

The Effect of Corporate Social responsibility on Consumer Buying Behavior A case of Pakistan

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Abstract: The main purpose of this paper is to find out the relationship between corporate social responsibility and consumer buying behavior in Pakistan. A total of 250 responses were collected from respondents of twin cities of Pakistan multiple regression was used to investigate the relationship among the variable of study. Results showed that substantial, viable and identifiable consumer group exists that considers a company's level of social responsibility in its purchase decisions. For academicians, this research makes a contribution to the understanding the underlying dynamics of the role of corporate social responsibility in consumers' buying behavior. The result of this study indicates that all of the CSR components have a significant relationship with consumers' buying behavior. This research may help managers to make appropriate strategy for initiatives of CSR.

Keywords: social responsibility, corporate, consumer, purchase, behavior.

INTRODUCTION

Corporate Social Responsibility (CSR) can be defined as a business' focus on the "economic, social and on the environmental goals as a measure of company's success this concept is also known as triple bottom line concept. Measures of a company's success. Over the last a number of decades, a wide range of companies have started to understand that a stress on the "triple bottom line" is not only morally better, but can frequently bring financial rewards as well. The activities of CSR can be a powerful source in holding companies responsible for their environmental and social impacts, and it can also be used as means to enhance the performance of companies.

Bowen [1] defined CSR as the obligation "to pursue those policies, to make those decisions, or to follow those lines of action which are desirable in terms of the objectives and values of our society". The sight of Corporate social responsibility as a social commitment has been supported in later conceptualizations [2] and modern marketing researches [3,4]. According to Carroll there are different type's obligations such as economics obligation, which means to be economically viable and more productive, legal and ethical obligation which means to follow the laws and ethical values and philanthropic obligations (give back to society). Many studies have established that Corporate social

responsibility programs have a strong impact on consumers' attitudes and behaviors towards products and companies[3]. Adam smith argued that business owner, in the pursuit of profit will ultimately produce social good. Corporations that do not equip themselves with CSR activities will often be left behind with the increasing global competition and borderless markets, and international corporations with sound CSR activities grow stronger[4]. As the education level increases, consumers are made more aware of the need for pro social corporate behavior. A lot of work has been done in Western countries to identify an organization's behavior regarding consumer purchasing decisions. However, not many studies have been conducted in emerging markets, such as Pakistan. This paper will examine the effect of CSR initiatives on the buying behavior of Pakistani consumers.

Scope of the study

The study is limited to consumer buying behavior and corporate social responsibility initiatives of the corporate. The study is confined to two twin cities of Pakistan Islamabad and Rawalpindi.

Purpose of the study:

Literature on CSR shows that CSR initiative has an effect on consumer purchase decision.

Followings are some objective of the study -

1. To find out the relationship between corporate social responsibility and consumer buying behavior in Pakistan
2. To study and examine the current CSR practices being employed by corporations in Pakistan.
3. To check out the level of awareness of consumer about CSR

REVIEW OF LITERATURE

Firms as a socio-economic agents have a greatest impact on the environment and accordingly they have a significant part to play for the betterment and sustainability of the environment. Indeed, given the enormous power, position and rights that corporations exercise, inhabit and benefit from society, they expectedly believe in some form of social duties and social responsibilities. Corporate social responsibility with perspective of consumer is an emerging trend in the current era and consumers have also started to take interest in the CSR activities of the company.[5] This changing perspective of CSR, activated the researcher to check either CSR activities have impact on consumer purchase behavior or not if it is influencing the behavior then to what extent? The results of study of Mohr et al.(2001) demonstrated a positive link between CSR activities and consumer behavior. Moreover, the results of the same study also showed that a very little number of respondent don't really think about making CSR as a base for their purchase decision.

Another emerging trend in the 21st century was the focus of CSR from the consumer perspective. The fact that companies began to work and actively participate in projects regarding corporate social responsibility; help the consumer to woke up and show interest in the initiatives of the corporate for the social well being. The researchers were so anxious to know whether CSR activities had influence on consumers buying behavior or not, and if so, in what way and to what extent. [5] In 2001, Mohr et al. studied the relationship between CSR and buying behavior of consumers. The study results showed that most respondents were generally positively disposed to socially responsible companies and also expect companies to be very active in CSR. Furthermore, the results exposed that a small mass of respondents do not think seriously basing their buying behavior on CSR or did so only sometimes, even if CSR as purchasing criteria did not play a big role in the process of adoption or purchase behavior. However, 39% of respondents were somewhat or much basing your purchase on CSR [6,16].

In 2005, Becker-Olsen and Hill contributed two studies investigating the role of perceived fit (eg

Similarity between corporate mission and social initiative), perceived corporate motive (centered at the other against profits in the middle), and when a notice (proactive versus reactive) in consumer responses to social enterprise initiatives. The intend of the study was to discover the impact of CSR on consumer behavior. The study results showed that an overwhelming majority of respondents believe that companies should engage in social initiatives and 76% thought that these initiatives will benefit companies. About half of respondents said they would refuse the companies who acted irresponsibly, whether reasonable alternatives were available [7,18].

