



CORPORATE SOCIAL RESPONSIBILITY TOWARDS CONSUMER BUYING BEHAVIOR IN INSURANCE SECTOR - AMPARA DISTRICT

T. Prabakaran¹

Senior Lecturer, Department of Management, Faculty of Commerce and Management,
Eastern University, Sri Lanka

R A D Nirmani²

Assistant Lecturer, Department of Management, Faculty of Commerce and
Management, Eastern University, Sri Lanka

p_thambirajah@yahoo.co.in, radnirmani@gmail.com

Abstract:

Business corporations must recognize that fulfilling their primary objective requires them to acknowledge their obligations to both society and the environment. Despite this, many unethical businesses choose to disregard the interests of their stakeholders. Consequently, it is imperative for businesses to understand that implementing corporate social responsibility (CSR) practices to some degree can influence consumer purchasing behavior. This study aims to explore the effect of dimensions of Corporate Social Responsibility (CSR) on Consumer Buying Behavior in Insurance Sector in Ampara District. Using stratified random sampling, questionnaires are distributed to 318 respondents for data collection and a five-point Likert scale was assigned to measure the variables. The Statistical Package for Social Sciences (SPSS-Version 25.0) was used to present and analyze the data. Descriptive statistics and Correlation analysis are used to analyse the data that was gathered. This exploration concludes that there is a high degree of consumer buying behavior, economic responsibility, legal responsibility, ethical responsibility and philanthropic responsibility. Further, the finding showed a high positive correlation between consumer buying behavior and economic, legal, ethical, and philanthropic responsibilities.

Keywords: *Corporate Social Responsibility, Economic Responsibility, Legal Responsibility, Ethical Responsibility, Philanthropic Responsibility, Consumer Buying behavior.*

1. Introduction:

In Today's world, Corporate Social Responsibility (CSR) holds significant importance in both domestic and international industries. CSR efforts are expanding worldwide, aiming to enhance the well-being of employees, their families, local communities, and society overall. Businesses are increasingly emphasizing sustainable economic development to contribute positively to society



(Omar, Muhamad, Bidin, & Jusoh, 2012). Accordingly, a socially responsible firm should aim to be profitable, comply with laws, uphold ethical standards, and contribute positively to society. This paper adopts Carroll's CSR pyramid as the framework for defining CSR. He identified four components of Corporate Social Responsibility (CSR): economic, legal, ethical, and philanthropic responsibilities. ((Nochai , R., & Nochai , T. (2014).

CSR has recently come up for consideration in the Sri Lankan business community. Rules and regulations for community development, health and education development, as well as environmental development, which are parts of the CSR plans outlined by international CSR standards, have been implemented by government and non-governmental organizations (NGO) (Tilakasiri, 2013). Accordingly, while getting the insurance service, the consumer's affection towards the insurance company varies according to the form of corporate social responsibility. Building strong consumer relationships is crucial for earning trust and loyalty, prompting many financial institutions to prioritize this aspect. Insurance companies employ diverse strategies to attract consumers, recognizing insurance as a financial service. For example, Union Assurance in Sri Lanka launched public education campaigns focused on general safety and accident prevention, particularly during festival seasons and for school children crossing highways (Tilakasiri, 2013). Thus, the aim of this study is to determine the perception of consumers towards CSR dimensions and their effect towards their buying behavior in Insurance Sector. This paper is discussing on corporate social responsibility; economic responsibility; legal responsibility; ethical responsibility; and philanthropic responsibility. Then this paper discusses on research methodology; findings and finally conclusion.

2. Research Problem:

In today's society, recognizing insurance's critical role for personal and economic well-being, trust in companies is hindered by claim denials and financial instability. In a competitive landscape, insurers leverage technology while CSR guides consumer behavior. Particularly, those considering new firms prioritize CSR, impacting choices and influencing others' perceptions. Socially responsible practices drive consumer preference, with negative opinions shared about companies lacking CSR in their offerings (Mohr, Webb, & Harris, 2001). Numerous studies, such as those by Rahim, Jalaludin, Tajuddin (2011), Omar, Muhamad, Bidin, and Jusoh (2012), and Eshra and Beshir (2017), have explored the influence of corporate social responsibility (CSR) on consumer purchasing behavior. Additionally, research has been conducted on the social responsibility of insurance companies, as seen in the work of Kavitha and Anuradha (2016). However, there is a notable gap in the literature concerning the impact of social responsibility on consumer buying behavior within the specific context of the insurance industry.

3. Research Objectives:

Based on the research questions raised above, the following research objectives are formulated



for the study.

