

# The Effect of Dimensions of Corporate Social Responsibility on Consumers' Buying Behavior in Thailand: A Case Study in Bangkok

Rangsan Nochai, Titida Nochai

**Abstract**— The purpose of this study is to find out the dimensions of corporate social responsibility (CSR) of the business organizations that has the effect on consumers' buying behavior in Bangkok. Questionnaires are distributed to collect data from 414 respondents by using convenience sampling. Multiple regression analysis is used in data analyzing. The dimensions of CSR are adopted from Carroll's CSR that are economic, legal, ethical, and philanthropic responsibilities. The findings found that the legal responsibility is the most importance dimension that has the effect on consumers' buying behavior, followed by ethical responsibility.

**Keywords**— Consumer behavior, corporate social responsibility, multiple regression analysis

## I. BACKGROUND

Corporate Social Responsibility (CSR) is known as an indicator for contribution to the competitiveness of business by reducing operational risks associated with environmental and social issues. It can also be a driver for product and service innovations that respond to the challenges of today's rapidly changing political, economic, social, and environmental spheres [19]. Attaining sustainable success, a business corporation must be able to respond to the expectations that the society has placed upon it. That is the reason why CSR is a key issue of concern for the business sector [20]. Businesses progressively take responsibility for the impact of their activities on the environment, consumers, employees, communities, and other relevant stakeholders. General components of CSR like human rights, labour standards, environment and good governance (including anti-corruption) are areas of common interest to government and business sector. Many Thai business companies also see advantages in engaging in CSR activities, because they foster trust and nurture goodwill. This will positively influence the reputation of these companies [15].

According to Carroll [3], CSR is composed of four components namely economic, legal, ethical and philanthropic responsibilities. Based on these four components, a socially responsible firm should strive to make a profit, obey the law,

be ethical, and be a good corporate citizen. The definition of CSR for this paper is based on the Carroll's pyramid of CSR.

Harrison and Freeman [12] state that consumers were more aware of the corporations' responsibility through educational media. As the education level increases, consumers were made more aware of the need for social corporate behavior. The role of businesses in society was no longer focused on creating wealth alone but was also focused on acting responsibly towards stakeholders. Corporations that did 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.

Mohr, Webb, and Harris [14] state that the business world still knows little about what to do and how to practice CSR strategically. Managers are confused about what CSR initiatives to choose and how much to do with them. Moreover, Carrigan & Attalla [5] support that not only managers, but also consumers were quite confused about CSR and consumers' knowledge of different firms' CSR is rather limited. Studies on how consumers view different CSR initiatives and how they react to CSR initiatives addressed by firms are limited too.

Rahim, Jalaludin, and Tajuddin [16] mention that an organization's behavior in Western countries would be regarding consumer purchasing decisions. CSR activities should enhance a corporation's image. A positive corporate image is positively correlated to purchase intention and also helps consumers to differentiate between companies and their product or service offerings. The loyalty and commitment from customers are likely to increase if companies act responsibly and accountably in terms of their social and environmental impacts.

The results from several studies suggest that there is a positive relationship between a corporation's CSR activities and consumers' attitudes towards that corporation and its products [1], [6], [14]. However, not many studies have been conducted in emerging markets, such as Thailand. Thus, this research is interested in exploring whether Thai consumers consider a corporation's CSR initiatives before making any purchase decisions of the products and services. The study also include to find out the dimensions of CSR based on Carroll's pyramid of CSR which have the significantly effect on consumers' buying behavior.

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## II. RESEARCH OBJECTIVE

The research study aimed at finding out the dimensions of corporate social responsibility (CSR) of Thai business organizations that have the effect on consumers' buying behavior in Bangkok.

