

## Corporate Social Responsibility And Its Impact On Consumers' Buying Behaviour

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### **Abstract:**

*Corporate Social Responsibility has often been a hot topic, for every sector of the corporate world. It is not only limited to for-profit organizations; it also applies to non-profit organizations and NGOs (Non-Governmental Organizations). While non-profits may not have the same profit-driven motives as for-profit businesses, they still have a responsibility to operate ethically, transparently, and in a manner that benefits society and the environment. CSR allows businesses to contribute to addressing pressing social, environmental, and economic challenges such as climate change, poverty, inequality, and access to education and healthcare. With growing awareness of these issues, there is increasing pressure on businesses to play a role in finding sustainable solutions to customers' issues. CSR initiatives help businesses build trust and credibility with their stakeholders, including customers, employees, investors, and communities. By demonstrating a commitment to ethical business practices, environmental stewardship, and social responsibility, companies can enhance their reputation and differentiate themselves in the marketplace. Stakeholders, including consumers, investors, and employees, are increasingly expecting businesses to operate responsibly and transparently. CSR allows companies to meet these expectations by addressing social and environmental concerns, engaging with stakeholders, and communicating their efforts effectively. CSR can drive innovation by encouraging companies to develop sustainable products, processes, and business models. By integrating social and environmental considerations into their operations, businesses can identify new opportunities for growth, reduce costs, and enhance competitiveness in the long term. The present research study focuses on how Corporate Social Responsibility and its commitment by various corporates impact the perception of consumers and their buying behaviour.*

**Keywords:** *Corporate Social Responsibility, CSR, Consumer Behaviour, stakeholders, Environmental Sustainability, ethical practices.*

**Introduction:**

*“Business self-regulation with the aim of being socially accountable”*; the statement concisely defines the term Corporate Social Responsibility abbreviated as CSR. Corporate social responsibility (CSR) refers to a business approach where companies integrate social, environmental, and ethical considerations into their operations and interactions with stakeholders. This entails going beyond legal requirements and engaging in activities that contribute positively to society, such as philanthropy, environmental sustainability efforts, fair labor practices, and community engagement. CSR aims to create long-term values for both the company and society by fostering a culture of responsible business practices, enhancing brand reputation, and addressing societal challenges while balancing economic goals with social and environmental concerns.

Corporate Social Responsibility (CSR) plays a pivotal role in shaping the relationship between businesses and society. Through CSR initiatives, companies contribute to the well-being of society by addressing various social, environmental, and economic challenges. CSR activities such as philanthropy, community development projects, and environmental conservation efforts directly benefit local communities, improving quality of life, supporting education and healthcare, and fostering economic development. Additionally, CSR promotes ethical business practices, transparency, and accountability, enhancing trust and credibility between businesses and society. By aligning business goals with societal interests, CSR helps bridge gaps, reduce inequalities, and address pressing issues such as poverty, hunger, and access to basic resources. Moreover, CSR encourages businesses to engage with stakeholders, listen to community needs, and collaborate on solutions, ultimately contributing to a more inclusive, equitable, and sustainable society.

CSR initiatives enhance brand reputation and credibility, as consumers are more likely to support companies that demonstrate a commitment to social and environmental responsibility. Positive CSR activities, such as philanthropy,

sustainable practices, and ethical sourcing, create a positive image in the minds of consumers, leading to increased trust and loyalty.

The study tries to comprehend the impact of corporate Social Responsibility (CSR) has on customers, influencing their perceptions, behaviors, and loyalty towards companies.

### CSR at a glance:



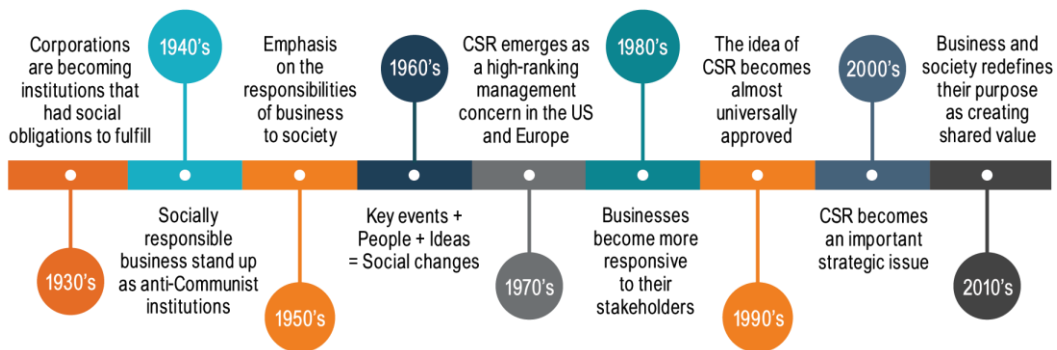
*Image Source: National CSR portal, Ministry of Corporate Affairs*

