

## The Corporate Social Responsibility towards Customer Attitudes

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### Abstract

*Since corporate social responsibility CSR has become a vital and involving concept in today's world, companies are involving CSR activities with the intention of gaining competitive advantage therefore identifying customer attitude towards CSR is important in their society and customer expect marketers to involve their business in a socially responsible manner. Thus it becomes necessary for the corporate social responsibility business to adopt customer attitude to fully fill the social expectations of their customers and society. Hence marketers are expected to develop a socially respectable business behavior. This study examined the research problem of whether CSR influences customer attitude in People's Banks. This research was carried out with the objectives of analysis and evaluating the influence of CSR on customer attitude in People's Banks. This study examined the research problem of this study. To identify the CSR towards different aspects of customer's attitude in People's Banks with special reference to the Badulla district area. Furthermore a conceptual model has been developed to understand the level of influence of the four research variables on CSR. All the People's Banks customers in the Badulla district were concerned as the population of the research and 385 samples were selected from the population by using convenience sampling method. Structured questionnaires were used to collect data from the selected samples. For the analysis part, Mean and Standard Deviation were used under univariate analysis. Moreover, correlation and regression analysis were used under bivariate analysis. Through the analysis, it was identified that there is a strong positive customer's attitude among the People's Banks customers in the Badulla district. And also, it was identified that ethical responsibility has the highest impact on customer's attitude than the other three independent variables (economic responsibility, legal responsibility and philanthropic responsibility). Moreover, among the independent variables legal responsibility has the highest relationship with customer's attitude.*

**Keywords:** customer's attitude, economic responsibility, legal responsibility, ethical responsibility, philanthropic responsibility, corporate social responsibility

### Introduction

A predisposition or a tendency to respond positively or negatively towards a certain idea, object, person, or situation, can be defined as attitudes. "In fact, one can consider their

beliefs as causes of the attitude” (Kordnaeij *et al.*, 2013). In other words, attitude consists of thoughts or beliefs, feelings, and behaviors or intentions towards a particular thing. A positive attitude would cope more easily with the daily affairs of life and also brings optimism into life, and makes it easier to avoid worries and negative thinking.

“Today’s society could be considered as a consumer society” (Martinez, 2015). Corporate Social Responsibility (CSR) is one of the major elements that could include consumer positive attitude for organization. The Corporate Social Responsibility had been developed in last few decades and it can be defined as “companies taking responsibility for their impact on society” (European Commission, 2015). CSR mean how companies manage the business processes to produce an overall positive impact on society. The main four variables of CSR are economic, legal, ethical and philanthropic expectations “The economic, legal, ethical, and philanthropic expectations placed on organizations by society at a given point in time.” (Carrol and Buchholtz, 2000).

Stakeholders and other interested parties want to know about a bank’s social responsibility. Most of the Sri Lankan banks are responsible for their actions with regards to both socio-economic and environmental consequences. Many banks in Sri Lanka, therefore, consider their socio-economic and environmental impact part of their responsibility while at the same time generating profit (Nanayakkara 2010).

Peoples’ Bank is one of the largest domestic commercial bank in the country. In Sri Lanka there is intense competition among banks. Without an appropriate marketing activity, any organization in any industry will find much difficult to attract new customers. On the other hand banks have to consider on the benefit of other stakeholders as well. As one of the main state bank in Sri Lanka, people’s bank has huge opportunities to conduct CSR activities to attract new customers.

It is revealed that “People’s Bank undertakes its CSR on 13 activities. 9 activities are on disaster management, culture, housing, physical challenge, banking, human resource development, development, environment and welfare which are poorly focused by bank. 2 activities are on health and sports which are moderately focused by bank. 2 activities are on education and religion which are highly focused by bank.” (Ismail, 2012).

People’s Banks are spending on different aspects of CSR practices with the intention of attracting consumers and building their image on consumers' mind, expecting these will influence consumers’ attitude. According to People’s Banks webpage is CSR activities have not been an updated after 2013. This creates the ambiguousness about the unrevilement of CSR projects.

According to the People’s Bank annual reports, the gross income demonstrate a positive improvement during the period from 2005 to 2013 in which period CSR activates had been undertaken. Subsequently there have a huge lost from 2014 (Rs. 120,456 MN in 2013 to Rs. 96,377 MN in 2014). Therefore, these situation led to an investigation

whether there have been an impact of CSR activities on the customers attitude. In this content the problem statement of the research is identified as “What is the impact of Corporate Social Responsibility on customer attitudes with respect to in People’s Banks in Badulla district?”

