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THE INFLUENCE OF CORPORATE SOCIAL RESPONSIBILITY ON CONSUMERS BEHAVIOR IN SERBIA

Andelka Stojanović, Ivan Mihajlović, Isidora Milošević, Sanela Arsić, Predrag Đorđević

University of Belgrade, Technical Faculty in Bor, Serbia

Abstract: This paper presents the results of research conducted with the aim of exploring corporate social responsibility (CSR) and its influence on consumer's behavior in Serbia. An extensive literature review was conducted based on which the questionnaire was developed. The data was gathered by interviewing consumers in Serbia and analysis was conducted with the aim to confirm the reliability and multidimensionality of the proposed scale. The starting point was 4 dimensional model of corporate social responsibility with the measured influence of Economic aspect, Environmental aspect, Care of employees and Voluntariness on Consumers behavior. After the exploratory analysis was performed, the model of CSR influence was proposed and tested. The results reflect the consumers' perspective and potential implication on companies' strategies and practices.

Keywords: Corporate Social Responsibility, Serbia, Consumers, Scale development

1. INTRODUCTION

In recent years, the corporate and scientific world has been intensely discussing about corporate social responsibility and about real CSR activities that are supposed to have an impact on the peoples' lives as well as on the company's business results. Although has been much discussions and publications about CSR, the precise definition and its frameworks have not been fully established. Many authors, companies and organizations give their vision of corporate social responsibility and how it should be implemented [1-7]. The essence of it is that corporate responsibility is a necessity in contemporary business and, as such, has become an integral part of business models and strategies of companies. CSR is closely related to sustainability, development, innovativeness, and multi-dimensional approach to business in the modern world. Through implementation and publication of CSR activities, companies build relationships with stakeholders, gain a positive reputation, present the ethical and moral values they stand for and seek to achieve long-term partnerships and customer trust [8]. Customers are observing companies that are socially responsible as partners through which they can express their philanthropic tendencies and by staying loyal to the company embed their values into the value of the company. Over time, public opinion and consumers' power exceeds the trends that companies follow in order to satisfy the market, and they become incorporated into regulations and laws that companies have to comply with [9].

Corporate social responsibility emerged as a concept in Serbia later than in developed economies due to the closed market, economic sanctions and political and economic crisis in the 1990s. Before that providing care for employees and the welfare of the nation were

implied through a socialist system. Corporate social responsibility, as such, appeared much later in the 2000s after the crisis, as an accompanying element of the operations of foreign companies that began to expand their business operations in Serbia. Multinational as well as domestic companies had been trying to adjust the implementation of socially responsible activities to peculiarities of domestic environment and practice. Also, the government supported CSR initiatives and practices with numerous regulations and incentives (National Strategy of the Republic of Serbia on Socially Responsible Business 2010-2015), but a lot of this efforts were just formal with lack of practical application. Due to the absence of a systematic approach, the level and in which way the company will be corporate responsible is on the company itself. Nevertheless, companies realized that implementation of CSR can bring various benefits which are reflected in a better reputation, abilities to attract and retain a qualified workforce, consumers loyalty, etc. Therefore they, in practice, show a lot of commitment to the responsible business.

A very small number of researches conducted in Serbia were conducted regarding the relations between CSR implementation and consumers in the recent period, while more of them are conducted in the early phases of CSR introduction. In research published by Stanisavljević in 2017 (conducted during 2014) [10], the results showed that respondents were familiar with the CSR concept but that it was not the influential factor in the decision to purchase the goods. Also, results revealed that the influence of CSR on consumers' loyalty is a moderate while, primarily, loyalty is influenced by philanthropic and economic dimension. A very important research was carried out by Smart Kolektiv and IPSOS Strategic Marketing (conducted 2013) [11]. In this research it was stated that a large number of consumers are keen to act in a socially responsible manner, would refuse the product from irresponsible companies and buy products from responsible companies, even if they are slightly expensive.

The aim of the paper is to determine whether CSR when recognized and accepted as a business model in the present day, plays a role in the behavior of consumers. In this research statistical analysis of factors that influence consumers' behavior was conducted, and a model that describes consumers' behavior is proposed and tested. The analysis had been carried out during 2017 and 2018 as a part of comprehensive research over CSR influence on different stakeholders and business areas.