CSR is generally understood as being the way through which a company achieves a balance of economic, environmental and social imperatives (“Triple-Bottom-Line- Approach”), while at the same time addressing the expectations of shareholders and stakeholders. In this sense it is important to draw a distinction between CSR, which can be a strategic business management concept, and charity, sponsorships or philanthropy. Even though the latter can also make a valuable contribution to poverty reduction, will directly enhance the reputation of a company and strengthen its brand, the concept of CSR clearly goes beyond that.

Corporate Social Responsibility (CSR) is a business approach that involves integrating ethical, social, and environmental considerations into a company's operations and interactions with stakeholders. At its core, CSR emphasizes the responsibility of businesses to contribute positively to society and the environment, going beyond mere profit-making objectives. CSR encompasses a wide range of activities, including philanthropy, environmental sustainability initiatives, fair labor practices, community engagement programs, and ethical sourcing of materials. These initiatives aim to create value for stakeholders, including customers, employees, investors, communities, and the environment, while also enhancing the long-term sustainability and reputation of the company. CSR initiatives vary widely across industries and companies, reflecting the diverse social and environmental challenges they face and their unique business contexts. Overall, CSR represents a commitment by businesses to operate ethically, transparently, and responsibly, aligning their interests with broader societal goals and contributing to positive social change.

**CSR and its Origin:**

While the widespread adoption of CSR has been relatively recent, the concept itself has been around for over a century. It has its roots in the late 1800s, when the rise of philanthropy combined with deteriorating working conditions made some businesses reconsider their current production models. Business tycoons began donating to community causes, and some business owners (though unwillingly) reduced working hours and improved factory conditions, laying the foundation of responsible business entities.



The term “Corporate Social Responsibility,” however, was not coined until 1953, when American economist Howard Bowen published the book, *Social Responsibilities of the Businessman*. In this book, Bowen identified the potential of social responsibilities of corporations and recognized that their actions had a tangible impact on society.

### *From philanthropy to profit-driven endeavors*

While Corporate Social Responsibility (CSR) has a long-standing history, its evolution over time has been significant. Initially, CSR had a narrow focus, primarily involving charitable giving and limited labour reforms. However, its scope has expanded dramatically, encompassing a multitude of issues and influencing various aspects of business operations. What began as a simple philanthropic gesture and efforts to improve working conditions has transformed into a comprehensive initiative that revolutionizes business practices and permeates every facet of corporate decision-making.

The transformation began in the 1960s, when scholars began to approach CSR as a response to the emerging problems of the new modern society, and businesses in turn started implementing these practices. Yet, as before, CSR was viewed through a relatively narrow lens, with many scholars claiming that companies are not responsible for addressing large-scale social problems. Instead, their responsibility extends only to the direct consequences of their decisions and business actions. Although advancements were made in the CSR movement during the 1960s, it did not align with our present-day comprehension of corporate responsibility.

Throughout the 1970s and 1980s, businesses increasingly embraced Corporate Social Responsibility (CSR), a trend that gained momentum amid heightened deregulation. With reduced government oversight, corporations faced greater pressure to self-regulate and address the social consequences of their activities. However, CSR efforts during this period primarily focused on issues related to human and labour rights, as well as environmental concerns such as pollution and waste management.

The breadth of CSR initiatives has expanded considerably. Presently, companies tailor their CSR strategies to align with the United Nations' 17 Sustainable Development Goals, addressing a wide array of issues from gender equality to marine conservation. Moreover, CSR efforts are becoming more intertwined with the advancement of Diversity, Equity, and Inclusion (DEI) initiatives, reflecting the need for socially responsible businesses to cultivate inclusive workplaces and combat discrimination. While not all corporations adhere to CSR principles, and those that do may not be flawless, it is heartening to observe the growing acknowledgment among businesses of their impact on society and their potential to enact positive change.



