

Is Corporate Social Responsibility a Determinant of Purchase Intention? : A Case Study of Nepal

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Abstract

This study investigates the relationship between Corporate Social Responsibility (CSR) activities performed by a company and its behavioral effects on customer behavior indicators namely: brand image, perceived price fairness, awareness of CSR, and purchase intention. This study also takes into account perceived service quality and its influence on customer purchase intention. The researcher surveyed about 401 respondents of generation Y in Nepal. Structural Equation Modeling was applied for the data analysis. The results showed that there exists a relationship between corporate social responsibility, perceived price fairness, brand image and purchase intention. However, the research uncovered that there exists a negative relationship between awareness of CSR and purchase intention, and that perceived service quality affects purchase intention in a positive manner.

Keywords: brand image, corporate social responsibility, perceived price fairness, purchase intentions, perceived service quality, generation Y

Introduction

In today's rapidly changing business world where consumers are becoming more aware of the origins of what they consume, their environmental footprint, and increased awareness to social and moral queues, corporate social responsibility has become an important tool that companies use to differentiate themselves from their competitors. Today, it has become essential for every business to have a CSR component, whether it be in the way materials are sourced, the manufacturing processes, waste management, or the timely payment of taxes. Buyers tend to look out for these factors when aligning themselves with brands.

Although CSR is a business concept in the 21st century, it is yet fully accepted. Business scholars like Milton Friedman were against the concept of CSR saying that it is a company's duty to provide returns for its investors and not the society. It is only

more recently that scholars have started to insist that it is in the best interest of companies to be socially responsible in the long run. Firms that increase their sense of responsibility towards the society help create a new marketplace for their products and services (Freidman, 1962). This research intends to examine Ncell's CSR activities and the effects they have on the purchase intention of Ncell's products and services.

Nepal is a small South Asian country with a population of 30 million and a Gross Domestic Product of US\$41 billion (World Almanac, 2015). It is also one of the countries in the world with a young population having 59% of its total population falling into the characterization of Generation Y (<http://cbs.gov.np>). Sharing a close heritage, cultural and economic backgrounds with its Southern neighbor India, Nepal has learnt about helping its people in times of needs through seeing it done by Royal Patronage, temples and other social bodies. The concept of helping people goes back hundreds of years. The lack of growth in industry and the corporate sector has not seen the institutionalization of social responsibility.

While Nepal is still largely an agricultural country, there have been many inroads into the development of manufacturing and service industries. Tourism is becoming an important part of the economy, as are banking and telecommunications. There are two big companies operating in the mobile telecommunications space, the first is the state-owned operator Nepal Telecom, and the second one is Ncell Nepal, which is a fully owned subsidiary of the Telesoneria Group. Ncell is the largest GSM mobile operator in Nepal and as of June 2014 and controls 56% of the total market share. Despite the telecommunications industry being relatively young, it is a big contributor to CSR activities in Nepal and around the globe. Ncell's CSR activities have included blood donation drives, upkeep of parks and temples, adopting and rebuilding schools which were destroyed in the Nepalese civil war, providing scholarships to needy and poor children, and assisting authorities in curtailing human trafficking. Despite Ncell's involvement in Nepalese society and sticking to following their rhetoric in Nepal –“Here for Nepal”, many think that what Ncell is doing is only window dressing and that more is needed to prove that Ncell actually intends to do well in the form of corporate social responsibility.

Review of Literature

Corporate Social Responsibility (CSR)

Traditionally CSR has been associated with a group of four distinct responsibilities namely economic, legal, ethical and philanthropic responsibilities (Carroll, 1999). Since the turn of the new century, with globalization at its peak, and companies looking to cut down costs and outsourcing many of their activities, the definition of CSR has grown to include employee relations,

corporate governance, marketing and the environment and human rights (www.kld.com).

Ncell's CSR activities encapsulate the company's position with regards to trafficking, the community, and education- by supporting community goals and activities, funding education and helping in the fight against human trafficking.

Perceived Service Quality

The definition set forth by Rust and Oliver for perceived service quality is derived from a model having three dimensions, namely: the service product, the service environment, and the service delivery.

The availability of information about products and services has brought out an evolutionary change in the purchase intention of consumers. If there is a negative perception towards the call quality of Ncell, people will be hesitant to purchase packages.

