



# Research on impact of corporate social responsibility on brand equity

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## Abstract

The ideology of corporate social responsibility (CSR) has been implanted in the minds of organisations as an ethical practice. However, there is no pragmatic evidence that corporate social responsibility influences the brand equity of a company. The study has been designed to get responses through a structured questionnaire to analyze the data through descriptive and inferential statistical techniques. A sample size of 70 consumers and employees is surveyed. The research would give great insight to the stakeholders of corporate entities about the pros and cons of CSR. It focuses on consumers' points of view on the social welfare missions of corporate companies and reinforces brand equity. Here we start with an argument about whether CSR is done to serve society, to avoid chaos with government regulations regarding CSR, or to persuade consumers indirectly to increase their brand reputation.

## Introduction

Even a well-established brand faces competition in global trade. It's getting harder for consumers to choose a brand. Consumers hardly find differences in the pricing and quality of the products. Thus, corporate entities started concentrating more on corporate social responsibility to have a competitive edge over its competitors. CSR plays a significant role in development of a corporate brand in the market. It has certainly become a strategy to attract customers towards the brand. From the guidance given by the constitution of a country like section 135 of the Companies Act 2013, which can be done by corporate entities like eradicating hunger, poverty alleviation measures, empowering women, creating a sustainable environment etc. The study here shows how the lives of 51 million people in over 44,700 villages and various urban locations corporate social responsibility influences consumers. How corporate entities use CSR to show consumers that they are cream of the crop? How does it improve the performance of the corporate entities? What are the impacts of CSR on society? CSR and brand equity has line up in the contemporary organisational setting multinational companies have recognised the social responsibility rather than spending more on marketing of the brands. However, it is also important to note that being socially responsible creates space in potential markets and increases firm equity. CSR plays an important role in stakeholder rights after CSR was made mandatory by the Indian constitution in the Companies Act 2013.

(1)Reliance Foundation:

Reliance has always made sustainable development the cornerstone of its business strategy to achieve sustainable and profitable growth, creating in its wake thriving eco-systems around all its businesses. To provide impetus to various developmental initiatives of RIL, the Reliance Foundation was set up in 2010 as an expression of its vision towards sustainable growth in India.

India is a nation of a billion dreams, a billion aspirations and, above all, great opportunities. To turn these dreams into reality, especially for the vulnerable sections of society, the Reliance Foundation has taken the path of inclusive development to address their basic needs. The Reliance Foundation has cumulatively touched.

## **Brief description of CSR and brand equity:**

Corporate social responsibility is a management concept defined as an initiative undertaken by corporate entities to involve themselves in social welfare and environmental concerns with their business activities and to ensure proper interaction with their stakeholders. CSR was considered to be a corporate ethical strategy introduced during the policy formulation of companies. However, now the scenario has changed after the development of various national and international laws where CSR was made mandatory. On a wider perspective, it is not confined to entities with an established brand name but also appreciates imminent companies to entail such welfare activities.

In terms of the market, brand equity is defined as the value of a brand. The value of a brand is determined from a consumer's point of view. If a product has an established brand name, this implies that there is positive brand equity. Brand equity enables the firm to charge higher prices for the product than its competitors, as the customers are willing to pay such high prices because the quality of the product is satisfying and these products are considered to be a status symbol for consumers. Brand equity never affects the revenue from sales as the products are of high cost even when the sales volume is lower when compared to its competitors. The best example is Apple, which sells electronic gadgets with high quality and exorbitant prices. The profit of the firm is not affected by its competitors, who sell Android mobiles at a very low cost. The consumer base for these products is limited. The brand equity and the updates provided by Apple attract more consumers.

## **Importance of corporate social responsibility**

The relevance and importance of corporate social responsibility is very significant in today's capitalist economy. Mallen Baker defines CSR as "it is about how companies manage the business process to produce an overall positive impact on society". The measures undertaken by the CSR programmes for corporate entities will create awareness and strong values.

### **Creates a public image:**

The media covers all those CSR activities done by the business, and people tend to know the brand and it goes trending. Thus, it creates a good impression among the consumers. When businesses are involved in charitable activities, it appears more favourable to consumers. The goodwill of the firm increases.