## UNITED NATIONS INDUSTRIAL DEVELOPMENT ORGANIZATION

The 1990s witnessed a significant surge in globalization, which played a pivotal role in broadening the scope of Corporate Social Responsibility (CSR) and shaping our contemporary understanding of the concept. This era was marked by a series of international events and agreements, including the adoption of *Agenda 21*, the establishment of the United Nations Framework Convention on Climate Change, and the implementation of the Kyoto Protocol. These developments heightened CSR concerns for multinational corporations, prompting them to consider their impact on a global scale rather than solely focusing on local communities. As a result, the narrative surrounding CSR evolved from merely mitigating local harm to addressing overarching global issues.

### ***CSR and its Legal Validity in India***

In India, Corporate Social Responsibility (CSR) has gained significant traction as a key component of corporate governance and ethical business practices. The legal framework for CSR in India was established with the enactment of the Companies Act, 2013, which made it mandatory for certain categories of companies to spend a specified portion of their profits on CSR activities. Specifically, companies meeting certain financial thresholds are required to allocate funds towards CSR initiatives in areas such as education, healthcare, environmental sustainability, and poverty alleviation. The Act emphasizes the need for companies to strategically align their CSR endeavors with specified focus areas. This approach ensures a targeted and impactful contribution to social and environmental causes. Failure to comply with these CSR obligations can result in penalties and regulatory action.

A company satisfying any of the following criteria during the immediately preceding financial year is required to comply with CSR provisions specified under *section 135(1)* of the Companies Act, 2013 read with the Companies (CSR Policy) Rules, 2014 made thereunder:

- (i) *net worth of rupees five hundred crore or more, or*
- (ii) *turnover of rupees one thousand crore or more, or*
- (iii) *net profit of rupees five crore or more*

#### ***Whether provisions of CSR are applicable to a section 8 Company?***

Section 135(1) of the Act commences with the words “Every company.....” and thus applies to section 8 companies as well!

#### ***Role of the Government in the approval and implementation of the CSR programmes/projects of a company***

Provisions of section 135, read with Schedule VII of the Act and Companies (CSR Policy) Rules, 2014 provide the broad framework within which the eligible companies are required to formulate their CSR policies including activities to be undertaken and implementation of the same. CSR is a board-

driven process, and the Board of the company is empowered to plan, approve, execute, and monitor the CSR activities of the company based on the recommendations of its CSR Committee. The Government has no direct role in the approval and implementation of the CSR programmes /projects of a company.

Approved CSR activities, as outlined by Section 135 of the Companies Act, 2013, serve as a comprehensive roadmap for businesses seeking to make a positive impact on society. This inclusive list encourages companies to invest in projects related to eradicating hunger, promoting education, ensuring gender equality, and contributing to environmental sustainability. The Act's forward-thinking approach allows companies to address pressing social issues and align their CSR initiatives with the *United Nations Sustainable Development Goals*.

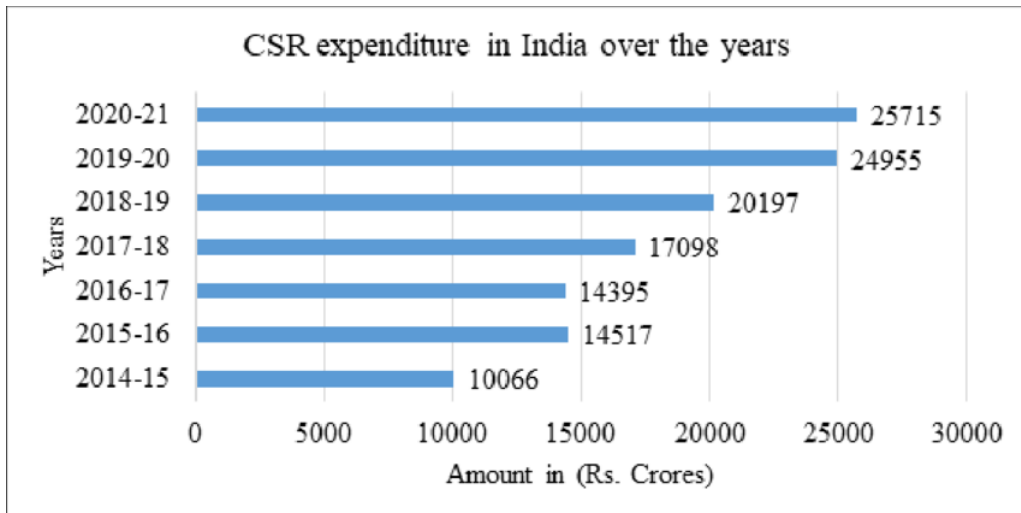
While the Companies Act mandates CSR spending, it also provides flexibility for companies to determine the specific activities and projects they wish to support, as long as they align with the prescribed CSR focus areas. Additionally, the Act requires companies to disclose their CSR activities in their annual reports, enhancing transparency and accountability. Overall, CSR in India has not only become a legal obligation but also serves as a mechanism for businesses to contribute positively to society and address pressing social and environmental challenges.