Brand Image

Brand image comprises the attributes and benefits associated with a brand that make the brand distinctive, thereby distinguishing the firm's offer from competition (Webster & Keller, 2004).

Therefore, the strength of the Ncell brand image will directly affect how people perceive the brand and will determine their purchasing decisions.

Perceived Price Fairness

A large body of research suggests that consumers' willingness to pay a higher price for a product depends on their perceptions of how fair that price is (Campbell, 1999; Crawford & Matthews, 2001). This means that if the consumers of Ncell were aware of the price breakdown of each rupee they pay to Ncell, consumers would think that they were charged fairly in regards to other competitors in the market (Rust & Oliver, 1994).

Purchase Intention

Customer Purchase Intention is defined as the decision to act based upon the knowledge of a company's perceived quality, brand image, and trust for the company (Al-Refaie et al, 2012).

Therefore, Purchase Intention of Ncell is whether the consumers are willing to purchase Ncell based on its brand image, market perception, CSR activities, and perceived service quality of its products and services.

Relationship between Variables

Corporate Social Responsibility and Purchase Intention

Companies that have a negative aura about them are the kind of firms that customers wish to stay away from, thus having a negative impact on purchase intention and sales (Luo & Bhattacharya, 2006). Firms that are more active in the social arena are engaged in CSR and cause related behaviors are more likely to be trusted, recommended and bought by consumers. Previous literature also show that consumers are willing to pay higher prices on goods and services if the companies providing them are perceived to be socially and ethically responsible (Auger et al, 2003; Barone et al, 2000; Campbell 1999, Strahilevitz 1999). Being able to recall a company's CSR efforts also plays an important part in the consumers' choice of particular goods and services.

Perceived Service Quality and Purchase Intention

Purchasing based on social consciousness is a self-enhancement need, while purchasing based on service quality is more of a physiological need (Herzberg, 1966). Information technology and globalization have brought accessibility to more products and have thus made the choosing of products with better quality easier. Consumers are willing to pay higher prices for products and services which they perceive to be of higher quality. (Rodriguez et al, 2005; Ruiz & Sanz, 2007). In Asian countries, making purchasing decisions based on perceived quality of service and price is a more common occurrence than making purchase decisions based on social consciousness.

Relationship between Moderating Variables and Dependent Variable

Brand Image and Purchase Intention

Companies have invested millions into the creation and development of their brand image, with the intention that brands are what consumers remember and recall when they make purchasing decisions. While a brand's ultimate goal is to generate a sense of strength, confidence and trust (Aaker, 1996; Keller 1993), it is also factor that affects consumers at the point of purchase. Literature gives credence to the fact that brand image has a correlation and effects purchasing behavior.

Price Fairness and Purchase Intention

Consumers are always price conscious, careful of false promises, and always seeking validation that the prices they are paying are fair compared to market rates. When a social initiative is attached to the cost of the goods, then consumers are willing to pay higher prices for everyday goods and services. (Mohr and Webb, 2005).

Awareness of CSR and Purchase Intention

As companies are making investments into their CSR activities, the company's analytics also measures the impact of their CSR activities on their perspective

consumers. The lack of awareness of the concept of CSR as well as the lack of awareness of a company's CSR activities may affect the purchasing decisions of consumers.

Research Framework

Based on previous empirical researches by Naqvi, et.al.(2013), Jalivand and Samiei (2012), Tian et al (2011), Carvalho et.al. (2010), Poolthong & Mandhachitara, (2011), the researcher developed a conceptual framework consisting of corporate social responsibility and perceived service quality as independent variables; brand image, perceived price fairness and awareness of CSR as moderating variables; and purchase intention as the dependent variable. The eclectic framework is shown in Figure 1.

The following hypotheses were derived from the framework:

- H1: CSR has a relationship with Brand Image
- H2: CSR has a relationship with Perceived Price Fairness
- H3: Brand Image has a relationship with Purchase Intention
- H4: Perceived Price Fairness has a relationship with Purchase Intention
- H5: Awareness of CSR has a relationship with Purchase Intention
- H6: Corporate Social Responsibility has a relationship with Purchase Intention
- H7: Perceived Service Quality has a relationship with Purchase Intention

