsibility and buying behavior

CHI SQUARE TEST

Null hypothesis: There is no significant impact of consumer buying behavior based on the sources available about CSR programmes implemented by FMCG companies

Alternate hypothesis: There is a significant impact of consumer buying behavior based on the sources available about CSR programmes implemented by FMCG companies

		Highly Disagree Disagree	Buying behaviour			Total
			Neutral			
Sources	Newspapers	Count	12	6	30	48
		% within Sources	25.0%	12.5%	62.5%	100.0%
		% within Buying behaviour	66.7%	17.6%	62.5%	48.0%
		% of Total	12.0%	6.0%	30.0%	48.0%
	Internet	Count	6	28	18	52
		% within Sources	11.5%	53.8%	34.6%	100.0%
		% within Buying behaviour	33.3%	82.4%	37.5%	52.0%
		% of Total	6.0%	28.0%	18.0%	52.0%
Total % within Sources % within Buying behaviour % of Total	Count	18	34	48	100	
		18.0%	34.0%	48.0%	100.0%	
		100.0%	100.0%	100.0%	100.0%	
		18.0%	34.0%	48.0%	100.0%	

Sources * Buying behaviour Cross tabulation

Chi-Square Tests			
	Values	df	Sig. (2-sided)
Pearson Chi-Square	19.106 ^a	2	.000
Likelihood Ratio	20.357	2	.000
Linear-by-Linear Association	.902	1	.342
N of Valid Cases	100		
a. 0 cells (0.0%) have expected count less than 5. The minimum expected count is 8.64.			

From the analysis it is noted that the p value is 0.00, which is greater than 0.05, therefore null hypothesis is accepted. Therefore it is concluded that, there is a significant impact of consumer buying behavior based on the sources available about CSR programmes implemented by FMCG companies.

CONCLUSION

The industry of current century will have no choice but to implement CSR. Investments in CSR programs are under analysis. Stakeholders are demanding now increasingly that results from these programs be measured to know if and how they positively influence the profitability of the organisation. Not surprisingly, a significant amount of research has been undertaken to understand the relationship between CSR and profitability, which leads them to sustainability in the Global Market.

Due to the increase in importance of consumers among business as a stakeholder, marketing research that examines the effects of CSR on profitability is particularly informative to organization for profitability and sustainability. This study shows that CSR leads to results such as improved customer loyalty, readiness to pay premium prices, and lower reputational risks in times of crisis.

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