

Do Consumers Care About Corporate Social Responsibility? An Empirical Investigation in Colombo District, Sri Lanka

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Abstract: According the developments in recent business arena a good corporate reputation and responsible business practices are key elements in business success. In turn, Corporate Social Responsibility (CSR) is considered as a duty of every corporate body to protect the interest of the society at large. Even though the main motive of business is to earn profit, organizations should take initiative for welfare of the society and should perform its activities within the framework of environmental norms. The purpose of this research is to study the urban consumers' perception of CSR in Colombo district, Sri Lanka. The data were collected by means of a structured questionnaire administered with a sample of 300 consumers who used supermarkets for their purchases in the Colombo district. An issues regarding CSR on consumer awareness, expectations, support and consumer attitudes were studied. Kruskal-Wallis test was used to analyze the data and a Consumer Attitude Index was developed to gain insight on the current context of CSR activities in Colombo, Sri Lanka. In terms of consumer expectations about CSR, consumers were more interested on quality, welfare facilities and pollution prevention. According to the index, consumers' perceptions towards CSR indicate positive relationship for most of the attitudes. Finally, consumers in Colombo district are willing to support CSR but, companies should increase the awareness about their CSR projects as the CSR awareness was 15% in the study. Developing countries are where socio-economic and environmental crises actually felt in the world, thus CSR could play a significant role in marketplace. The paper concludes by presenting key factors that may influence in the implementation of CSR practices in Sri Lanka.

Keywords: Attitudes, Corporate social responsibility, Perception, consumer.

I. INTRODUCTION

Corporate Social Responsibility (CSR) has been defined as "achieving commercial success in ways that honor ethical values and respect people, communities, and the natural environment" (4). Business entities not only have the economic responsibility of maximizing their profit and shareholder wealth and the legal responsibility to follow the laws or ground rules that guide their ability to achieve their economic requirements. But also, have ethical responsibilities that include a range of societal norms or standards (2).

A growing number of marketplace polls attests to the positive effects of Corporate Social Responsibility on consumer behavior. Spurred at least in part by such evidence, more companies than ever before are backing CSR initiatives such as Corporate Philanthropy, Cause-related Marketing, Minority Support Programs and Socially Responsible Employment and manufacturing practices with real financial muscle (3). Not surprisingly, this trend is also reflected in the pervasive belief among business leaders that CSR is an economic imperative in today's national as well as global market place (7). Despite this increasing emphasis on CSR in the market place, little is known about the effects of CSR actions on consumers. Recent research suggests that there is a positive relationship between a company's CSR actions and consumers' attitude

toward that company and its products especially in developed countries. However, it is not known when, how and for whom specific moderators of such CSR effects is underscored by the suspicious link between a company's CSR actions and aggregate measures of its financial performance (5).

Sri Lanka has a long history of Corporate Philanthropy, which is likely to have been influenced by the country's cultural system. At present, most of Sri Lankan organizations are seeking to conform to CSR practices since stakeholders often want to know about a firm's socio-economic and environmental consequences, at the same time generating profit. The previous research has found evidence of internal CSR policies like better working conditions, gender equity, waste treatment, truth in advertising and preserving immediate environment, in Sri Lankan private sector companies (6).

CSR research in the developing countries mostly analyses the organizational view of CSR, but rarely examined the consumers' perception of CSR in making their purchasing decision (1). Urban consumers were selected to the study since CSR is a concept, which is something new to the Sri Lankan consumers.

The aim of this research was to study the urban consumers' perception of Corporate Social Responsibility and specific objectives were to gain insight in existing CSR approaches in local context and to examine the areas of CSR, which are more important.

II. DATA COLLECTION

Study Area and Data:

The data were collected from five Divisional Secretariat (DS) divisions in the Colombo district. Which include the three highest population density divisions Colombo, Thimbirigasyaya, Dehiwala and two lowest population density divisions, Homagama and Seethawaka. A questionnaire based survey was conducted with a sample of 300 consumers who used supermarkets for their purchases during April to May 2014 in the selected DS divisions. The survey was conducted using Systematic Random Sampling method by selecting the every eighth customer entered to the supermarket. The survey questionnaire consisted of questions that were intended to collect information about consumers' general information, consumer awareness, expectations, support and consumer attitudes regarding CSR. The questionnaire was pre-tested with a representative sample of consumers (n=30).

Data Analysis:

The data were analyzed using both descriptive and inferential statistics. Means and percentages were used in order to analyze the data descriptively. Information gathered on different consumer expectations on CSR was analyzed using Kruskal Wallis test and significant differences were assessed. Minitab 15.0 version was used to analyze the data.

