



ANALYZE THE EFFECT OF CSR ACTIVITIES ON CUSTOMER TRUST IN E-COMMERCE BUSINESS

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ABSTRACT

From the last few decades Corporate Social Responsibility has become an important part of business, and is included into the mainstream business activities, as it is an obligation for the businesses to contribute something to the society. With a great online-shopping customer base, e-commerce industry also faces mounting calls to make greater societal contributions beyond those of profit. This Study emphasizes upon the Impact caused by the CSR activities of E-Commerce business on the Customer's Trust. It all depends on the customer that how they are taking into account the Corporate Social responsibilities activities into their perception, and how much trust they are mounting upon the company or not having it at all. The Trust a consumer develops over a Company depends on the Satisfaction received from The Services of E-commerce and in recent years CSR activities has influenced the Trust of the customers This articles aims at analyzing the effect of CSR activities on customer Trust in E-Commerce Business. In this Study, Descriptive Research Methodology has been used; Questionnaire is used for collecting the sample. The data has been collected from 100 respondents. The questionnaire consists of questions about the demographic profile as well as questions regarding customer Satisfaction, Trust, Loyalty and perceived CSR activities regarding E-Commerce. These questions are based on likert scale .From this research it has been found out that a customer's Trust which generates from his Satisfaction and leads to Loyalty toward the companies has a positive relationship with their perception and experience with CSR. The key findings of the research may help policy makers and managers in formulating and implementing CSR strategies in more effective way.

Keywords-CSR, E-Commerce, Trust, Satisfaction and Loyalty.

INTRODUCTION

From the last few decades Corporate Social Responsibility has become an important part of business, and is included into the mainstream business activities, Corporate Social Responsibility is a construct which highlights in normative terms the obligations that companies have to integrate environmental and social parameters into their modus operandi and long-term development policies (Persais, 2002).

Corporate Social Responsibility emerged and came into the mainstream business activities because of the increased pressure on a range of Economic and Social Factors, Need of transparency, and greater media coverage of various social scandals, social problems and environmental disasters. Just like other sectors of business e-commerce are also devoting significant resources to demonstrate their commitment in this area, as well as their ethical outlook and social responsibility.



Corporate Social Programs are meant to be independent from the company's marketing orientation, so that they do not fall into a black campaign of being used for promotional purpose. Although CSR and marketing programs are separated, both are mutually interconnected. As sales increase, companies have a greater ability to allocate their resources for the benefits of the environment or to finance CSR programs, and these programs some way or the other affect the customers mind regarding the company and the product and subsequently may or may not lead to generation of customer trust on the company.

With the boom in Information and Technology, One more sector of business emerged in the form of E-Commerce services, the use of the internet for business transactions is known as electronic commerce (e-Commerce). This kind of business transaction pattern is applicable not only between company and company (B2B) but also between company and individual customer (Corbit et al. 2003; Laudon and Laudon 2000; McLeod and Schell 2004).

From 1979 when Michael Aldrich demonstrates the first online shopping system e-commerce has evolved and various innovations have been done in this field and today Amazon.com accounts for more than half of all e-commerce growth, selling almost 500 Million SKU's in the US.

With a great online-shopping customer base, e-commerce industry faces mounting calls to make greater societal contributions beyond those of profit.

It all depends on the customer that how they are taking into account the Corporate Social responsibilities Activities into their perception, and how much trust they are mounting upon the company or not having it at all. The Trust a consumer develops over a Company depends on a number of factors, and in recent years CSR activities has influenced the Trust of the customers.

LITRATURE REVIEW

Corporate Social Responsibility

(Bowen 1953) business persons are responsible for the consequences of their actions in a sphere wider than that covered by their profit and loss statements.

Frederick (1960) "social responsibility implies a public posture toward society's economic and human resources and a willingness to see that those resources are utilized for broad social ends and not simply for the narrowly circumscribed interests of private persons and firm".

Frederick (1950) points out three core ideas of trusteeship and corporate philanthropy:

1. Corporate managers as public trustees,
2. Balance of competing claims to corporate resources and,
3. The acceptance of philanthropy as a manifestation of business support of good causes.



Davis (1960) defined corporate social responsibility as: “Businessmen’s decisions and actions taken for reasons at least partially beyond the firm’s direct economic or technical interest”

Further, Friedman (1962) conceptualized CSR as a social responsibility of business to use its resources and engage in activities designed to increase its profits so long as it stays within the rules of the game, which is particularly to engage in open and free competition without deception or fraud.

Friedman (1970) argued that the social responsibility of business is to increase its profits meeting the shareholder value maximization approach which is referred to as capitalism. He further extends the capitalism argument to account for social responsibility as “there is one and only one social responsibility of business—to use its resources and engage in activities designed to increase its profits so long as it stays within the rules of the game, which is to say, engages in open and free competition without deception or fraud.”