The research questions of the study are: (1) what is the perception of CSR activities among customers in People’s Bank in Badulla district? (2) whether the customer attitudes are positive or negative? (3) what is the impact of CSR on customer attitudes? (4) what is the relationship between CSR and customer attitudes?

The research Objectives of this study are: (1) to Identify the perception of CSR activities among customers in People’s Bank in Badulla district, (2) to Identify the customer attitudes are positive or negative, (4) Identification the impact of CSR on customer attitudes, and (5) to Identify the relationship between CSR and customer attitudes.

This research includes the details about Corporate Social Responsibility towards the customer attitudes in People’s Banks of Badulla district, and other details which relevant to that. Customers are selecting randomly from the area of Badulla district and researcher collect data from 385 customers in Badulla district for the research purpose.

## **Literature Review**

### ***CSR and Banking Sector***

In the recent years the concept of Corporate Social Responsibility (CSR) is spreading very rapidly in the whole world and all the sectors including banking (Chaudhury, 2011; Das, 2012; Omur, 2012). CSR differs from place to place, from industry to industry and over time (Richard Welford, 2007). Given the lack of consensus of CSR definition among academicians and practitioners (Abagial McWilliams, 2003), it is obvious that CSR can bring many advantages for the banking sector. The most important is to enhance banks’ reputation and financial performance because, for bank, its reputation is a determining factor to retain old clients and attract new ones, which eventually enhances bank’s financial status. Besides, if a bank pays attention to social responsibilities, the bank can get profits for themselves through better risk management, employee loyalty and higher reputation. Therefore, when banks try to maximize their profit, they are now all aware that their profit earned is decided by their customers. Indeed, they are parts of society. As a result, they are supposed to become a social bank that fulfills their responsibility for the society.

### ***Aspects of CSR***

Today Banking Sector growing larger and powerful than before. Various Nongovernment organizations put pressure on Banks to act responsibly towards their stakeholders. Thus pressure has given rise to the concept named Corporate Social

Responsibility. CSR defined as “the economic, legal, ethical, and philanthropic expectations placed on organizations by society at a given point in time.” (Carrol and Buchholtz, 2000).

*Economic responsibilities:* The first responsibility of the company towards society refers to running the business as an economically healthy unit. It includes aspects such as return on investment for shareholders, fair employee salaries, and quality products supplied to customers at fair prices; all required by the society (Crane & Matten, 2004).

*Legal responsibilities:* Demands that companies act in accordance with existing legislation and regulatory requirements. The legal framework consequentially fosters society’s ethical view and all companies attempting to be socially responsible are therefore required by society to follow the law (Crane & Matten, 2004).

*Ethical responsibilities:* It refers to corporation’s responsibilities which are not covered by legal or economical requirements, but instead by what could be considered as „right“ or „fair“ in the eyes of society. Society therefore expects corporations to act ethically towards their stakeholders (Crane & Matten, 2004).

*Philanthropic responsibilities:* This involves corporation’s willingness to enhance the quality of living for their stakeholders (i.e. employees, local community, and society at large) through charitable donations and organizational support. These corporate decisions are entirely voluntary, of less importance than the former three, and (with regards to social responsibility) only seen as desired by society (Crane & Matten, 2004).