In 21th century, another relatively new phenomenon within CSR developed and used as competitive advantage. In 2006, marketing and strategy leader Michael Porter and Mark R. Kramer written an article in which they described a framework which can be used by the organizations to see that impact they have on the society, determine which effects to address and then suggest effective ways to do so.CSR, in strategic perspective is a source of a great social progress as corporation use their resources and expertise and insight and activities that benefits the society. [8].

In fulfilling the economic responsibility, it is expected that companies working within the framework of laws and regulations as a partial fulfillment of the "social contract" between business and society. Carroll [9] stated that it is important that the legal responsibility to perform in a manner that is consistent with expectations of governments and laws that comply with various federal, state and local regulations. a successful company should be recognized as one that meets its legal obligations.

Although economic and legal responsibilities represent the ethical standards of equity and justice, ethical responsibility encompasses those activities and practices expected or prohibited by society that expand beyond the limitations of the legal responsibilities. Ethical responsibility embodies those standards and expectations that reflect a concern as consumers, employees, shareholders and the community consider fair, just, or in accordance with the respect and protection of moral rights of stakeholders [2, 15]

Conchius, meanwhile, said the legal responsibility includes abide by the consumers of products and laws, environmental laws and employment laws while sticking on to the laws and regulations governing competition in the market. However, legal responsibilities do not embrace the whole range of behaviors expected of companies by society.[9] The laws are important, but are often insufficient. First, it is

not possible to address all issues and areas that a company may face. Second, laws often the most recent of what is considered proper behavior concepts are left behind, and thirdly, the laws may represent personal interests and political motivations of legislators [10].

Carroll [11] vowed that the activities of the corporations are trusted if they showcase good citizenship and, moral activities. Furthermore he also argued that corporations should also go beyond the business and legal activities [11].

Consumer Behavior towards CSR

This paper aims to examine consumers' buying behavior as a result of corporate CSR initiatives. We are interested in examining that whether the purchase decisions of the products and services of consumers in Pakistani are based on corporation's CSR initiatives or not. In addition, we also seek to identify which type of CSR component based on Carroll's pyramid of CSR will have significant impact on consumers' buying behavior.

Several studies have suggested that there is a positive relationship between a corporation's CSR activities and consumers' attitudes towards that corporation and its products [1, 2, 6,12,). Mohr, Webb and Harris examined and their finding indicated a significant relationship between CSR and consumer responses.

Sen and Bhattacharya [3] research on reaction of consumers to CSR shows that CSR will directly affect consumers' intentions to purchase corporation's products.

As cited in Pomeroy and Dolnicar marketplace polls reported that consumers expect corporations to provide information about what they do, and they will support those corporations that pursue CSR initiatives [13,14]

RESEARCH METHODOLOGY

The study is deductive in nature. A structured was questionnaire designed, to know the level of awareness and impact of corporation's CSR initiatives on their buying decisions. The survey was conducted in Islamabad & Rawalpindi; responses of 250 respondents were collected from the universities students in the twin cities. We targeted respondents who were seemed to be conscious buyer and hence the sampling technique is non-probability convenience sampling. Cronbach's

Alpha coefficient was used to evaluate the reliability of the measures. The Cronbach's Alpha coefficient for the independent variables and dependent variable was 0.759.

RESULTS AND DISCUSSIONS

The findings in the table -1 and Table-2 show that most of the respondent were concerned about the legal obligation dimension of the CSR initiative, followed by the contribution to charity and doing some sort of community service was the third most important choice of the respondents.

The results in table -1 shows that 97.6% of the respondent were aware of the CSR initiatives of organizations.

Impact of Perceived CSR Initiatives on Consumer's Buying Behavior

According to the model summary of multiple regressions in Table 3 the multiple R is 0.572. Because multiple R is positive in value, it shows that there is a positive linear relationship between ethical, legal, economic and philanthropic activities and consumers' buying behavior.

According to the model summary, *R* square is equal to 0.329, which is less than 1. This indicates that there is a weak linear relationship between CSR activities and consumers' buying behavior. Approximately 32.7% of variance in all the CSR components can significantly explain consumers' buying behavior.

An analysis of variance (ANOVA) has been performed to test whether there is a statistical significant linear relationship between the combination of the four CSR components (Economic, legal, Ethical and philanthropic) and consumers' buying behavior exists or not. According to Table 4, the *p*-value is .000, indicating that the four CSR components significantly influence consumers' buying behavior.

A coefficient table is very much helpful in explaining the relationship between the four CSR components and consumers' buying behavior. Based on the calculated significances in Significance (Sig.) column of Table 5, the *p*-value for each CSR component is less than 0.05, which indicates that all the CSR components have a statistically significant relationship with consumers' buying behavior.