2. LITERATURE REVIEW

Consumers' buying intentions can be motivated by different triggers, rational or irrational. They are becoming more conscious regarding the companies they are buying from over the way these companies conduct their operations. Therefore, consumers have certain expectation from companies in the sense of moderate and controlled negative influence and enlarged potential for positive influence on local, as well as the global surrounding.

Relationship with CSR, as the decision-making factor, is established between companies and costumers through awareness over the importance of responsible companies conduct but also through effective communication about CSR. So, besides integration of corporate responsibility in business strategy and operations, it is very important for the company how CSR is being communicated [12] due to the fact that studies indicate that CSR activities often are not adequately delivered to consumers [13]. Extracted from the conveyed consumers' demands, companies are trying to integrate these in CSR policies and practices and eventually gain benefits such as cost-related advantages, market advantages, and reputation advantages [14,15].

CSR explanation can significantly differ based on the culture and encompasses a broad range of issues and activities, so consumers cannot perceive the concept as a whole but can identify the areas of company responsibility [16,17]. There are several approaches in which CSR activities can be classified in order to appropriately reflect consumers' perception [1,18,19]. Some researchers, nevertheless, showed that the awareness of CSR is actually very low among consumers [20]. The classification of CSR aspects adopted for this work is generally based on the definition of the European Commission where CSR is defined as: "a concept whereby companies integrate social and environmental concerns in their business operations and in their interaction with their stakeholders on a voluntary basis" [5]. Thus the CSR was being investigated as a multidimensional concept perceived by consumers through economic aspect, environmental aspect, care of employees and voluntariness.

The economic aspect of CSR encompasses all means the company uses to enhance the interaction with its business partners and its surroundings to go beyond maximizing the short-term profit and achieving the long-term performance and sustainability through capitalization of market opportunities and influencing the well-being of everyone [21,22].

The environmental aspect emphasizes the minimization of environmental influence through utilization and production of eco-friendly and green products, integration of energy saving through the entire product life cycle, systematically monitored and controlled resources consumption, not only in the company, but in the whole supply chain [21,23]. Research shows the increasing number of consumers that are aware of the existence of an environmentally-friendly form of consumerism and are willing to pay an additional price for eco-products, while boycotting a firm with poor socially and environmentally reputation [24,25].

Among other social issues, one of the focus points for the company is employees. An employee can be considered as twofold CSR object, generally as a citizen - as a part of the local community and closer - as a person on whose skills, performance, safety and satisfaction, business operations are depended on. Companies besides complying with standards and regulations regarding safety, human rights and equal and fair treatment, offer pieces of training, opportunities for carrier development, inclusion in the decision making process and encouragement for spreading corporate values [26-28] .

Voluntariness is inclination of companies to develop and implement corporate social responsible initiatives and standards as a response to demands from consumers and other stakeholders. Companies show responsibility trough giving back and contributing to society and encouraging others to behave in the same way, by employing their resources voluntary. These initiatives can help companies in affirmation of business strategies, improvement of the management system and to gain a business advantage which can lead to stronger customer loyalty [29].

Previous researches had discovered that primarily the price and quality are the factors in buying decisions and that CSR, in general, is not highly positioned in that rankings [30,31]. According to research conducted by The Nielsen Global Survey on Corporate Social Responsibility in 2014, 55% of consumers across 60 countries say they are willing to pay more for products and services provided by companies that are committed to positive social and environmental impact [32]. In the newest report, the percent of respondents that are willing to pay the premium price for products that stand for socially responsible delivery is 30% but 81% stated that it is very important that companies implement environmentally friendly programs [9].

When it comes to specific aspects of CSR, researches showed that the economic dimension mainly is perceived as a generator of value, while others especially environmental

don't generate any additional value [22]. On the other hand, there are researches that showed the opposite and proved the CSR implementation in mentioned aspects can enhance the customer's preference toward company and brand and consequently positively influence the company's performances [33].

