Chapter 8
Impact of Environmental, Social, and Governance Practices on the Consumer Buying Decision

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ABSTRACT

The purpose of the study is to find out how consumer purchasing decisions affect environmental, social, and governance practices. Consumers with recent bachelor's degrees were given the questionnaire. Through smart pls, the survey questions were tested. The findings imply that consumers prioritize two factors, the environment and social. It was verified that the personal concerns regarding the recycling process, resource consumption, and environmentally friendly business practices. Further, customers' health and safety, organizations' healthy and good working environment, human right concentration have shown reasonable importance. However, governance factors consideration is very low in the customer decision-making process due to a low level of awareness about governing practices especially political involvement and fraud and corruption. Thus, the empirical findings of the study serve as a springboard for further investigation in this field and offer marketers and sellers of ESG practices strategic implications.

INTRODUCTION

Recent developments in the global environment, including Corporate Social Responsibility (CSR), Environment Social and Governance (ESG), Ethical AI Auditing (D'Amato et al., 2022) (Maniora, 2017), and Natural Ecosystem, have repeatedly warned the general public around the world about the need to reevaluate the impact of their practices on society and the environment. Global Sustainable Investment Alliance (2019) reports that ESG practices have improved in recent years in a number of countries, including the USA (by 38%), Canada (by 42%), Europe (by 11%), and Australia (by 46%). The latest

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Nielsen Global Survey on CSR in 2017, revealed that 66% of customers globally and 73% of millennials worldwide are willing to pay more for sustainable offerings and brands respectively (Eliwa et al., 2021). Such pieces of evidence highlight the danger of doing business as usual, and the need for a new global mindset to meet the social and ecological demands of the world. In response to this global requirement, firms have started applying ESG practices to demonstrate how firms address the issue to the general public through accounting reporting. Previously, corporations functioned on a neo-liberal basis, therefore annual reports only featured information related to profit (Burawat, 2019), however, strategic priorities have shifted, and businesses are now primarily skewed away from a profit orientation (Huang, 2021). E.g., the following ESG practices are not mandatory but many firms practice them voluntarily because doing so increases stakeholders' confidence, and has a positive impact on customers purchasing decisions (Rodrigues & Borges, 2015a).

The stakeholder theory emphasizes that the success of the firm depends upon the degree to which firms meet stakeholder expectations (Barnett, 2007), accordingly meeting consumers' expectations and fulfilling their demands is always the top priority of the organization (Hassan et al., 2013). The theory also shows that consumers are interested in governance practices like board composition, audit committee structure, bribery and corruption, executive compensation, lobbying and political contribution (CFA Institute., 2018), in addition to various social factors like community relations, gender diversity, data privacy, fair remuneration, health and safety, and human rights (Bloomberg, 2013). The theory of planned behavior, another hand, emphasizes that consumers much-concerned the environment in their decisions, therefore they would like to purchase eco-friendly products (Leonidou & Leonidou, 2011; Paul et al., 2016), and organic products (Pino et al., 2012; Zhou et al., 2013). Based on the aforementioned theoretical foundations the study makes claims that a company's ESG policies have an impact on consumer purchasing decisions. Hence, exploring the impact of ESG practices on consumer buying decisions is timely and important.

With respect to the ESG practices, a number of studies have been conducted around the world to enrich and widen the depth and height of the existing stock of ESG literature. These studies discussed the concept from different perspectives. (Moon et al., 2022)clearly illustrated the antecedent and consequences of ESG practices. Bender et al., (2018) and Henriksson et al., (2019)explained why firms should consider ESG practices in portfolio designing and how it can be done. Brooks & Oikonomou, (2018) and Fuente et al., (2022) discussed ESG practices relating to firm value creation and value engagement, whereas Sila & Cek, (2017) and Tarmuji et al., (2016) highlighted how the firm can increase its economic performance through ESG implementation. Not only that, it was noticed from the existing literature that the majority of ESG research was discussed from the investors' side (Eccles et al., 2017; In et al., 2019a; Young-Ferris & Roberts, 2021) and the exploration of ESG from consumers' perspective has been significant unnoticed in recent literature. Further, it was noted in the buying behavior literature that this research had been done on consumer buying behavior and firm environment (Häubl & Trifts, 2000; Tasaki et al., 2013), and buying behavior and CSR (Bashar, 2012; Öberseder et al., 2011; Pradhan, 2018; Rodrigues & Borges, 2015b) as independent studies. Although understanding how these three behaviors interact and affect customer purchasing behavior is crucial for the accounting and marketing management literature, no single study relating to consumer purchasing behavior and business governance was produced by the extant literature. Further, it was noted in the literature that the exploration of firm environmental practices in developing countries is significantly low compared to developed nations. Consequently, it is still unclear how customers in developing countries that have different environmental concerns, beliefs, and attitudes, think of green products purchase, thus, more research is required