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Impact of Corporate Social Responsibility Practices on Organizational Commitment: A Study on Leasing Companies in Colombo District, Sri Lanka

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Abstract

This study attempts to identify impact of Corporate Social Responsibility (CSR) practices on organizational commitment of employees in listed leasing companies in Colombo district, Sri Lanka. The purpose of this study is to explore the Impact of CSR practices on employee organizational commitment of leasing companies in Colombo District. Hence the overall research problem is, “What is the impact of Corporate Social Responsibility practices on employee organizational commitment of leasing companies in Colombo district Sri Lanka?” Data were collected from employees in 5 listed leasing companies in Colombo district. A structured questionnaire which consists of 42 questions with five point Likert scales was used to collect the data. Participants’ responses were analyzed using SPSS computer package (Version 16.0) and it included the bivariate analysis. There was a positive significant relationship between CSR practices and employee organizational commitment of leasing companies the Colombo district Sri Lanka. The study found highly significant positive relationship between CSR and employee organizational commitment of employees in leasing companies in Colombo district. It implies that organizations can enhance their employee organizational commitment by involving themselves in social activities for instance, identifying needs of the community and fulfilling them, working for better environment, involving in employee welfare, producing quality products for customers’ and complying with government rules and regulations and working within legal framework.

Keywords: Corporate Social Responsibility (CSR), Employee Organizational Commitment, Leasing Companies

Introduction

The concept of Corporate Social Responsibility is deeply motivating and gaining interesting among today’s business world. However, the topic CSR can be identified under several names such as; Corporate citizenship, Strategic philanthropy, Social responsibility, Corporate accountability and so on (Kash, Lisa & Sohel 2012).

Each and every such name carried a certain perspective on the role of an organization in the society. It’s not only financial competitiveness but the survival of an organization at present also depends on it. Respectively organizations face increasing pressure to act in a socially

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responsible manner (Ilona & Kazlauskiai 2012). In addition to the consideration towards the areas such as globalization, privatization and technological advancements, nowadays private organizations are tend to focus on contribution to the public welfare as well. With the purpose of gaining long term success, survival and the better organizational performance most of the companies move to the approach of CSR.

CSR is not all about philanthropy or doing charity services for the community like giving donations to schools and hospitals etc. However, this is not to say that such activities are unimportant (David, Ron & Zilberg). CSR is about enterprises deciding to go beyond minimum legal requirements and obligations stemming from collective agreements in order to address societal needs (European Commission 2001). It can be defining as fulfilling the objectives of the stakeholders of an organization. Shareholders, customers, suppliers, employees, subcontractors and community etc. can be usually considered as stakeholders of a company. Those parties are interested in activities and outcomes of organizations due to some varying reasons. Whether inside or outside stakeholder, always they try to update their awareness regarding the company.

Galbreath (2009) said that companies can build CSR into strategy effectively and achieve their goals successfully. Therefore we can see that the pressure on firms to apply Corporate Social Responsibility has increased and also many managers have responded to those pressures favorably. However when we consider about the high tendency towards the concept of CSR we can identify that, it has been subjected a lot to debate, comment and research. In spite of the seeming endless discussion about it, it has seen a lot of development in both academic and practitioner communities all over the world (Carroll & Shabana 2010).

Nowadays the responsibility of companies has become one of the very important issues, and the term CSR is widely used in every-day business. However, companies generally need to answer to two aspects regarding their business operations as; the quality of their management and the nature of their impact on societies in various areas (Baker 2009). The modern era of CSR and serious discussion around the topic began in 1950s when the book "Social Responsibility Businessman" by Howard R. Bowen, who is so-called "The father of CSR", was published. This book specifically concerned with the perception and the teaching regarding the CSR. Bowen's belief was that CSR is no cure, but it contains an important truth that must guide business and companies in the future (Carroll 1999).

Problem Background and Problem of the Study

The concept of employee commitment is relatively recent. The term has gained considerable popularity in the past 20 years because the outcomes of employee commitment can be exactly what most organizations need. When employees are committed they will be more productive, and profitable also they will be less likely to be absent, and more willing to work harder for their companies (Buchanan 2004; Fleming and Asplund 2007; Wagner and Harter 2006). There is also some evidence that CSR is beneficial because, as with customers CSR improves employee's perception of the company. When a company has CSR initiatives, employees are

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more proud of and committed to the organization (Brammer et al. 2007). That means, the higher and employee rates their organization's corporate citizenship, the more committed they are to the organization.