- I. To examine the level of Economic Responsibility, Legal Responsibility, Ethical Responsibility, Philanthropic Responsibility and Consumer Buying Behaviour in Insurance Services in Ampara District.
- II. To examine the relationship between Economic Responsibility, Legal Responsibility, Ethical Responsibility, Philanthropic Responsibility and Consumer Buying Behaviour in Insurance Services in Ampara District.

4. Review of Literature:

4.1 Corporate Social Responsibility

There are numerous definitions of corporate social responsibility that originate from respected academics, philosophers, and other sources. CSR refers to a business's efforts to reduce the unfavorable social, environmental, and economic effects they have on their surroundings. Corporate responsibility encourages businesses to conduct their business in a way that promotes sustainable growth. According to Kaushik and Pandey (2020), concept of corporate social responsibility is a form of self-regulation for private businesses that strives to support ethically-guided volunteer activities and other societal goals. Carroll (1991), said that social responsibility should be divided into four levels. They can be called economic responsibility, legal responsibility, ethical responsibility and philanthropic responsibility. People today view CSR as essential, and as a result, companies are now expected to define their social roles and apply social, ethical, and legal duties to their operations (Onlaor & Rotchanakitumnuai, 2010).

4.2 Carroll's Four-part Theory

Businesses must become more mindful of their social responsibilities. Prior to embarking on any CSR initiatives, it's essential to understand the various types of obligations inherent in CSR. Carroll's four-part theory is a well-recognized framework regarding CSR components. Carroll (1991) proposed this theory, asserting that CSR comprises four distinct social obligations: economic, legal, ethical, and philanthropic.

4.3 Economic Responsibility

The economic responsibilities are the fundamental layer of Carroll's CSR pyramid. This is because, before businesses can do anything that can contribute to the society and environment, they need to be able to generate profit first (Thomas & Tahir, 2019). It refers to an organization's pledges to help promote economic sustainability through collaborating with its workers, the local community, and other stakeholders to enhance people's quality of life (Rehan, Qureshi, & Siddique, 2020). Safi and Ramay (2013), found that there is a significant relationship between



economic responsibility and customer buying behaviour. Further, a study conducted by Onlaor and Rotchanakitumnuai (2010) found that consumer buying behavior is affected by economic dimension which is the price of a product.

4.4 Legal Responsibility

Based on the CSR pyramid model, the second responsibility is the legal responsibility. 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 ((Nochai , R., & Nochai , T. (2014). According to Philips et al. (2003), businesses must adhere to legal requirements if they intend to fulfill CSR practices.

4.5 Ethical Responsibility

According to Carroll (1979), the standards, norms, or expectations associated with what consumers, employees, shareholders, and the community deem to be fair and just or that defend the stakeholder's moral right and go above and beyond legal responsibility are referred to as 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 ((Nochai , R., & Nochai , T. (2014).

4.6 Philanthropic Responsibility

According to Carroll (1991), the term "philanthropy" refers to corporate behaviour that meets social expectations for good corporate citizenship Businesses will consider the resulting social issues as part of their responsibilities. 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 ((Nochai , R., & Nochai , T. (2014).

4.7 Consumer Buying Behaviour

Consumer buying behaviour focuses on how people decide how to spend their available resources (time, money, and effort) on consumption-related items, including what they buy, why they buy it, when they buy it, where they buy it, how often they use it, how they evaluate it after the purchase, and how that evaluations affect their decisions to make more purchases in the future (Singh, 2014).

4.8 Consumer Buying Behaviour towards Corporate Social Responsibility

CSR is believed to be highly vital for increasing the trust of the consumers a corporation as it increases consumer welfare. CSR activities have a good impact on consumer’s level of trust (Kaushik & Pandey, 2020). According to Nsikan, Umoh and Bariate (2015), CSR influences competitive advantage in the Nigerian telecommunications sector. The study finds a statistically significant association between corporate social responsibility and company competitiveness, indicating that CSR has a strong beneficial influence on competitive advantage. Furthermore, according to the results of a study conducted by Dusuki and Yusof (2008), respondents identified the economic aspect as the primary element in CSR practices that businesses should prioritize. This aligns with Carroll's model of CSR, in which the economic dimension serves as the foundation of CSR practices (Carroll, 1991).

