Corporate Social Responsibility Strategy And Its Influence Over Consumer Purchasing Decisions In Financial Institutions

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Abstract— The aim of this research is how CSR activities can influence the purchasing behaviour of consumers when it comes to financial institutions. Whilst there have been significant amounts of literature written on CSR there is still a gap in understanding how CSR activities influence consumers perception. This gap is particularly evident in the financial services sector given they are the largest contributors to CSR in Australia (ACCSR, 2011). There is a further gap in the literature in understanding how perceptions of consumers towards CSR change dependant on situational context.

In addressing the research problem, the study focusses on understanding the most influential CSR initiatives, understanding how the influence of CSR initiatives can change depending on situational context and then delves further to understand how demographic attributes can alter perception. Bhattacharya and Sen's (2004) framework was used to frame the questionnaire that was answered by 1014 respondents, showing to be sufficiently representative of the Australian population. The outcomes of this research were used to develop a comprehensive framework for Australian Financial Institutions to use when developing their CSR strategy.

It was clear that across all investment types and situational contexts, Community Support was the most influential form of CSR across the sample. Whilst this was the case, the level of influence differed across demographic groups and changed to varying degrees based on situational context dependent on the respondent. Community Support's influence as a CSR initiative was clearly ahead of others presented to the respondents followed by Employee Support and Environment Support dependent on the investment method and the situational context. This research also addresses the question of influence of demographics by finding that they are a major factor in what and how CSR initiatives influence a person. This dissertation has led to the development of the CSR Strategic Investment Application (SIA) Framework which can be used by Financial Institutions in the development of an optimal CSR strategy, and a revised version of Bhattacharya and Sen's (2004) framework leading to the Enhanced CSR Framework Model which can be applied by Australian Financial Institutions in future.

Keywords- Corporate Social Responsibility, Consumer Purchasing Decisions, Financial Institutions.

I. INTRODUCTION

In attempting to clear up ambiguity of CSR understanding, a number of authors developed models of CSR, although there was a clear and concise outline of the inputs and outputs of CSR which was developed by Bhattacharya and Sen (2004). Bhattacharya and Sen's work has been used as the frame of reference for this dissertation as it is used widely in the area of CSR as a key piece of literature on the topic of CSR. After extensive research it was also identified that Bhattacharya and Sen's framework was the most comprehensive upon which to base this study. The framework encompasses a range of important areas relative to CSR including the inputs and outputs of CSR activities along with internal and external outcomes and consumer and cause (Bhattacharya, Sen, 2004). The work by Bhattacharya and Sen introduced the six CSR initiatives of:

- **community support:** defined as supporting community initiatives including but not limited to support of arts and health programs, educational and housing initiatives for the economically disadvantaged, and generous/innovative giving;
- **diversity:** defined as support for equality initiatives in areas including but not limited to Gender, race, family, sexual orientation, and disability;
- **employee support:** defined as supporting initiatives focussing on employees, including a company's concern for safety, job security, profit-sharing, union relations, and employee involvement;
- **environment:** defined as the support of initiatives supporting the environment, including but not limited to production of environment friendly products, hazardous waste management, use of ozone-depleting chemicals, animal testing, pollution control, and recycling;

- **non-US operations (defined for the purpose of this research on a global scale as overseas operational practices)**: defined as the way in which a company conducts itself both on and off-shore including but not limited to its overseas labor practices (including sweatshops) and operations in countries with human rights violations; and
- **Product:** defined as a company's focus on the goods or service they produce and how it is produced, including but not limited to product safety, R&D/innovation, marketing/contracting controversies, and antitrust disputes.

They also outline the investment methods of money/goods, time/personnel and intangible investment (Bhattacharya, Sen, 2004). A key piece of the Bhattacharya and Sen (2004) work is the outputs of the CSR activities. An important consideration for business is the outcome of consumer purchasing intent, an outcome that has been found to occur when there is awareness of CSR initiatives that an organisation participates in (Sen, Bhattacharya, Korschun, 2006; Grimmer, Bingham, 2013). Ultimately businesses thinking commercially about their CSR initiatives should be seeking their activities to influence consumer purchasing behaviour, and a number of authors have shown that CSR can influence purchasing intention, which is generally deemed to be a strong indicator of purchasing behaviour (Morwitz, Steckel, Gupta, 2007). Past research has found consumer perception of CSR initiatives to be influential on purchasing behaviour (Creyer, Ross Jr., 1997; Maignan, 2001; Muller, Whiteman, 2009) and whilst this is the case there is limited understanding of the sources of CSR that are most influential (Mohr, Webb, Harris, 2001). This research seeks to close a part of this existing gap.

