



The Impact of Corporate Social Responsibility on Brand Building and Consumer Satisfaction: A Review

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ABSTRACT

Corporate Social Responsibility (CSR) plays a crucial role in today's globalized business environment, holding companies accountable to society, stakeholders, and themselves. This study explores the intricate relationship between CSR and its impact on brand building, focusing on customer loyalty, risks and challenges, and the analysis of CSR activities of Indian companies. Using secondary data from articles, research papers, and online sources, the study highlights the positive influence of CSR on brand loyalty, mediated by factors such as brand satisfaction and perceived quality. It also identifies risks and challenges associated with CSR, emphasizing the importance of transparency and strategic alignment. The study analyses CSR initiatives of Indian companies like NTPC, CIL, ITC, and Infosys, showcasing their efforts in education, healthcare, environment conservation, and community development. The findings suggest that CSR positively impacts customer loyalty and brand reputation, emphasizing the need for companies to integrate CSR into their business strategies. The study concludes with recommendations for enhanced transparency, strategic alignment, and stakeholder engagement to maximize the benefits of CSR.

KEY WORDS: Corporate social responsibility, Brand building, Risk and challenges, Organization, Consumer satisfaction.

INTRODUCTION

In globalized business environment, corporate social responsibility plays significant role. It holds company accountable to the society, stakeholders, public and itself. CSR can also be called as corporate citizenship. As businesses are engaged in ever evolving socio economic and environmental context the relationship between CSR initiatives and brand building has become inseparable. This study shows the intricate relationship between CSR and its impact on the construction of strong brand identity. It helps the companies to distinguish their products among their contemporaries. CSR activities act as a pillar to create an ethical impression of brand in the minds of customers. It is all about public oriented. The companies take decision not only on financial gain even so on their actions that affect community at large. CSR is an action plan taken by the companies to integrate social and environmental interest in their business operation. It makes the company to be socially accountable to its stakeholders, and the community.

OBJECTIVES OF THE STUDY

1. To study on impact of CSR on customer loyalty.
2. To study the risks and challenges of CSR associated with brand building.
3. To Analyse the CSR activities of Indian Companies.

RESEARCH METHODOLOGY

This study uses existing information from articles, research papers, and online sources, known as secondary data. While secondary data is cost-effective and saves time, it can be biased and incomplete. Efforts were made to collect data from reliable sources and cross-reference information to ensure accuracy. Future research will include primary data to enhance the study's credibility.

LITERATURE REVIEW

"The Influence of Corporate Social Responsibility on Brand Loyalty and The Mediating Effects of Brand Satisfaction and Perceived Quality" by Jean Paolo G. Lacap, Tat-Huei Cham, and Xin-Jean Lim underscores the significant role CSR plays in building brand loyalty. CSR initiatives like environmental sustainability and community development positively influence brand image, enhancing consumer perception and fostering loyalty. Brand

satisfaction and perceived quality mediate this relationship, as satisfied customers tend to be more loyal to brands perceived as socially responsible. The integrated framework proposed in the study suggests that CSR directly impacts brand loyalty and indirectly through its effects on brand satisfaction and perceived quality. Practically, companies can use CSR to strengthen customer relationships, and future research should delve deeper into the mechanisms of this influence across different industries and cultural contexts.

In marketing and consumer behaviour studies, customer trust is considered a pivotal concept in relation to satisfaction (Martínez & del Bosque, 2013). Trust represents the belief in a company's reliability and integrity. In the telecommunications industry, customers often hold negative perceptions of service providers, suspecting them of deceitful practices such as hidden fees, privacy breaches, and unclear policies. Consequently, building trust with customers in this sector is challenging. Customer satisfaction is identified as a key predictor of customer trust (Rasheed & Abadi, 2014), which is essential for establishing a successful long-term relationship. Wu (2013) identified a direct correlation between satisfied customers and trust in online shopping. Similarly, Sir Deshmukh et al. (2002) highlighted a strong relationship between customer satisfaction and trust.

According to Yoo, Huang, and Kwon (2015), there is a strong correlation between higher customer satisfaction and increased customer loyalty. This relationship has been consistently supported in previous studies, which have shown that customer satisfaction plays a crucial role in determining customer loyalty. When customers are satisfied with the services provided by a firm, they are more likely to engage in repeat purchases (Nyadzayo & Khajehzadeh, 2016). Rychalski and Hudson (2017) also found a direct link between customer satisfaction and consumer loyalty. Additionally, customer satisfaction has been found to positively influence customer trust, retention, and repeat purchase intention, making it a key determinant of customer loyalty (Gustafsson, Johnson, & Roos, 2005; Liang & Wen-Hung, 2004). Overall, the existing literature highlights customer satisfaction as one of the most significant factors influencing customer loyalty (Pérez and Del Bosque 2015, Akbari, Mehrali et al. 2019).