## III. LITERATURE REVIEW AND RESEARCH HYPOTHESES

### A. Related Theories and Previous Studies

According to the European Commission [8], CSR is defined as "the responsibility of enterprises for their impacts on society." Specifically, the responsibility of companies is made through the integration of social, environmental, and ethical issues as well as human rights and consumer concerns into business operations and core strategies in close collaboration with stakeholders. Furthermore, Wood [22] explains that CSR is "a business organization's configuration of principles of social responsibility, processes of social responsiveness, and policies, programs, and observable outcomes as they relate to the firm's societal relationships." That is to say that CSR is expected to provide benefits for all stakeholders in the firm. Hence, these stakeholders, in return, may develop positive behavior, attitudes and perception towards the company, which can result in various forms of benefits for the company

Carroll's pyramid of CSR is popular both in academia and the business world because of its pragmatic nature. Carroll [3] propose four levels (pyramids) of CSR, namely economic, legal, ethical, and philanthropic responsibilities. Economic and legal responsibilities are fundamental responsibilities of companies to shareholders. Ethical and philanthropic responsibilities help companies become outstanding and become good corporate citizens by being responsible to other stakeholders besides shareholders.

Maignan's study [13] find that the respondents viewed legal as the most important responsibility, followed by ethical, philanthropic and economic responsibilities. Visser [21] reported that the African consumers was preferred the economic responsibility at most, followed by philanthropic, legal and ethical responsibilities.

Mohr, Webb and Harris [14] conduct a consumer interview project for investigating the impact of firms' CSR on consumer behavior. They find that consumers are positive to business in general. Consumers expect firms to be socially responsible. The attitudes of consumers toward socially responsible firms are more positive than toward irresponsible firms. Consumers are aware that socially responsible firms are helping themselves by practicing CSR. Sen and Bhattacharya [17] examine what kind of CSR initiatives have positive consumer reactions by exploring time, approach and target, and argued that the congruence between CSR initiatives and individual consumer's characters matter. Company specific and individual consumer specific factors are key moderators of a consumer's perception and reactions to CSR initiatives. They find that consumers' reactions to CSR are highly related to the congruence between CSR activities and consumers' individual interests. Zhao [23] studies CSR and its impact on consumer behavior and found that CSR's impact on consumer's purchase intention is more complicated compared to CSR's impact on

corporate evaluation. Quality of a product matters and consumer's CSR perception of the corporation plays a role for purchase intention as well. Low CSR evaluation can reduce the purchase intention even though the product itself may be of good quality. Consumers are exposed to information about a company earlier than they are exposed to information of a product. Therefore, the perception of a product's quality is already formed before consumers know a product.

Rahim, Jalaludin, and Tajuddin [16] examine the influence of CSR on the buying behavior of Malaysian consumers and indicated whether consumers considered a corporation's CSR initiatives before making any purchase decisions of the products and services. The results showed significant positive relationships between all of the variables used in measuring CSR and consumers' buying behavior. Malaysian consumers' priority, however, seemed to be different from Carroll's pyramid, where, although economic responsibility remained the utmost priority, philanthropy stood second, followed by ethical and legal responsibility

### B. Definition and features of independent variables

In this study the independent variables were developed from Carroll's pyramid of CSR, that is economic, legal, ethical and philanthropic responsibilities.

#### i. Economic Responsibility

The economic responsibilities are the fundamental layer of Carroll's CSR pyramid. It involve being profitable. The primary motive for business organization is to produce goods and services to the society at reasonable price and to make profit in the process. Profits from selling goods and services go to shareholders and other investors to keep a company survive and grow. In addition, they also need to pay their employees, increase value for their shareholders, and take care of the other stakeholders' interests [2]. Economic responsibility is seen as the basic obligation of corporations. The economy is influenced by the ways in which the corporation relates to its stakeholders, such as shareholders, employees, suppliers, competitors, community, and even the natural environment. Economic responsibility lies in maximizing not only shareholders' interests but also other stakeholders' interests as well [9]. So, it comes to the first research hypothesis as follows.