II. FINANCIAL INSTITUTIONS

Financial Institutions are the largest contributor to CSR in Australia (ACCSR, 2011) yet there is little research to demonstrate the benefit of CSR on consumer perception of financial institutions as a result. One strong example that raises questions as to the benefit of CSR investment is the work of Pomering and Dolnicar (2009) on the Australian banking sector where they identified that there is limited awareness of the CSR initiatives of these institutions. It has been identified that in general awareness of CSR initiatives are low (Bhattacharya, Sen, 2004; Sen, Bhattacharya, Korschun, 2006), however it must be considered whether this is due to poor execution of programs as it has been found that when consumers were aware of a company's CSR initiatives they have "significantly more positive views of the focal company in terms of their associations, attitudes, identification, and behavioural intentions" (Sen, Bhattacharya, Korschun, 2006, p. 164). It is important then that a company understand their potential consumer base and make investment carefully and appropriately to raise awareness (Alsop, 2002; Sen, Bhattacharya, Khorshun, 2006). With CSR programs getting increased attention it is important that programs are well thought out and considered in line with consumer views.

Increasingly with greater access to information and more channels to have information published there is greater focus on companies to 'do the right thing' (Creyer, Ross Jr., 1997). With the increased availability of information it is important that businesses conduct themselves in a socially responsible manner otherwise the risk of negative information can cause significant harm to operations. Since Bowen (1953) introduced CSR the importance of the topic has increased as there is increasing expectation from the community for organisation to act in a responsible manner and be transparent in their approach (Creyer, Ross Jr., 1997; Kotler, Lee, 2005; Podnar, Golab, 2007). Their significant contribution to CSR is considered by Australian financial institutions as a way to position their brand positively (McDonald, Rundle-Thiele, 2008; Pomering, Dolnicar, 2009) and there has been empirical research that found that investment in CSR initiatives can gain strategic advantage and position (Fuller, 2010). Despite this empirical research Pomering and Dolnicar (2009) found that Australian Banks were unable to gain this level of advantage as there was a lack of awareness of CSR initiatives undertaken by Australian Banks within the Australian population which may suggest the CSR strategy undertaken was not well planned or strategized.

III. RESEARCH PROBLEM

Comprehension of CSR becomes increasingly important particularly to Financial Institutions in Australia given their significant investment into CSR (ACCSR, 2011). The importance of comprehension amongst financial institutions was however questioned by Pomering and Dolnicar (2009) as they identified a need for further research on this subject. There is however a significant gap in the current literature given the fact that Australian financial institutions invest so greatly in CSR every year (ACCSR, 2011) and that is research into the forms of CSR activities that lead to the largest benefit in terms of consumer perception towards a particular organisation. This leads to the research problem of "*How does CSR activity influence the purchasing behaviour of Australian Financial institutions consumers?"*

From this overarching research problem we develop three further research questions that assist our comprehension of this important topic and to provide an understanding of the influential forms of CSR over consumer perceptions of Australian Financial Institutions.

The research questions are:

RQ1: *To what extent does CSR activity influence the purchasing behaviour of Australian Financial Institutions Customers?*

RQ2: *What Corporate Social Responsibility initiatives are the most effective at improving consumer perceptions of Australian Financial Institutions (AFI)*

RQ3: Do perceptions of CSR initiatives in Australian financial institutions differ across socio-demographical groups?

Through answering these research questions it will provide an important insight into the benefit of understanding the types of CSR activities that influence consumer perceptions and can influence their purchasing decisions.

IV. RESEARCH METHOD

The sample for this research is based on a socio-demographic sample of the Australian population based on the 2011 census, and using the age of 18 as the starting point given this represents the age of majority in Australia (Property and Contracts Act 1970 NSW; Age of Majority Act 1974 QLD). This provides for a base of slightly more that 15.9 million people (Australian Bureau of Statistics, 2013), applied to this is a 5% margin of error, a 99% confidence level, and a 50% response distribution to provide a calculated sample size of 664. The sample was then extended to 1000 individuals to improve the sample.