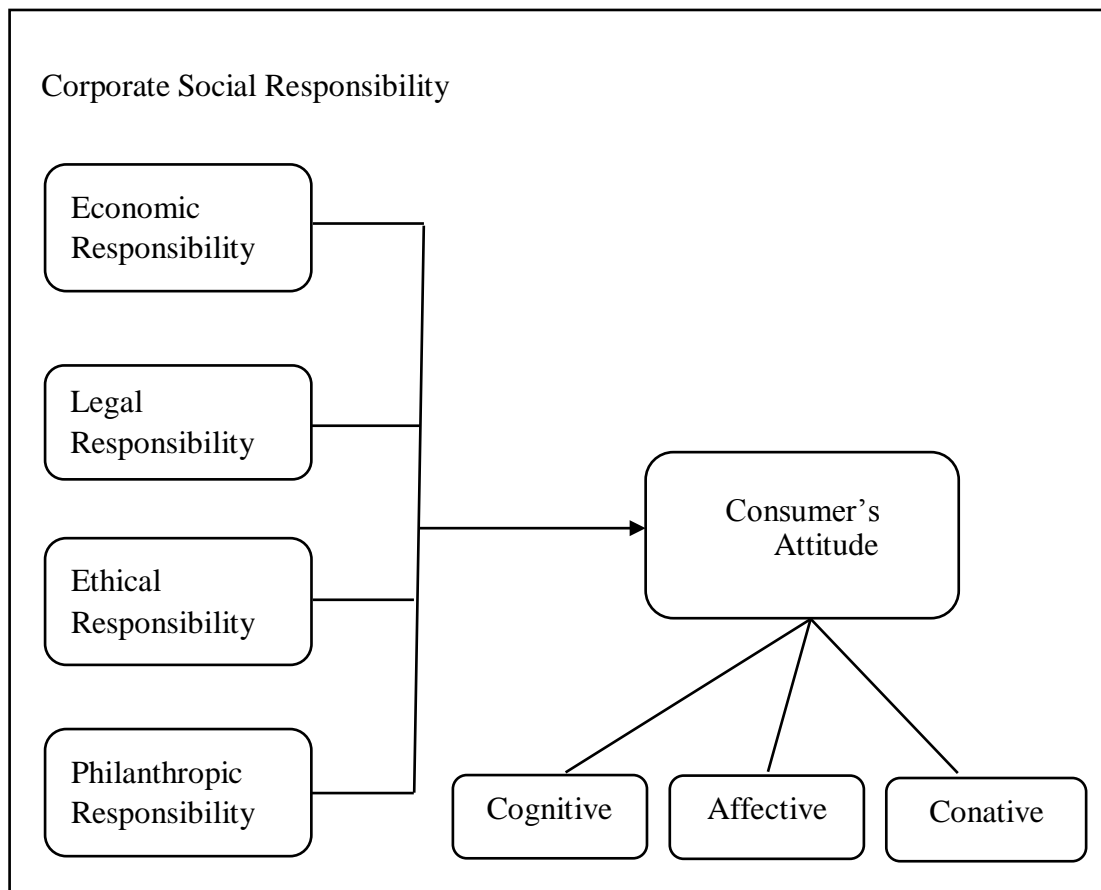
### ***Definition of Attitude***

According to the Expectancy-value theory (Fishbain), Attitude is a part of belief. In fact, one can consider their beliefs as causes of the attitude (Kordnaeij, 2013). The attitude is defined as a person's positive or negative feelings about an action in general. Attitudes indicate the assessment of sustainable emotions and the tendencies toward a product or an idea. Attitudes are the causes of hate and interest in people. So they can draw people's attention to a product or vice versa (Kordnaeij, 2013). So we can say that the attitude of a consumer is his/her overall assessment of a concept (Monirul and Hui Han, 2012).

### ***Conceptual Framework***

The concepts and variables identified in the research problems are conceptualized for the purpose of identifying the operational definitions of the concepts. Figure 1 shows the conceptual framework developed by the researcher for this study based on Carroll (1979, 2000); Wayne Visser (2005); Vishal Jain (2014).

Figure 1: Conceptual Framework



(Source: Carroll, 1979, 2000; Wayne Visser, 2005; Vishal Jain, 2014)

## Methodology

### *Study Population*

Study population for this research identified as all People's Bank customers of who living currently in Badulla district.

### *Sample Size and Sample Design*

Total numbers of 385 respondents were selected by simple random sampling method and in order to collect the data required for the study.

### *Sampling Technique*

In order to collect the data convenient sampling technique has being applied. Therefore, questionnaires were distributed among the respondents who were living in the Badulla district in a convenient way without any further filtering.

### ***Data Collection***

Primary and secondary data were incorporated in this study. As a primary data collection, data were collected from the selected sample over a period of two weeks using the questionnaire (seven point Likert scale) method. As a secondary data collection, various published and unpublished researches, journals, books, newspaper articles and internet sources were considered.

### ***Data Evaluation Criteria***

Table 1: Decision Criteria for Descriptive Statistics

Range	Decision attributes
$X=1$	Perfectly Negative
$1 < X \leq 3$	Strongly Negative
$3 < X < 4$	Weak Negative
$X=4$	Moderate
$4 < X < 5$	Weak Positive
$5 \leq X < 7$	Strongly Positive
$X=7$	Perfectly Positive

“X” denote Average score (Mean value) of the Customer’s attitude.