However in general, if an organization succeeds in achieving high levels of its employees organizational commitment it will gain positive effects such as; high performance, greater satisfaction and lower turnover (Schwepker 1999; Steyrer et al. 2008; Demir et al. 2009). McIlroy (2008) pointed out the problems facing presently are the growing acceptable systematic risks induced by market participants who put self-interest into their priority. As a result, he proposed the following regulatory reforms to fulfill the dimensions of CSR; "Human Rights", "The Environment", "Fair Operating Practices"; and "Consumer Issues". We can see that the social awareness of an organization is becoming one of the most important intangible assets in the competitive environment. So, in that nature CSR can be considered as a more essential factor for organization's performance, maintenance and survival. Galbreath (2009) said that companies can build CSR into strategy effectively and achieve their goals successfully. Therefore as the problem statement of the study chooses, "what is the impact of Corporate Social Responsibility (CSR) practices on employee organizational commitment of leasing companies in Colombo district Sri Lanka?"

Research Framework

In addition to that, several studies such as Moskowitz (1972), Backhuas et al. (2002), Peterson (2004) suggested CSR increases employees organizational commitment level, because CSR interventions also included activities for the welfare of employees and their families as well. Also CSR contribution helps to attract motivated potential employees and improves commitment level of existing employees (Turban & Greening 1996). Apart from those Brammer et al. (2007) also noted that, CSR increases employee's organizational commitment. Therefore as per that researcher has developed first hypothesis of this study as follows;

H₁: There is a significant relationship between the Corporate Social Responsibility and employee organizational commitment

Economic responsibility of an organization involve being profitable, produce goods and services to the society at reasonable price, increase value for their shareholders as well as pay their employees (Carroll 1979). Also according to the Ferrell (2004) economic responsibility lies in maximizing not only shareholder's interests but others as well, for instance employees. So, it comes to the second research hypothesis as follows;

H₂: There is a significant impact of economic responsibility on employee organizational commitment.

Generally organizations are supposed to operate under the legal system and regulations of the government while creating profits and meeting expectations of its stakeholders. According to Carroll (1991) legal responsibility simply is society's codification of right and wrong. Rules

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and regulations regarding the employees and employment contracts come under this type of CSR. Therefore next hypothesis of the study can be formulated as;

H₃: There is a significant impact of legal responsibility on employee organizational commitment.

In the literature Rangsan and Titida (2014) noted that, ethical responsibilities generally involve actions and practices that are expected by the society and done by organizations voluntarily regarding fair, justice and respect for stakeholders and protection of their moral rights. Among those stakeholders employees are considered as most important. As such ethically responsibility of organization represents their social norms & expectations. So, fourth hypothesis formulated as;

H₄: There is a significant impact of ethical responsibility on employee organizational commitment.

If an organization failed to fulfill Philanthropic responsibility, it's not considered as unethical. Because these responsibilities are not expected in a way which it is ethical or moral. Philanthropic responsibilities are located at the most voluntary and discretionary dimension of CSR and has not always been linked to the profits or the ethical nature of the firm generally (Ferrell 2004). As per Fomburn, Gardbers and Barnett (2000) philanthropic responsibilities are desires of organizations not expected by the society from them directly. Moreover, philanthropy may not generate direct economic returns; however it may facilitate to enhance the firm's long term competitive position through reputation, corporate image and employee commitment as well as loyalty. Therefore fifth hypothesis of the studies as follows;

H₅: There is a significant impact of philanthropic responsibility on employee organizational commitment.

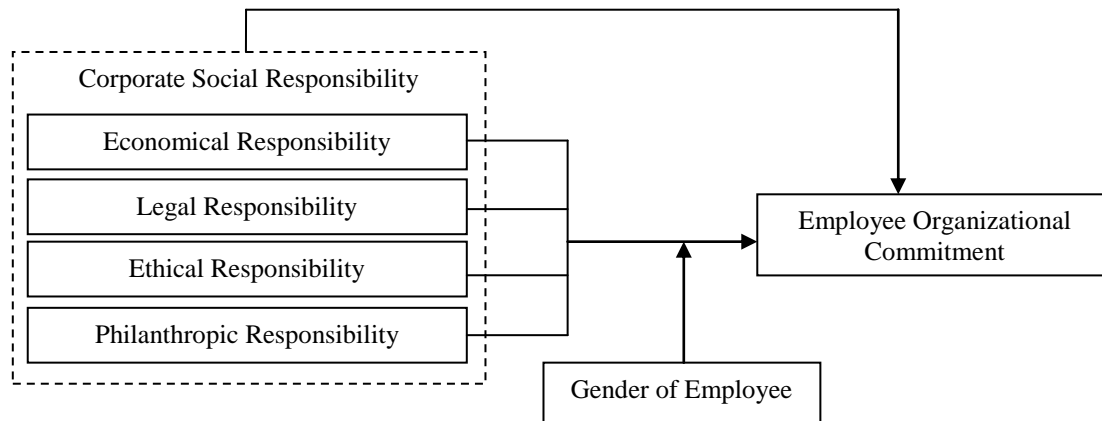
Gender may be demographic variable due to suggestions in the literature that women may be more ethical than men (Tomas et al. 2012). In the literature however the effect of gender on organizational commitment is unclear. Kacmar, Carlson and Brymer (1999), Gaan (2008) and Burning and Snyder (1983) found no significant relationship between gender and organizational commitment. However many studies report that men and women react differently to employer's CSR efforts (Brammer et al. 2007). So, next hypothesis of the study is as follows;

