

Examining the Influence of Corporate Social Responsibility Initiatives on Brand Equity Development and Consumer Trust in Competitive Markets

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Received: 31 December 2024; Revised: 17 January 2025; Accepted: 21 February 2025; Published: 31 March 2025

Abstract

This paper is intended to inspect how CSR impacts brand equity and consumer trust. The intention of this research is to inspect the impact of brand equity on the connection between CSR and CT in the retail industry and FMCGs in the state of Kerala. The perceptions towards CSR, brand equity, and consumer trust were assessed using valid measures which included many questions to be replied using a five-point Likert scale. The results were studied using regression analysis and structural equation modeling (SEM). The outcome from empirical studies revealed that there is a considerable effect of CSR on brand equity ($\beta = 0.62$, $p < 0.001$, $R^2 = 0.38$) and CT ($\beta = 0.55$, $p < 0.001$, $R^2 = 0.31$). Furthermore, brand equity significantly influences CT ($\beta = 0.48$, $p < 0.001$, $R^2 = 0.23$), proving that it partially mediates CSR-to-trust. Based on the correlation test, there is a very significant positive association among corporate social responsibility, brand equity, and consumer trust; hence, the proposed model holds water. It was further established in this study that application of corporate social responsibility results to brand perception and consequently customer trust (CT) via brand equity as the mediating variable. The managers are encouraged to come up with CSR strategies which are an embodiment of the values of their core business and clearly communicating these strategies to achieve branding and trust advantages. The limitations of the research include being cross-sectional, industry-specific, and using small sample sizes, thus the need for longitudinal researches among other industries.

Keywords: Corporate Social Responsibility; Brand Equity; Consumer Trust; SEM, Retail Sector; Emerging Markets; Mediation Analysis.

I. INTRODUCTION

Corporate Social Responsibility (CSR) is a significant component of existing business strategy. With increasing competition in the contemporary era, where social matters receive significant attention, CSR initiatives become necessary for not only maintaining ethical sustainability within business organizations but also contributing to brand image (Fatma et al., 2015; Zhao et al., 2021). In addition to the above, corporations involved in the concept of CSR will be able to generate a good reputation for themselves, improve loyalty among their stakeholders, and build lasting relationships with their customers (Hur et al., 2014; Phung & Huynh, 2022). Hence, there exists the necessity for an elaborate review of the effect of CSR on brands (Park et al., 2014).

As CSR continues to gather traction, there remains quite a bit that must still be understood in terms of what it means for CSR programs to produce tangible branding outcomes, particularly within emerging markets (Jannat et al., 2024; Fatma & Khan, 2023). Nevertheless, there is a deficiency of research on how precisely CSR works to create brand equity and trust, as well as the potential for brand equity to mediate this relationship (Torres et al., 2012; Iglesias et al., 2020). This is definitely an issue that hinders further developments in this area.

The current research paper will try to fill the gaps by examining the connection between CSR, brand equity, and CT. This is based on the following objectives:

1. To evaluate the outcome of CSR activities on brand equity.
2. To analyze the result of CSR activities on consumer trust.
3. To assess the mediating consequence of brand equity in the CSR and consumer trust relationship.

This study is theoretically relevant in that it provides an understanding of how CSR impacts customer observations of brand and their level of trust in it. In terms of managerial relevance, it presents some valuable lessons on CSR management that can help build effective brand positioning and instill trust among consumers.

Structure of the paper includes the following: Section 2 will contain a review of related literature on CSR, brand equity and consumer trust; Section 3 will depict the methodology used; Section 4 will offer results and their interpretation, while Section 5 will discuss the outcomes and managerial implications, and finally Section 6 will contain conclusions.

II. LITERATURE REVIEW

CSR is said to be a approach where organizations take into account social, environmental, and ethical aspects when undertaking business activities (Barlas et al., 2023; Torres & López, 2024). Stakeholder Theory suggests that organizations should not only consider the interests of their shareholders, but they are also supposed to consider all their stakeholders including employees, consumers, suppliers, and even the general public. Meeting stakeholder expectations will help increase the legitimacy and efficiency of organizations in the long term. In addition, the TBL concept Highlights the Significance of sustainability in terms of the following three aspects: people, planet, and profit. These concepts have been found to impact corporate reputation and employee motivation (Fatmawati & Fauzan, 2021).

