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# INTERNATIONAL JOURNAL OF SCIENCE ARTS AND COMMERCE

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## Exploring the Effect of Philanthropic Practices of Corporate Social Responsibility on Consumer Brand Preference in Kenya

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### **Abstract**

*The broad objective of this study was to establish the effect of philanthropic practices of corporate social responsibility on consumer brand preference for mobile phone services. Data were collected using a structured questionnaire and analyzed using both descriptive and inferential statistics. The study was conducted in Tharaka Nithi County, Kenya and established that philanthropic practices of corporate social responsibility had a statistically significant positive effect on consumer brand preference. It was discovered that consumers were aware of the charitable activities carried out by mobile phone service providers to the point where it affected their perceptions, attitudes, and ultimately their brand choices. Hence, there is a need for ongoing participation of mobile phone service providers in charitable activities because they have a positive impact on consumer brand preference.*

**Keywords:** *Corporate social responsibility, philanthropic practices, consumer brand preference, mobile phone services.*

### **1. Introduction**

The decision by organizations to undertake philanthropic practices of corporate social responsibility will depend on whether their objective is to gain competitive advantage or create sustainability in a business (Porter, 2011). The effectiveness of philanthropic practices of corporate social responsibility in enhancing consumer brand preference is an important aspect that needs to be studied (Peterson, Van Landuyt and Pham, 2021). Corporate social responsibility

(CSR) has become increasingly important to consumers, who are often interested in knowing that the companies they purchase from are socially responsible and contributing positively to society. Philanthropic practices are one aspect of CSR that can have a significant impact on consumer brand preference.

The Kenyan mobile phone industry has been characterized by the dominance of one player from 2011 to 2020 (Ongek & Onjoro, 2020; Muturi *et al.*, 2014; Krell, Giroux, Guido, Hannah, Lopus, Caylor & Evans, 2021 ). The lower consumer brand preference for other companies operating in similar competitive conditions has not been explained. Considering the above discourse, mechanisms and the extent to which philanthropic practices of corporate social responsibility may lead to superior consumer brand preference in a highly competitive environment has not been explained in the context of mobile phone companies in Kenya. In addition, extant studies show various shortcomings which rendered them inadequate in establishing the relationship between philanthropic practices of corporate social responsibility and consumer brand preference for mobile phone services.

Studies by Zhang and Wang (2022) and Fedorova, Demin and Silina (2023) established that while customers perceive corporate social responsibility philanthropy to be important, they attach more importance to quality, price and brand popularity than CSR philanthropy. The findings further indicated contradicting conclusions as to whether philanthropic practices of corporate social responsibility have any bearing on consumer brand preferences. Related studies by Cha *et al.*, (2023) and Shahid *et al.*, (2020) found a direct relationship between philanthropic practices of corporate social responsibility and purchase behaviour. These studies' findings further indicate that corporate philanthropy has an overall positive effect on consumer perceptions. The findings of the studies above are in agreement with a study conducted by Ding and Jiang (2021) on the impact of corporate social responsibility philanthropy on consumer loyalty which found that there is a significant positive effect of philanthropic practices on consumer purchasing behaviour. Accordingly, Wang and Qian (2011) argue that corporate philanthropy can, over time, minimize regulations imposed by the government, satisfy the needs of several customers, boost the economy in emerging regions, and expand the quantity and calibre of their clientele.

All the above studies were conducted outside Kenya under different social economic and regulatory conditions and are therefore locational variants. It is also important to note that of all the studies above, none were conducted in the mobile phone service industry. Unlike previous studies, this study works to bridge the identified gaps through the utilization of descriptive and inferential statistics. It also undertakes linear regression and correlation analysis of the data that was collected. The study considered the relationship between the philanthropic practices of corporate social responsibility and consumer brand preference. In a nutshell, addressed the following research question; what is the relationship between philanthropic practices of corporate social responsibility and consumer brand preference for mobile phone services in Kenya?

