Antecedents and Consequences of Perceived Corporate Social Responsibility on Financial Holding Companies - Finance Students' Perceptions

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Abstract

Consumers consider various factors when purchasing because of consumer awareness.

Increasingly, consumer behaviors are influenced by corporate social responsibility (CSR) activities. This study comprehensively investigates the relationships of antecedents and consequences of CSR from consumer perceptions. CSR ethics statements and financial performance are the antecedents in this study. The effects of the relationships among consumers' perception of CSR and consumer satisfaction, perceived corporate reputation, perceived risk, as well as consumer loyalty are the consequences. The findings suggest that perceived CSR was affected by perceived quality of ethics; therefore, corporations should emphasize an internal ethics statement and establish their CSR image to increase consumer satisfaction, enhance the corporate reputation, reduce perceived risk, and form a positive link between corporations and consumers. In addition, the findings reveal that significant relationships were observed among consumer satisfaction, corporate reputation, and perceived risk, which affect consumer loyalty.

1. Introduction

Corporations play various roles in modern societies; they profit by increasing their performance levels and formulate budgets to implement social responsibility practices. Managing a corporation requires considering numerous factors, among which consumer perceptions and corporate social responsibility (CSR) are particularly vital. Managers now perceive that undertaking socially responsible actions attracts consumers who consider CSR a crucial concern and corporations could benefit from CSR initiatives (Wei & Chuage, 2009). Corporations are increasingly focusing on CSR to attract consumer attention; in other words, managers are likely to evaluate the effects of engaging in CSR activities (Cramer, Jonker, & Heijden, 2004).

From the view of corporations, the benefits which corporations engage CSR connects with consumer perceptions of evaluating brand, selecting products (Sen & Bhattacharya, 2001). Corporations, however, involve in CSR activities for not only increasing profits but also satisfying consumers' expectations. Mohr and Webb (2005) suggested that consumer perceptions regarding CSR activities can provide valuable insights to facilitate increasing corporate identification levels and purchase intentions. Devinney, Auger, and Eckhardt (2010) determined that consumers focus on CSR activities, directly affecting consumer purchase intentions. When companies employ CSR activities as a business strategy, such activities are positively correlated with financial performance levels (Tang, Hull, & Rothenberg, 2012); therefore, engaging in CSR activities can enhance corporate economic value.

When corporations devote themselves to implementing CSR, they can be constrained by their current financial situations. Capital sources and corporate profits tend to affect corporate willingness to invest in CSR activities; however, even when corporations possess sufficient capital, CSR implementation is not guaranteed. The factors influencing CSR implementation include whether corporate ethics are clearly expressed in the operational objectives or strategies of a corporation. These factors were evaluated to determine whether they were prerequisite factors of CSR fulfillment in this study.

Previous studies have explored the effects of corporations engaging in CSR activities. Öberseder, Schlegelmilch, and Gruber (2011) indicated that consumer evaluations of CSR fulfillment are complex, and numerous relevant influential factors are involved, affecting consumption decisions. Studies evaluating CSR from a consumer perspective have typically focused on consumer understanding of CSR; results have shown that financial performance levels and corporate ethics affect consumer trust in CSR and consumer loyalty toward corporations. Although numerous studies have explored this topic, most have focused on a single area. In this study, antecedents were used to form perceptions of CSR and assess the consequences of fulfilling CSR to explore the framework in a diverse and multilateral fashion.

Numerous studies investigating perceptions toward CSR have sampled consumers, and most studies have involved general consumers. Although general consumers can provide usable responses, a gap might exist in their backgrounds. Therefore, in this study, students with knowledge of the finance industry comprised the research participants. The study involved

exploring the perceptions of Taiwanese finance students toward the CSR of 16 listed financial holdings companies; this facilitated constructing the antecedents and consequences of perceived CSR in the finance industry.