Table 1: General Awareness on CSR

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Well Understood	90	36.0	36.0	36.0
	Moderately Understood	102	40.8	40.8	76.8
	Little Understood	52	20.8	20.8	97.6
	Not At All	6	2.4	2.4	100.0
	Total	250	100	100	

Table 2: Definition of CSR

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Addition In Shareholder's Value	23	9.2	9.2	9.2
	Meeting legal Obligations	101	40.4	40.4	49.6
	Contributing To Charitable firms	84	33.6	33.6	83.2
	Doing Community Services	39	15.6	15.6	98.8
	Minimizing Racism and Discriminations	3	1.2	1.2	100
	Total	250	100	100	

Table 3: Model Summary of Multiple Regressions

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
CSR-CB	.573 ^a	.329	.315	.364

a. Predictors (Constants) CSR: corporate social responsibility components which include ethical, economic, philanthropic, legal. CB-Consumer Behavior

Table 4: ANOVA of Multiple Regressions (ANOVA^b)

Model	Sum of Squares	df	Mean Square	F	Sig.	
CSR-CB	Regression	12.149	4	3.036	22.817	.000 ^a
	Residual	25.071	247	.136		
	Total	37.220	251			

^aPredictors (CSR): constant, corporate social responsibility components i.e. ethical, economic, philanthropic, legal

^bDependent Variable (CB): consumer behavior

Table 5: Coefficients of Multiple Regressions (Coefficients^a)

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.	
	B	Std. Error	Beta			
CSR-CB	(Constant)	1.286	.324	3.968	.000	
	Economic	.259	.068	.253	3.776	.000
	Legal	.112	.053	.148	2.087	.038
	Ethical	.166	.068	.170	2.416	.017
	Philanthropic	.168	.055	.211	3.052	.003

a. Dependent Variable: Consumer Behavior (CB)

In Table 5, the unstandardised beta coefficient is used for the values of the numbers in the linear regression equation. Theory explains that a higher beta value indicates a greater impact of the independent variable on the dependent variable. The independent variable (CSR components) can be ranked according to the magnitude of the beta coefficient to determine which component has the most significant impact on consumers' buying behavior.

The regression model relates Y (the dependent variable) to a function of X (the independent variable) and β (the unknown parameter). It is formulated as $Y \approx f(X, \beta)$. The multiple regression analyses performed in this study are modeled as follows:

$$Y_i = \beta_1 x_{i1} + \beta_2 x_{i2} + \beta_3 x_{i3} + \beta_4 x_{i4}$$

Therefore, the multiple regressions line equation for this current study is:

Consumer Behavior = 1.286 + 0.259 Economic Responsibility + 0.168 Philanthropic Responsibility + 0.166 Ethical Responsibility + 0.112 Legal Responsibility.

The results explicitly defines that the economic responsibility attribute has the most significant impact on consumers' buying behavior, as it has the highest beta value, followed by philanthropic responsibility, ethical responsibility and, finally, legal responsibility.

Pakistani consumers seem to view CSR priority differently from other nations. Economic responsibility was still the basic utmost priority preferred. However, they ranked philanthropic responsibility as the second most important responsibility compared with legal responsibility. It is not surprising that Pakistani consumers see corporations' philanthropic responsibility as being more important than their legal responsibility. Consumers want corporations to contribute their money, facilities and employees' time to humanitarian programs or purposes. Pakistanis have been known as one of the most generous nations in the world. For example, the country's rate of donation and participation in helping the victims of natural disasters in the world has always been very encouraging. In addition, we have always heard that the generous Pakistanis have made financial pledges and contributions to help those in need, they be orphaned children, the poor, accident victims and so on. Although the Pakistani consumers themselves have been very generous, the expectation for business institutions to do the same is unquestionable.

As for complying with rules and regulations, it is not surprising that Pakistani consumers ranked legal responsibility last compared with Carroll's pyramid, which suggested that legal responsibility is the next most important responsibility

Compared with those in developed nations, Pakistanis regard rules lightly, to a certain extent, as we have always heard from the news about how Pakistanis bend and ignore stipulated rules and regulations. Among the most common examples are the bending of traffic rules and regulations promoting environmental protection.

CONCLUSION AND IMPLICATIONS

This research makes a contribution to the understanding the fundamental dynamics of the role of CSR in consumers' buying behavior. The findings of this study show that all of the CSR components have a significant association with consumers' buying behavior. However, the limitations of this study must also be considered. The major limitation relates to the sample. With only 250 usable respondents, this sample size might limit the external validity of the findings.

Practitioners should note that this research ropes previous results reported in the literature, signifying that a considerable, viable and certain consumer group exists that considers a company's level of social responsibility in its purchase decisions. Manufacturers and retailers have an opportunity to appeal to this group while simultaneously meeting their business objectives and make contributions to society. The type of CSR activities that should be engaged by the corporations should preferably be based on the priority indicated in the finding of this study, where the economic responsibility attribute has the most significant impact on consumers' buying behavior, followed by philanthropic responsibility, ethical responsibility and finally, legal responsibility. However, companies that promote themselves as socially responsible need to be prepared to deal with criticisms of any irresponsible behavior they are seen as committing, as information travels within seconds in this information technology era. In contrast, companies who disregard expectations concerning social responsibly may risk consumer boycotts as a result of the strengthening of consumers' awareness and rights in today's market scenario.

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