### **1.1 Literature Review**

The Current studies on philanthropic practices done by Cha *et al.*, (2023), Ding and Jiang (2021) and Shahid *et al.*, (2020) lay a lot of emphasis on the need for firms to use philanthropic practices. They suggest that such practices help in maximizing sales and consumer brand

preference. In particular, Cha *et al.*, (2023) posit that proactive engagement in philanthropic practices of CSR makes firms more competitive in the international markets as they help companies to successfully deal with multiple stakeholder demands. This will in turn create customer loyalty and ultimately brand preference.

Shahid *et al.*, (2020) are emphatic that many firms use philanthropic practices of corporate social responsibility as a strategy for product promotion which in turn leads to enhanced consumer brand preference. The phrase “strategic philanthropic practices of corporate social responsibility”, was coined by Porter (2011) to refer to the strategy of linking philanthropic practices of corporate social responsibility to consumer brand preference.

On the contrary, some researchers and scholars view philanthropic practices of corporate social responsibility to be competing with other resource requirements of the organization and should not be an agenda driven by organizations whose main aim is to make profits (Friedman, 1970). On the contrary, Anlesinya and Abugre (2022) show a positive and significant contribution of philanthropic practices of corporate social responsibility to business value creation. Zhang and Wang (2022) as well as Megha and Anupam (2008) are critical of the view of investing heavily in philanthropic practices of corporate social responsibility philanthropy does not have a positive effect on consumer perceptions and overall consumer brand preference. They argue that corporate social responsibility philanthropy is a major cost centre and customer interpretation of philanthropic practices of corporate social responsibility is mixed.

The force behind philanthropic practices of corporate social responsibility has been explained differently by various researchers and scholars. For instance, Cha *et al.*, (2023), noted that firms use philanthropic practices of corporate social responsibility as a strategy to retain valuable employees, as a cost management initiative and to build strong brands (through public relations) while providing the organization with an avenue for tax incentives. Anlesinya and Abugre (2022) view philanthropy as one CSR of activity that can help businesses succeed while tackling societal issues. In the long run, it is a sustainable win-win proposition for both business and society.

In their studies, Ding and Jiang (2021) and Shahid *et al.*, (2020) established that philanthropic practices of corporate social responsibility had a significant contribution to improving the customers' brand preference. They concluded that philanthropic practices such as support for children's homes, support for health services, support for education programs, support for economic empowerment projects and support for disaster prevention and management affect consumer brand preference. Chrisjatmiko and Margareth (2017) are of similar thought that organizations that commit their resources to philanthropic practices of corporate social responsibility develop customer loyalty and also attract new customers. This in turn translates to a favourable consumer brand preference. Based on the afore-discussed views, this study proposes the following hypothesis:

*H<sub>1</sub>: Philanthropic practices of CSR have significant and positive effects on consumer brand preferences for mobile phone services.*

## **2. Material and Methods**

To explore the relationship between philanthropic practices of corporate social responsibility and consumer brand preference for mobile phone services, the current study adopted the descriptive cross-sectional survey design. The adopted design helped in exploring and describing the

relationships among the key study variables (Kothari, 2019). It was further noted that in a cross-sectional survey design, parameters of a phenomenon are picked once at a specific time to accurately capture the characteristics of the population relating to the problem at hand.

The population of this study consisted of 2811 secondary school teachers in Tharaka Nithi County who are subscribers to either of the five mobile phone companies in Kenya (C.A.K, 2021). A stratified random sampling technique was adopted to ensure that respondents from the four sub-counties namely, Meru South, Maara, Thraka North and Tharaka South were fairly represented. In each stratum, a systematic random sampling technique was used for a more reliable and detailed representation of the population (Kothari, 2019). The sample size was determined using Israel's formula. The formula as adopted by Nkari (2016) was applied and resulted in a sample size of 350 respondents.

Data was collected using a structured questionnaire. The questionnaires were personally administered to the respondents. To ensure that the respondents were fully engaged and motivated to give the required information, explanations were given to the respondents on issues that needed clarification (Fowler, 2009). The questions used for this study were modified and validated to suit the study objectives.