Hypothesis 1: Economic Responsibility has a significant effect on Consumers' buying behavior

#### ii. Legal Responsibility

Legal responsibilities are the second layer of the CSR pyramid and are coexisting with economic responsibilities as fundamental precepts of the free enterprise system. Firms are expected to operate under the legal system and regulations while creating profits for shareholders. Firms are fulfilling the "social contract" between firms and the society by being legally responsible. Legally responsible also reflects the "codified ethics" of business operation, as well as the pursuit of economic responsibilities set by lawmakers [3]. Laws are important, but they are often inadequate. First, they cannot

possibly address all of the issues or areas that a corporation may face. Second, laws often lag behind more recent concepts of what is considered right behavior, and third, laws may represent the personal interests and political motivations of legislators [4]. Hence, the second research hypothesis is as follows.

Hypothesis 2: Legal Responsibility has a significant effect on Consumers' buying behavior

iii. Ethical Responsibility

Ethical responsibilities involve activities and practices that are expected by the society and done by firms voluntarily regarding fair, justice and the respect for or protection of stakeholders' moral rights. Ethical responsibilities are voluntary choices of firms, since they are not codified into any law or regulation. These responsibilities reflect social norms, expectations and concerns of consumers, employees, shareholders and the community. Ethical responsibilities go further than legal responsibilities because they involve newly emerging values and norms that the public expects a firm to comply with and are at a higher standard of business practices than that current legal system required. However, ethical responsibilities are not easy to deal with for firms because new expectations from the public keep emerging and this makes the legitimacy of ethical responsibilities continually under debate. Business performance can be determined by the corporation's consistency in promoting moral and ethical standards. If a corporation practices good corporate citizenship, the activities of the corporation are trusted. Ethical responsibility also recognizes that corporate integrity and ethical behavior should go beyond the requirements of laws and regulations. Balancing economic, legal and ethical responsibilities is important. If the corporation does something that is appropriately economic and legal, it must also be appropriately ethical [3]. Thus, the third research hypothesis is as follows.

Hypothesis 3: Ethical Responsibility has a significant effect on Consumers' buying behavior

iv. Philanthropic Responsibility

Philanthropic responsibilities involve firms' activities that are aiming to become good corporate citizens by performing altruistic activities. Society and communities expect firms to use their resources to promote social welfare. This includes actively engaging in acts or programs to promote human welfare and goodwill. Philanthropic responsibility distinguishes itself from ethical responsibilities by sense of discretion. The public will not regard firms that fail in fulfilling philanthropic responsibilities as unethical because philanthropic is not in the fields of ethics and morals [3]. The distinguishing characteristic between philanthropic and ethical responsibilities is that philanthropic responsibilities are not expected in an ethical or moral sense. Philanthropy is located at the most voluntary and discretionary dimension of corporate responsibility and has not always been linked to profits or the ethical culture of the firm [9]. Fombrun, Gardberg, and Barnett [10] state that although philanthropy may not generate direct

economic returns, it will enhance the firm's long-term competitive position through intangible gains in reputation, legitimacy or employee loyalty. Therefore, the fourth research hypothesis is as follows.

Hypothesis 4: Philanthropic Responsibility has a significant effect on Consumers' buying behavior

IV. CONCEPTUAL FRAMEWORK

Based on the literature review, research hypotheses, and research objective, the conceptual framework of this study is developed and shown in Figure 1.

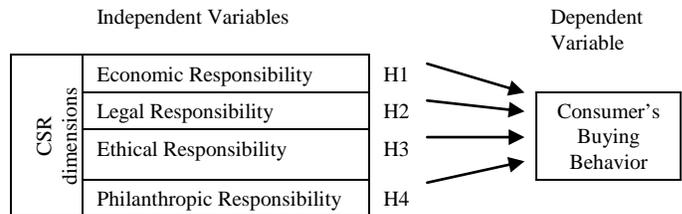


Figure 1 Conceptual Framework

This study adopted the dimensions of CSR from Carroll's pyramid of CSR [4] and Tan and Komaran [18] as shown in Table 1.