Consumer Attitude Index (CAI):

Consumer perceptions towards economic, legal, ethical and philanthropic responsibilities were intentionally gathered via several statements on each category. Agreements for each statement were taken using five points Likert scale. Where one indicates strongly disagree and five indicates strongly agree. To assess the cumulative attitude of consumers towards CSR, composite Consumer Attitude Index (CAI) was developed. The developed CAI is ranging from zero to one. If the index reaches to zero, it indicates that consumers' perception towards particular attitude was negative. If index reaches to one, it implies that consumers' perception was positive whereas, 0.5 indicates the neutral position.

$$CAI = \frac{\sum_{i=1, j=1}^{n, m} R_{ijk}}{Max LS \times NR}$$

Where,

R indicates Likert scale for ith person in jth category on kth attitude, Max LS= Maximum Likert Scale value, NR = Number of respondents, n-number of persons (i= 1, 2, ..., n) and m= number of categories, k= number of attitudes (1,2,...,n)

III. RESULTS AND DISCUSSION

Descriptive Statistics:

The sample was attributed according to the several characters as age, monthly income, and educational level. Majority of the sample was female respondents (64%). Thirty five percent of the respondents were in 26-35 years age category. Most of the respondents (54%) were fall into Rs. 25,000-35,000 income category while 4% of the respondents earned above Rs. 55,000 per month (Table I).

Table I. Socio-demographic characteristics of the sample

Parameter	Percentage (%)
Gender	
Male	36
Female	64
Age (Years)	
16-25	16
26-35	35
36-45	30
46-55	13
55<	6
Monthly Income (Rupees)	
Below 15,000	10
15,000-25,000	16
25,000-35,000	54
35,000-45,000	11
45,000-55,000	5
Above 55,000	4
Education	
Primary	4
Secondary	44
Higher	20
Other	32
CSR Awareness	
Aware	15
Not Aware	85

Consumer Expectations about CSR:

This segment of the research was examined the relationship between consumer expectations of CSR activities and their purchase intentions. Study has examined the consumer expectations under three categories (a) relationship with customers, (b) relationship with community and (c) environmental protection.

Table II. Kruskal-Wallis test to evaluate relationship with customers

Sub Category	Median	Average Rank	Z
Price	5.00	648.1	1.10
Quality	5.00	661.5	1.86
Customer Satisfaction	5.00	600.5	-1.58
After Sales Services	5.00	604.0	-1.38

Z-Corresponding Standardized Z values [(X- mean)/Standard Deviation] for each relationship

The test shows positive results (Kruskal Wallis: P values < 0.001; at 5% significant level) indicates that at least consumer perception for one sub category is different from other sub categories. It reveals that quality is the most important parameter for consumers' purchasing decision with the average rank of 661.5. Furthermore, it indicates that price, after sales service and customer satisfaction considered in their purchasing decision subsequently in that order (Table II).

Table III. Kruskal-Wallis test to evaluate relationship with community

Sub Category	Median	Average Rank	Z
Health Facilities	5.000	470.1	-0.11
Safety Facilities	5.000	449.0	-1.79
Welfare Facilities	5.000	495.4	1.90

Z-Corresponding Standardized Z values [(X- mean)/Standard Deviation] for each relationship

The role of CSR in community development was evaluated under three criteria. Consumers are expecting more welfare facilities to the society from companies. Further, consumers have ranked health and safety facilities with the average ranks of 470.1 and 449.0 respectively. The test is significant (Kruskal Wallis: P value < 0.001; at 5% significant level) indicates that at least one sub category is different from other categories (Table III).

Table IV. Kruskal-Wallis test to evaluate environmental protection

Sub Category	Median	Average Rank	Z
Energy Saving	5.00	1115.8	0.49
Waste Recycling	5.00	1260.3	4.85
Sustainable Transport	2.00	486.7	-18.48
DEFP	5.00	1456.3	10.76
MES	2.00	510.5	-17.76
Renewable Sources	5.00	1381.5	8.50
Pollution Prevention	5.00	1485.4	11.64

Z-Corresponding Standardized Z values [(X- mean)/Standard Deviation] for each relationship, DEFP-Development of Environmentally Friendly Products, MES-Management of Environmental Systems

For the calculated medians, (Kruskal Wallis: P value < 0.001; at 5% significant level) it can be seen that the median for Sustainable Transport and Management of Environmental Systems (MES) are a lot lower than the median for the other categories. In terms of environmental protection, consumers were more interested on pollution prevention and Development of Environmentally Friendly Products (DEFP) with the average rank of 1485.4 and 1456.3 respectively (Table IV).

Finally, customers are expecting more in areas of quality, welfare facilities, Development of Environmentally Friendly Products (DEFP) and pollution prevention through CSR activities.

Consumer Support of Responsible Business Practices:

