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RESEARCH ARTICLE

CUSTOMER BUYING BEHAVIOR TOWARDS RESPONSIBLE BUSINESSES IN INDIA- A STUDY OF SMES.

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Abstract

Corporate Social Responsibility (CSR) is mostly associated with solving problems on the social, economic and the environmental level which supports the reputation and image of a business. It requires to be integrated into the main business strategies and daily activities to gain the maximum benefits like goodwill in the market, high market share and large database of customers. Small and Medium Sized Enterprises (SMEs) is the critical sector of Indian Economy. This sector generates huge employment opportunities, aid innovation, help in industrializing the rural and backward areas, and contribute enormously to the socio-economic development of the country¹. It can be seen that CSR in the Small and Medium Enterprises (SMEs) of India, is still in embryonic stage. It has gained noticeable attention when many of the SMEs crossed the threshold of "2 percent rule" of Companies Act 2013, passed by The Government of India. This paper investigates the customer buying behavior towards the responsible SMEs in India. The research is quantitative in nature and based on primary data collected through questionnaire. The customers were selected through convenience random sampling of Delhi/NCR region in India. The non-parametric test i.e. Chi square test was done to prove the hypotheses proposed.

The findings of the paper are: First, the customers are aware of the SMEs which are responsible towards society. Second, informal CSR and high proximity to the local market help SMEs get quick response (both positive and negative) from the customers in contrast to large companies and MNC's. Thirdly, integration and implementation of CSR into business transforms the customers into loyal customers towards the responsible brand and do not switch even if needed to pay a bit more than the competitive non-responsible brand.

The practical implications of the paper are to motivate other SMEs to engage in CSR for long term sustainable benefits like brand building, competitive gains and high market share. Also, the SMEs can act as role models for the new startups and potential social enterprises.

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¹<http://msme.gov.in/mob/AboutMSME.aspx>

Introduction:-

In this article, we will study the Customer Buying Behavior towards responsible SMEs.

What is Corporate Social Responsibility?

There are many definitions to the CSR but it is not possible to find a single universal definition which can fulfil the purpose in the business ecosystem. Therefore, authors use the definition according to their comfort and proceed their investigations. Various definitions are defined below:

According to Koket al. (2001) stated that CSR construct describes the relationship between businesses and the larger society. CSR can be defined “the obligation of the firm to use its resources in ways to benefit society, through committed participation as a member of society, taking into account the society at large and improving welfare of society at large independent of direct gains of the company^j”.

Visser (2011) defines CSR as way in which corporations consistently creates shared value in society through economic development, good governance, stakeholder responsiveness and environmental improvementⁱⁱ.

According to Carroll (1979), corporate social responsibility has been evolving as early as the 1930s. CSR can be defined as treating the stakeholders of the firm ethically or in a responsible manner. CSR is a concept whereby organizations consider the interests of society by taking responsibility for the impact of their activities on stakeholders as well as the environment.

Crowther and Jatana (2005), defined CSR as “the obligation of a firm, beyond that required by law or economics, to pursue long term goals that are good for society”

What is consumer Behavior?

According to the Solomon et al. (2012), Consumer behavior is the study of the process involved when individuals or group select, purchase, use or dispose of products, services, ideas, or experience to satisfy needs and desire. Also the consumer behavior is an ongoing process rather than a single moment of transaction of money in exchange of good or a service. There are three phases of consumer behavior i.e. Pre-Consumption, Consumption and post-consumption. A good marketing required to keep a check at each stage and fulfill the needs to create values, opinions and feelings for the product. Consumer behavior is very important for the marketing professionals to pull the customer base towards the brand and create brand loyalty. The important demographic variables that make consumers the same as or different from others are Age, gender, family structure, social class and income, ethnicity, lifestyle and geographyⁱⁱⁱ. Here we will take two major variables i.e. age and income level against the satisfaction level of the consumers through a non- parametric test^{iv}. The non-parametric test used is Chi square test, through which the hypothesis is tested to prove the null hypothesis is true and can be accepted. The hypothesis will check whether income or age of the customers will affect the purchase decision of the customer and what is their satisfaction level at a particular age or income level. CSR is not the new concept for the businesses, but has engraved its mark in the since ages by different names i.e. Philanthropy, Business Ethics, Corporate Citizenship etc. as Dhalsrud (2008) mentioned in his paper that CSR has 37 definitions^v. But repeatedly it has been mentioned only for the MNC's or the large firms even if SMEs form the largest network of producing goods and services and directly linked to the customers at the local market. These SMEs are mostly doing CSR in the informal way which is generally not known to customers. But after the companies act of 2013, the SMEs also started doing formal CSR for branding and gaining reputation in the global market other than those which are already compliant by the law. There are various problems faced in the initiation with less resources and less knowledge, but with clustered approach and joining with some civil societies i.e. NGO's, the SMEs are trying to cope up with the large businesses and gain a place in the market through branding techniques used by the big businesses and CSR is one of the techniques. Along with, branding another purpose of helping the society is also served leading to long term sustainable business. In this article, customer purchase decision is checked on two attributes which are very important when buying behavior is considered, i.e. the age of the customer and the income level of the customer and how much customer is satisfied after buying a product produced by an SME with CSR engagements.