### *Different modes of incurring CSR expenditure*

CSR expenditure can be incurred in multiple modes:

- (i) 'Activities route', which is a direct mode wherein a company undertakes the CSR projects or programmes as per Schedule VII of the Act, either by itself or by engaging implementing agencies as prescribed in Companies (CSR Policy) Rules, 2014.





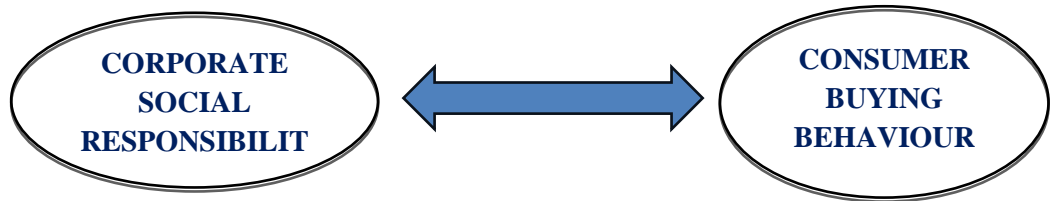
- (ii) 'Contribution to funds route', which allows the contributions to various funds as specified in Schedule VII of the Act.
- (iii) Contribution to incubators and R&D projects, as specified in item (ix)(a) and contribution to institutes/organisations, engaged in research and development activity, as specified under item (ix)(b) of Schedule VII of the Act.

### **CSR and its association with Consumer Buying Behaviour**

Corporate Social Responsibility (CSR) plays a significant role in shaping consumer buying behaviour by influencing perceptions, preferences, and purchase decisions. Consumers today are increasingly conscious of ethical and social issues, and they often consider a company's CSR initiatives when making purchasing choices. Companies that demonstrate a commitment to environmental sustainability, social justice, and ethical business practices tend to resonate more positively with consumers, who may prioritize supporting socially responsible brands.

CSR initiatives can enhance brand reputation, build trust, and foster loyalty among consumers, leading to increased customer satisfaction and repeat business. Moreover, consumers are more likely to pay a premium for products or services from companies that align with their values and contribute

positively to society. As a result, integrating CSR into business strategies not only fulfills social responsibilities but also serves as a strategic tool for attracting and retaining customers in today's competitive marketplace.



Today, businesses are missing out if they aren't participating in CSR. It has become an integral part of doing business and is increasingly driving consumer choice. For instance, nearly 90% of consumers would purchase a product because a company supported an issue, they care about, while 75% would refuse to buy a product if the company had a different stance on an issue. CSR is also a big factor in attracting talented employees, as people want to work for a company that upholds strong values. Further, a comprehensive CSR program can have the benefits of *"increased brand reputation and credibility, improved risk and supply chain management, cost savings from efficiency improvements, and increased revenue."* Companies are thus discovering that CSR is not only better for society, but in many cases better for business as well.

Based on the study, it has been observed that there do exist a definite relationship between the CSR and its impact on Consumer Buying Decisions. Following points try to justify the relationship between the two:

- **Shoppers seek out eco-friendly products.**

Studies have shown that shoppers are four to six times more likely to purchase from purpose-driven companies. Since Millennial and Gen Z shoppers prioritize environmental activism, they're going to shop with these values in mind. They definitely don't want to buy from a business that hurts the environment. It's the reason why brands like Sephora, Woodland, etc., are taking environmental actions so seriously.

To stand out in the market and be potential buyers' choice, a brand needs to:

- Minimize single-use or plastic packaging
- Use sustainable materials
- Reduce its energy consumption
- Engagements with NGOs and government's charitable organisations
- Employees' involvement in sustainable developments and marketing activities

If the above stated measures are taken, public will definitely turn up even if they have never purchased the product or availed the services before.