Table 2: Decision Rule for Correlation Analysis

Value	Relationship
+1	Perfect Positive correlation
+0.99 – +0.8	Strong Positive correlation
+0.8 – +0.4	Moderate positive correlation
+0.4 – +0.1	Weak positive correlation
$r = 0$	No relation
(-0.1) – (-0.4)	Weak Negative correlation
(-0.4) – (-0.8)	Moderate negative correlation
(-0.8) – (-0.99)	Strong Negative correlation

-1	Perfect Negative correlation
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## 5. Results and Discussion

### *Analysis of Reliability of the Instruments*

The inter item consistency reliability was examined with Cronbach's Alpha test. The results of Cronbach's alpha test for dependent variable showed in the Table 3 and Table 4 showed the results of Cronbach's alpha test for independent variables. Also Table 5 shows Cronbach's Alpha for overall variables. Which indicates that overall internal reliability of the study is 0.955. Therefore, these statistics indicates that there is a good internal consistency of the items in the research.

Table 3: Cronbach's Alpha Coefficient (Dependent Variable)

Dependent Variable	Cronbach's Alpha
Customer's Attitude	0.902

(Source: Survey Data)

Table 4: Cronbach's Alpha Coefficient (Independent Variable)

Independent Variable	Cronbach's Alpha
Economic Responsibility	0.873
Legal Responsibility	0.855
Ethical Responsibility	0.801
Philanthropic Responsibility	0.839

(Source: Survey Data)

Table 5: Cronbach's Alpha Coefficient (Overall Reliability)

	Cronbach's Alpha
Overall Reliability	0.955

(Source: Survey Data)

Demographic profiles of respondents represent as follows: According to the gender distribution of the sample, females are representing slightly higher proportion of the sample (51.6%) and males are representing 48.4%. Majority of the sample are represent by the age level between 28-37 years and it is 31.2% of the sample. Lower representation is in the age level between 18-27 years as 19.6%. 46 respondents' education level were below G.C.E O/L and it represented 12.2%, 123 respondents were educated up to G.C.E O/L and represented 32.5%, 164 respondents educated up to level of G.C.E A/L and represented 43.4%, and finally, 45 respondents have a Degree or Diploma and it represented 11.9% from the total sample.

According to the results no one earned income below than Rs. 15,000. 158 respondents earned income between Rs. 15,000 and Rs. 30,000 and it represented 41.8%, 182 respondents earned income between Rs. 31,000 and Rs. 45,000 and it represented 48.1%, 38 respondents earned more than Rs. 45,000 and it represented 10.1 % from the total sample. Based on the results, respondents who earned income Rs. 31,000 and Rs. 45,000 have represented high proportion of the sample.

### Descriptive Statistics for Variables

Table 6: Descriptive Statistics of Main Variables

Variable/Indicators	Mean	S.D
Economic Responsibility	5.5705	0.7742
Legal Responsibility	5.6005	0.6957
Ethical Responsibility	5.8051	0.6113
Philanthropic Responsibility	5.7319	0.9521
Customer's attitude	5.9373	0.6022

(Source: Survey Data)

Based on the data from Table 6, mean value of Customer's attitude is 5.9373. Therefore, based on the decision rule, corporate social responsibility towards the People's Bank customer's attitude in Badulla district is strongly positive mean value. And also mean values of the Economic Responsibility, Legal Responsibility, Ethical Responsibility and Philanthropic Responsibility are in strongly positive as 5.5705, 5.6005, 5.8051 and 5.7319 respectively.

### Simple Regression Analysis

This analysis was done to identify impact of each independent variables on dependent variable. Table 7 shows the results of simple regression analysis.

Table 7: Simple Regression Analysis of Independent and Dependent Variables

Method	Linear			
	Economic Responsibility	Legal Responsibility	Ethical Responsibility	Philanthropic Responsibility
R	0.771	0.873	0.867	0.706
R Square	0.594	0.762	0.752	0.498



a- Constant	2.597	1.706	0.979	3.379
b- value	0.600	0.755	0.854	0.446
Sig. value	0.000	0.000	0.000	0.000

(Source: Survey Data)

### ***Economic Responsibility***

Based on the results, R Square is 0.594 that indicates 59.4 % variance of customer's attitude is explained by the economic responsibility. Therefore, it is significant predictor of customer's attitude. According to the results of the Coefficients table of the regression analysis, Sig. value is 0.000 at 0.01 significant level and b-value of the coefficients table indicates as 0.600. Hence, Economic Responsibility has significantly explained 59.4 % of the variance of customer's attitude.