Literature Review: -

Influence of CSR on Consumers:

Sen and Bhattacharya (2001) suggested that effect of CSR on purchase behavior of the consumer can be both positive and negative^{vi}.

Mohr, Webb and Harris (2001) found that the customers were positive towards the socially responsible companies but did not do it on compulsory basis which changes according with quality, price and convenience^{vii}.

Lii, Y.s, Lee, M (2012) investigated the usefulness of three corporate social responsibility (CSR) initiatives—sponsorship, cause-related marketing (CRM), and philanthropy— on consumers through stimulus-organism-response paradigm. They also proposed a conceptual model to show the positive relationship between CSR initiatives, consumer-company identification and brand attitude taking CSR reputation as a moderating variable, moderating the influence of the CSR initiatives, consumer-company identification and brand attitude accordingly^{viii}.

Marin, L, Ruiz, Rubio, A (2009) demonstrated that CSR initiatives are linked to stronger loyalty both because the consumer develops a more positive company evaluation, and because one identifies more strongly with the company. Moreover, identity salience is shown to play a crucial role in the influence of CSR initiatives on consumer loyalty when this influence occurs through consumer-company identification^{ix}.

Becker-Olsen, K. L., Cudmore, B. A., & Hill, R. P. (2006) found that low-fit initiatives affect the consumer beliefs, attitudes and intentions negatively even when done with right motivation. Consumers also consider proactive vs reactive approach and therefore respond positively only if the approach is proactive and high fit^x.

Pomeroy, A., & Dolnicar, S. (2009) found that consumers are influenced by corporate social responsibility (CSR) initiatives of businesses if they are aware of them. In order to benefit from CSR activities, businesses have to be more active in communicating their activities and wisely choose the targets for both their CSR activities and their communications^{xi}.

Ciliberti, F., Pontrandolfo, P., & Scozzi, B. (2008) stated that pressure from the stakeholders mainly consumers and non-governmental organizations (NGO) pushes SMEs to behave socially responsible towards the consumers and other stakeholders^{xii}.

Petts et al. (1999) and Revell and Blackburn (2007) found that motivation to do environmental activities is only due to external pressure^{xiii}.

Jenkins (2004), Revell and Blackburn (2007) stated that another external pressure motivating SMEs to engage in CSR is supply chain pressure from large companies^{xiv}.

Baden, D. A., Harwood, I. A., & Woodward, D. G. (2009) demonstrated that the supply chain can act as a driver for SMEs. According to the author, the buyer can pressurize the supplier to engage in CSR activities esp. in the social and environmental activities^{xv}.

Valor, C. (2008) analysed the behavior of the consumers towards the CSR plans of a business and found that responsible buying behavior is a stressful and time consuming activity. Also it has economic disadvantage. The author suggested that until the market failures are not corrected, consumers will not be able to buy responsibly, and therefore, market incentives for CSR are not detectable^{xvi}.

Mueller Loose, S., & Remaud, H. (2013) examined consumer behavior towards two different companies claiming to do CSR and found that the consumers have similar awareness, penetration and trust towards both the companies but more inclined towards the one with more environmental engagements^{xvii}.

Rationale:-

CSR in Small and Medium Enterprises (SMEs) in India is still in embryonic stage and it has caught noticeable attention when many of the SMEs crossed threshold of the 2 percent rule of companies act 2013. From the literature review we can find that, most of the research to find the “Impact of CSR on Consumer Buying Behavior” is

conducted on the large companies or MNC's. Therefore, this paper concerns to find the consumer buying behavior towards socially responsible SMEs.

Research Questions:-

1. What is the awareness level of customers towards CSR done through SMEs than MNC's?
2. What is the impact of CSR on purchase decision of customers?
3. What are the variables which affect the choice of customer purchase decisions?

Hypotheses Proposed:-

Hypotheses 1: In this hypothesis, the impact of income level will be checked on the satisfaction level of the products bought from responsible SMEs.