4.9 Conceptual Model:

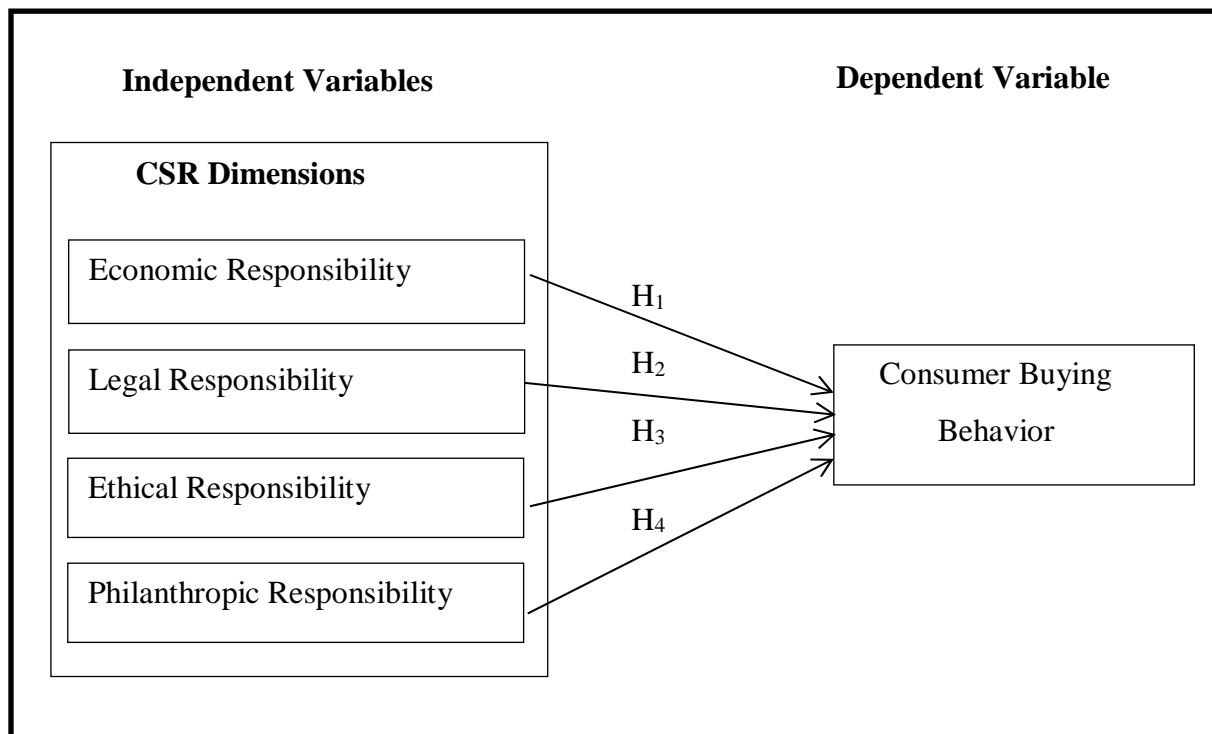


Figure 1.1 Conceptual Framework
(Source: Nochai & Nochai , 2014)

6. Research Methodology:

This research used cross-sectional design to measure the relationship between independent and dependent variables. This study used quantitative method because data collection from different sources improves the reliability and validity of data. This study is explanatory in nature and explanatory research. A questionnaire survey with stratified random sampling method was carried out to collect data from sample consumers in Ampara district. Pre-test was conducted and measures



the reliability with Cronbach's Alpha coefficient in order to determine the reliability of the instrument used. It suggests the values of 0.6 to 0.7 as the acceptable level for reliability measure. The Cronbach's Alpha coefficient of all survey instruments are under the acceptable level (Table 1), this guarantee that the instrument used, questionnaires, is the good tool for data collecting. Research site is the place where the people conduct for the research study. This research study conducted by concerning the consumers (policy holders) of selected insurance companies in Ampara District. A total of 318 respondents were participated in this study.

The questionnaire consists of three major sections. Section 1 gathers demographic information of the respondents such as gender, age, Marital Status, level of education, monthly income level, and details of occupation. Section 2 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. Also it 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 1 were designed using nominal scales, whereas Section 2 was designed using a five-point Likert scale ranging from 1 (strongly disagree), 2 (disagree), 3 (neutral), 4 (agree), and 5 (strongly agree). The instruments of this study was adopted from (Thomas & Tahir, 2019). The data obtained were analyzed using the statistical package for social sciences (SPSS-Version 25.0).

Table 1 Reliability Analysis Results of the Pilot Test

Variables	Alpha Value
Economic Responsibility	0.738
Legal Responsibility	0.791
Ethical Responsibility	0.741
Philanthropic Responsibility	0.832
Consumer Buying Behaviour	0.869

7. Results and Discussion:

Objective 1: To examine the level of Economic Responsibility, Legal Responsibility, Ethical Responsibility, Philanthropic Responsibility and Consumer Buying Behaviour in Insurance Services in Ampara District.