Equity for a brand refers to that added value that is created by the brand over and above the product or service attributes (He & Lai, 2014). This includes factors such as brand awareness, which is the degree to which customers can identify and recall the brand; brand perception, referring to the relative advantage of the brand over competing brands; and brand loyalty, indicating how much the customers are attached to the brand and will buy again (Park et al., 2017; He & Lai, 2014). Brand equity is one of the main sources of competitive advantage for an organization, consumer preference, and stability from market changes (Hsu, 2012; Araújo et al., 2023).

Consumer trust is characterized by consumers' willingness to depend upon the actions, products, or promises of a particular firm (Kang & Hustvedt, 2014; Safuri et al., 2024). The connection between consumer trust and CSR suggests that ethical behavior and social responsibility increase consumer trust (Yang & Basile, 2019; Lai et al., 2010). Trust tends to be enhanced by consistent CSR communication, firm reputation, and integrity (Muniz et al., 2019; Choi & La, 2013). These contribute to stronger customer commitment and lower risks involved in purchasing decisions.

Research shows that CSR has a positive influence on brand equity and trust. CSR activities lead to better brand image and brand loyalty, resulting in brand trust. Gaps still exist about the mediating effect of brand equity on CSR and consumer trust relationship. To bridge those gaps, the resulting hypotheses are presented:

- **H1:** CSR activities have a Positive influence on brand equity.
- **H2:** CSR activities have a Positive contribution on consumer trust.
- **H3:** Brand equity is a mediator of CSR and consumer trust relationship.

