

THE CONSEQUENCE OF CORPORATE SOCIAL RESPONSIBILITY ON BRAND EQUITY: A DISTINCTIVE EMPIRICAL SUBSTANTIATION

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ABSTRACT

The basic concentration of this research work is to determine the apropos affinity between corporate social responsibility (CSR) and brand equity. For exploring the association between corporate social responsibility (CSR) and brand equity, 324 data has been accumulated from the different entrepreneurs in Bangladesh who conduct the business across the global. Simple random sampling method has used as an instrument for determining the relation. We have mainly employ the confirmatory factor analysis and structural equation modeling method to conclude an affirmative result and findings elucidates that there are a commensurate and confirmatory integration.

Keywords: Corporate Social Responsibility, Entrepreneurs, Brand Equity, Confirmatory Factor Analysis, Structural Equation Modeling, Simple Random Sampling.

INTRODUCTION

For ensuring the incessant competitiveness over the existing competitors the firms are adopting the supreme business strategies with the concentration of CSR program that assists the firm to accelerate the performance and optimizes the benefits due to the supportive approach towards the society (Miller & Merrilees, 2013). From the marketing point of view, brand equity that elucidate the reputation, power and ascendancy that an organization have in the competitive market place and because of this they can influence on the customer perception and behavior, that of course makes a significant consequence on the financial performance of a firm's (Kim et al., 2003; Rao et al., 2004). CSR is an ineluctable and integral element of the brand equity (Baalbaki & Guzman, 2016). Strong brand equity assists an organization to differentiate it's from its competitors and helps to accelerates financial benefits (Greel, 2012). However, the empirical evidence has been suggested that there has been mixed findings regarding the relation between the corporate social responsibility (CSR) and brand equity (Brammer & Pavelin, 2006; Luo & Bhattacharya, 2006). There are a positive association has been explored between the corporate social responsibility (CSR) and brand equity (Torres et al., 2012). On the other hand a reverse relation has been explored also (Luo & Bhattacharya, 2006). Therefore this study is mainly encompasses with the determining the relation between corporate social responsibility (CSR) and brand equity. In this study we have considering five elements of the corporate social responsibility: community, customer, corporate governance, employees and suppliers.

LITERATURE REVIEW

Along with the regular business function, many of the corporation also concentrates on engaging multitudinous societal obligation, it may embedded towards the environment, societal concern or even communities concern (Greel, 2012). Manifold research have accomplished regarding the concern of corporate social responsibility over the brand equity (Popoli, 2011; Rangan et al., 2012; Tingchi Liu et al., 2014). Because of the transition of the framework of the business function CSR not just concern with the societal obligation (Dobers, 2009) rather has been treated as an ineluctable proponent on the proliferating the corporate reputation also (Khojastehpour & Johns 2014; Pérez 2015). CSR effects in business performance, particularly for those businesses which are founded on the strong brand images (Werther & Chandler, 2005) and also augmenting the brand equity (Linthicum et al., 2010) and amplifying the level of brand value security also (Polonsky et al., 2011).

Community-based CSR and Brand Equity

Community-based CSR that builds credibility and customer loyalty, which accelerates the brand equity (Du et al., 2007).

H₁: Community-based CSR activities are positively reflects on the Brand Equity.

Customer-base CSR and Brand Equity

Through the customer-base CSR, it sharing the untold happiness and transferring the values towards the societies through the consumption of product (Chomvilailuk & Butcher 2013; Karaosmanoglu et al., 2016; Pérez & Rodríguez del Bosque, 2014; Manning, 2013).

H₂: Customer-base CSR activities are positively reflects on the Brand Equity.

Corporate Governance Base CSR and Brand Equity

Brand equity is evaluated by the customer who are being treated as a stakeholders, corporate governance must be align with the relevant interest of the respective customers that must providing the safer or more ethical produced product (Jamali et al., 2008).

H₃: Corporate-governance based CSR activities are positively impact on the Brand Equity.

Employees-base CSR and Brand Equity

Employees' involvement in CSR activities can improve the visibility and credibility of CSR and in turn it enhances brand equity and on the other hand poor employees' relations definitely have the adverse effect on the CSR (Sen et al., 2006; Du et al., 2007).

H₄: Employees-base CSR activities are positively reflects on the Brand Equity.