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 = 4.15 and SD = 0.59), followed by economic (mean = 4.02 and SD = 0.65), ethical (mean = 3.98 and SD = 0.64), and legal responsibility (mean = 3.91 and SD = 0.81) respectively.

**Table 2 Descriptive Statistics**

Variable	Mean	Std. Deviation	Level
Economic Responsibility	4.02	0.65	High
Legal Responsibility	3.91	0.81	High
Ethical Responsibility	3.98	0.64	High
Philanthropic Responsibility	4.15	0.59	High

Objective 2: To examine the relationship between Economic Responsibility, Legal Responsibility, Ethical Responsibility, Philanthropic Responsibility and Consumer Buying Behaviour in Insurance Services in Ampara District.

The correlation coefficient (r) value was 0.836 economic responsibility and consumer buying behaviour at the 0.01 significant levels Table 3 shows that value. Moreover, the value of the correlation coefficient falls under the coefficient range of 0.5 to 1.0. The p-value is equal to 0.000 and less than the Alpha value. It shows that there is a strong positive relationship between economic responsibility and consumer buying behaviour.

The correlation coefficient (r) value was 0.869 legal responsibility and consumer buying behaviour at the 0.01 significant levels Table 5.19 shows that value. Moreover, the value of the correlation coefficient falls under the coefficient range of 0.5 to 1.0. The p-value is equal to 0.000 and less than the Alpha value. It shows that there is a strong positive relationship between legal responsibility and consumer buying behaviour.

The correlation coefficient (r) value was 0.815 ethical responsibility and consumer buying behaviour at the 0.01 significant levels Table 5.19 shows that value. Moreover, the value of the correlation coefficient falls under the coefficient range of 0.5 to 1.0. The p-value is equal to 0.000 and less than the Alpha value. It shows that there is a strong positive relationship between ethical responsibility and consumer buying behaviour.

The correlation coefficient (r) value was 0.852 philanthropic responsibility and consumer buying behaviour at the 0.01 significant levels Table 5.19 shows that value. Moreover, the value of the correlation coefficient falls under the coefficient range of 0.5 to 1.0. The p-value is equal to 0.000 and less than the Alpha value. It shows that there is a strong positive relationship between philanthropic responsibility and consumer buying behavior.



Table: 3 Correlation among Economic Responsibility (ECN), Legal Responsibility (Legal), Ethical Responsibility (Ethical), Philanthropic Responsibility (Phil) and Consumer Buying Behaviour (CBB)

Variable		ECN	Legal	Ethical	Phil	CBB
ECN	Pearson Correlation	1				
	Sig. (2-tailed)					
Legal	Pearson Correlation	.707**	1			
	Sig. (2-tailed)	0.000				
Ethical	Pearson Correlation	.685**	.776**	1		
	Sig. (2-tailed)	0.000	0.000			
Phil	Pearson Correlation	.787**	.691**	.677**	1	
	Sig. (2-tailed)	0.000	0.000	0.000		
CBB	Pearson Correlation	.836**	.869**	.815**	.852**	1
	Sig. (2-tailed)	0.000	0.000	0.000	0.000	
Correlation is significant at the 0.01 level (2-tailed).						

8. Conclusion:

Descriptive Statistics for the objective one indicates that there is a high level of all four dimensions; objective two concludes that there is strong positive and significance relationships between Economic Responsibility, Legal Responsibility, Ethical Responsibility, Philanthropic Responsibility and Consumer Buying Behaviour. This result supported the previous study by (Thomas & Tahir, 2019).

This study explores the impact of corporate social responsibility on consumer buying behavior within the context of purchasing insurance services. By delving into various aspects of corporate social responsibility, it provides insights into the existing social responsibility practices of insurance companies. Furthermore, it enhances understanding of the relationship between each aspect of social responsibility and consumer buying behavior.

9. Limitations of the Study

There is very little published research related to this research topic in the Sri Lankan context. Therefore, due to the lack of Sri Lankan literature, many information and variables were identified through international studies conducted in relation to the respective research topic. Moreover the study is limited to investigate the effect of the four independent variables on dependent variable,



but there can be other variables that may be added to the theoretical framework to enhance its explanatory power. And also the sample size was small. This study only concerned 318 consumers who are buying insurance services in Ampara district not all the consumers in Sri Lanka.