III. METHODOLOGY

3.1 Research Design

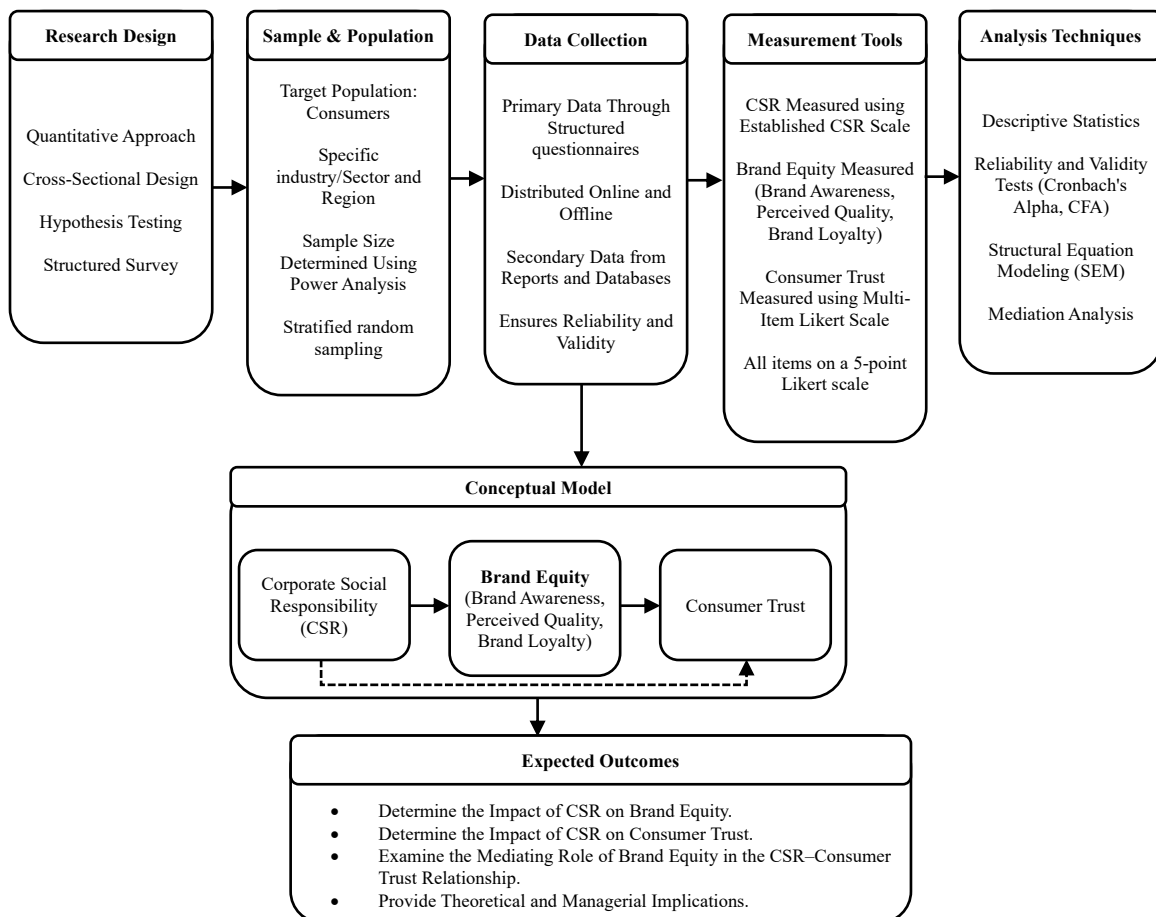


Figure 1: Research Methodology Framework

This present study is guided by the adoption of a quantitative research design that seeks to explore the connection among CSR, brand equity, and consumer trust. The use of such an approach facilitates hypothesis testing and objective identification of the relationship's nature. The quantitative approach allows for generalization of the results in the target population, as well as enables hypothesis testing. Since the approach relies on measurement of the variables under study, it becomes easier to review the current outcomes with earlier papers on the same issue.

Figure 1 This diagram offers an overview of the entire process of examine methodology used in conducting this research concerning CSR, brand equity, and consumer trust. It provides the flow of the research process which begins with the identification of target population and sampling of the sample to be used. Data is collected using questionnaires and secondary sources. Analysis methods, such as descriptive analysis, correlation, regression, and SEM, will follow. The model will also emphasize the importance of the theoretical basis, which is Stakeholder Theory and Triple Bottom Line theory, that led to the development of the conceptual model. This visual presentation will clarify how data moves within the research process so as to establish both Direct and indirect effects and make management and theoretical observations.

3.2 Sample and Population

This study is directed towards exploring the opinions of consumers who fall under the category of retail and fast-moving consumer goods industry of the state of Kerala. The study utilizes a survey technique where 350 participants have been randomly selected from a stratified sample population. Through stratification, it becomes easier to guarantee proportional representation, thus ensuring accuracy. Additionally, adequacy of the sample size was validated based on statistical norms for regression and SEM analyses.

3.3 Data Collection

Data collection involved use of structured surveys which were administered both through the online method and off-line mode. The survey included items on perceptions of CSR, branding, and consumer trust. The secondary data collected were from CSR reports from various companies as well as performance indices of brands. The pre-test for the survey was carried out using a limited number of respondents to establish clarity, validity, and comprehensiveness of the questions. The data was collected within two months to gauge the present-day attitude of the consumers.

3.4 Measurement Tools

These instruments have been utilized to ensure that there is reliability in measuring variables. CSR has been measured based on ethical perceptions, social responsibility, and environmental perceptions. On the other hand, Brand Equity has been measured through dimensions such as brand awareness, quality, and brand loyalty. The Consumer Trust variable was measured using brand confidence, reliability, and integrity. These measures were measured using a five-point Likert scale that ranged from strongly disagree to completely agree. The internal constancy reliability was calculated using Cronbach's Alpha test and composite reliability test. For construct validity, the researcher used factor analysis to eliminate redundant variables.

3.5 Analysis Techniques

Regression analysis and (SEM) were applied in analyzing data in order to verify the hypotheses developed. Correlation analysis was done in order to explore potential associations between CSR, brand equity, and CT. The analysis was performed using the SPSS and SmartPLS programs to guarantee the validity of the outcomes. The measures for model fit including R², Q², and path coefficient were utilized to confirm the suitability of the projected SEM analysis. Bootstrapping analysis with 5,000 resamples was done to determine the significance of paths and mediation.

IV. RESULTS

4.1 Descriptive Analysis

The participants included 350 people who were randomly selected from among the retail sector and Fast-Moving Consumer Goods sectors in the state of Kerala. The results of the demographic analysis indicated a good balance among males and females, as well as different income levels and ages. Based on the findings of the initial statistical information, the level of consumers' awareness concerning CSR initiatives was moderate to high (CSR perception = 3.8/5). Similarly, brand equity attributes such as awareness, quality, and loyalty, in addition to high consumer trust, were found because of consumers' belief in the organizations conducting social responsibility activities, serving as the groundwork for hypothesis testing.

