

The Role of Corporate Social Responsibility in the Purchase Intention: Evidence from Banking Sector

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Abstract

The relationship between Corporate Social Responsibility (CSR) and company performance has been examined by many scholars, but this relationship is affected by many factors making the tests imprecise. Therefore, this study considers corporate ability and consumer identification as probable constructs in the relationship between CSR and purchase intention. This relationship is underestimated by many scholars and has not been much investigated in the literature. Accordingly, the purpose of this study is to analyze the influence of corporate social responsibility (CSR) activities on Turkish banks customers and on their responses using the customer - company identification which is affecting the purchase intention. A personal survey on 1934 banking customers was carried out and structural equation modeling is used to test the hypotheses. The results confirmed the positive relationship between the constructs showing that CSR activities should take into account the different aspects of social identity of the banks to attract and retain customers. The study also suggests that CSR can be a source of competitive advantage for the banks improving their financial performance as suggested in the related literature (e.g. Bhattacharya and Sen 2004) by enhancing reputation and customer satisfaction.

Introduction

In the late 90's the corporate scandals and economic and financial crisis in many emerging economies resulted in regulations making companies socially and ethically more responsible and even ensuring the application of Corporate Social Responsibility (CSR) principles especially in the banking sector. However, in the banking sector, CSR projects can still be considered as a deviation of the company from its primary role in the market by the consumers.

By engaging in CSR activities, company will be perceived as responsible corporate citizen from both investors and consumers point of view. The traditional view of business is to maximize profits. However, the traditional views are no longer accepted in today's business environment,

where many companies have adopted CSR practices that are concerned with economic, environment, and social performance as opposed to profit maximization only even in banking sector.

Although the extant body of literature shows that CSR activities helps companies in various sectors improving their financial performance (Arendt and Brettel, 2010; Inoue and Lee, 2011), the consumers' perception of CSR activities and its effect on consumer behavior in the banking sector, in an emerging markets need to be further investigated (Fatma and Rahman 2015; Sen and Bhattacharya 2001). Numerous studies showed a positive relationship between a company's CSR activities and consumers' perception (Bhattacharya and Sen 2004; Brown and Dacin 1997; Creyer and Ross 1997). However, in order to adopt CSR and benefit from its potential, companies must consider the impact of CSR in marketing and on consumers' responses.

1. Literature Review

Corporate Social Responsibility is a popular concept that has been investigated both in the academic literature and business world as it has been a subject of stakeholder pressure (Sen and Bhattacharya 2001; Harrison and Freeman 1999; Fatma et al. 2015). The CSR concept has also an important influence on consumer behavior. Many studies showed that the consumers become more demanding from companies in terms of price, quality and social activities (Marin and Ruiz 2007; Tian et al. 2011; Marquina and Vasquez-Parraga, 2013) and the positive influence of social responsibility on consumer behavior (Creyer and Ross 1997; Brown and Dacin, 1997). Today's consumers consider the social and ethical reputation of the companies when buying a product or service.

The role of corporate social responsibility activities on the purchase intention of the consumer is linked to their CSR belief. CSR activities, in order to affect the purchase intention, have to be congruent with consumer's beliefs and values (Mohr and Webb 2005). Sensitive consumers are more likely to make responsible decision in their purchases (Mohr and Webb 2005).

Among the associations that consumers make in their mind about the companies, the corporate ability and the corporate social responsibility are the two types of association that have received attention in the literature (Zeithaml 2000). Corporate ability is the companies' ability in producing or the products or services as expected by the consumers (Berens et al. 2005). Corporate social responsibility, in its simplest form, is the company's status and activities toward social problems (Brown and Dacin 1997).

2. The Purpose

This paper seeks to analyze the banks' consumers responses to the corporate social responsibility (CSR) activities through corporate ability and CSR association determining the customer-company identification which affects the consumer behavior. Corporate ability is the companies level of expertise in the production and delivery of the products or services

(Zeithaml 2000; Gatignon and Xuereb 1997). CSR association is the companies’ position towards social and environmental obligations (Brown and Dacin 1997). These two constructs play on the consumers identification with the company producing an emotional feedback towards the company (Brown and Dacin 1997). Accordingly, the identification is present when an overlap between the company and consumers identity occurs based on shared attributes and values (Sen and Bhattacharya 2001; Bhattacharya and Sen 2003). Moreover, previous research has shown that the identification improves the consumer loyalty (Marin and Ruiz 2007), satisfaction (He and Li 2011), and positive word-of-mouth (Brown et al. 2005) supporting the purchase intention (Creyer and Ross 1997).