The study variables were operationalized and measured using a five-point Likert-type scale ranging from 1 = strongly disagree, 2= disagree, 3= neither agree nor disagree, 4= Agree and 5= strongly Agree. Data were analyzed using descriptive statistics (frequencies, percentages, mean and standard deviation) as well as inferential statistics (regression analysis and correlation analyses).

One of the analytical models adopted for this study was the Simple linear regression model. The aim was to establish the cumulative effect of six (6) different philanthropic practices on consumer brand preference. Hence summated scale was used. The relationship between philanthropic practices of corporate social responsibility and consumer brand preference was given by the following function:

$$Y = \alpha + \beta_i P + \epsilon$$

Where:

Y - Consumer Brand Preference

P – Philanthropic Practices of CSR

$\beta_i$  – Regression Coefficients

$\epsilon$  = Error term

In measuring the amount of variation between the independent and dependent variables, the coefficient of determination ( $r^2$ ) was used.

### 3. Findings and Analysis

Three hundred and fifty questionnaires were administered out of which 344 were filled making a total response rate of 98.28 per cent which was considered adequate. According to Creswell (2018), a return rate of 50% and above is acceptable. The response rate of 98.28 per cent

compared favourably with a similar study conducted among mobile phone companies by Onyango (2019) which had a response rate of 90 per cent.

### 3.1 Reliability and validity

The study ensured the reliability of the research instrument by computing Cronbach's alpha coefficient regarding the study variables. The lowest level of reliability of the variables was found to have a Cronbach's alpha coefficient of 0.89. This coefficient was above the acceptable minimum value of 0.5 as informed by Cronbach (1951) and above 0.7 which is the recommended value as informed by Nunnally and Bernstein (1994). This makes the internal consistency measures used in this study to be adequate in measuring the relevant study variables.

Validity was achieved by ensuring that the questionnaire used during data collection was created from strong and validated literature and that an expert panel was involved. This study also enhanced validity by piloting the questionnaire. It was also ensured that the instrument had accuracy in reflecting constructs stated in the theoretical domain and that it measured what it claimed to measure. This made it necessary to involve some experts in the study area and some respondents to strengthen the questionnaire by reflecting on its coverage of the theoretical domain (Saunders, Lewis & Thornhill, 2007).

### 3.2 Responses on the Relationship between Philanthropic Practices of Corporate Social Responsibility

Six items were used to measure companies' involvement in philanthropic practices. These are support for orphans, support for health services, support for educational activities, support for sport activities, support for economic empowerment projects and support for disaster prevention and management. Overall, philanthropic practices by mobile phone companies in Kenya involve a range of initiatives and programs aimed at supporting social causes and improving the lives of people in the country. The choice Table 1 contains a summary of the relationship between philanthropic practices of CSR and consumer brand preference for mobile phone services.

**Table 1: Philanthropic Practices and Consumer Brand Preference for Mobile Phone Services**

Respondents Perception		Total	Mean	St. Dev
1	Preference because my MPSP participates in supporting children's homes for orphans	344	3.334	1.07
2	Preference because my MPSP participates in supporting health activities	344	3.154	1.01
3	Preference because my MPSP participates in supporting educational activities	344	3.305	1.15
4	Preference because my MPSP participates in supporting sports activities	344	3.718	0.96
5	Preference because my MPSP involvement in citizen economic empowerment projects	344	4.282	0.99
6	Preference because of my MPSP involvement in support of disaster prevention and management	344	2.941	1.25
<b>The mean score on CSR philanthropic activities and consumer brand preference</b>			<b>3.591</b>	<b>1.072</b>

Key: MPSP = Mobile phone service provider

**Source: Survey data (2021)**

The results from descriptive analysis indicate that consumer preferences for mobile phone line brands are influenced by CSR philanthropic activities of mobile phone service providers (mean score = 3.591, standard deviation 1.072). The corporate social responsibility philanthropic practice considered to make the greatest contribution was involvement in citizen economic empowerment projects (M = 4.282; SD =0.99), involvement in sports activities such as racing, athletics and ball games (M = 3.718; supporting children's homes for orphans (M =3.334; SD = 1.07); SD = 0.96), supporting health activities such as purchasing of medical equipment to support local hospitals, monetary support to persons unable to clear hospital bills and supporting wellness camps (M =3.154; SD = 1.01); in educational activities such as scholarships, bursary, construction of facilities and instructional resource provision (M = 3.305; SD = 1.15) and involvement in disaster prevention and management (M = 2.941; SD = 1.25) which was the lowest.