Respondents are presented with a web based survey which only becomes accessible following accepting to participate in the research which is put in place to ensure ethical obligations are met. Collection of the data comes in the form of Best-Worst scaling (BWS) which assumes a level of ordinality (Louviere, Woodworth, 1990). BWS observes the cognitive process of the respondents in their selection among similar sets of options (Finn, Louviere, 1992). The responses provide good insight into the differences in the eyes of the respondents regarding the specific independent variable. The sets of questions posed to the respondents use Bhattacharya and Sen's (2004) six CSR activity types across three investment types a model that has been chosen as it provides a good understanding of CSR initiatives.

V. RESULTS

Table 1 Summary of Descriptive Statistics

	Count	Prob%
Male	500	49.31%
Female	514	50.69%
18 - 20	36	3.55%
21 - 30	181	17.85%
31 - 40	180	17.75%
41 - 50	182	17.95%
51 - 60	170	16.77%
60 +	265	26.13%
High School Year 10	127	12.52%
High School Year 12	164	16.17%
TAFE Certificate / Diploma	311	30.67%
Undergraduate	230	22.68%
Postgraduate	182	17.95%
Negative income	9	0.89%
Nil income	24	2.37%
$1 - $19,999	64	6.31%
$20,000 - $49,999	266	26.23%
$50,000 - $99,999	350	34.52%
$100,000 - $149,999	173	17.06%
$150,000 - $199,999	75	7.40%
$200,000 - $249,999	26	2.56%
$250,000 +	27	2.66%
1	243	23.96%
2	310	30.57%
3	310	30.57%
4	108	10.65%
5	28	2.76%
6	7	0.69%
7	7	0.69%
8	1	0.10%

Bhattacharya and Sen (2004) use six high level CSR initiatives in The Corporate Social Ratings Monitor to rate companies CSR records. These six CSR initiatives are community support, diversity, employee support, environment, non-US operations (which is better defined on a global scale as overseas operational practices) and product (Bhattacharya, Sen, 2004). They then outline that the investment in these activities can be in the form of "money or goods, time and personnel, and intangible assets" (Bhattacharya, Sen, 2004, p. 14). Table 2 outlines the comparison of the 6 CSR initiatives across the three investment activities, and then if the investment activity would change in a crisis.

Table 2 Comparison across all investment types and CSR activity type

	FI	FI Crsis	HR	HR Crsis	Intangible	Intangible Crisis
Community Support	40.80%	41.80%	41.70%	55.50%	38.70%	53.70%
Diversity Support	11.10%	9.30%	12.10%	8.10%	12.60%	7.60%
Environment	14.40%	12.40%	11.00%	16.00%	13.60%	18.60%
Operational Suppo	3.80%	6.30%	4.30%	3.30%	5.40%	2.70%

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Employee Support	19.60%	21.80%	20.10%	13.00%	14.00%	12.70%
Product Support	10.20%	8.40%	10.70%	4.10%	15.70%	4.60%
	100.00%	**100.00%**	**100.00%**	**100.00%**	**100.00%**	**100.00%**

In understanding the demographic profile that is most influenced by the CSR initiatives of a financial institution (Table 3) the analysis shows that whilst within each of the demographic criteria there is clearly groups that are more likely to be influenced that include females, the younger age groups, and the higher income households there are some profiles that show significantly higher likelihood of influence which include households whose income is between $200,000 and $249,999 and respondents with six or more product types. There were also some groups that were significantly below the average of the sample's likelihood of being influence by the CSR initiatives of a financial institution including negative income households (55.56%), households with incomes between $1 and $19,999 (56.25%) and respondents with the highest educational level of High School Year (60.63%). The analysis was able to show that the CSR initiatives of a financial institution were influential across the majority of respondents in the sample choice to use their products or services. Whilst it was seen to be influential by all the level of influence changed depending on the demographic profile of the respondent.

VI. DISCUSSION

The first research question asked as part of this dissertation was whether there were Corporate Social Responsibility initiatives were influential over consumer purchasing decisions. This research shows that almost 70% of the sample is influenced in their choice to use the products or services of a financial institution by the CSR program of the financial institution. To then explore this further the question was asked in RQ2 and there were six CSR categories that were explored based on Bhattacharya and Sen's (2004) framework and from this it was identified that Community Support was the most influential CSR initiative; it was also identified through the rank-order analysis that Employee Support and Environment Support are also likely to influence the sample. The other three initiatives (Diversity Support, Product Support, and International Operations Support) have low levels of influence over the sample when implemented by Australian Financial Institutions.