### ***Legal Responsibility***

Based on the results of simple regression analysis, R Square is 0.762 that indicate 76.2% variance of customer's attitude explained by legal responsibility. That is shown legal responsibility is a significant predictor of customer's attitude. Results of the Coefficients table showed, sig value is 0.000 at 0.01 significant level and b-value of the coefficients table indicates as 0.755. Hence, legal responsibility has significantly explained 76.2% of the variance of customer's attitude.

### ***Ethical Responsibility***

According to the results of the simple regression analysis, R Square is 0.752 and it indicates 75.2% variance of customer's attitude explained by ethical responsibility. Hence, ethical responsibility is a good predictor of customer's attitude. Results of Coefficients table results, Sig value is 0.000 at 0.01 significant level and b-value of the coefficients table indicates as 0.854. Therefore, ethical responsibility has significantly explained 75.2% of the variance of customer's attitude.

### ***Philanthropic Responsibility***

Regression analysis results showed that R Square is 0.498 which indicates 49.8% variance of customer's attitude has explained by the philanthropic responsibility. At 0.01 significant level Coefficients table results showed that Sig. value is 0.000 and p value of the coefficient table indicates as 0.446. Therefore, philanthropic responsibility has significantly explained 49.8% of the variance of customer's attitude.

### Correlation Analysis

Correlation analysis is made for the purpose of identify the relationship between dependent variable (Customer's attitude) and independent variables (Economic responsibility, Legal responsibility, Ethical responsibility and Philanthropic responsibility). Table 8 shows the correlation analysis results of the research. Table 8: Correlation Analysis of Independent and Dependent variables.

Table 8: Correlation Analysis

		Ec on om ic res po nsi bili ty	Le gal res po nsi bili ty	Et hic al res po nsi bili ty	Phi lan thr opi c res po nsi bili ty
Customer's Attitude	Pearson Correlation Sig.	.771**	.873**	.867**	.706**
	(2-tailed)	.000	.000	.000	.000

\*\* . Correlation is significant at the 0.01 level (2-tailed)

(Source: Survey Data)

Based on the results of the correlation analysis, legal responsibility and ethical responsibility show strong positive correlation with customer's attitude. Among the positive correlated variables, highest correlation shown in legal responsibility (0.873). Economic responsibility and philanthropic responsibility show moderate positive correlation with customer's attitude. There is significant relationship between independent variables (Economic responsibility, legal responsibility, ethical responsibility and philanthropic responsibility) and dependent variable (customer's attitude). The significant value of the 0.000 at 0.01 significant level.

### Conclusion and Recommendations

#### Conclusion

According to the descriptive analysis results, mean value of customer's attitude is 5.9373. Therefore, based on the decision rule, corporate social responsibility towards the People's Bank customer's attitude in Badulla district is strongly positive mean value.

Based on the results of simple regression analysis, most effecting factor to customer's attitude is ethical responsibility, which has B value 0.854 and legal responsibility is the

second highest impact variable which has B value 0.755. Hence, researcher finally concludes that improving ethical responsibility and legal responsibility is more appropriate to increase customer's attitude.

According to the results of correlation analysis, researcher identified all the variables have positive relationship with customer's attitude. Among the variables legal responsibility was the highest positive correlated variable with customer's attitude and ethical responsibility showed second highest correlation with customer's attitude. Therefore, researcher has finally concluded that, if customers are encouraged by authorized parties through giving better knowledge to think about CSR and CSR issues, which affect significantly positive manner to improve the customer's attitude.

### ***Recommendations***

Based on these research findings, conclusion and researcher's experience throughout this research to improve the Corporate Social Responsibility in Badulla district, the following recommendations are suggested by the researchers.

People's Bank should focus more on customer centric initiative instead of CSR initiatives. It would help them to improve customer satisfaction and increase the number of customers. As a result, more profit can be earned. People's banks should deliver quality services, always. (Ex: on time working condition, avoid fraud and errors, etc.). Bank industry increase their knowledge in this field, Staffs train to implement CSR policies, and Procedures develop for implementing all aspects of CSR and implementation of CSR policies monitor by staffs. People's banks should take sufficient action to correct the harms done to society. Donating some money for humanitarian aid or certain patients, Participating in Environmental protection activities, helping the poor and needy people and any activity that build a good bank reputation. People's banks should encourage employees to participate in community services. Such as supporting poverty-alleviation programs, blood donation programs.

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