2. Literature review

2.1 Corporate Social Responsibility

Corporations implement CSR to construct favorable relationships with stakeholders; taking socially responsible actions and implementing broad, systematic strategies, and practical operational models can facilitate a positive environment between corporations and their stakeholders (Waddock, 2004). Effective commercial corporations tend to be concerned with corporate ability and CSR performance levels during evaluations (Berens, Riel, and Rekom, 2007); therefore CSR has become a preferential performance indicator. The relationship between the corporations with CSR and consumers becomes closer, forming a foundation for consumption decisions. The corporate strategies used to promote CSR tend to focus on four areas: morality and ethics, legality, economy, and charitable activities (Carroll, 1979). Planning and undertaking activities in these areas enables corporations to shrink the gap between the company and consumers, or between the company and its stakeholders, thereby elevating the level of operational performance. Conceptually, CSR is a complex information model involving corporations, the social environment, economic development, and stakeholders. Through the positive CSR model, corporations and society can achieve efficient development while continuing to address the needs and perspectives of stakeholders. Therefore, for corporations, CSR is the performance of the formulation and implementation of a successful commercial strategy (Alexander, 2008).

2.2 The Antecedents of Perceived CSR

2.2.1 Perceived Financial Performance

According to Hirsch (1991), indicators used to measure corporate financial performance are broad. These indicators are primarily used to measure corporate accounting and economic profits as net cash flow, asset returns, equity returns, and marginal returns for computing the capital (stock) market returns represented by shareholders. Accounting profits differ from economic profits; whereas accounting data reflect historic operational performance levels, economic profits reflect perceived potential and existing market profitability. Therefore, perceived financial performance level is likely an antecedent of perceived CSR, and it can be posited that perceived financial performance relates positively to consumer perceptions of CSR activities (H1).

2.2.2 Perceived Quality of Ethics

Valentine and Fleischman (2008) stated that a positive relationship exists between CSR and the ethical standards of a corporation. Established corporate ethics are instilled during employee training; promulgating these ethical codes enhances the moral attitudes and personal values of employees. Corporations that establish ethical codes can be seen as responsible toward society, generating a positive image. Corporate ethics also provide a credo

for organizations, or a standard by which businesses must operate, ensuring that business operations reflect the corporate image. Murphy (2005) defined corporate ethics statements in terms of honesty, trust, teamwork, and fairness, stating that ethics equip corporations with a responsibility to society. Corporate ethics are demonstrated based on behaviors in four areas, and are used to guide, evaluate, and regulate those in charge of corporate public relations. Thus, establishing corporate ethics affects the organizational climate and such ethics can be used to regulate ethical behaviors (Ki & Kim, 2010). Thus, it was posited that perceived quality of ethics relates positively to consumer perceptions of CSR activities (H2).

2.3 The Consequences of Perceived CSR

2.3.1 Consumer Satisfaction

Consumer satisfaction has been conceptualized into the judgments and perceptions that consumers use to evaluate products and consumer experiences after product use or consumption (Rodríguez del Bosque, San Martín, & Collado, 2006). In addition, consumer satisfaction can be determined based on behavioral factors in various circumstances; thus, various factors can affect the formation of consumer satisfaction. Consumer satisfaction should be a primary business goal, and corporations should attempt to enhance consumer satisfaction levels in practice, evaluating the optimal methods of satisfying consumers; in other words, consumer satisfaction is the critical target in business (Voss, Godfrey, & Seiders, 2010) Thus, it was posited that consumer perceptions of CSR activities relate positively to consumer satisfaction (H3).

2.3.2 Perceived Corporate Reputation

Corporate reputation is the result of long-term performance, and because this reputation is difficult for competitors to imitate, corporate reputation enables corporations to maintain positions of advantage (Roberts & Dowling, 2002). According to Barney (2002), corporate reputation is an intangible asset that can yield increased levels of corporate competitiveness in the market; this asset is a basic resource that is indispensable to corporations. Relevant studies on market revenue and management have demonstrated that corporate reputation refers to the evaluation outcomes of the stakeholders toward a corporation (Fombrun, 1996). Thus, it was posited that consumer perceptions of CSR activities relate positively to perceived corporate reputation (H4). In addition, it was posited that perceived reputation relates positively to consumer satisfaction (H6).