H₆: The gender of an employee makes a moderating impact on the relationship between Corporate Social Responsibility practices and employee organizational commitment.

Considering the previous literature, conceptual framework of this study depicted in Figure 1. There are two variables of this study. Independent variable is CSR and dependent variable is Employee organizational commitment.

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Figure 1: Conceptual Framework



Method

Study Design

The objective of the study was to identify impact of Corporate Social Responsibility practices on employee organizational commitment of leasing companies in Colombo district Sri Lanka. Mainly there are two variables considered in this study. i.e., CSR and Organizational commitment. Objective of this study is to identify impact of independent variable on dependent variable. This is a natural study because it tries to understand impact of Corporate Social Responsibility practices on employee organizational commitment in natural working environment of listed leasing companies in Sri Lanka. This study is conducted in natural environment where events normally occur. No any unspontaneous or contrived setting is created for the study. This study took three weeks for the data collection. The data for the study was collected within a particular time period.

The population consisted of all the employees who worked in the selected five listed leasing companies in Colombo district.

Measures

Mainly questionnaire was used to data collection. The questionnaire method was found to be more suitable way of collecting data from respondents. This will create more reliable information for the study. The questionnaire was designed so that it could measure the CSR practices, organizational commitment and demographic variables such as age, gender, educational qualification and experience which were measured using close ended questions. Questions for measuring CSR were taken from some other researchers who are well accepted researchers and it measured four dimensions of CSR concept. The questionnaire for measure CSR was a standard questionnaire, which was originally developed by Holmes (1978) and Abbott and Monsen (1979).

Validity and Reliability

The results of Cronbach's Alpha test suggest the internal reliability of each instrument (Kottawatta 2014). The result of Cronbach's Alpha test is given in Table 1 below, which suggests internal reliability of each instrument was satisfactory.

Table 1: Cronbach's Alpha Coefficients

Instrument	Cronbach's Alpha
CSR	0.867
Organizational Commitment	0.754

The content validity of the instrument was ensured by the conceptualization of the variables on literature (Kottawatta 2014) and the content validity of the variables of the study was ensured by the fact that the correlation support the hypotheses formulated linking the relationship between the independent variables and the dependent variable (Kottawatta 2014).

Techniques of Data Analysis

Participants' responses were analyzed and evaluated using descriptive statistics and correlation. The variables were evaluated by the univariate and bivariate analysis methods using software called statistical package for the social science (SPSS).

Results

To investigate the responses for independent and dependent variables of the research study univariate analysis was used. The results of the univariate analysis are given in Table 2.

Table 2: Univariate Analysis

	CSR	OC
Mean	3.86	3.76
Median	3.76	3.76
Std. Deviation	.459	.448
Variance	.210	.201
Skewness	.242	-.729
Std. Error of Skewness	.168	.168
Kurtosis	-1.225	-.169
Std. Error of Kurtosis	.335	.335
Minimum	3	3
Maximum	5	4

According to Table 2, mean value of the distribution of CSR is 3.86. The Skewness and Kurtosis of the distribution are 0.242 and -1.225, which indicated that the data recorded for the CSR are approximately normally distributed. And also mean value of the distribution of organizational commitment is 3.76. The Skewness and Kurtosis of the distribution are -0.729 and -0.169, which indicated that the data recorded for the organizational commitment are approximately normally distributed.

Using the Pearson's Product Moment Correlation with one tailed test of significance, the correlation analysis was made to investigate relationship between the CSR and the Organizational commitment.