Given that CSR aspects interrelate, it is likely that economic aspect influences others, therefore the following hypotheses are proposed:

H1: The Economic aspect of CSR is positively associated with Environmental aspect of CSR

H2: Economic aspect of CSR is positively associated with Care of employees

H3: Economic aspect of CSR is positively associated with the Voluntariness of CSR

Understanding and considering the consumers' motives and aspirations in decision making can help the company to manage relations in a favorable direction, therefore, for investigating the influence on consumers following hypothesis are proposed:

H4: The Economic aspect of CSR positively influences Consumer behavior

H5: The Environmental aspect of CSR positively influences Consumer behavior

H6: Care of employees positively influences Consumer behavior

H7: Voluntariness positively influences Consumer behavior

3. METHODOLOGY

The methodology used in this paper is based on quantitative analysis and testing of the proposed model with appropriate statistical tools. The required information was obtained through extensive literature review based on which the questionnaire was developed. The data was collected by surveying the consumers in Serbia. The survey was conducted in 2018 and 2019 via an intensive process of personal and online interviews, based on which a total of 143 valid responses formed the final sample. For data analysis, the SPSS v.17 and AMOS v.18 software was used.

The respondents in the survey were mainly females (55.9%), 50.3% of the respondents belong to the 18-25 age group, following with 18.2% in 26-35 and 13.3% in 36-45 year age groups. Respondents were mostly students (in 44.1% of cases), then employees in public companies (30.8%) and employees in private companies 9.1%.

Respondents were evaluating the importance of each item using a five-point Likert scale where 1 meant "not important" while 5 meant "very important". Exploratory factor analysis (EFA) was performed, and showed the following: Economic aspect of CSR was measured using 6 items, Eigenvalue = 3.311, Kaiser-Meyer-Olkin Measure of Sampling Adequacy (KMO) = 0.835 with statistically significant Bartlett's Test of Sphericity, Cronbach's α = 0.837. Environmental aspect of CSR was measured using the four-item scale, Eigenvalue = 2.151, KMO = 0.741 with statistically significant Bartlett's Test of Sphericity, Cronbach's α = 0.712. Care of employees was measured with four items, Eigenvalue = 2.088, KMO = 0.732 with statistically significant Bartlett's Test of Sphericity, Cronbach's α = 0.694. Voluntariness with three items, Eigenvalue = 1.865, KMO = 0.670 with statistically significant Bartlett's Test of Sphericity, Cronbach's α = 0.696. The four-item scale was also used for

measurement of Consumer behavior, Eigenvalue = 2.353, KMO = 0.735 with statistically significant Bartlett's Test of Sphericity, Cronbach's $\alpha = 0.766$.

Confirmatory factor analysis (CFA) was conducted for the testing of the proposed measurement model, prior to testing of the structural model. The CFA showed the values of fit indices presented in Table 1.

Table 1. Fit indices for the measurement and structural model

Fit indicators	χ^2	χ^2/df	RMSEA	RMR	CFI	NFI	TLI	IFI	GFI
Values for measurement model	$\chi^2 = 174.6$; df = 170	1.03	.014*	.041	.995	.841	.994	.995	.900
Values for structural model	$\chi^2 = 174.9$; df = 169	1.04	.016	.046	.993	.841	.992	.994	.903
Recommended values		<3	<.08	<.10	>.90	>.90	>.90	>.90	>.90

The CFA showed that this measurement model was adequate fit for the data [34-36]. Factor loadings are presented in Table 2. All factor loadings were significantly related to latent variables ($p < 0.001$) and with standardized loading value above 0.50 [21], while the values of t-test suggest convergent validity. The composite reliability (CR) exceeded the required value of 0.70 for all constructs except Care of employees. The average variance estimates (AVE) are under the recommended value of 0.50.

Table 2. Results for the measurement model

Variables	Standardized factor loading	Critical ratio (t- value)	AVE	CR	P
Economic aspect			.447	.828	
EC1	.620	6.575			***
EC2	.636	6.736			***
EC3	.647	6.793			***
EC4	.685	7.267			***
EC5	.717	7.492			***
EC6	.700				
Environmental aspect			.380	.709	
ENV1	.621	5.388			***
ENV2	.667	5.602			***
ENV3	.615	5.421			***
ENV4	.558				
Care of employees			.353	.685	
SOC1	.647	5.825			***
SOC2	.576	5.387			***
SOC3	.576	5.391			***
SOC4	.574				
Voluntariness			.445	.706	
VO1	.616	5.777			***
VO2	.701	6.227			***
VO3	.681				
Consumers behavior			.421	.740	
CB1	.545				
CB2	.557	6.180			***
CB3	.760	5.391			***
CB4	.707	5.353			***

*** statistical significance at the level $p < .001$

After confirmation of the measurement model, the structural model was tested by performing Structural Equation Modeling (SEM). In order to prove the interaction between CSR aspects and Consumers behavior the paths that indicate the connections between variables were created. Results of the structural analysis, Table 1, showed a good fit with the data. Table 3 and Figure 1 show the values of direct interactions for the proposed model.