2.3.3 Perceived Risk

Perceived risk of consumers can be defined as the uncertainties or inconsistencies that consumers perceive toward products or services (Mattila, 2001); perceived risk is a crucial factor in forming negative evaluations toward corporations, thereby affecting purchase behaviors (Murphy & Enis, 1986). Because perceived risk is subjective, it strongly affects consumer attitudes (Mitchell, 1999). Perceived risk has been widely discussed, and studies have shown that perceived risk is a key factor affecting consumer decisions and behaviors (Chen & Chang, 2012). Hence, it was posited that consumer perceptions of CSR activities relate negatively to perceived risk (H5) and perceived corporate reputation relates negatively

to perceived risk (H7).

2.3.4 Consumer Loyalty

Consumer loyalty can be expressed as consumer behaviors related to repurchasing certain products or purchasing the products of specific firms. Consumer loyalty might be a mediator of social norms and contextual factors, potentially affecting consumer motivations, perceptions, and behaviors (Dick & Basu, 1994). Consumer loyalty also encapsulates individual repurchasing behaviors. Cardador and Pratt (2006) suggested that consumer loyalty indicates the extent to which consumers identify with corporations, and is a conceptualized image. Zhang and He (2012) indicated that loyalty is a type of persistent behavior, whereby consumers prefer to buy specific products or services. Therefore, consumer loyalty is related to trust and loyalty, as well as satisfaction. It was posited that consumer satisfaction relates positively to consumer loyalty (H8), perceived corporate reputation relates positively to consumer loyalty (H9), and perceived risk relates negatively to consumer loyalty (H10). Figure 1 presents the proposed relationships.
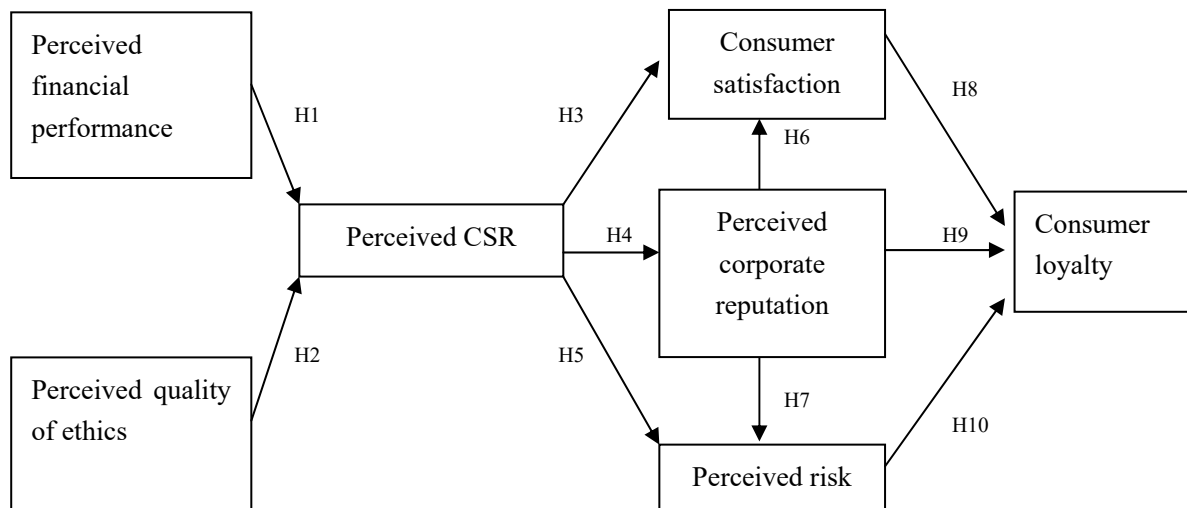