Null Hypotheses (H0): There is no relationship between the income-level and satisfaction level of purchase from responsible SMEs

Alternative Hypotheses (H1): There is significant relationship between income and satisfaction level of purchasing responsible SMEs

Hypotheses 2: In this hypothesis the impact of age will be checked on the satisfaction level of the products bought from responsible SMEs

Null Hypotheses (H0): There is no significant relationship between age and satisfaction level of purchasing from responsible SMEs

Alternative Hypotheses (H1): There is significant relationship between age and satisfaction level of purchasing from responsible SMEs

Research Methodology:-

The research is exploratory research as purchase decision of the customers was analyzed along with the impact is checked in the SMEs which are socially responsible. The data is collected from the survey method of the quantitative research.

Source of Data:-

Primary Data: The data is collected through the circulation of the structured questionnaire to the customers and retailers which are buying products from the responsible SME brands. The questionnaire was pretested with a sample of 20 student respondents to find any vague or unclear question. After few changes, the questionnaire was asked to fill from 500 customers present in the local markets including some of the retailers and distributors. They were asked to fill their demographic profile, awareness about CSR, and how their purchase behavior change towards the responsible brands and if they are willing to pay more for the socially responsible brand. Then the data was cleaned to eliminate the incomplete entries and 200 filled questionnaires were selected for further tests. Likert-type scale is used to get the customer response in the questionnaire. Likert scale is used when attitude, feelings and opinions are needed to be measured in a fixed format, generally at the five-point scale. For example, strongly agree/agree/don't know/disagree/strongly disagree. Each of the five responses is assigned a numerical value which measures the attitude under investigation².

Secondary Data: The secondary data was collected from the internet, websites and articles published online.

Population of the study:-

The sample was selected from the population of Delhi/ NCR region including Noida, Gurgaon, Ghaziabad and Faridabad.

Sample Size:-

The questionnaire was asked to fill from 500 customers present in the local markets including some of the retailers

²<http://www.simplypsychology.org/likert-scale.html>

and distributors, out of which only 250 filled. 200 entries were clean and unique without missing values and vague values.

Sampling Technique:-

Simple Random sampling was used to reach customers of each region of Delhi/ NCR which had some knowledge about CSR or philanthropy.

Analysis:-

The demographic profile of the sample is as follows:

From the data analysis it was found that 58% respondents were female and 42% were males in the sample. This shows that the more females take the purchase decision than the males.

Of the sample, 76% of the respondents were above 25 years of age which shows that most of the respondents were adults having purchase capacity and possess a competence of decision making.

The income level/ month profile shows equal distribution of the respondent with income level ranging from 15000 to 50000 but drastically decrease above 50000. This may be due to less respondents having an income more than 50000 rupees purchasing from SMEs. This illustrates that major customer base for the SMEs is the average-income professional ranging between 15000 to 50000.

The educational profile indicates 70 % respondents are post graduate and work in MNCs or large companies whereas the 30% constitute the graduates and undergraduates including self- employed and educated housewives.

The impact of CSR on purchase decisions of customers

The impact of CSR on purchase decisions of customers was analyzed through hypothesis testing and proved by Chi-square test.

70% of the respondents wanted to buy products from the responsible business even if the price is high comparatively therefore the satisfactory level is checked among customers with different income level for purchasing from responsible business.

The variable chosen affecting the buying behavior are:

- a. age vs satisfaction level
- b. income level vs satisfaction level

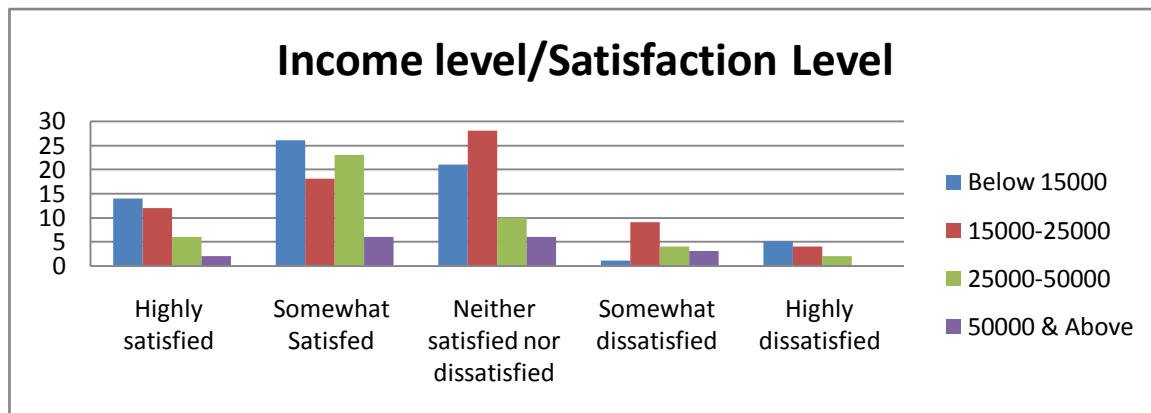
Hypotheses -1

Null Hypotheses (H_0): There is no significant relationship between income and satisfaction level of purchasing from responsible business..