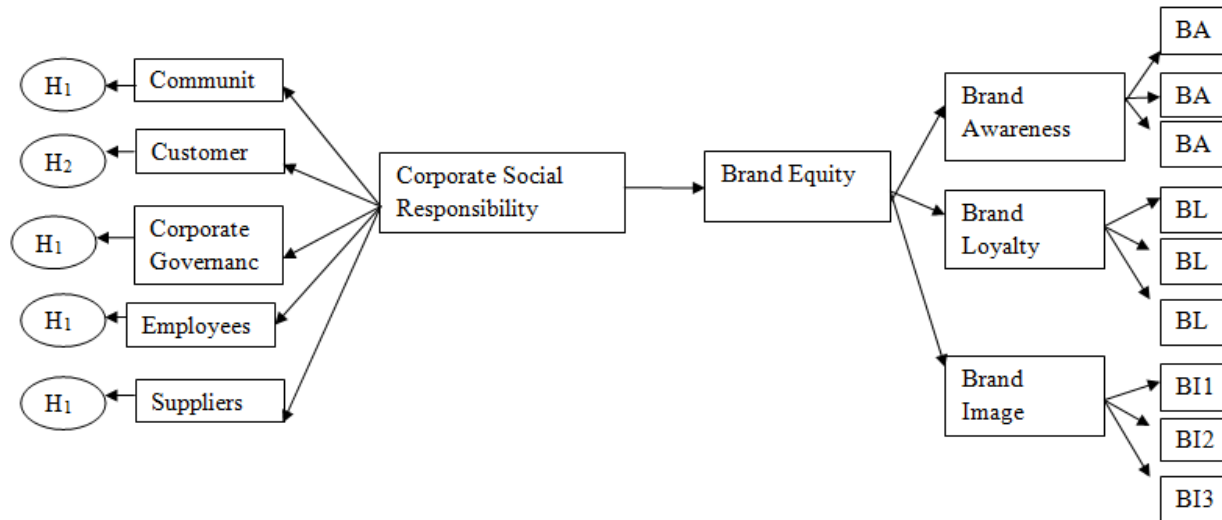
Suppliers-base CSR and Brand Equity

Because of the poor suppliers provide the low quality ingredients the finished product may turn into low quality product and if the low quality firm involve any significant CSR activities that may perceive this activities less credible and less considerable, that resulting poor brand image and that consequence on weaker brand equity (Luo & Bhattacharya, 2006).

H₅: Suppliers-base CSR activities are positively reflects on the Brand Equity.

RESEARCH METHODOLOGY

This research has mainly embrace with recognizing the affirmative relation between the corporate social responsibility and brand equity (Figure 1).



Source: Authors' Compilation

FIGURE 1
THE RESEARCH FRAMEWORK

For exploring the result, random sampling method have used in the sample selection method and total sample size is 324. The study is mainly comprised with the primary data that has collected by using a questionnaire. The questionnaire has used both open and closed ended questions. For the closed ended questions, the study has adopted a five point Likert scale where the target respondents indicate the extent of their agreement/disagreement with each statement.

RESULTS AND DISCUSSION

From the following Table 1, it has observed that there is a positive correlation between the variables.

Table 1 CORRELATION MATRIX								
	Community	Customer	Corporate Governance	Employees	Suppliers	Brand Awareness	Brand Loyalty	Brand Image
Community	1							
Customer	0.320**	1						
Corporate Governance	0.289**	0.322**	1					
Employees	0.255**	0.307**	0.301**	1				
Suppliers	0.275**	0.305**	0.364**	0.208**	1			
Brand Awareness	0.282*	0.318*	0.267**	0.219*	0.314*	1		
Brand Loyalty	0.254**	0.327*	0.233**	0.254**	0.309**	0.295**	1	
Brand Image	0.277**	0.341**	0.225*	0.208*	0.327**	0.283**	0.275*	1