Figure 1. Proposed relationships of antecedents and consequences of perceived CSR

3. Method

3.1 Sampling

A pilot test of 33 finance students participated to answer the preliminary questionnaire and refine the scale items for the final study. Three items assessed perceived financial performance, perceived quality of ethics, and perceived risk. Of all resulting measures, the reliability of the constructs was higher than Cronbach's Alpha 0.8 that exceeded the acceptable level of 0.7 (Nunnally, 1978). In addition, the development of the questionnaire was examined by three-expert panel whose profession relates corporate social responsibility. All items established satisfactory reliability and validity.

This study was conducted to investigate the antecedents and consequences of perceived CSR from the perspectives of finance students, and thereby examining the proposed model. The participants were finance students drawn from the data of the Ministry of Education in

Taiwan (2012). Finance students were chosen as the target group because business students provide effective proxies for nonprofessional investors after studying the relevant topics (Elliott, Hodge, Kennedy, & Pronk, 2007). After using stratified cluster sampling on 69 universities, a list of 20 universities was composed: seven universities in Northern Taiwan, five in Central Taiwan, seven in Southern Taiwan, and one in Eastern Taiwan. A total of 600 questionnaires were collected by mail after contacting the relevant faculty members, and 479 useable questionnaires were utilized in the data analyses; the remaining questionnaires were eliminated because of incomplete answers. Of those participants, 192 (40.1%) are male and are (59.9%) are female; also, 353 (73.7%) have work experience and 163 (34%) have the experience of trading in stock; 186 (38.8%) are studying at public school and 125 (26.1%) are at vocational school. Table 1 lists the demographic characteristics of samples.

Table 1. Demographic Characteristics of the Samples

Variables		Frequency	%
Grade	Junior	297	62%
	Senior	182	38%
Gender	Male	192	40.1%
	Female	287	59.9%
School	Public	186	38.8%
	Private	293	61.2%
	Vocational	125	26.1%
	University	354	73.9%
Work experience	Y	353	73.7%
	N	126	26.3%
Stock trade	Y	163	34%
	N	315	65.8%

Note: $N = 479$

3.2 Measures

All measures used in this study were adapted from the relevant literature. The scales were 5-point Likert-type scales ranging from 1 (*strongly disagree*) to 5 (*strongly agree*). All items were translated into Chinese and modified to fit the study. The questionnaire consists of five sections:

1. The participants were provided with a general definition of CSR. The CSR statement declared that CSR highlighted four types of social responsibility of economic, legal, ethical, and philanthropic (Carroll, 1979) and to be a good corporate citizen (Carrol,

1991). Corporations engage CSR activities to get closer to consumers and stakeholders, and corporations may increase their financial performance thus. Accordingly, corporations prove highly effectiveness in connecting with consumers by implementing CSR activities. Also, the information regarding 16 financial holding companies was provided. They each selected a familiar company from the list. Subsequently, they assessed the CSR level of the selected company and answered the questions.

2. The participants provided their demographic data, including sorts of universities, gender, grade, and work experience.

3. The antecedents of perceived CSR: (a) perceived financial performance was derived based on Pelham and Wilson (1996), and the construct was measured using three items (e.g., "Averagely speaking, the profit of this financial holding company is higher than my expectation"); and (b) perceived quality of ethics was adapted from the scale developed by Murphy (2005), and the construct was measured by three items (e.g., " Relative to other companies, this financial holding company has better credo").

4. Perceived CSR, which involves measuring firm responsibilities in establishing ethical guidelines, formulating behavior codes for employees, planning sustainable practices, and creating high benefits for stakeholders, was adapted from the scale developed by Maignan (2001). The construct of perceived CSR was measured using four items (e.g., "I think this financial holding company is committed to well-defined ethics principles").