TABLE 1  
DIMENSIONS OF CSR OF RESEARCH

<b>1. Economic Responsibility</b>	
1.	The primary goal of companies is to make as much profit as possible.
2.	Socially responsible companies strive to lower their operational costs.
3.	Companies should strive for the highest returns to their shareholders.
4.	Companies should not be distracted from their economic functions by solving social problems.
<b>2. Legal Responsibility</b>	
1.	Well run companies strive to comply with all the state laws and regulations.
2.	Companies must operate strictly within the legal framework of the society.
3.	It is sometime expedient for companies to violate some laws and regulations.
4.	Companies have to adhere to all state rules and regulations even though it may be costly for them.
<b>3. Ethical Responsibility</b>	
1.	Companies should not compromise ethical norms of the society in order to achieve corporate goals.
2.	Socially responsible companies always do what is right, fair and just.
3.	Companies should avoid doing harm at all cost
4.	It is sometime expedient for companies to engage in questionable practices for economic gains.
<b>4. Philanthropic Responsibility</b>	
1.	Companies should contribute resources to the community.
2.	Socially responsible companies strive to provide for community betterment
3.	Companies should actively promote volunteerism.
4.	Companies have to commit resources to support culture and arts.

V. RESEARCH METHODOLOGY

A questionnaire survey with convenience sampling method was carried out to collect data from sample consumers in Bangkok. Pre-test was conducted and measures the reliability with Cronbach's Alpha coefficient in order to determine the reliability of the instrument used. Hair [11] suggests the values

of 0.6 to 0.7 as the acceptable level for reliability measure. The overall Cronbach's Alpha coefficient of survey instrument is 0.831, this guarantee that the instrument used, questionnaires, is the good tool for data collecting. The questionnaires were distributed to respondent from October 2013 through December 2013. A total of 414 respondents were participated in this study.

The questionnaire consists of three major sections. Section A gathers information on consumers' awareness towards CSR. This section covers some general questions to obtain the respondent's understanding of the term CSR, which indicates the ability of the respondent to complete the rest of the questionnaire. The respondents who indicated having no knowledge in CSR were not included in the data analysis.

Section B covers statements on consumer behavior towards CSR activities engaged by the business organizations. The statements were divided into four dimensions of CSR: economic, legal, ethical and philanthropic responsibilities.

Section C gathers demographic information of the respondents such as gender, age, level of education, monthly income level, and occupation. Section A and Section C were designed using nominal scales, whereas Section B was designed using a five-point Likert scale ranging from 1 (strongly disagree) through 5 (strongly agree).

The data obtained were analyzed using the Statistical package. Descriptive statistics were used to analyze the data in Sections A and C of the questionnaire, whereas multiple linear regressions were used to analyze the data in Section B.

## VI. RESEARCH FINDINGS

### A. Sample Characteristics

In this study, total of 414 respondents were participated. On average, females represent 51.4% of the respondents, whereas males represent 48.6%. The majority of the respondents (24.9%) were between 25 to 34 years old during the survey period, whereas those respondents who were 35 to 44 years old were the minority (23.9%). As for the academic qualification of the respondents, they ranged from below bachelor degree to above bachelor degree and the majority of the respondents (63.8%) held bachelor degree qualification, which indicates that majority of the respondents should have some idea about CSR. Regarding income level, the majority of respondents (31.6%) were the respondents who earned more than Thai Baht 100,000 a month and earned less than Thai Baht 40,000 a month. As to occupation of the respondents, the majority of the respondents (44.9%) were the employee in business organization.

### B. Consumer Attitude towards CSR

Table 2 gives the mean and standard deviation (SD) on the dimensions of CSR. Among the four dimensions in the conceptual framework, respondents rated to philanthropic responsibility with the highest mean (mean = 4.34 and SD = 0.54), followed by economic (mean = 4.23 and SD = 0.55), ethical (mean = 4.10 and SD = 0.52), and legal responsibility (mean = 3.84 and SD = 0.58) respectively.

TABLE 2  
Mean and Standard Deviation of CSR Dimensions of the study.