Johnson (1971) describes CSR as conventional wisdom where “a socially responsible firm is one whose managerial staffs balance a multiplicity of interests. Instead of striving only for larger profits for its stockholders, a responsible enterprise also takes into account employees, suppliers, dealers, local communities, and the nation.”

Carroll (1979) made a landmark contribution in the development of CSR concept as he proposed a four-part definition of corporate social responsibility which was embedded in a conceptual model of corporate social performance (CSP). The definition of CSR as proposed by Carroll can be stated as: “the social responsibility of business encompasses the economic, legal, ethical, and discretionary expectations that society has of organizations at a given point in time.”

Carroll (1991) revisited his 1979 framework to provide a more specific definition of discretionary component as philanthropic and suggesting that it embraced “corporate citizenship.” He had succinctly put his argument as: “For CSR to be accepted by the conscientious business person, it should be framed in such a way that the entire range of business responsibilities is embraced. It is suggested here that four kinds of social responsibilities constitute total CSR: economic, legal, ethical and philanthropic. To be sure, all of these kinds of responsibilities have always existed to some extent, but it has only been in recent years that ethical and philanthropic functions have taken a significant place.

(Kotler and Lee, 2005). CSR is the commitment by a company to improve the welfare of its community by implementing certain discretionary practices and increasing the availability of its resources

Aras and Crowther (2009), the authors focus on internal and external interests of a company by asserting four aspects of CSR as follows:

- Economic aspect, to be the reason of the company’s existence;
- Social aspect, to eradicate poverty and safeguard human rights;
- Environment, to preserve the nature for future generations;
- Organizational culture, to align the corporate and social values with individual values



Trust

(Morgan and Hunt, 1994). Their study aims to measure CSR's impact on consumer trust since this is a key variable in the creation and preservation of long-term relationships between companies and customers.

(Doney and Cannon, 1997).

The construct of trust implies a calculated process based both on the ability of an object or partner (i.e., a brand) to continue to fulfill its obligations, and also on an estimation of the costs/benefit ratio of maintaining this relationship. Trust implies the inference of a firm's benevolence, i.e., that it will act in customers' best interests due to the existence of shared values and objectives

Impact of CSR on consumer trust

According to signaling theory (Spence, 1974), CSR initiatives are tantamount to signals sent by a company to reduce the uncertainty that can weigh upon consumers' purchasing decisions. This theory also teaches that companies emit different kinds of signals relating notably to their ethical competencies or values (Gurviez, 1999). Based on these signals, consumers will decide whether the brand in question shares their interpretation of the rules of exchange; if it

Intends to be true to its word; and if the exchange in question is a fair and lasting one (Gurviez, 2002).

According to Frisou (2000), CSR initiatives' altruistic dimension is likely to bolster the customer's sense of dealing with a partner worthy of trust. Furthermore, certain CSR initiatives are specifically designed to signify a company's efforts to enhance customer well-being above and beyond any other consideration.⁷ In this case, consumers have all the more reason to use CSR actions as a criterion for assessing the company and the trust that it deserves.

The literature also teaches that customers' trust is affected by the existence of values that the company and its customers share, defined here as joint beliefs about whether certain kinds of behaviors, goals and policies are important, appropriate and/or good (Morgan and Hunt, 1994). At the same time, CSR gives consumers information about a company's prevailing system of values (Turban and Greening, 1997) and character (Brown and Dacin, 1997).

Note Hosmer's statement (1994) that injecting ethical principles into a company's strategic decision-making

Processes can augment the trust of all stakeholders, including customers. Empirical studies have also confirmed the influence of an organization's perceived level of ethics on customer trust

(Kennedy, Ferrell and LeClair, 2001; Lagace, Dahlstrom and Gassenheimer, 1991). The perception that a company is ethical engenders trust-based relationships grounded in the belief that all partners will have an honest relationship, and that the other partner's discourse



and actions will be credible above and beyond any contractual or legal constraints. Lastly, a number of opinion surveys have illustrated the potentially positive influence that CSR actions can have on customer trust. For example, in one 1999 survey, 89% of all respondents stated that they would trust a firm that manifests a definite and real commitment to societal actions. This finding is likely to be somewhat overstated, given the existence of a strong social desirability bias.

MOTIVATION OF STUDY

Corporate social responsibility and its effect on Consumer trust has been researched and studied by various researchers, and authors have given various justifications and theories to it, but these all have been restricted to the CSR programs and their impact on Consumer trust in Physical form of marketing, where there is a physical market and face to face meeting of consumer and marketer involves, where the customer spend a considerable amount of his time, money and physical effort in choosing the product or service of his desire. With the advent of information Technology, and the advent of the E-commerce as a new sector of business emerged ,most of the customer are shifting to this sector, where they get the benefit of getting the product delivered at their doorstep with just a click, in less time spend over shopping, and less effort involved. These e-commerce companies are up springing at a very faster rate in the market, and they are taking up various CSR initiatives regarding various factors for the societal causes and sustainable development. When these E-commerce companies took up the CSR initiatives, they cast an impact on the customer Trust; hence I have chosen this topic for the research purpose.