Following this, the final research question that was raised in this dissertation was RQ3: What Corporate Social Responsibility initiatives are the most effective at improving consumer perceptions of Australian Financial Institutions (AFI)? It was identified that demographic characteristics play an important role in the perception towards CSR initiatives across all of the demographic attributes that were reviewed as part of this research which included gender, age, level of education, household income level, and number of financial products held by the respondent. Similar outcomes had been found in the research of others including Arlow (1991) who found that characteristics of respondents amongst college students played a key role in their evaluation of CSR, as did Miesing and Preble (1985). Furthermore, this study seems to confirm the findings by Arlow (1991), Burton and Hegarty (1999) and Panwar, Han, Hansen (2010) that females are more socially responsible than males. It also supports Arlow's (1991) view that age is the most influential demographic characteristic.

Outside of age and gender the research that was conducted also looked at level of education, number of products held by the respondent and household income levels. When looking at the level of education of the respondents it is found that the higher the level of education the greater expectation towards CSR initiatives, a finding that is consistent with Quazi (1997) who contended that there is a significant relationship between education level and a person's perception of CSR initiatives. There was also found to be differences in the view of respondents based on the number of products that they hold with the respondents becoming more likely to be influenced by CSR the more products that they hold from one to four products, however beyond four products does not hold significant substance due to the small sample size. The other demographic characteristics that this research looked at was that of household income levels an area that was identified to be a factor in the influence of CSR initiatives with higher income households being more significantly influenced by CSR than lower income households despite previous research being unable to draw conclusions on this characteristics influence (Graafland, Mazereeuw-Van der Duijn Schouten, 2012).

The findings of this research also provide further clarity on past research that has identified that consumers believe that companies should engage in social responsibility initiatives (Nasi, Nasi, Phillips, Zyglidopoulos, 1997; Yoon, Gurhan-Canli, Schwarz, 2006; Oberseder, Schlegelmilch, Murphy, 2013).

VII. CONCLUSIONS

Through this research it is proposed that there are three key strategic consideration areas for any business when developing a CSR strategy which can be simply outlined as:

- Investment Type: the form of investment that a company is willing to make into their CSR program which can fall into the three categories of financial investment, investment of human resource, or intangible investment.

- Demographics: the type of consumer that they are aiming to attract. This is important as the demographic characteristics of the company's target audience may find one form of CSR more influential than another.
- Situational Context: the situational context is important, as has been found in this study, as the level of influence of a CSR initiative can change depending on the situational context.

This model should be viewed in line with the proposed CSR initiatives to ensure that the optimum CSR initiatives and strategy are developed for the benefit of an organisation that uses the model.

Figure 1 CSR Strategic Considerations Model



The outcome of this research is the ability for Australian Financial Institutions to develop an optimal CSR strategy that when applied will provide the greatest return on investment. The considerations to achieve this outcome are detailed with the CSR Strategic Investment Application (SIA) Framework which is detailed in Figure 2. The SIA Framework covers four key areas that when all considered and put into practice will arrive at the optimum point within a CSR strategy for an Australian Financial Institution.

The four key areas to consider when developing a CSR strategy for an Australian Financial Institution include:

- What CSR initiatives have the potential to influence consumers to use the products or services of their institution?
- The factors that impact a customer's view of CSR initiatives.
- The potential influence that the Institution has to implement CSR initiatives.
- What would influence the institution not to implement CSR?

When these factors are considered it is the contention of this research that the optimal CSR strategy can be achieved for Australian Financial Institutions.

The objective of this research was to understand the influence CSR initiatives on consumer perception of Australian Financial Institutions. This research has identified that CSR activities undertaken by Financial Institutions are influential to the majority (70%) of the sample and that Community Support initiatives are the most influential on consumer perception no matter the form of investment or situational context. This research also serves as a foundation for future research in this area that can be built upon for the benefit of a broader range of industry sectors. The outcome of the research showed that Community Support is, no matter the circumstance, the most influential CSR initiative on the Australian population however depending on the investment method and the situational context the second most influential can change between Employee Support and Environment Support. The research also shows that socio-demographic profile will greatly affect the influence a CSR initiative type has on a person.

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