Source: Estimated by Authors

Table 2
CONFIRMATORY FACTOR ANALYSIS

Variables	Variable	Indicator	Standard Factor Loading	Error Variance	SMR	CR	AVE	Cronbach	Joreskog's Rho
Corporate Social Responsibility (CSR)	Community (CO)	CO1	0.856	0.357	0.713	0.751	0.816	0.791	0.819
		CO2	0.862	0.369	0.729				
		CO3	0.851	0.354	0.716				
		CO4	0.869	0.372	0.728				
		CO5	0.858	0.382	0.733				
		CO6	0.855	0.374	0.739				
	Customer (CU)	CU1	0.850	0.349	0.698	0.788	0.839	0.788	0.832
		CU2	0.852	0.356	0.688				
		CU3	0.866	0.355	0.692				
		CU4	0.863	0.359	0.701				
		CU5	0.853	0.378	0.725				
		CU6	0.860	0.364	0.736				
		CU7	0.861	0.359	0.720				
	Corporate Governance (CG)	CG1	0.872	0.387	0.738	0.771	0.844	0.805	0.837
		CG2	0.854	0.394	0.729				
		CG3	0.850	0.388	0.701				
		CG4	0.874	0.370	0.736				
		CG5	0.870	0.395	0.708				
		CG6	0.869	0.408	0.716				
		CG7	0.861	0.396	0.730				
	Employees (EM)	EM1	0.847	0.375	0.700	0.781	0.851	0.825	0.840
		EM2	0.849	0.382	0.695				
		EM3	0.842	0.396	0.691				
		EM4	0.846	0.358	0.687				
		EM5	0.840	0.417	0.715				
		EM6	0.848	0.392	0.728				
		EM7	0.854	0.406	0.733				
		EM8	0.857	0.417	0.727				
		EM9	0.862	0.399	0.720				
		EM10	0.869	0.383	0.725				
		EM11	0.866	0.419	0.734				
	Supplier (SU)	SU1	0.873	0.406	0.729	0.765	0.831	0.847	0.837
		SU2	0.871	0.415	0.725				
SU3		0.874	0.419	0.737					
SU4		0.878	0.403	0.738					
SU5		0.872	0.381	0.736					
SU6		0.875	0.395	0.733					
SU7		0.876	0.428	0.724					
SU8		0.859	0.417	0.729					
SU9		0.852	0.400	0.711					
Brand Equity	Brand Awareness	BA1	0.884	0.393	0.718	0.792	0.811	0.851	0.815
		BA2	0.870	0.411	0.731				
		BA3	0.883	0.414	0.737				
	Brand Loyalty	BL1	0.885	0.429	0.705	0.785	0.830	0.847	0.830
		BL2	0.876	0.422	0.744				
		BL3	0.888	0.437	0.712				
	Brand Image	BI1	0.869	0.448	0.706	0.779	0.847	0.850	0.829
		BI2	0.870	0.439	0.718				
		BI3	0.875	0.461	0.749				
		BI4	0.872	0.455	0.751				
		BI5	0.869	0.447	0.766				

Source: Estimated by Authors

Confirmatory Factor Analysis

From the analysis it has showed $\chi^2/ (df=113)=5.194$, ($p<0.000$) good fit index (GFI)=0.937; comparative fit index (CFI)=0.948, incremental fit index (IFI)=0.952, Tucker Lewis index (TLI)=0.958, normed fit index (NFI)=0.963; and a root mean square error of approximately (RMSEA)=0.0573. The values of such as GFI, CFI, IFI, TLI and NFI has achieved the value from zero to one, a good fit data is close to one and the value has reached higher than 0.90 is acceptable. RMSEA reached a close fit value with the value between 0.04 and 0.08 and the SRMR value is (Standardized RMR)=0.0525 which is acceptable.

From the Table 2, we have observed that construct reliability (CR) higher than 0.75 and reaching from 0.781 to 0.815. The value of Average variance extracted (AVE) extends 0.50 and reaching from 0.806 to 0.849. The value of Joreskog’s Rho extends 0.80 and reaching from 0.816 to 0.852 and from the Cronbach, it has observed that value range 0.816 to 0.855 which is acceptable.

Structural Model Analysis

From the analysis it has observed that the model fit with Chi- Square=514.308, Chi-square/ (df=115)=4.198, ($p<.001$), RMSEA (Root Mean Square Error of Approximation)=0.0661; GFI=0.957; NFI (Normed fit index)=0.951; IFI (Incremental fit index)=0.963; TLI=0.974; CFI (Comparative Fit Index)=0.969. The values of CFI, IFI, TLI, and NFI were close to 1.00 and greater than 0.90, fulfilling the criteria of model fit. Moreover, RMSEA reached a close fit value with the value between 0.04 and 0.08 and the SRMR value is (Standardized RMR)=0.0613 which is acceptable.

The result of construct and item reliability, standard factor loading, error variance, SMR, CR, Cronbach, AVE and Joreskog’s Rho the value that have gathered has fulfilled the criteria. The construct reliability (CR) is higher than 0.75 reaching from 0.779 to 0.804. The value of Average variance extracted (AVE) extends 0.50 and reaching from 0.836 to 0.858. The value of Joreskog’s Rho extends 0.80 and reaching from 0.832 to 0.867 and from the Cronbach, it has observed that value range 0.829 to 0.859 which is also acceptable.