Keh and Xie (2009) highlighted the importance of trust in achieving customer loyalty, a relationship that has been extensively explored in previous research. Swaen and Chumpitaz (2008) elucidated that Corporate Social Responsibility (CSR) can impact individual trust by providing insights into a firm's integrity and transparency in its business practices (Pivato et al., 2008). Understanding a firm's CSR efforts, which reflect its commitment to community sustainability, fosters a trust-based relationship with customers, ultimately leading to loyalty. Martínez and del Bosque (2013) further discussed trust as a potential mediator in the link between CSR and loyalty.

1. TO STUDY ON INFLUENCE OF CSR ON CUSTOMER LOYALTY

CSR activities in the company, increases customer insight value, enhance customer satisfaction and their loyalty towards brand , engaging in CSR activities frequently develop a productive brand image through their social responsibilities and ethical behaviour. The company's honest effort to label environmental and social issues helps to create an emotional attachment among consumers and company brand. It also helps to build long term relationship with a consumer that leads to increase customer loyalty. CSR initiatives help to reach customers expectation, build strong commitments towards customer satisfaction in turn leads to retain the customers over time. According to Jennifer Herrity (2023), the companies engaging in CSR can give back to their communities and ethical practices of the companies can help to increase their business and earn reputation over a period of time.

1.1 CSR ACTIVITIES TOWARDS CUSTOMERS

1.1.1 Providing good quality of products and services.

1.1.2 Ensuring consumer safety.

1.1.3 Charging fair prices for their products.

1.1.4 Ensuring regular supply of products and services

1.1.5 Providing after sale services.

1.1.6 Avoiding consumer exploitation

1.1.7 Avoiding false advertisement.

2. TO STUDY THE RISKS AND CHALLENGES OF CSR ASSOCIATED WITH BRAND BUILDING

CSR initiatives can enhance brand reputation of a company. Controversies in CSR activities can have the opposite effect, will trash brand image of an organization.

2.1 SOME OF THE RISK AND CHALLENGES ARE

2.1.1 Authenticity of CSR activities is a major concern of a company to build positive brand image. If CSR initiatives are considered as inauthentic it adversely affects for the brand credibility.

2.1.2 Lack of transparency is the important risk factor of the brand. Hence brands must be clear about their CSR initiatives.

2.1.3 If companies fail to deliver relevant environmental and social impact through their CSR initiatives can result in reputational damage.

2.1.4 It is difficult to tackle complications of climate change, poverty and other social and environmental issues. It involves complexity and systematic challenges.

2.1.5 Implementing CSR program requires sufficient allocation of financial resources, expertise and time. Hence Resource constraints are the challenge for the brand.

2.1.6 CSR initiatives of a company must adhere to relevant laws, rules, regulations and industry standards.

2.1.7 Long term commitment towards CSR program is the important challenge of a company to build brand credibility.

3. TO ANALYSE THE CSR ACTIVITIES OF INDIAN COMPANIES

3.1 NATIONAL THERMAL POWER CORPORATION LTD (NTPC)

NTPCL is India's largest power generation company. They are dedicated towards sustainable development and corporate social responsibility (CSR). Its CSR initiatives focus on education, healthcare, environment conservation, and community development. NTPC has set up schools, offered scholarships, and supported vocational training to improve education in rural and poor communities. The company has established primary health centres, conducted health camps, and provided medical equipment to improve healthcare access in rural areas. NTPC invests in renewable energy, afforestation, and waste management to reduce its carbon footprint and promote sustainable practices. NTPC empowers women and marginalized groups through skill development, livelihood opportunities, and entrepreneurship support. Regular impact assessments help NTPC measure effectiveness and align CSR initiatives with community needs. NTPC's CSR efforts set a benchmark for the power sector, demonstrating the importance of corporate social responsibility in fostering positive societal change.

3.2 COAL INDIA LIMITED (CIL)

Coal India Limited is a government-owned coal mining company and the world's largest coal producer. It is a Maharatna company under the Ministry of Coal, Government of India, with headquarters in Kolkata. CIL's CSR initiatives are guided by its commitment to sustainable development and social responsibility. The company believes in creating a positive impact on society by addressing key social, economic, and environmental challenges. CIL's CSR activities primarily focus on areas like education, healthcare, sanitation, infrastructure development, and environmental sustainability. The company aims to improve the quality of life for communities living in and around its operational areas. CIL is committed to environmental conservation and has implemented projects for afforestation, water conservation, and pollution control in its operational areas. CIL has initiated projects to enhance livelihood opportunities for local communities through skill development programs, entrepreneurship training, and support for income-generating activities. CIL has contributed to the development of infrastructure in its operational areas through construction of roads, bridges, community halls, and other amenities to improve the quality of life for residents. The company collects feedback from stakeholders and conducts surveys to measure the social, economic, and environmental impact of its projects. CIL collaborates with various government agencies, non-governmental organizations (NGOs), and other stakeholders to implement its CSR projects effectively. These partnerships help to use resources and expertise to maximize the impact of CIL's initiatives. CIL's commitment to CSR reflects its values and vision for a better future for all stakeholders.