OBJECTIVE OF THE STUDY

- To Study the Customers' Perception and experience toward CSR activities of E-Commerce Businesses.
- To Study the Customer's Satisfaction Level regarding services of E-Commerce Business
- To measure the Loyalty of customers regarding E-Commerce Business.
- To measure the Trust of the Customers on E-Commerce Companies.

RESEARCH METHODOLOGY

The type of research work is descriptive type using a structured questionnaire type of data collection tool with a sample of 100 customers of E-Commerce of Gorakhpur.

Data Collection

Primary data- The data is collected from the E-Commerce Customers by administrating a structured questionnaire. The questionnaire consists of questions about the demographic profile as well as questions regarding customer Satisfaction, Trust, Loyalty and perceived CSR activities regarding E-Commerce. These questions are based on likert scale.



Secondary Data

Text Book, Reference Book, Journals of different Authors and Internet has been used.

Sample Size

100 Customers of E-Commerce are selected for the research

Research Design-

A descriptive Research Design shall be adopted for the purpose of the study.

Sampling Method-

Sampling Method which is selected for the study is Convenience sampling.

FINDING

- People from all the age group except 55 and above had interest in E-commerce business and the various aspects related to it including CSR activities, especially young people prefer to buy product and services hence they took keen interest in E-commerce. The sample mostly has been confine to the educated customers as they are more aware, alert and responsive to the various aspects and dimension of the project.78% of customers are student, 13% of Employed, 8% of self Employed and 1% Other.
- 23% Customers Strongly Agree when being asked about the feasibility of purchasing products from E-Commerce.60% Customers were Agree,16% customers were Neutral on this statement, and only 1% Customer Disagreed, and there were no customer who strongly Disagreed. When it comes about The E-Commerce shopping, Most of the customer agree that, they opt for shopping from E-Commerce without thinking too much, feasible things are possible, when a person has enough time ,money ,or energy to do something, it is feasible. The person who disagreed upon the feasibility of E-Commerce might not be finding it feasible.
- 18% Customers strongly Agree upon purchasing Products Particularly from E-Commerce, which means Relying very firmly upon E-Commerce for purchasing of goods and Services.44% Agree upon this Statement, 29% were neutral on this statement, and 9% customer totally disagreed when it came about purchasing Products from E-Commerce. When it comes aboutmwhether the customers like to purchase Products Particularly from E-Commerce Websites. Most of the Customer prefers E-Commerce in particular
- 18% Customers strongly agree upon this Statement that E-Commerce offers exactly what they need to fulfill their need, 47% agree upon this statement,27% were neutral



here, 7% disagreed, and 1% strongly disagreed. fulfillment of need implies a kind of satisfaction to the customers. more than 50% agree that E-commerce fulfill their need, the customers who disagreed might not be finding what they need E-commerce websites or maybe they wouldn't be relying that much on E-commerce due to various reasons.

- 13% of customers Strongly agreed upon this statement, 46% Agreed upon it, quite a good percentage of customers were neutral, 4% disagreed and 2% strongly Disagreed on this statement. Any customer make a choice or decide to buy a product from E-Commerce because of many reasons like- finding the E-Commerce companies reliable, pocket friendly products, or easiness, and feel that this choice is wise one. Most of the customers agreed, but 35% were neutral, as they don't feel any big deal in buying products from E-Commerce
- 17% of customers Strongly agree upon when it comes about feeling a sense of security related to services of E-Commerce, 45% agreed upon it, 29% were neutral on this, 8% Disagreed, and 1% totally disagreed. Sense of security comes when customer find that the retailers are legitimate, their websites are secure and they are well aware of the companies return policy and their own rights, and trust with their credit/debit card/mobile wallet/net banking. In this matter most of the customer feel sense of security, 29 people weren't aware of the sense of security, and 9% don't feel safe in online purchasing.
- 12% of the E-Commerce customers strongly trust on the quality of Product delivery process, 53% agree upon it, 27 % were neutral in this context, 8% disagreed on this point. Product Delivery service refers to how timely and in good condition the product reaches to the customer, it all depends partly on the E-commerce company and partly on the courier partner. Most of the customers trust on the quality of Product delivery, and very a few disagreed, because of late delivery or may be defaulted goods transaction.
- 11% of customer strongly agrees upon it, 44% of customers agree upon it, 38% of Customers are neutral, 5% Disagree and 2% strongly disagree. Only around 50% people think that E-Commerce companies protect the environment either implicitly or explicitly, as paperless billing, no fuel is burnt in commute, and no land is occupied for shop and malls. 9% of customers are strongly agreed, 49% Agree upon it, 34% are neutral, 6% disagree and 2% strongly disagree. The Analysis can explain that most of the customer agrees that E-Commerce companies show their commitment toward society by improving the welfare of the communities in which they operate.
- 11% of customer strongly agrees that E-Commerce companies donate part of their budget to donation cause, 33%, agree upon it, 44% are neutral, 12% disagree. There is equal numbers of people who agree and who are neutral on this statement, and 12%, disagree.
- 19% of customer strongly agree upon the statement E-commerce companies always respect the norms defined in the law when carrying out their activities, 46% are