Table 3. Path coefficients and T-values

The relationship or path	Standardized regression coefficient	T-value	Status
H1. Economic aspect-Environmental aspect	.775	5.298(***)	Confirmed
H2. Economic aspect- Care of employees	.860	5.517(***)	Confirmed
H3. Economic aspect- Voluntariness	.514	4.156(***)	Confirmed
H4. Economic aspect- Consumer behavior	-.093	-.210(/)	Not confirmed
H5. Environmental aspect- Consumer behavior	.336	1.394(/)	Not confirmed
H6. Care of employees - Consumer behavior	-.434	-1.203(/)	Not confirmed
H7. Voluntariness - Consumer behavior	.498	2.966(**)	Confirmed

*** statistical significance at level $p < .001$

** statistical significance at level $p < .05$

The Economic aspect of CSR affects all other CSR aspects: the Environmental aspect $\beta = 0.775$, $p < 0.001$ thus the hypothesis H1 is confirmed; the Care of employees $\beta = 0.860$, $p < 0.001$ providing support for hypothesis H2 and Voluntariness $\beta = 0.514$, $p < 0.001$, therefore, hypothesis H3 is confirmed. Each aspect of CSR influences Consumer behavior in a different way. The hypothesis H4 is not confirmed because of the lack of direct relationship between Economic aspect and Consumers behavior. Results indicate that the Environmental aspect of CSR has a positive influence on consumers ($\beta = 0.336$) behavior but the result is not statistically significant, therefore the hypothesis H5 cannot be confirmed. Care of employees does not have a positive influence on Consumer behavior and additionally result is not statistically significant thus hypothesis H6 is rejected. Finally, Voluntariness positively influences Consumer behavior ($\beta = 0.498$, $p < 0.05$) therefore the hypothesis H7 is confirmed. The total value of the coefficient of determination in the model is $R^2 = 47.1\%$.