Table 1: Descriptive Statistics

Variable	N	Mean	Std. Dev	Min	Max
CSR Awareness	350	3.82	0.64	2	5
Brand Awareness	350	3.75	0.68	1	5
Perceived Quality	350	3.78	0.70	2	5
Brand Loyalty	350	3.70	0.72	1	5
Consumer Trust	350	3.81	0.66	2	5

Table 1 displays the descriptive statistics of the study variables among 350 respondents. The findings show that the respondents expressed awareness of CSR on average scores of 3.82. Positive trends were also seen in the elements of brand equity, where average scores include 3.75 for brand awareness, 3.78 for perceived quality, and 3.70 for brand loyalty. Similarly, consumer trust was very high at 3.81, indicating that consumers are generally trusting toward brands that adopt socially responsible behaviors. The standard deviations suggest that there is some level of variability among responses, while the minimum and maximum scores represent the full scope of consumer perceptions.

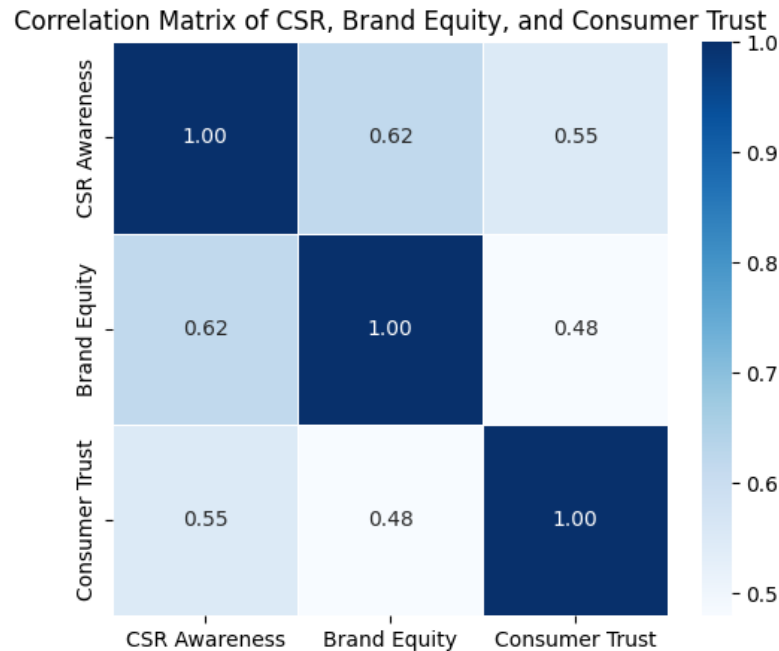


Figure 2: Correlation Matrix of CSR, Brand Equity, and Consumer Trust

The figure 2 below shows the correlation map for the correlation between CSR awareness, brand equity and CT. The map clearly illustrates a positive correlation where CSR is significantly related to brand equity (0.62) and CT (0.55), and brand equity is related to consumer trust (0.48). Heatmaps use color shading to reflect the degree of relationship strength. The heat map gives an easy-to-understand way to visualize the relationships between the variables being studied. Heat maps help us understand the relationships between the variables before running regression and SEM analysis.

Structural Equation Model (SEM)

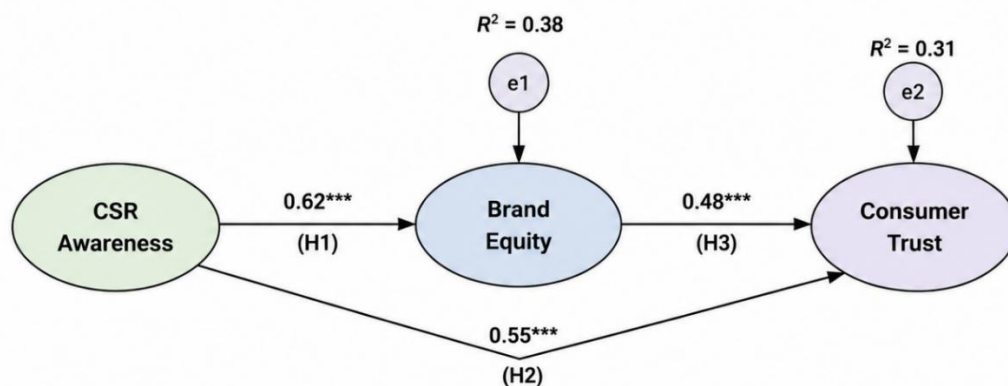


Figure 3: Structural Equation Model (SEM)

In figure 3, the SEM framework of the association between CSR awareness, brand equity, and CT is presented. CSR awareness significantly impacts brand equity ($\beta = 0.62$) and consumer trust ($\beta = 0.55$) while brand equity further impacts consumer trust ($\beta = 0.48$). This demonstrates its

partial mediation role in the process. The figure illustrates the degree to which the variance is explained in brand equity ($R^2 = 0.38$) and consumer trust ($R^2 = 0.31$), depicting the hypotheses and the extent of their relationship in the research. This serves to depict the hypothesized relationships graphically, indicating how the variables being tested in this study interact with each other.