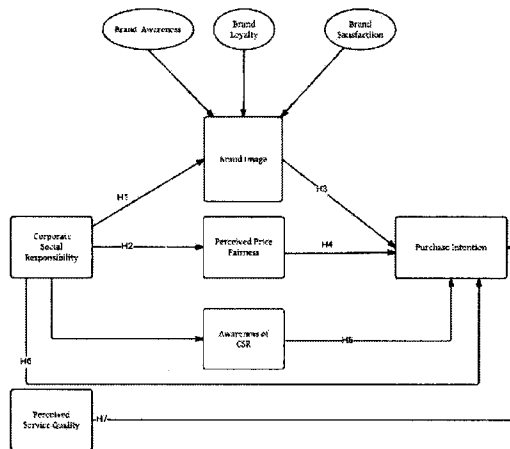


Figure 1. Conceptual framework of the study

Research Methodology

The purpose of this research is to investigate whether CSR activities and perceived service quality of the company influence the purchase intention of Ncell services.

Four hundred (400) questionnaires were distributed and administered to the target population, Generation Y in Nepal who comprise 59% of the population and the majority of mobile telecom users. The Generation Y is best suited for the study by consumption patterns, and statistics as well as the population makeup of the respondents.

The research instrument used in the study was an online questionnaire, suited to the respondents who were tech-savvy, social, information-driven, selective and financially literate. The questionnaires consisted of four sections: screening questions, independent variables, moderating and dependent variables and demographic variables. The researcher applied descriptive analysis to convert the data into summaries. The researcher used non-probability sampling technique to select the population.

Research Findings

Majority of respondents were male, accounting for 72.6% or 291 of the total 401 respondents. The largest number of respondents belonged to the age group '24-29 years old' accounting for 208 (51.9%). A majority of the respondents have an income per month between 'NPR 10,000 and NPR 20,000' (1THB=3NPR), accounting for 114 respondents (28.4%). The highest number of respondents were employees, while a large number of respondents had also failed to disclose their profession, mentioning that they were some kind of freelancer or some alternative occupation.

For the inferential analysis of the research, Structural Equation Modeling (SEM) was utilized. The researcher applied SPSS and AMOS for data analysis. In order to test for goodness of fit, the researcher used Goodness Fit Index (GFI where 0 represents a non-fit and 1 represents perfect fit, while a value over .9 represents a good fit. The significance level or p-value for the SEM tests is at .001. The researcher achieved a GFI of .981 from the model, which is considered a good fit.

In the process of conducting the SEM, the researcher's conceptual model of SEM is illustrated in Figure 2:

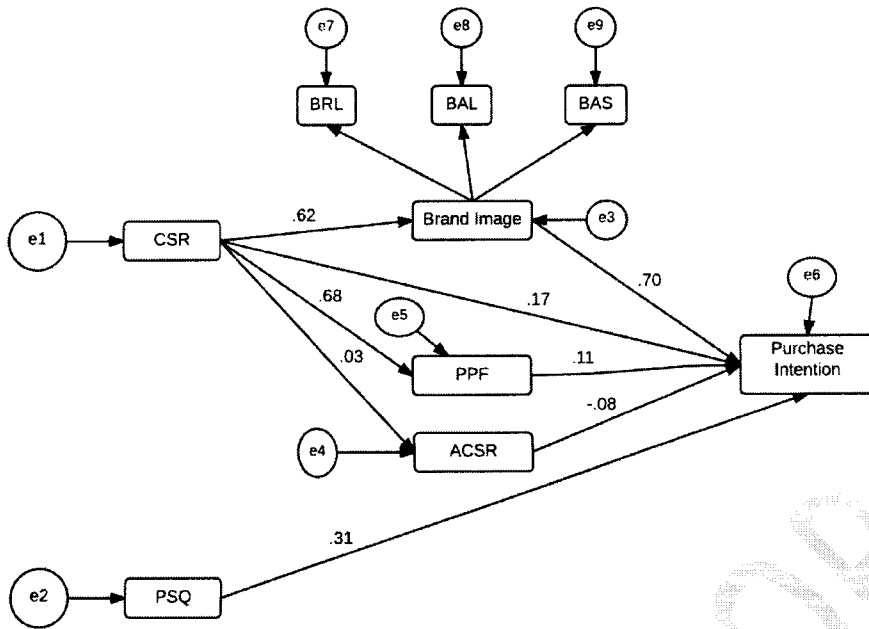


Figure 2. SEM of CSR, PSQ and Purchase Intention

Figure 2 shows the weighted standard estimate shown from the regression analysis conducted on the variables. The lines between the variables coupled with the weighted standard estimates show that there exists a relationship between the variables. The lines with positive weighted standard estimates show that there is a significant relationship between the variables, while the lines with negative weighted standard estimates show there is an insignificant relationship between the variables.