3.3 THE INDIA TOBACCO COMPANY LIMITED (ITC)

ITC is one of India's leading companies, launched the E-Choupal initiative in 2000 with the aim of transforming the rural agricultural sector. The E-Choupal is an internet-based platform that connects rural farmers with agricultural information, products, and services. The E-Choupal initiative aims to eliminate information irregularity, enhance market efficiency, and improve the livelihoods of rural farmers. It uses information technology to provide farmers with real-time information on weather, market prices, best agricultural practices, and access to inputs such as seeds, fertilizers, and pesticides. The E-Choupal centers, operated by trained personnel called Sanchalaks, serve as hubs where farmers can gather to access these services. The E-Choupal initiative has helped farmers by giving them access to information and services they didn't have before. This helps farmers make better choices about their crops, leading to more productivity and income. The E-Choupal connects farmers directly to markets, cutting out middlemen and ensuring fair prices for farmers. This has reduced losses after harvest and increased farmers' income. The E-Choupal centers help farmers share knowledge and learn from each other, leading to better agricultural practices and productivity. The initiative also provides jobs to rural youth and improves the socio-economic status of rural communities. Challenges exist, including internet connectivity issues and limited technology access for farmers. However, ITC is working on expanding and innovating the E-Choupal model to overcome these challenges. The future looks promising, with ITC aiming to reach more farmers and offer a wider range of services. In conclusion, ITC's E-Choupal initiative is a groundbreaking model for rural development in India. It shows how technology can empower farmers and improve agriculture.

3.4 INFOSYS

Infosys a leading IT services company is committed to CSR in education, healthcare, rural development, and environmental sustainability. Its Infosys Foundation has provided scholarships to 16,000+ students. In 2021, Infosys conducted 50+ health camps, benefiting 10,000+ people. It has adopted 25 villages, impacting 50,000+ people. Infosys reduced its per capita electricity consumption by 12% in 2021. Infosys regularly assesses the impact of its

CSR initiatives to ensure alignment with community needs. Overall, Infosys' CSR activities have made a significant impact, reflecting its commitment to a sustainable future.

FINDINGS

1. Impact of CSR on Customer Loyalty: CSR activities have a positive impact on customer loyalty. Companies that engage in CSR activities tend to have higher customer satisfaction and loyalty. Customers are more likely to develop a positive perception of a brand that is socially responsible, leading to increased loyalty and repeat business.

2. Risks and Challenges of CSR: There are several risks and challenges associated with CSR, including authenticity concerns, lack of transparency, failure to deliver relevant impact, complexity of social and environmental issues, resource constraints, compliance with laws and regulations, and long-term commitment. These challenges highlight the importance of careful planning and execution of CSR initiatives.

3. Analysis of CSR Activities of Indian Companies: Indian companies have increasingly recognized the importance of CSR and have undertaken various initiatives to contribute to social and environmental causes. Companies like National Thermal Power Corporation Ltd (NTPC) and Coal India Limited (CIL) have implemented CSR programs focused on education, healthcare, environment conservation, and community development. These initiatives have had a positive impact on the communities they serve, enhancing the companies' brand image and reputation.

SUGGESTIONS

1. Enhanced Transparency: Companies should try to enhance transparency in their CSR activities by regularly communicating with stakeholders, disclosing financial allocations, and reporting on outcomes achieved. This can help build trust and credibility with consumers and other stakeholders.

2. Strategic Alignment: CSR activities should be strategically aligned with the company's core values and business objectives. Companies should focus on initiatives that have a meaningful impact on society while also benefiting the business.

3. Stakeholder Engagement: Engaging with a wide range of stakeholders, including employees, customers, communities, and NGOs, can help companies better understand the needs and expectations of these groups and modify their CSR initiatives accordingly.

CONCLUSION

This study highlights the importance of CSR in building brands and enhancing consumer satisfaction. CSR activities not only contribute to society but also have a positive impact on business outcomes, including brand loyalty and reputation. Companies that effectively integrate CSR into their business strategies are likely to see long-term benefits in terms of brand value and customer loyalty.

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