5. The consequences of perceived CSR: (a) consumer satisfaction, which measured the level of satisfaction regarding firm services and productions according to their spending experiences, was adapted from the consumer satisfaction scale developed by Glenn, Andrea, and Kathleen, (2010). The construct was measured by five items (e.g., "I am satisfied with the services this financial holding company provided); (b) perceived corporate reputation was derived from the study of Brown (1995), who evaluated the corporate images of honesty and trust, and the scale of Ganesan (1994), who evaluated the corporate image of credibility. The construct was measured by four items (e.g., I think this financial holding company has a reputation for being honest"); (c) perceived risk, which measured consumer perceptions regarding the risk levels of financial products, was adapted from the financial risk scale developed by Shimp and Bearden (1982). The construct was measured using three items (e.g., "I think purchasing products from this financial holding company would not lead to financial risk to me"); and (d) consumer loyalty was derived from the consumer loyalty scale of Zeithaml, Berry, and Parasuraman (1996), and the construct was measured by using four items (e.g., " I would recommend this financial holding company to whom ask my advice").

3.3 Structural Model

The present study estimated the overall structural model using structural equation modeling (SEM) obtained from research theory and literature. All variables can be examined the casual relationships and decrease the error (Hair, Black, Babin, Anderson, and Tatham, 2006). Following the example of Stanaland, Lwin, and Murphy (2011), SEM and confirmatory factor analysis (CFA) were used to confirm the relationship between perceived CSR and the evaluated variables. Furthermore, the hypothesized paths were tested using the structural model results. The internal consistency of the construct indicators was assessed using CFA (Huang, 2004), and the construct validity was evaluated based on discriminant and convergent validity.

The full measurement model yielded good fit indices (GIF > .9, AGFI > .9, NFI > .9, CFI > .9, and RMR < .05) were within a satisfactory range. The CFA yielded a good fit for all indices (GIF = .98, AGFI = .85, NFI = .97, CFI = .98, and RMR = .0043), attaining significant chi-square ($\chi 2$ = 823.99, $p < .1$) values in a satisfactory range (see Table 2). The RMSEA value was .065, representing a reasonable fit. Hence, these indices suggested a good model fit in this study.

Table 2. Results of Confirmatory Factory Analysis.

Construct	N^a	χ^2	Df	p-value	RMSEA	GFI	AGFI	NFI	CFI	RMR
PFP	3	0	0		-	1.00	-	1.00	1.00	0
PQE	3	0	0		-	1.00	-	1.00	1.00	0
PCSR	4	823.99	288	0.00	0.065	0.98	0.85	0.97	0.98	0.043
PCR	4	0	0		-	1.00	-	1.00	1.00	0
PR	3	0	0		-	1.00	-	1.00	1.00	0
CS	5	0	0		-	1.00	-	1.00	1.00	0
CL	4	0	0		-	1.00	-	1.00	1.00	0
Recommended level					≤.008	≥0.9	≥0.9	≥0.9	≥0.9	≤0.05

Note: [a] N means the item numbers of every construct

PFP: Perceived financial performance, PQE: Perceived quality of ethics, PCSR: Perceived CSR, PCR: Perceived corporate reputation, PR: Perceived risk, CS: Consumer satisfaction, CL: Consumer loyalty

4. Results

4.1 Independent Sample t-test

The independent sample t-test was conducted to evaluate consumer perceptions toward the study variables. Tables 3 and 4 list the results, indicating significant differences among the variables. Men exhibited high expectations toward return on investment and return on assets.

In addition, compared with public college students, private school students exhibited higher scores regarding evaluating perceived risk and consumer loyalty (see Table 3).