10. Future Research Directions

Future researchers can be taken into actions to improve further research by overcoming the limitation of this study. The research study had a limited sample size of 318 consumers purchasing insurance services in selected companies in Ampara District. To enhance the reliability and validity of results, a larger sample size is recommended. Additionally, the study aimed to investigate the influence of CSR on consumer buying behavior in insurance services, suggesting the extension of this objective to other sectors and industries in Sri Lanka. This expansion could involve including various industries in Ampara District or across Sri Lanka in the sample. Furthermore, conducting similar research with reference to different variables in Sri Lanka would allow for comparisons and deeper discussions on the impact of CSR on consumer behavior. Lastly, the study proposes reassessing and expanding upon the theories, frameworks, or models utilized in the research for comprehensive exploration and understanding.

References

- Carroll. (1979). A Three-Dimensional Conceptual Model of Corporate Performance. *The Academy of Management Review*, 4(4), 497-505. doi:10.2307/257850
- Carroll. (1991). The Pyramid of Corporate Social Responsibility: *Toward the Moral Management of Organizational Stakeholders*. *Business Horizons*, 34(4), 39-48.
- Dusuki, A.W. & Mohd Yusof, T.F.M.T. (2008). The pyramid of corporate social responsibility model: empirical evidence from Malaysian stakeholders perspectives. *Malaysian Accounting Review*, 7 (2), 29-54.
- Eshra, N., & Beshir, N. (2017). Impact of Corporate Social Responsibility on Consumer Buying Behavior in Egypt. *World Review of Business Research*, 7(1), 32-44.
- Kaushik, M., & Pandey, R. (2020). Impact of Corporate Social Responsibility on Consumer Behavior. *Ilkogretim Online - Elementary Education Online*, 19(4), 3123-3127. doi:10.17051/ilkonline.2020.04.764687
- Kavitha, N., & Anuradha, T. (2016). Corporate Social Responsibility in Insurance Sector in India. *International Journal of Innovative Research & Development*, 5(2), 137-143.
- Mohr, L. A., Webb, D. J., & Harris, K. E. (2001). Do Consumers Expect Companies to be Socially Responsible? The Impact of Corporate Social Responsibility on Buying Behavior. *The Journal of Consumer Affairs*, 35(1), 45-72.



- Nsikan, J. E., Umoh, V. A., & Bariate, M. (2015). Corporate Social Responsibility and Mobile Telecommunication Competitiveness in Nigeria: The Case of MTN Nigeria. *American Journal of Industrial and Business Management*, 5(8), 527-537.
- Nochai, R., & Nochai, T. (2014). The Effect of Dimensions of Corporate Social Responsibility on Consumers' Buying Behavior in Thailand: A Case Study in Bangkok. *International Conference on Economics, Social Sciences and Languages*, 5, 42-46. doi:org/10.15242/ICEHM.ED0514068
- Omar, W. M., Muhamad, R., Bidin, Y. H., & Jusoh, A. (2012). Investigating Corporate Social Responsibility (CSR) Initiatives on Consumer Buying Behavior: The Most Influential Factor. *Journal of Governance and Development*, 8, 27-37
- Onlaor, W., & Rotchanakitumnuai, S. (2010). Enhancing Customer Loyalty towards Corporate Social Responsibility of Thai Mobile Service Providers. *International Journal of Economics and Management Engineering*, 4(6), 1341-1345.
- Rahim, R. A., Jalaludin, F. W., & Tajuddin, K. (2011). The Importance of Corporate Social Responsibility on Consumer Behaviour in Malaysia. *Asian Academy of Management Journal*, 16(1), 119-139.
- Rehan, M. H., Qureshi, Q. A., & Siddique, M. (2020). Impact of CSR Economic Dimension on Customers Loyalty: Mediating role of Corporate Reputation. *Ilkogretim Online - Elementary Education Online*, 19(3), 2488-2494. doi: 10.17051/ilkonline.2020.03.735407
- Safi, A., & Ramay, M. I. (2013). Corporate social responsibility and consumer behavior: a business and economic research study from Pakistan. *Information Management and Business Review*. 5(4), 194-202
- Singh, A. (2014). Consumer Buying Behaviour. *International Research Journal of Management Sociology & Humanity*, 5(12), 17-21.
- Tilakasiri, K. (2013). Corporate Social Responsibility and Social, Economic and Environmental Development in Sri Lanka. *Kelaniya Journal of Human Resource Management*, 8(2), 93-133. doi:10.4038/kjhrm.v8i2.5
- Thomas, B., & Tahir, N. S. (2019). The Effect of Corporate Social Responsibility towards Consumer Buying Behaviour: A Study among Universities Students. *Journal of International Business, Economics and Entrepreneurship*, 4(2), 8- 18.