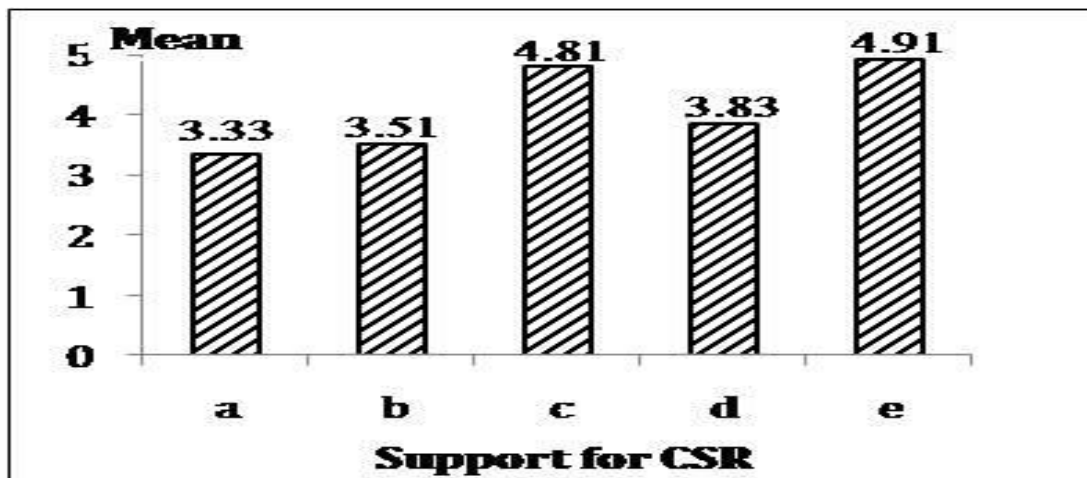


Figure 1. Consumer support for CSR

(a)-I would pay more to buy products from a socially responsible company, (b) - I consider the ethical reputation of business when I shop, (c)-I avoid buying products from companies that have engaged in immoral activities, (d)-I would pay more to buy the products of a company that shows caring for the well-being of our society, (e)-If the price and quality of two products are same, I would buy from the firm that is socially responsible

In terms of support for the CSR activities, respondents had to evaluate the five statements. They were reluctant to pay more to buy products from a socially responsible or ethical company with the mean values of 3.33 and 3.51 respectively. If the price and quality of two products are same, consumers are willing to buy products from socially responsible company, which indicates with the mean value of 4.91(Figure 1).

Consumer Attitudes towards CSR:

The CSR should address the entire range of obligations business has to entire society. It must embody the economic, legal, ethical and philanthropic categories of business performance (Carroll, 1991). First and the foremost social responsibility of business is economic in nature. Before anything else, the business institution is the basic economic unit in our society. Business has to obey the law. Just as society has sanctioned the economic system by permitting business to assume the productive role, as a partial fulfillment of the “social contract”, it has also laid down the ground rules, the laws and regulations under which business is expected to operate. Ethical responsibility implies business has to respect the rights of others and meet the expectations applied by society to do what is right, just and fair. Ethical responsibilities are ill defined and consequently are among the most difficult for business to deal with. The last and highest component is philanthropic responsibility. A business should contribute to, support the broader community, and improve the quality of society (Carroll, 1991). They were left to individual judgment and choice. In this portion of the research examines consumers’ evaluation of the attitudes with sixteen questions consisting of four groups of social responsibility.

According to the CAI index, consumers’ perceptions towards economic responsibilities were positive. Even though consumer awareness of CSR was 15% (Table 1), consumers’ have positive perception regarding company’s foremost responsibility. According to the calculated CAI values, it can be seen that consumer perception of second statement in legal category was negative with the value of 0.343. However, other three statements of legal responsibilities have positive perception by consumers.

In terms of ethical responsibilities, rather different results were observed than other three responsibilities, where second and third statements lying towards negative in the CAI with the values of 0.27 and 0.23 respectively. Except final statement in the philanthropic responsibilities, other statements have positive perception in the view of urban consumers.

Though it implies most significant attitudes were economic in nature, highest index value (0.978) was observed for ethical responsibilities. It demonstrates that consumers’ believe that ethical standards must be fulfilled in order to accomplish corporate goals.

IV. CONCLUSIONS AND POLICY IMPLICATIONS

The outcome of the study revealed that consumers in Colombo district are still unaware but they are willing to support CSR. However, most people in Sri Lanka are struggling daily to afford many of the necessities. Thus, it is a logical conclusion that they would spend their money to buy the most affordable products, despite a company's high or low involvement in CSR activities. CSR is not yet a determining factor in consumers purchasing intention.

However, if consumers have to buy similar products with the same price and quality, CSR could be the determining factor. This indicates that CSR could become a beneficial strategy to a company when they are in a competitive environment. However, if competitor offers lower prices, CSR strategy would no longer be attractive to these consumers.

Furthermore, it demonstrates that consumers in developing countries like Sri Lanka, place economic responsibilities as the first priority. In addition, the logical explanation of why respondents feel legal responsibilities are more important than philanthropic and ethical responsibilities explains that consumers still have a faith and respect on current legal system in the country.

It is inconclusive that, consumers' perceptions of ethical and philanthropic responsibilities were less important than other two responsibilities even with the existence of social and economic problems and government intervention is low in solving those constraints.

Developing countries represent the most rapidly expanding economies hence the most lucrative growth markets for business. Therefore, these countries should present a distinctive set of CSR agenda, which are collectively different to those, worked in the developed world.

If a Sri Lankan company is looking to implement a CSR activity, it must increase consumer awareness about the project. As well as consumers are expecting more quality products, welfare facilities and pollution prevention programs through CSR. Ultimately important for the organization to focus on economic responsibilities in order to gain benefits of the CSR activity.

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