Table 3. Results of Independent Sample *t*-test of Gender and School

Construct	Gender			School		
	Mean		t-value	Mean		t-value
	Male	Female		Public	Privacy	
PFP	10.26	9.88	2.37*	9.76	10.21	2.84*
PQE	10.76	10.60	0.95	10.51	10.77	1.64
PCSR	15.10	15.14	0.13	14.97	15.22	1.00
PCR	15.16	15.10	0.23	14.87	15.29	1.68
PR	9.95	9.95	0.22	9.50	10.24	4.54**
CS	17.42	17.24	0.69	17.09	17.46	1.43
CL	13.91	14.05	0.69	13.54	14.28	3.46**

*P< .05, **P< .01*

Students with working experience showed main effects on corporate reputation and consumer loyalty. Students who had experience relevant to stock trading expressed strong views for all items. Thus, stock trade is a key factor influencing student perceptions toward the antecedents and consequences of CSR (see Table 4).

Table 4. Results of Independent Sample *t*-test of Work Experience and Stock Trade

Construct	Work experience			Stock trade		
	Mean		t-value	Mean		t-value
	Y	None		Y	None	
PFP	10.10	9.85	1.39	10.26	9.91	2.15*
PQE	10.71	10.53	1.01	11.15	10.40	4.73**
PCSR	15.15	15.07	0.29	15.82	14.76	4.26**
PCR	15.27	14.72	2.02*	16.03	14.66	5.49**
PR	10.00	9.83	0.91	10.22	9.80	2.43*
CS	17.42	17.01	1.43	18.48	16.70	7.00**
CL	14.12	13.64	2.00*	14.55	13.70	3.84**

*$P< .05$, **$P< .01$*

4.2 Hypothesis testing

The hypotheses were tested using SEM estimation. The results in Table 5 indicate that most hypotheses were supported ($p < .05$). This information is detailed as follows:

H1 (perceived financial performance relates positively to consumer perceptions of CSR activities) was not supported, whereas H2 (perceived quality of ethics relates positively to consumer perceptions of CSR activities) was supported ($p < .05$). The hypotheses relate to the consequences of perceived CSR (H3–5) were supported ($p < .05$). Thus, perceived CSR relates positively to consumer satisfaction, perceived corporate reputation, and perceived risk. H6 (perceived corporate reputation relates positively to consumer satisfaction) was also supported ($p < .05$). H7 (perceived corporate reputation relates negatively to perceived risk) was supported ($p < .05$). Hypotheses 8–10 were also supported, indicating that consumer satisfaction levels and perceived corporate reputation are positively related to consumer loyalty, and perceived risk is negatively related to consumer loyalty.

Table 5. Results of Hypothesis Test

Hypothesis	Standardized path coefficients	*t*-value	Result
H1: Perceived financial performance relates positively to consumer perceptions of CSR activities	-0.02	-0.28	Rejected
H2: Perceived quality of ethics relates positively to consumer perceptions of CSR activities	0.79	11.57	Supported
H3: Consumer perceptions of CSR activities relates positively to consumer satisfaction	0.35	4.96	Supported
H4: Consumer perceptions of CSR activities relate positively to perceived corporate reputation	0.77	15.86	Supported
H5: Consumer perceptions of CSR activities relate negatively to perceived risk	0.17	1.96	Supported
H6: Perceived reputation relates positively to consumer satisfaction	0.42	6.01	Supported
H7: Perceived corporate reputation relates negatively to perceived risk	0.37	4.23	Supported
H8: Consumer satisfaction relates positively to consumer loyalty	0.52	9.01	Supported
H9: Perceived corporate reputation relates positively to consumer loyalty	0.18	3.09	Supported
H10: Perceived risk relates negatively to consumer loyalty	0.32	6.79	Supported