Img Src: National CSR Portal Gallery (csr.gov.in)

- **Shoppers will boycott irresponsible businesses**

According to a study, 76% of consumers wouldn't do business with a company that opposes their views, and 25% of consumers have a zero-tolerance policy for unethical behavior. If a company isn't investing in CSR, there's a chance consumers will not like its brand. Because consumers care about CSR, it needs to be a priority for the brand. This doesn't require a million-dollar giveback initiative to do this either. One can run a more responsible business by:

- Partnering with charitable institutions
- Paying employees fair and equal wages
- Ensuring transparency and accountability in practices
- Bringing innovative and sustainable solutions
- **Consumers magnify CSR communication**

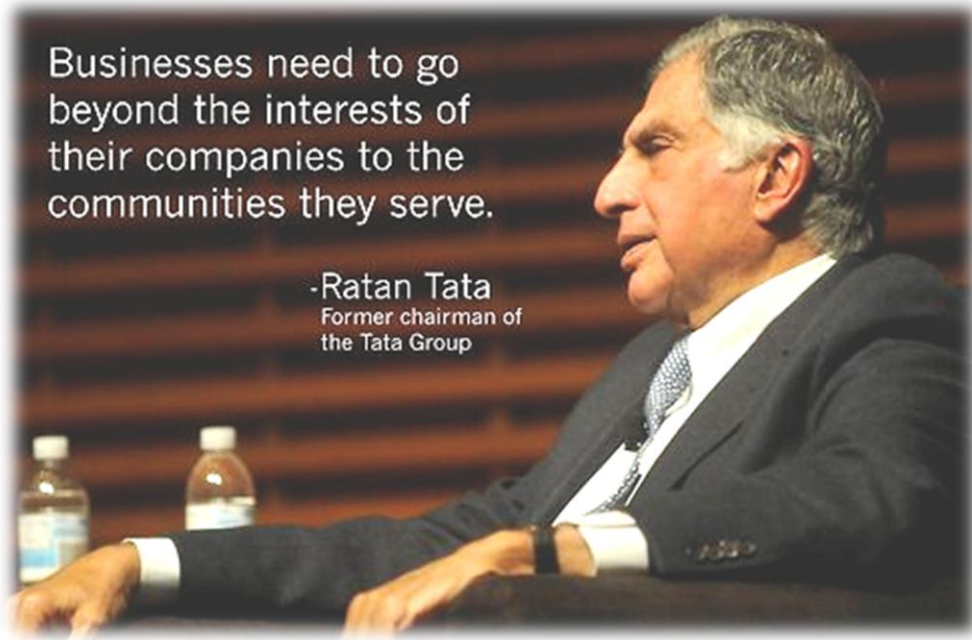
There's a silver lining in adopting CSR practices indeed! Embracing CSR can lead to significant word-of-mouth promotion from your customers. A 2015 study revealed that 80% of consumers would enthusiastically share a brand's CSR initiatives with their friends and family. Therefore, if a company aim to inspire positive chatter about the brand on social media platforms by organic means, prioritizing CSR is a clear and essential choice.

<b>Indian Companies</b>	<b>CSR Spending (in Cr.)</b>
<b>Tata Consulting Services Limited</b>	783.00
<b>Tata Steel Limited</b>	481.00
<b>Infosys Limited</b>	391.51
<b>State Bank of India</b>	316.76
<b>Wipro Limited</b>	215.70
<b>Hindustan Unilever Limited</b>	208.32
<b>Tech Mahindra Limited</b>	123.70
<b>Asian Paints Limited</b>	77.00
<b>Piramal Enterprises Limited</b>	20.00
<b>Tata Consumer Products Limited</b>	16.24
<b>Tata Power Company Limited</b>	4.06
<b>Aditya Birla Money Limited</b>	00.5651

Data Src: India CSR Spending Report 2022-23 | India CSR

## The Bottom Line!

The government has proclaimed corporate social responsibility a legislative duty for enterprises. This law gives the corporation a premium for its commitment to sustainability, human values and social responsibility. It is a



right and hence has legal authority, even though it defies Salmond's idea of rights and obligations.

It is a form of legislation that respects social justice and takes a liberal viewpoint at the same time. This is, therefore, a sound law that takes into account various prospects. The argument is that they do so for sustainability's sake, but they would not be interested in continuing them even at this level without regulation. Alternatively, because the company pays taxes and wages, etc., such laws do not have to be implemented.

Corporate responsibility isn't merely a passing fad; it's imperative. Consumers are increasingly aware of the impact of their purchasing decisions on the society and environment, underscoring the importance for your brand to prioritize CSR. In an already competitive marketplace, it's essential to reassess the

environmental, social, and labor implications of your business operations. By adopting a conscientious approach, assuming accountability for your practices can ultimately enhance your financial performance.

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