Thereafter, regression analysis to determine the relationship between participation in CSR philanthropic activities and consumer brand preference for mobile phone lines among secondary school teachers in Tharaka Nithi County was done. The results are shown in Table 2.

**Table 2: Results from Regressions Analysis**

	<b>Model 1</b>		
	Beta <sup>a</sup>	t	p
<b>Predictors</b>			
(Constant)	39.735	13.875	0.000
P	0.582	7.461	0.000
R Square	0.339		
P-Value	0.000		

**Source: Survey data (2021)**

Regression model results in Table 2 shows that a unit increase in philanthropic practices of corporate social responsibility (P) was associated with an increase of 0.582 in consumer brand preference while holding other factors constant. The R-square value of 0.339 indicates that philanthropic practices of corporate social responsibility in Kenya's mobile service industry are responsible for 33.9 per cent changes in consumer brand preference. Based on the results of Table 2, a simple regression equation can be used to estimate consumer brand preference as follows;

$$Y = 39.735 + 0.582P$$

Where;

Y - Consumer Brand Preference

P – Philanthropic Practices of CSR

The test of significance of philanthropic practices of corporate social responsibility at a 5 per cent significant level showed a p-value of 0.000 ( $p < 0.05$ ). Therefore, philanthropic practices of corporate social responsibility have a significant effect on consumer brand preference. The

alternative hypothesis that there is a statistically significant relationship between philanthropic practices of corporate social responsibility and consumer brand preference for mobile phone services is therefore accepted.

#### **4. Findings and Analysis**

Concerning consumer brand preference, it was hypothesized that there is a statistically significant relationship between philanthropic practices of corporate social responsibility and consumer brand preference for mobile phone services. Similar to the hypothesis, the results of this study indicate that consumer preference for mobile phone line brands is influenced by the CSR philanthropic activities of mobile phone service providers. In other words, consumers may be more likely to choose a particular mobile phone line brand based on the philanthropic activities of the service provider associated with that brand. These findings imply that consumers are not solely concerned with the quality of the mobile phone service itself, but also care about the social impact and ethical behaviour of the service providers. It suggests that service providers can improve their brand image and attract more customers by engaging in philanthropic activities and demonstrating their commitment to social responsibility.

Regression analysis was done to determine the relationship between participation in CSR philanthropic activities and consumer brand preference for mobile phone lines among secondary school teachers in Tharaka Nithi County was done. The results of multiple regressions analysis showed a unit increase in philanthropic practices of corporate social responsibility (P) was associated with an increase of 0.582 in consumer brand preference while holding other factors constant. Therefore, philanthropic practices of corporate social responsibility have a significant effect on consumer brand preference. It is interpreted from the result that teachers are highly conscious of the support provided to their societies by mobile phone service providers in Kenya.

This interpretation seems plausible in light of the previous studies on the relationship between participation in corporate social responsibility activities and consumer brand preference for mobile phone services carried out by Ding and Jiang (2021) and Shahid *et al.*, (2020). These authors indicated that various aspects of CSR philanthropic activities influence consumer brand preference for mobile phone service lines.

On the contrary, a study conducted by Zhang and Wang (2022) as well as Megha and Anupam (2008) on the effect of corporate social responsibility philanthropic practices and consumer perceptions revealed that while consumers perceive corporate social responsibility philanthropy to be important, they attach more importance to quality, price and brand popularity than philanthropy. The findings further indicated that the interpretation of philanthropic practices of corporate social responsibility is mixed as some suggest philanthropy is unlikely to translate into greater consumer brand preference.