Table 1 highlights the df and the GFI the researcher achieved from the conceptual model.

Table 1:
Index of the fit of the model

Index	Chi-Square (df)	GFI
Default Model	9.495	.981

Table 2
Summary of hypothesis testing

Hypothesis	Relationship	Standard Estimate	P	Results
H1o	CSR → BI	.659	.000	Rejected

H2o	CSR → PPF	.667	.000	Rejected
H3o	BI → PI	.870	.000	Rejected
H4o	PPF → PI	.122	.000	Rejected
H5o	ACSR → PI	-.079	.007	Failed to Reject
H6o	CSR → PI	-.010	.944	Failed to Reject
H7o	PSQ → PI	.352	.000	Rejected

(CSR=Corporate Social Responsibility, BI=Brand Image, PPF=Perceived Price Fairness, ACSR=Awareness of CSR, PSQ=Perceive Service Quality, PI=Purchase Intention)

Table 2 represents the regression weights analysis used to test the hypotheses. After Structural Equation Modeling, the results indicated that customers of telecom services were not aware of CSR in their consumption and were not aware of company's CSR activities. With a standard estimate of -.079, the null hypothesis of H5 failed to reject, to show a significant relationship the Standard Estimate must be an absolutely positive number. It also revealed that Generation Y in Nepal does not see CSR as a factor when making purchase decisions for telecommunications products and services, with a standard estimate of -.010, therefore null hypothesis of H6 failed to reject.

Having positive standard estimates, the null hypotheses for H1 and H2, highlighting the relationship between CSR and Brand Image, and CSR and Perceived Price Fairness, were both rejected. Similarly, the results of the analysis also rejected the null hypotheses for H3 and H4, highlighting that there is a positive significant relationship between Brand Image and Purchase Intention, and, Perceived Price Fairness and Purchase Intention. The research also concludes that there is a significant relationship between Perceived Service Quality and Purchase Intention.

Conclusions and Recommendations

Based on the results of the hypothesis testing, the researcher found that members of Generation Y in Nepal are influenced by brand image of the company, pricing cues and perceived quality of the services on offer rather than the CSR activities conducted by the company when making purchasing decisions. Although the CSR activities carried out by Ncell may not affect the final purchasing intent of its customers, it is a vital factor in determining the brand image, which in turn is a factor weighing in on purchase decisions. Ncell's continued focus on CSR activities will help enhance its brand image and ultimately help it gain momentum in the market place.

In line with the results from Hypothesis 1 and 2, Ncell should continue to make investments into CSR. Ncell's continued efforts in the social arena will have an impact on enhanced proportional increment upon the company's brand image and its perception in the marketplace of having fair pricing. Ncell's CSR activities should

come to include factors that are more related to its industry profile and environmental impact to get the best results.

Similarly the results of Hypothesis 3 and 4 indicate that Ncell needs to invest highly into maintaining and sustaining its brand image as it significantly affects the purchasing intention in relation to its services. It should also work on price transparency with its customers, showing that its customers are not being overcharged and that its pricing practices are on par with the markets.

As the case with many developing countries, Hypothesis 5 shows that there is no significant relationship between CSR and Purchase Intention. A large number of customers in Nepal make purchasing decisions based on price point rather than from a stance of societal consciousness. Hypothesis 6 shows that customers are not aware of CSR as a whole, and though Ncell may have a good portfolio of CSR activities, unless the consumers in the market place are familiar with the concepts and the implications of CSR in their lives, they cannot make purchasing decisions based on CSR. Parallel with having CSR programs that help the society, Ncell must make investments into CSR literacy which will help create a greater awareness of the impact of its CSR activities and related outcomes.

The result of Hypothesis 7 shows that the Nepalese generation Y customers feel that perceived service quality is an important factor in making telecom related purchasing decisions. Ncell must continually improve its service quality by adding services and products that the market is looking for. All its service efforts have to run in tandem with its efforts in CSR and maintaining a strong brand image. It is a combination of all three- a good CSR portfolio, a good brand image, and quality services that will make Ncell a sustained and continued success in the Nepalese market.

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