4.2 Hypothesis Testing

Regression and SEM have been adopted to test these hypothesized relationships.

Table 2: Regression Results for Hypotheses Testing

Hypothesis	Path	β	t-value	p-value	R^2	Supported
H1	CSR $\rightarrow$ Brand Equity	0.62	8.71	<0.001	0.38	Yes
H2	CSR $\rightarrow$ Consumer Trust	0.55	7.92	<0.001	0.31	Yes
H3	Brand Equity $\rightarrow$ Trust	0.48	6.34	<0.001	0.23	Yes

The regression analysis done in this research on the effect of CSR, brand equity, and CT is shown in table 2. It is evident that CSR has a positive association between brand equity and consumer trust, while brand equity has a positive influence on consumer trust. Influence can be gauged by β -values, statistical significance can be measured by the t-values and p-values, while variance can be measured by R^2 values. The hypotheses have proven themselves to be correct as CSR practices are extremely influential when it comes to consumer brand perception and gaining their confidence.

4.3 Key Insights

Results show the contribution of CSR in influencing the creation of brand equity and trust among consumers. Significant β s and p-values highlight the presence of strong associations, while the R^2 values show that there is an important level of influence of CSR on brand equity and trust. This provides confirmation to the proposed relationships and demonstrates the importance of incorporating CSR into brand management efforts.

V. DISCUSSION

Findings have shown that CSR consciousness positively impacts on both brand equity and consumer trust. These observation support with previous studies which indicated that social responsibility helps improve consumer attitudes towards brand quality and reliability. Also, the positive impact of brand equity on the trust of consumers proves that branding plays a vital intermediary role between CSR activities and the trust of consumers, which aligns with previous research findings.

Companies could use CSR activities as a tool for enhancing their corporate image, creating trust among consumers in the long run. The use of CSR would enable companies to distinguish themselves from the competition and build consumer loyalty. Transparency in the communication of any efforts at CSR via marketing channels will only increase the importance of the effect on brand equity. It is important for managers to focus on those CSR initiatives that match their business principles and consumer expectations.

The application of CSR can encounter certain difficulties, including budget issues, regulations within an industry, and cultural considerations. In the developing countries, there may be a difference in the understanding of the efficacy of CSR among individuals, thus limiting its impact with regard to developing a brand image. Companies have to consider the state of affairs in their environment as well as the dynamics of the industry.

Future research could include longitudinal approaches to determine the long-term effects of CSR on brand equity and CT. Comparisons with industries would aid in understanding industry dynamics, while investigations into CSR communication strategies might aid in identifying the best method of communicating with consumers. Moreover, studies on how cultural and demographic factors moderate these effects might be valuable in refining understanding of the issue under study.

VI. CONCLUSION

In this study, the importance of CSR has been emphasized because, based on the results, there exists a beneficial association between CSR and brand equity, as well as CT. Based on the findings from regression and structural equation modelling analyses, there were positive relationships between CSR and brand equity ($\beta = 0.62$, $p < 0.001$, $R^2 = 0.38$), as well as between CSR and consumer trust ($\beta = 0.55$, $p < 0.001$, $R^2 = 0.31$). Besides, the results indicated that brand equity has a positive relationship with consumer trust ($\beta = 0.48$, $p < 0.001$, $R^2 = 0.23$). This supports the partially mediational role of brand equity between CSR and CT. It is evident that the study results provide insights into the manner in which CSR can enhance brand perceptions and build consumer trust. In managerial perspective, the results provide some valuable lessons for management such as the need to take a CSR strategy that aligns with organizational values and one that is very well-accepted in the market segment targeted. The emphasis must be put on ethical issues, the environment, and society. Due to high path coefficients, small changes made to CSR programs can make significant impacts on brand equity and trust, thereby bringing benefits to competitive advantages. Limitations that can be observed within the study include the fact that it is cross-sectional, geographically limited, as well as limited by sectors. It also involves a sample group of only 350 individuals. Some recommendations for further research include undertaking longitudinal research of this issue, as well as performing cross-cultural analysis in terms of the effects of CSR on brand outcome.

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