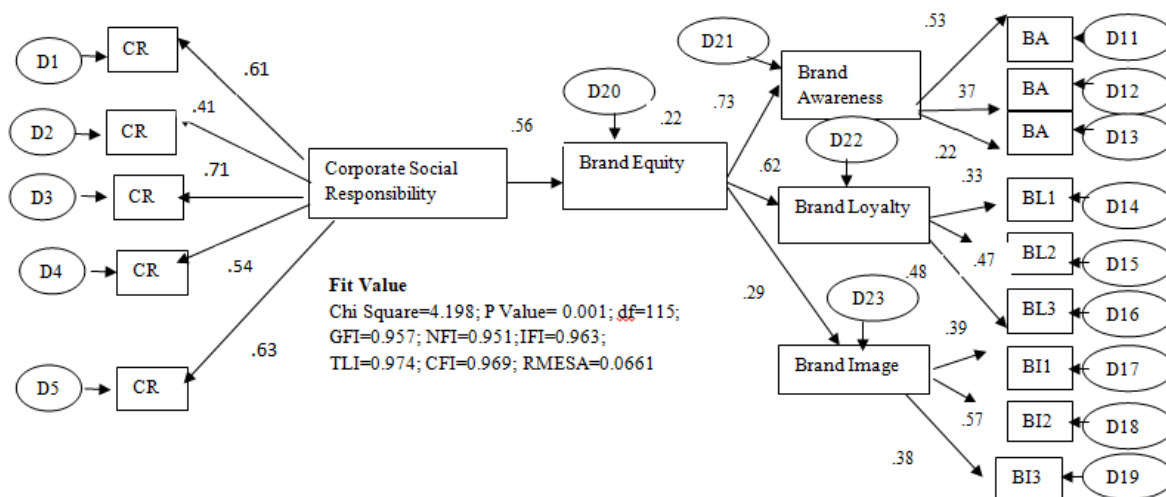


FIGURE 2
STRUCTURAL MODEL ANALYSIS

The result in Table 3, from H_1 it has showed that the community-based CSR are positively reflects on the Brand equity. The effect is significant and positive (estimate=0.038, t-value=4.182, $p=***$). Therefore, H_1 has accepted. From H_2 , it has showed that the customer-base CSR are positively reflects on the Brand equity. The relationship between the customer-base CSR and Brand Equity has accepted. The effect is also explore significant and positive (estimate=0.049, t-value=6.729, $p=***$). Therefore, H_2 has accepted.

Hypothesis	Hypothesis	Std. Estimate	S.E	C.R	P	Support
Community → Brand Equity	H1	0.892	0.038	4.182	***	Yes
Customer → Brand Equity	H2	0.852	0.049	6.729	***	Yes
Corporate Governance → Brand Equity	H3	0.868	0.054	4.273	***	Yes
Employees → Brand Equity	H4	0.847	0.033	5.405	***	Yes
Suppliers → Brand Equity	H5	0.833	0.041	4.927	0.002	Yes

Source: Estimated by Authors

From H_3 it has showed that the Corporate Governance-base CSR are positively reflects on the Brand equity. The effect is significant and positive (estimate=0.054, t-value=4.273, $p=***$). Therefore, H_3 has accepted. From H_4 it has showed that the Employees-base CSR are positively reflects on the Brand equity. The effect is significant and positive (estimate=0.033, t-value=5.405, $p=***$). Therefore, H_4 has accepted. From H_5 it has showed that the Suppliers-base CSR are positively reflects on the Brand equity. The effect is significant and positive (estimate=0.041, t-value=4.927, $p=***$). Therefore, H_5 has accepted.

CONCLUSION AND RECOMMENDATIONS

It has appears that there are positive affiliations between corporate social responsibility (CSR) and brand equity. From the Hypothesis 1 we have observed that Community-based CSR activities are positively reflects on the Brand Equity (Du et al., 2007). From the second Hypothesis we also have explored that Customer-base CSR activities are positively reflects on the Brand Equity (Karaosmanoglu et al., 2016; Pérez & Rodríguez del Bosque, 2014), from the third hypothesis we have observed that Corporate-governance based CSR activities are positively impact on the Brand Equity (Jamali et al., 2008), from the forth hypothesis we have detected that Employees-base CSR activities are positively reflects on the Brand Equity (Sen et al., 2006; Du et al., 2007) and from the final hypothesis we have observed that Suppliers-base CSR activities are positively reflects on the Brand Equity (Luo & Bhattacharya, 2006). The business organization has realized that through the concept of corporate social responsibility the business function will consolidate and accelerate the market competitiveness and strengthen the brand equity.

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