### **Indirect advertising:**

When social welfare activity is done by the firms, it acts as an indirect advertising and influence consumers to buy the firm's products or avail their services. Social media creates stories from corporate efforts and allows them to reach a larger audience. So the CSR acts as an indirect advertiser for the firm's products and services. More than just a fair wage, today's employees want to work for a reputable company, and it gives them pride when their employers participate in charitable activities. It ensures employee morale and reduces instability in the workforce and motivates employees to work with enthusiasm. It reduces employees'absentism and ensures the availability of human resources.

### **Reduce cost:**

When manufacturing industries are involved in eco-friendly production and with the recent development of technical assistance, products are manufactured with less cost, which paved the way for green marketing and has reduced the volume of waste formed during the manufacturing process. This reduces the cost of manufacturing and, in turn, increases profit margin.

### **Pricing advantages:**

The established brands get an advantage over their competitors by increasing the price of the product. Consumers are well aware of the product's quality and are ready to pay more to buy such products. A global survey of corporate social responsibility shows that more than half of the customers are willing to pay more if a company is committed to social responsibility.

## **Merits of corporate social responsibility for companies:**

### **Brand recognition**

Corporate social responsibility creates reputation for the brand. It enhances the brand equity of the business and psychologically consumers feel that the business is prominent, Which leads to a competitive advantage over its competitors.

### **Saves cost and augment profit**

The cost of advertising is substituted by CSR activities. Involving in sustainable development will enhance the sale of product which augment the profit of business.

### **Investors**

The stakeholders like shareholders credit us of the firm would like to invest for the business when they excel in CSR performances. They feel proud when they are part of such business. It positively impacts the morally of stakeholders.

### **Identify new business operations**

CSR helps the organization to know consumer preferences from the analysis and interpretations made. The business operations like introducing new products by establishing various services leads to evaluation of innovative consumer products.

## **Benefits of corporate social responsibility for businesses include:**

### **Brand recognition:**

Corporate social responsibility creates a reputation for the brand. It enhances the brand equity of the business and psychologically consumers feels that the business is prominent, Which leads to a competitive advantage over its competitors. Savings cost and profit augment. The cost of advertising is substituted by CSR activities. Involvement in sustainable development will enhance the sale of products, which augment the profit of business.

### **Investors:**

When a company excels in CSR performance, its stakeholders, such as shareholders, want to invest in it. They feel proud when they are part of such a business. It positively impacts the morality of stakeholders.

### **Determine new business operations:**

CSR helps the organisation to know consumer preferences based on the analysis and interpretations made. The business operations, like introducing new products by establishing various services, lead to the evaluation of innovative consumer products.

## **Merits of corporate social responsibility for society**

### **Redress public issues:**

The business organizations' identify public issues and help them to red dress or overcome such issues. JSW was awarded CSR project of the year for the ongoing "mission against malnutrition." His fight against malnutrition has benefited nearly 420,000 women and children in Bellary district, Karnataka.

## **Reduce negative externalities:**

Any company situated near a household or responsible for the health issues caused by waste generated from the manufacturing process. So the business entities provide medical aid and are involved in eco-friendly methods of production to reduce the cost of negative externalities.

## **Corporate social responsibility disadvantages**

### **High operating costs:**

CSR operations are expensive. A reputed brand can never give up their status by spending less. This in turn increases the burden of cost, reducing the earnings of the firm. The business should properly allocate funds during the process of planning a budget. The amount spent on CSR is taken from the revenue of the business. This directly impacts the dividend decision and reduces the dividend paid to stakeholders. No longer do investors encourage CSR when their dividend is affected.

### **No direct proceeds:**

Social welfare activities may or may not impact the revenue of the business. High investments in these measures can only benefit the company's reputation. The possibility of gain is unpredictable. Business entities should not spend more on CSR because the financial risk is very high.

### **Public criticism**

A small act of welfare measure of the organization might lead to criticism that the business is doing it for goodwill against bad deeds they do. One's brand is in the public eye, then they are scrutinized for all the pursuits done by them.

## **Materials and methods**

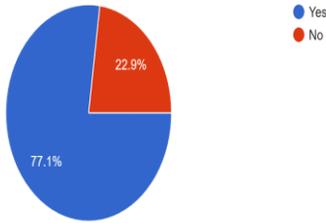
**Study design:** The study was conducted through a Google form and respondents were provided with the questionnaire. There were 10 questions for the consumers regarding the product and its brands.