Alternative Hypotheses (H_1): There is significant relationship between income and satisfaction level of purchasing from responsible business.

Table 1 Source:- Primary data

Observed Values					
Income level (INR per Month) /Satisfaction Level	Below 15000	15000-25000	25000-50000	50000 & Above	Total
Highly satisfied	14	12	6	2	34
Somewhat Satisfied	26	18	23	6	73
Neither satisfied nor dissatisfied	21	28	10	6	65
Somewhat dissatisfied	1	9	4	3	17
Highly dissatisfied	5	4	2	0	11
Total	67	71	45	17	200
Expected Values					
Income level (INR per Month) /Satisfaction Level	Below 15000	15000-25000	25000-50000	50000 & Above	Total
Highly satisfied	11.39	12.07	7.65	2.89	34
Somewhat Satisfied	24.455	25.915	16.425	6.205	73
Neither satisfied nor dissatisfied	21.775	23.075	14.625	5.525	65
Somewhat dissatisfied	5.695	6.035	3.825	1.445	17
Highly dissatisfied	3.685	3.905	2.475	0.935	11
Total	67	71	45	17	200



Calculations: Degree of Freedom(df) = (no. of rows-1) * (no. of columns-1) i.e. (5-1) * (4-1) gives 4*3, i.e. 12

According to the calculation based on degree of freedom from the charts³ the value at 5% level of significance comes is 21.026. therefore, H_0 can be accepted which proves that there is no significant relationship between income level and and satisfaction level of the customers while purchasing from the responsible SMEs. Both the high income and low income group customers are satisfied with their purchase decisions.

Hypotheses - 2

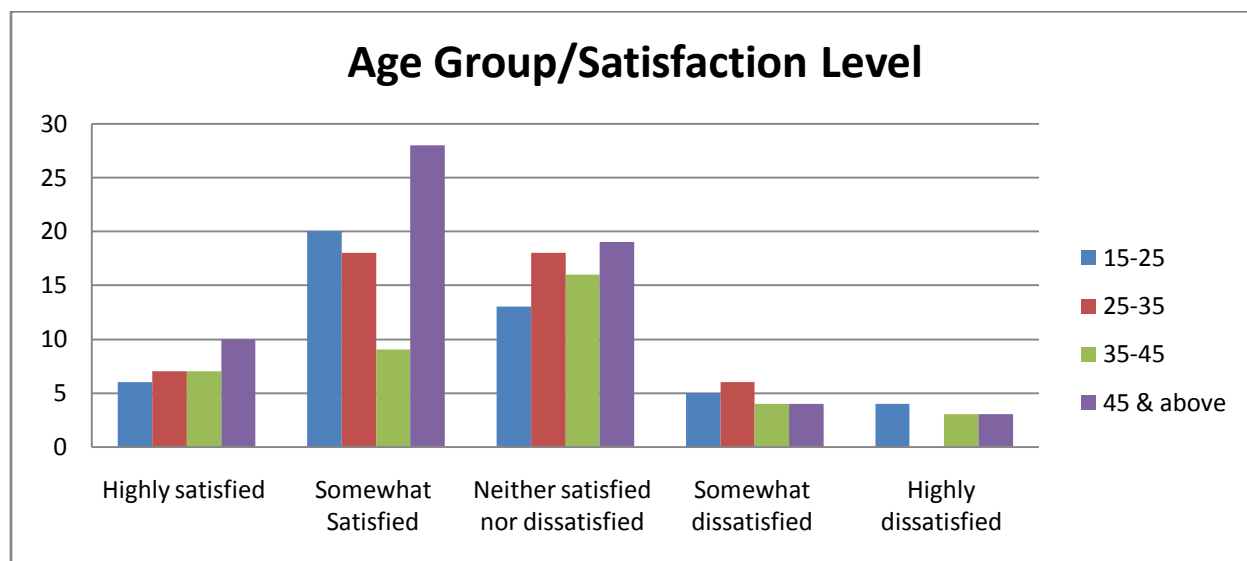
Null Hypotheses (H_0): There is no significant relationship between age and satisfaction level of purchasing from responsible businesses

Alternative Hypotheses (H_1): There is significant relationship between age and satisfaction level of purchasing from responsible businesses

³<https://www.easycalculation.com/statistics/chisquare-table.php>

Table 2 Source: - Primary data.