The findings of this study corroborate findings by Shahid *et al.*, (2020) who found that people were more likely to respond to a brand that was involved in some activities involving philanthropy. The interpretation of these findings implies that consumers are generally aware of a company's philanthropic CSR and its impact on the community. Consumers can react to this behaviour by either rewarding or punishing firms by choosing and buying their products or avoiding their products. With the development of multinational companies, philanthropic corporate social responsibility has become a very important component of corporate activities.

Most philanthropic CSR activities are geared towards business sustainability, building customer loyalty and consumer brand preference. The results of this study resonate well with the findings of other studies that have examined how CSR philanthropy influences consumer preferences.

Similar findings were found by Peterson *et al.*, (2021) that consumer decisions were influenced by CSR activities limited to philanthropy and short-term community projects. The study further provided preliminary evidence that the response of consumers to CSR behaviour is determined by three factors which are; perception, awareness, and trust. The current study supports this idea as it was revealed that consumers are increasingly aware of what companies are contributing to society. In addition, consumers attach their preferences to philanthropic practices as they tend to build positive perceptions of their brands. Findings from this study further suggest that consumers tend to have high trust in companies that actively and strategically engage in philanthropic practices.

Additionally, Shahid *et al.*, (2020) established that philanthropy can often be the most cost-efficient way for a corporation to improve its competitive power. In the current highly competitive mobile phone service line markets, manufacturers are constantly struggling to find an additional competitive edge and differentiating elements to persuade consumers. The findings of this study strongly indicate that trust in philanthropic CSR and awareness of philanthropic CSR have strong positive effects on customer evaluation, perception and preferences and serve as the foundation for corporates to enhance their CSR activities. Thus, to succeed in achieving brand preference in the current period, firms must devote attention to creating and sustaining customer loyalty, with philanthropic CSR being a useful tool in this regard.

## 5. Conclusion

The study established that philanthropic practices of corporate social responsibility have a statistically significant positive effect on consumer brand preference for mobile phone services. Mobile phone service companies need to demonstrate their concern for the society where they operate by performing philanthropic practices which include: support for children's homes, support for health services, support for education programs, support for economic empowerment projects and support for disaster prevention and management. The implication of the relationship between philanthropic practices of corporate social responsibility and consumer brand preference for mobile phone services was established by this study.

Based on the  $R^2$  value, it was established that only 33.9 per cent of variations in consumer preference was caused by philanthropic practices. This indicates the importance to note that the relationship between CSR philanthropic activities and consumer preference is not necessarily straightforward. There may be other factors that also influence consumer choice of mobile phone lines, such as price, network coverage, customer service, and brand reputation. Additionally, consumers may have different preferences and values when it comes to CSR, and what is important to one consumer may not be as important to another.

## 6. Recommendation

There is a need for continuous involvement of mobile phone service providers in financing philanthropic practices under their corporate social responsibility framework. The reason behind this recommendation is that it is a strategic move which positively influences consumer brand preference and loyalty. Mobile phone companies can tailor their loyalty-gaining programs in a



way that can influence consumers' preferences. There should be well-planned programmes by mobile phone service companies to strategically engage in philanthropic practices not only to give back to the community but to advance their individual companies' consumer brand preferences.

### 6.1 Areas for Future Research

This study was confined to a single sector which is mobile phone services in Kenya, it is suggested that similar studies be conducted in different sectors of the economy. It is important to note that the impact of philanthropic practices on consumer brand preferences may vary depending on several factors, such as the type and scope of the philanthropic activity, the target audience, the level of consumer involvement, and the overall marketing strategy of the mobile phone company. Therefore future studies could also target other countries with various social-economic conditions to identify contextual and regional differences in the relationship between philanthropic practices and consumer preferences. Lastly, since philanthropic practices are just one among various CSR activities, it could be of interest to future researchers to establish the effect of other CSR practices on consumer brand preference.

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