agree, 31% are neutral, and 4% disagree. It could be interpreted up to some extent that companies respect the norms. 24% of customer strongly agrees upon the statement that E-Commerce companies behave ethically with customers, 46% agree upon it, 26% are neutral, 2% people disagree and 2% strongly disagree.

- 14% of customers strongly agree upon the statement that they use E-commerce as their first choice for purchasing products as compared to other means. 45% agree upon the statement, 45% agree, 27% are neutral, 11% disagree, and 3% strongly disagree. When it comes about choosing E-commerce as the first choice for purchasing product, more than 50% agree upon it. It means they are loyal toward it.
- 13% of customer strongly agrees that it would be costly in terms of money, time and effort in ending the relationship with E-Commerce companies. 34% agree upon it, 34% are neutral, 7% disagree and 2% strongly disagree. Most customers agree that ending the relationship with E-Commerce companies would be costly in terms of money, time and effort. 21% of customer strongly agrees upon the statement that they will continue considering E-Commerce for purchasing products in the next few years.
- When it comes about The E-Commerce shopping, Most of the customer agree that, they opt for shopping from E-Commerce without thinking too much, feasible things are possible, when a person has enough time, money, or energy to do something, it is feasible. The person who disagreed upon the feasibility of E-Commerce might not be finding it feasible. When it comes about whether the customers like to purchase Products Particularly from E-Commerce Websites. Most of the Customer prefers E-Commerce in particular.
- Fulfillment of need implies a kind of satisfaction to the customers. more than 50% agree that E-commerce fulfill their need, the customers who disagreed might not be finding what they need E-commerce websites or maybe they wouldn't be relying that much on E-commerce due to various reasons
- Any customer make a choice or decide to buy a product from E-Commerce because of many reasons like- finding the E-Commerce companies reliable, pocket friendly products, or easiness, and feel that this choice is wise one. Most of the customers agreed, but 35% were neutral, as they don't feel any big deal in buying products from E-Commerce
- Most of the customers were happy with the overall process of handling of the complaints 29% those who didn't agree nor disagree were the one who never had any complaints.
- Only around 50% people think that E-Commerce companies protect the environment either implicitly or explicitly, as paperless billing, no fuel is burnt in commute, no land is occupied for shop and malls



- The Analysis can explain that most of the customer agrees that E-Commerce companies show their commitment toward society by improving the welfare of the communities in which they operate.
- 70% customer feels that E-commerce companies behave ethically with them.

CONCLUSION

E-Commerce business and their CSR activities do cast a great impact on customer's trust. Most of the Customer are satisfied with the E-commerce services and they find it is feasible to purchase product from E-commerce, and they are happy with the overall process of the companies handling their complaints. Customers trust on the E-Commerce .Most of the Customer feel that E-Commerce companies protect the environment and the companies show their commitment toward society by improving the welfare of the communities in which they operate..The Companies Always respect the norms defined in the law when carrying out their activities, and most of them behave Ethically with Customers, but most of the customer didn't agreed nor disagreed on the point that E-Commerce companies donate a part of their budget to societies benefit

SUGGESTION

- Though Most of the Customers trust on E-Commerce companies, which generates out of the satisfaction that they get from the services of it, E-Commerce companies doesn't focus much on the CSR activities, as a tool for gaining trust.
- E-Commerce companies should focus more on directing part of their budget to donation in social causes more explicitly, as most of the customer couldn't agree or disagree on this statement, it means that the E-commerce companies are not donating a significant part of their budget to social cause, explicitly, and it is not coming into the eye of customers.
- Corporate Social Programs are meant to be independent from the company's marketing orientation, so that they do not fall into a black campaign of being used for promotional purpose. Although CSR and marketing programs are separated, both are mutually interconnected. As sales increase, companies have a greater ability to allocate their resources for the benefits of the environment or to finance CSR programs, and these programs some way or the other affect the customers mind regarding the company and the product and subsequently may or may not lead to generation of customer trust on the company.



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