**Study population:** There were 70 respondents for the survey. The respondents were of either sex in the age group ranging from 18 to 50 years. Outcome measures: outcomes are measured after the survey. The respondents provided awareness about corporate social responsibility and its impact on brand equity. They were also provided with some basic awareness about consumer rights protection.

**Statistical analysis:** The responses of the respondents were collected and interpreted using statistical tools. The various choices of the respondents were represented in a pie chart as given below:

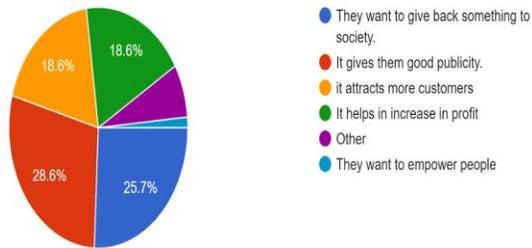
Are you well aware of corporate social responsibility actions of entities?

70 responses



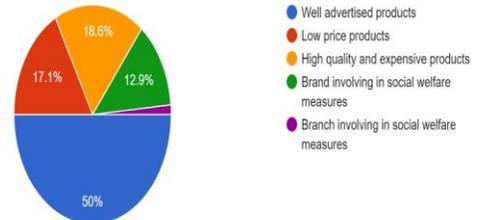
Why do you think companies involve in social welfare measures?

70 responses



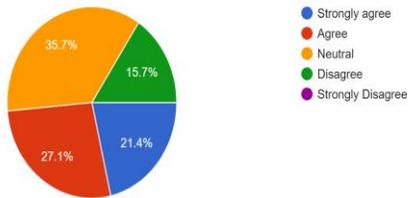
Do you consume products that are

70 responses



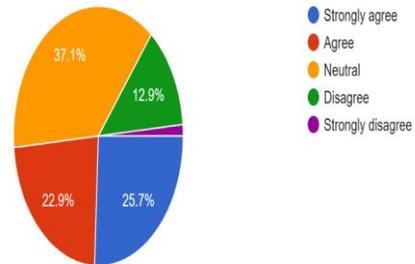
I am impressed of companies that make charitable donations

70 responses



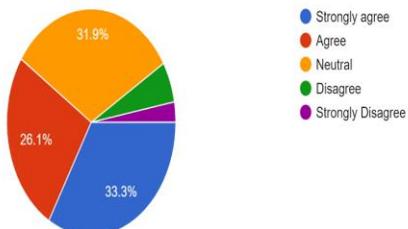
The brands i use are using eco friendly methods to manufacture their products.

70 responses



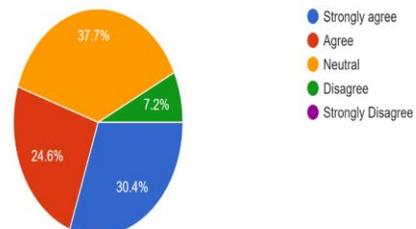
The company I work ensure protection of employees' rights and pay fair remuneration.

69 responses



The company I work ensure employees health and safety.

69 responses



## Results:

Survey was conducted with 70 respondents out of which 42 are female and 28 were male. The average age of the respondents was found to be 25 years. Nearly 50% of the consumers prefer products that are well advertised. Only 12.9% of the consumers are attracted to brands involving in social welfare activities. 77.1% of consumers are well aware of corporate social responsibility. Nearly 21.4% of consumers are impressed of the branch that involves in charitable donations. Generally consumers are ready to buy any product even if the producers or not involving in any welfare measures. 25.7% of the consumers prefer only eco- friendly products, this implies they are more attracted to green marketing. Only 30.4% of the employees feel that their company ensures health and safety of the workers. Majority of the respondents feels that the company involving in corporate social responsibility is only for their publicity.

## Conclusion:

Finally, when looking at the discussions and results of the survey and after making a detailed study on impact of corporate social responsibility on reinforcement of brand equity has given a positive result when we look at the consumers point of view CSR is a kind of influencing process done by the corporate entities to increase their brand reputation. But corporates are also doing it for publicity, yet it benefits public and positively reinforces the standard of living of the society by providing them with basic necessities like education, health infrastructure, sanitation, employment and many more.

## References:

(1)<https://www.ril.com/OurCompany/CSR.aspx>

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