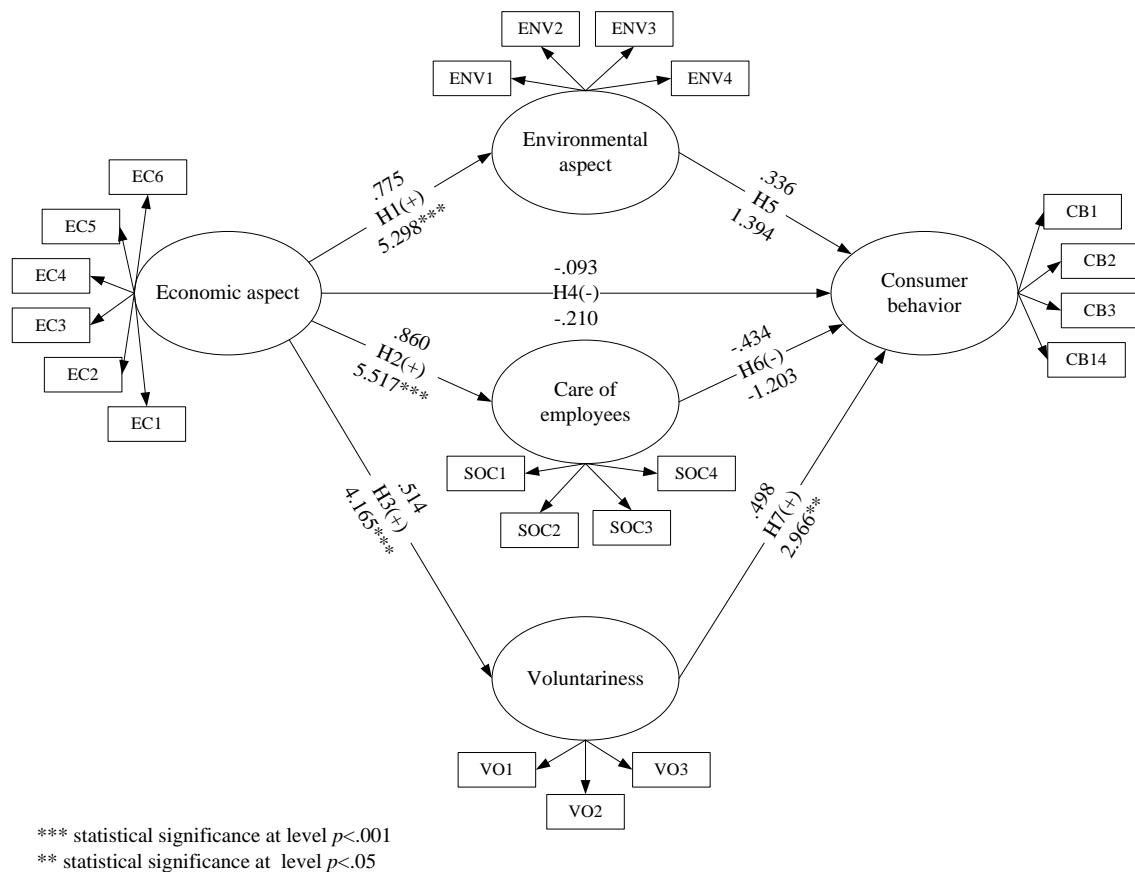


Figure 1. Results of structural equation modelling analysis

4. DISCUSSION

In this paper, the goal was to investigate the influence of four aspects of CSR on consumer behavior towards companies that implement CSR activities. Direct influence of CSR aspects on the consumer's behavior was measured as well as the influence of economic aspect on other three CSR aspects - environmental, care of employees and voluntariness.

The results of the research showed that consumers' behavior in Serbia is only directly influenced by expressed voluntariness aspect of CSR, therefore proving hypotheses H7, while influences of other examined aspects of CSR is not proved.

The influence of the Economic aspect is proved in some researches [22] but in this one, the direct connection of economic efforts and consumers' behavior remain unproven, (hypothesis H4). However, the economic aspect is strongly influential on other three observed aspects - environmental, care of employees and voluntariness, hence all three hypotheses were confirmed (H1, H2, H3). Therefore it can be concluded that economic aspect has an indirect influence on consumers' behavior.

Although there are researches that showed the awareness of environmental responsibility of the company positively affects consumer behavior, some research showed the opposite [13], together with the results obtained from this survey. This can be explained with the fact that most researches are conducted in developed countries [37] and the CSR can be perceived in a dissimilar manner in other countries especially in developing and transitional countries. Since the environmental issues (H5) relate positively with consumers'

behavior, but the obtained result doesn't have statistical significance, it can be concluded that respondents are informed about the importance of environmental engagement and monitoring over the companies but environmental concern still doesn't have influence over the consumer's decisions and acts.

The non-acceptance of the hypothesis H6 presumed the positive influence of care for employees on consumers buying behavior. Production and distribution chains are very complex in modern business, while tracking the behavior and CSR implementation is quite challenging. Also, the standards and regulation concerning the workforce differ among countries and for consumers is very difficult to know which norms are usual and in what level fulfilled by companies. Companies, to the large extent, don't communicate the production and distribution conditions and efforts concerning employees [29].

The definite influence of CSR on consumer behavior is unclear and blurry because the consumers seem to understand the importance of this issue. But when it comes to thinking about concrete purchasing of the goods, consumers do not actually act in the responsible manner [29].

5. CONCLUSION

The findings in this paper can have several implications. First, the consumers are aware of voluntary companies' efforts to act in a socially responsible manner, although they still have low influence on their buying intentions. In order to embrace the more positive effects of implementing CSR, companies should establish a new level in communication and development of marketing strategies where the CSR initiatives should be properly explained and emphasized.

Second, it appears that some segments of corporate responsibility are far lower perceived than other, so managing those segments can help companies to focus initiatives towards changing the customer sensitivity in the direction of values and standards the company stands for.

The scope of this study is limited by the fact that its focus is on the certain aspects of CSR and some other researchers suggest taking into consideration the broader scope of this phenomenon. However it cannot be said that the aspects included in this research are not sufficient and representative but merely observing those aspects resulted in the less attention paid on political dimension, regulatory frameworks, the usual norm and practice of doing business and other stakeholders' demands. This limitation can be overcome by adding more aspects to the research. Also, future work can be focused on cross-cultural research in order to compare results from different consumers' groups or even different stakeholders.

The opinion of consumers and justification of CSR implementation presented in this study should help in more focused responses on stakeholders needs and companies' business results.

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