CSR Dimension	Mean	Standard Deviation (SD)
Philanthropic Responsibility	4.34	0.54
Economic Responsibility	4.23	0.55
Ethical Responsibility	4.10	0.52
Legal Responsibility	3.84	0.58

### C. Impact of CSR Dimensions on Consumers' Buying Behavior

According to research hypotheses and the conceptual framework, multiple regression analysis was used in analysis. Summaries of analysis were shown in Table 3 to Table 4. At first, multicollinearity would be considered in order to ensure that the independent variables used in this study did not have a high correlation among one another. Large variance inflation factor (VIF) values (a usual threshold is 10.0) indicate a high degree of multicollinearity among the independent variables [7]. Table 3 illustrates the correlation coefficients among the variables.

TABLE 3  
CORRELATION COEFFICIENTS OF VARIABLES

	1	2	3	4	5
1. Consumers' buying behavior	1.000				
2. Economic	-0.013	1.000			
3. Legal	0.212**	0.180**	1.000		
4. Ethical	0.163**	0.338**	0.370**	1.000	
5. Philanthropic	-0.030	0.408**	0.263**	0.411**	1.000

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

According to Table 3, the Consumers' buying behavior had a positive linear relationship with the both legal and ethical responsibility, and the legal responsibility related to ethical responsibility. Each bivariate correlation coefficient was between 0.163 and 0.370. Involving the VIF, it was found that the values were between 7.12 and 8.42 which were under 10. Thus, multicollinearity problem was not be quiet serious.

With regard to multiple regression analysis, the results were shown in Table 4

TABLE 4  
MULTIPLE REGRESSION ANALYSIS'S RESULTTS

Independents Variables	Dependent Variable: Consumers' buying behavior		
	Unstandardized Coefficients		Unstandardized Coefficients
	B	Standard Error	Beta
Legal	0.405***	0.087	0.507
Ethical	0.327***	0.082	0.436
F-Value = 1574***    R = 0.940    R <sup>2</sup> = 0.884    DW = 1.632			

\*\* significant at the 0.001 level (2-tailed)

According to Table 4, the multiple  $R$  was equal to 0.940 which was close to 1. It was indicated that there was a positive linear relationship between consumers' buying behavior and dimensions of CSR as legal and ethical responsibility.

The multiple coefficient of determination ( $R^2$ ) is a portion of the total variation in the dependent variable that is explained by the variation in the independent variables. It found that the value of  $R^2$  is equal to 0.884 or 88.4%. This indicated that consumers' buying behavior could be explained by two

dimensions of CSR, legal and ethical responsibility, about 88.4%.

In connection with F-statistic (F-Value = 1574\*\*\*), the overall model could account for the dimensions CSR that had the effect on consumers' buying behavior. The dimension of CSR, legal responsibility, contained the most positive influence on consumers' buying behavior ( $B = 0.405^{***}$ ) which led to the approval of hypothesis 2, followed by the ethical responsibility ( $B = 0.327^{***}$ ) which led to the approval of hypothesis 3.

The independent variable (dimensions of CSR) can be ranked according to the magnitude of the beta coefficient to determine which dimensions of CSR had the most significant impact on consumers' buying behavior. Based on the result obtained, the legal responsibility had the most significant impact on consumers' buying behavior (Beta = 0.507), as it has the highest beta value, followed by ethical responsibility (Beta = 0.436).

## VII. CONCLUSIONS AND RECOMMENDATIONS

As earlier stated, the dimensions of CSR were adopted from Carroll's pyramid of CSR, which included philanthropic, ethical, legal, and economic responsibilities. The findings of this study were found that the legal responsibility was the most importance dimension that has the effect on consumers' buying behavior, followed by ethical responsibility. Thai consumers seemed to have the viewing in CSR priority different from Carroll's pyramid which suggested that for business institutions, economic responsibility is their most basic responsibility, followed by legal, ethical, and philanthropic responsibility.

Finally, in order to increase the consumer purchase intention in goods or services of the business companies. Firstly, the business organizations must operate strictly within the legal framework of the society and adhere to all state rules and regulations. Nowadays, Thai consumers care in their claim and try to protect their human rights. The decision to purchase the goods and services will consider that those goods and services destruct their community or environment or not. Secondly, then in the line of the production business organizations should produce friendlier product to the environment of the community and emphasize in their promotion good neighbor activities in local communities.

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