So, the model is as depicted in figure 1 and the hypotheses are as follows:

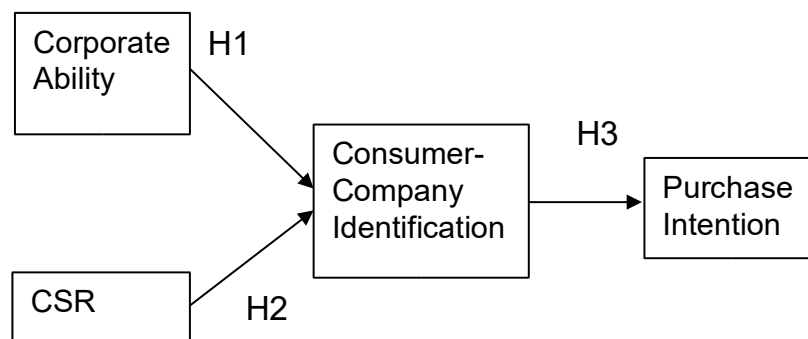


Fig 1. Proposed Model

H1. Corporate ability has a positive relation with the consumer identification

H2. CSR activities have a positive relation with the consumer identification

H3. Identification has a positive relation with the purchase intention

3. Methodology

In order to test the relationships between the constructs, a consumer survey on 1934 bank customers is conducted and the hypotheses are tested using structural equation modeling. The data were collected during March-April 2016. The measures for the instruments were taken from the study of Maignan (2001) and Fullerton (2003). Five-point Likert scale was used for all items in the survey. The discriminant validity measures of the model was good (Table 1). The structure of the scales used were explored by exploratory factor analysis and is confirmed by confirmatory factor analysis. The fit indices also showed a satisfactory level of goodness of fit (Table 2).

Discriminant Validity

	CSR	CA	IDEN	PI
CSR	1			
CA	0.34	1		
IDEN	0.49	0.36	1	
PI	0.48	0.59	0.59	1

Table 1. Discriminant Validity of the Measures

Fit Indices					
x²	GFI	NNFI	NFI	CFI	RMSEA
267.7	0.921	0.895	0.912	0.89	0.07
P > 0					

Table 2. Fit Indices

4. Results and Discussion

The findings confirmed the positive relationship between the constructs (Table 3).

	Relation	St.Coeff	Results
H1	CA-IDEN	0.8	Accepted
H2	CSR-IDEN	0.61	Accepted
H3	IDEN-PI	0.69	Accepted

Table 3. SEM Results

The findings also showed that CSR communication should take into account the different aspects of social identity that fit well the banks' target markets to attract and retain customers. The study confirming the positive effect of CSR activities on consumer purchase intention through identification shows that CSR can be a source of competitive advantage to the company and improve financial performance (Bhattacharya and Sen 2004). This study found that CSR has a strong positive relationship with consumer purchase intention.

This study has several implications for academicians to have an understanding relating to dynamics of the role of corporate social responsibility in consumers' buying behavior. This is also important for a manager that a substantial and identifiable consumer group exists that considers company's level of social responsibility in its purchase decisions.

Thus, the results of the study supported by Kenning (2008) and Swaen & Chumpitaz (2008), showed that CSR can play an important role in building a longterm relationship with consumers. Therefore, CSR programs encourage people to trust a company to fulfill the terms of the exchange and do as expected and be forthright and honest (Swaen & Chumpitaz, 2008). This study also supported by the results found in Kenning (2008) that specific and general trust has positive effects on buying behaviour. Managers must be aware that the study supports previous results reported in the literature, that a substantial and identifiable consumer group that take into the consideration a company's level of social responsibility exists. Manufacturers and retailers can appeal to this group while at the same time meeting their business objectives and make contributions to society. Though, companies that endorse themselves as socially responsible need to be ready to deal with criticisms of any irresponsible behavior in tğdays

digital era. On the other hand, companies who ignore these activities may risk consumer boycotts due to increasing consumer awareness.

5. Conclusions

Based on the results of this study, the study showed two major conclusions that can be summarized as follows; It can be first concluded that CSR is a multifaceted challenge, but worth the associated risks. It is in the best interest of consumers and companies that businesses patronized by consumers in this study undertake the challenge of implementing socially responsible programs and activities as a strategic management function aimed at increasing profits. Secondly, the study results imply that especially the banks must respect their CSR towards their consumers because the consumers respect and set a high value for these activities and identify themselves to the company according to that image so it is important for managers to communicate these activities and help companies' building a fit image.

The results of the current study are important for the marketers to attract and retain consumers.

Future research and studies are still necessary to generalize the findings of the current study. Further research can cover other sectors to elucidate differences and improve generalizability.

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