Table 3: Correlations Between Independent and Dependent Variable

		Average commitment	Average CSR
Pearson Correlation	Average commitment	1.000	.629
	Average CSR	.629	1.000
Sig. (1-tailed)	Average commitment	.	.000
	Average CSR	.000	.
N	Average commitment	209	209
	Average CSR	209	209

According to Table 3, the Pearson Correlation Coefficient is 0.629 which is positive. This indicates that there is a strong positive correlation between CSR and organizational commitment. The found relationship is statistically significant as correlation as significant at 0.01 level (1- tailed). Therefore, there is statistical evidence to claim that there is a relationship between CSR and organizational commitment. In addition to that, all CSR dimensions such as; Economic responsibility, Legal responsibility, Ethical responsibility and Philanthropic responsibility are positively correlated with the employee organizational commitment and those links are significant.

Table 4: Simple Linear Regression Analysis

Variable	CSR	ER	LR	ER	PR
R square	0.396	0.469	0.256	0.173	0.209
Adjusted R square	0.393	0.466	0.252	0.169	0.205
F Change	135.599	182.696	71.155	43.276	54.672
Significance	0.000	0.000	0.000	0.000	0.000
B-constant	1.388	2.208	2.148	2.096	1.655
b-value	0.629	0.685	0.506	0.416	0.457

Therefore as per Table 4, it is clear that the CSR and its dimensions positively relate with the employee organizational commitment. Not only that, hypotheses which are formulated with regard to this study accepted according to results and findings of the study. Oppended Table 5 presents the summary of such hypotheses.

Table 5: Summary of Hypothesis Testing

No	Hypothesis	Value	Remarks
H1	There is a significant relationship between the Corporate Social Responsibility and employee organizational commitment	b= 0.629, sig=0.000	Accepted
H2	There is a significant impact of economic responsibility on employee organizational commitment	b= 0.685, sig=0.000	Accepted
H3	There is a significant impact of legal responsibility on employee organizational commitment	b= 0.506, sig=0.000	Accepted
H4	There is a significant impact of ethical responsibility on employee organizational commitment	b= 0.416, sig=0.000	Accepted
H5	There is a significant impact of philanthropic responsibility on employee organizational commitment	b= 0.457, sig=0.000	Accepted
H6	The gender of an employee makes a moderating impact on the relationship between Corporate Social Responsibility practices and employee organizational commitment	F=66.067, sig=0.000	Accepted

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Discussion and Conclusion

It was found that there is an impact of CSR Practices on employee organizational commitment of leasing companies in Colombo district, Sri Lanka. The correlation between these variables was 0.629, which are significant at 0.000 levels. This correlation was found to be strong as it is more than lower bound of strong correlation (0.5).

The results presented by simple regression analysis clearly show that there is positive impact of CSR Practices on employee organizational commitment of leasing companies in Colombo district, Sri Lanka. Because, there was strength b value of 0.629. Not only that the results of this study are quite encouraging and well supported by previous studies which are done in many other countries previously for instance; Meyer et al. (2002), Bentley (2006) and Brammer et al. (2007) stated that contribution of CSR towards employee commitment is as greater as job satisfaction. Trucker (2009) found that, CSR is one of the strongest positive predictor of employee organizational commitment in an organization. So because of that, there is an increasing trend towards the implementation of CSR practices in organizations. This has also been viewed in the case of Pakistan especially during 2005 earthquake, when many companies took their employees for rehabilitation as earthquake affectees on voluntary basis. As a result of this action of corporations not only built positive rapport of corporation with society, but also a strong sense of belongingness and proud among employees as well. Therefore we can understand that CSR practices motivate employees to remain committed with the organization and work harder for its progress. Though this positive impact is identified by the Sri Lankan organizations, the implementation part is yet under consideration may be due to so many financial and other corporate issues.

The study found highly significant positive relationship between CSR and employee organizational commitment of employees in leasing companies in Colombo district, Sri Lanka. Also above mentioned findings are very meaningful for decision makers and researchers. It implies that organizations can enhance their employee organizational commitment by involving themselves in social activities for instance, identifying needs of the community and fulfilling them, working for better environment, involving in employee welfare, producing quality products for customers and complying with government rules and regulations and working within the legal framework. All these activities significantly and positively influence employee commitment with organizations and improve organizational performance as well. This study provides important information to decision makers involved in designing employee related policies for uplifting their moral and motivate them to remain loyal, committed with their organization and work hard for the uplifting of organization and its long term well-being. It also provides useful reference for future researcher on this topic.

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