5. Conclusion

The results provided several valuable implications. First, all hypotheses were supported, except H1 (perceived financial performance relates positively to perceived CSR). This indicates that perceived financial performance is negatively related to perceived CSR. This finding is similar to that of (Orlitzky, 2011), which reported that respondents from various fields express disparate ideas regarding the relationship between CSR and corporate financial performance levels. Perceived CSR and corporate financial performance is just half on the journals of economic, finance, and accounting compared with the journals of management, business ethics, and society. Hence, the research fields of respondents might have affected the relationship between the study variables. Surroca, Tribo, and Waddock (2010) stated that corporate financial performance is not directly correlated to CSR, but an indirect relationship that relies on other mediating variables. According to Chang's (2009) empirical study in Taiwan, the firms engaged CSR activities have better long-term accounting performance but receive lower long-term market performance. It implied that firms with high CSR ratings are

not the guarantee of financial performance. Second, the results indicated that the perceived quality of ethics relates positively to perceived CSR. Previous studies focusing on the relationships among corporate value clusters (e.g., ethics, social responsibility, and performance levels) have indicated that these corporate value clusters positively affect CSR and financial performance levels (Jin, Drozdenko, & DeLoughy, 2013). They suggested that finance firms establish an ethical orientation, embody core values, and engage in CSR activities. The finding demonstrated that corporate ethics statements substantially affect consumer perceptions regarding CSR engagement.

Third, the results demonstrated that perceived CSR relates positively to corporate reputation and consumer satisfaction. According to Wei and Chuage's (2009) study in Taiwan's hotel industrial, the empirical results revealed that CSR has significant influence on corporate image, consumer attitudes, and behavioral intention.

This study supported that perceived CSR relates negatively to perceived risk. Gürhan-Canli and Batra (2004) mentioned that perceived risk is a significant mediator between consumers and purchase intention. In addition, perceived risk influenced consumers' evaluations toward products, and increased levels of perceived risk yield correspondingly decreased levels of trust and confidence. This is consistent with previous study by Herbst, Hannah, and Allan (2013), perceived CSR influences consumer perceptions toward brand options and perceived risk. Therefore, CSR engagement can influence business risk, which consumers assess. Undertaking CSR activities can reduce perceived consumer risk, strengthen corporate image, and increase consumer purchase intentions; thus, CSR is a win-win proposition. In addition, the results indicated that CSR activities influence corporate reputation and consumer satisfaction levels, concurring with the results of Hsu (2012). Hence, corporations should actively engage in CSR activities and enhance their corporate reputation to build favorable relationships with consumers. In sum, findings have consistently supported that CSR is positively related to both corporate reputation and corporate but is negatively related to perceived risk, which established the proposed model.

Casalo, Flavián, and Guinalíu (2007) analyzed the complex relationships between corporate reputation and consumer satisfaction levels, determining that perceived reputation is significantly related to consumer satisfaction level. They further suggested that corporate reputation critically influences consumer satisfaction level via the path analysis; therefore, corporations that embrace CSR engagement can enhance the extent to which consumers identify with their corporate reputation, thereby increasing consumer satisfaction levels. This provides a valuable method of gaining public support and is a valuable business strategy. Stanaland et al. (2011) suggested that corporate reputation negatively affects perceived risk, indicating that a positive corporate reputation ameliorates consumer risk evaluations. They also demonstrated a positive association between corporate reputation and consumer loyalty; in other words, heightening corporate reputation yields increased levels of consumer loyalty. Thus, consumer loyalty is an essential factor in consumer perceptions regarding satisfaction with and trust in corporations (Taylor, 2012). Liao (2007) investigated the associations among customer satisfaction, brand trust, and brand loyalty, and demonstrated that customer satisfaction has a significant positive effect on brand loyalty. Aldas-Manzano, Ruiz-Mafe,

Sanz-Blas, and Lassala-Navarré (2011) suggested that consumer satisfaction levels positively influence corporate identification, thereby forming consumer loyalty. The current findings indicate that perceived risk influences consumer loyalty, concurring with the findings of Kwon and Lennon (2009). Thus, the current study should serve as a valuable reference for relevant research.

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