Observed Values					
Age Group (years)/Satisfaction Level	15-25	25-35	35-45	45 & above	Total
Highly satisfied	6	7	7	10	30
Somewhat Satisfied	20	18	9	28	75
Neither satisfied nor dissatisfied	13	18	16	19	66
Somewhat dissatisfied	5	6	4	4	19
Highly dissatisfied	4	0	3	3	10
Total	48	49	39	64	200
Expected Values					
Age Group(years)//Satisfaction Level	15-25	25-35	35-45	45 & above	Total
Highly satisfied	7.2	7.35	5.85	9.6	30
Somewhat Satisfied	18	18.375	14.625	24	75
Neither satisfied nor dissatisfied	15.84	16.17	12.87	21.12	66
Somewhat dissatisfied	4.56	4.655	3.705	6.08	19
Highly dissatisfied	2.4	2.45	1.95	3.2	10
Total	48	49	39	64	200



Calculations: Degree of Freedom(df) = (no. of rows-1) * (no. of columns-1) i.e. (5-1) * (4-1) gives 4*3, i.e. 12. According to the calculation based on degree of freedom from the charts⁴ the value at 5% level of significance comes is 21.026. therefore, H_0 can be accepted which proves that there is no significant relationship between age and satisfaction level of the customers while purchasing from the responsible SMEs. Customers with any age can buy products if they have any awareness of the CSR and also found to be satisfied from their purchase.

Results:-

Awareness level:-

The awareness was found to be very less penetrated in the minds of the customers when asked to fill the survey. The maximum of 200 respondents were found to be aware of social and environmental responsibilities among 500 approached in three months' time. This shows the response rate to be only 40%. More females were seen aware of the responsible behavior as they were the purchase makers in the family, with a good education background and earning average income.

⁴<https://www.easycalculation.com/statistics/chisquare-table.php>

Impact of CSR on Purchase Decision:-

Socially responsible business engraves themselves on mind of the customers which directs them for the repeated purchase and increase brand loyalty.

Furthermore, if the quality and price is similar, customers tend to choose the product from socially responsible brand, thereby having a positive impact on the corporate image and market share.

In addition, the customers who are quick switchers from brand to another, strongly agreed that they won't switch if the business is socially responsible.

In contrast to the above discussion, CSR can also have undesirable effect on the customers. If they feel their money is getting wasted instead of being utilized, then the customers can boycott the products or stop buying the products.

Variables which affect the choice of customer purchase decisions

1. Income level vs satisfaction level

As no significant relationship was found between income level and and satisfaction level of the customers of purchase from responsible SMEs, it indicates that both the high income and low income group customers are satisfied with their purchase decisions.

2. Age and satisfaction level

As no significant relationship was found between age and and satisfaction level of the customers of purchase from responsible SMEs, it indicates that customers of any age can be satisfied with the product if well aware about the responsible brand.

Conclusion:-

From the study it has been found that customer buying behavior is significantly affected if the businesses are engaged in socially responsible practices. The customers are quite aware of the SMEs which are responsible towards society. Informal CSR and high proximity to the local market help SMEs get quick response from the customers in contrast to large companies and MNC's. Integration and implementation of CSR into business transforms the customers into loyal customers towards the responsible brand and do not switch even if needed to pay a bit more than the competitive non-responsible brand. The practical implications of the paper are to motivate other SMEs to engage in CSR for long term sustainable benefits like brand building, competitive gains and high market share. Also, the SMEs can act as role models for the new startups and potential social enterprises.

Recommendations:-

To the Policy Makers: CSR has been into the roots of the Indian businesses from a very long time but there is a need of few changes to be implemented at the basic level to make it more productive and therefore bringing better efficiency in the operations.

Firstly, the transaction should be transparent throughout the supply chain from the manufacturer to the end user.

The stakeholders should be involved throughout without whom the process cannot be completed. Also they should be well aware of the CSR activities on which their support is getting utilized.

The different companies should work in their own area so that all the problems are taken care in a well-adjusted manner.

Various campaigns should also be started to aware more and more customers and other stakeholders.

The advertisement cost is also saved in the long term when sales is increased while saving money for the CSR activities. Positive image helps the business to launch new products with less advertisement cost and faster acceptance by the customer.

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