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## IMPACT OF CORPORATE SOCIAL RESPONSIBILITY INITIATIVES ON ORGANIZATIONAL COMMITMENT AND INTENTION TO STAY OF EMPLOYEES

Navneet Kaur Khanuja

Research Scholar, Barkatullah University, Bhopal (M.P.), India

Dr. Trupti Dave

Professor, IPER College, Bhopal (M.P.), India

**Abstract:** India is a growing economy which comprises of national and multinational firms. Therefore, it becomes vital for the Indian companies to adopt Corporate Social Responsibility in the right perspective. In today's operating environment, it becomes a real challenge for the employers to begin realizing the value of their employees to make up the organization. The perception of employees regarding corporate social responsibility (CSR) represents the process of how they interpret and form judgments about their organization's CSR. The companies must initiate themselves to practice more CSR activities in order to respond to an external demand, while considering the positive effects of CSR initiatives. The ineffective management of employees results in high turnover rate which affects the organizations because the secrets are destructed with departure of employees. The paper presents the literature reviews on the impact of CSR initiatives on organizational commitment and intention to stay of employees. The concept of Corporate Social Responsibility (CSR) emerged, paving a way for businesses to return back to the society from the profits they earn.

**Keywords:** CSR initiatives, Indian companies, philanthropic activity, intention to stay, corporate social responsibility, organizational commitment of employees.

### I. Introduction:

Corporate Social Responsibility (CSR) refers to the constant commitment of organizations to behave ethically towards the economic development of the nation. Employees are nowadays more and more conscious about the obligations of firms towards the society. This shows that they too observe corporate social responsibility as one of the important issues to be considered nowadays. The potential thought of Corporate Social Responsibility goes ahead of charity and thus requires the companies to integrate environmental, social and ethical concerns into process and act beyond their legal obligations.

CSR in India has been seen as a philanthropic activity that was performed but not deliberated. CSR was made mandatory in India under the Companies Act, 2013. From 1<sup>st</sup> April 2014 every company which has;

1. Net worth of rupees 500 cr., or,
2. Turnover of rupees 1000 cr. or more, or,
3. Net profit of rupees 5 cr. or more throughout any financial year shall contribute towards Corporate Social Responsibility.

According to the Companies Act, 2013 all the companies falling under the criteria eligible for CSR have to compulsorily contribute at least 2% of their net profit on the upliftment of the society as CSR.

The concept of CSR focus on sustainable approach that minimizes the use of wastes and emissions at organizations which consecutively reduces costs and further investments towards employee working conditions, education and health care. Therefore, company's productivity, its reputation and retention of employees is enhanced. The organizations at present do not work for mere profit making; instead, they work for greater transparency and accountability to act in a socially, economically and environmentally sustainable way.

Organizational commitment is defined as "an enduring desire to maintain a valued relationship" (Moorman et al., 1992). The three dimensional components of organizational commitment suggested by Allen and Meyer (1990) constitute affective, continuance and normative type of organizational commitment.

- a) **Affective commitment:** When an employee is emotional attached to the organization, it shows their affective commitment. For that reason, it is also referred as one's desire to stay within organization.
- b) **Continuance commitment:** When an employee has a reason to continue its relationship with the organization on the basis of certain constraints or costs associated with leaving the organization. For example, employees continue staying within the organization either because of high level of investments made like pension or because of high switching costs.
- c) **Normative commitment:** When an employee has a belief to stay with the organization either because of personal norms or social pressure for example; switching a job frequently may be viewed as negative by a recruiter.

In today's operating environment, it becomes a real challenge to retain employees. The employment relationship is having implication for the attraction, motivation and retention of talented employees. Though employers have begun to realize the value of their employees for the organization but ineffective management of employees leads to higher turnover rate which has a significant economic impact on organizations because the secrets are destructed with departure of employees. And loss of employees in the

same unit leads to instability of the entire organization. Therefore, employees of a company stay only if they:

- a) Be familiar with what is expected from them.
- b) Believe that their manager's shows concern for them.
- c) Get positive feedback and recognition and
- d) Have been provided roles that fit their capabilities.

Organizations need employees who are loyal and who work hard to achieve its objectives. It becomes vital for the management to retain its valuable employees who work for the organization by contributing their best. Otherwise, it will become impossible for an organization to survive, if these top performers quit. Nowadays employees are becoming more aware about the firms obligations towards the society and they observe corporate social responsibility as a vital issue to be considered. If awareness about the issue is enhancing, it may result in influencing attitudes and behaviours of employees.

Today organisations are challenged to retaining their employees. The employers have to make sure that employees stay loyal and committed to the organization with the help of retention strategies, so that they do not lose their critical employees that further results in employee turnover. The indicators for employee retention as developed by different authors include intention to quit the organization, intention to actively job search, conditional intention to quit and retrenchment policy.

Therefore, the companies must understand the potential of such initiatives and invest a part of their profits for the society that has provided them all the profits.

## **II. Literature Review:**

In spite of the reviews published so far, the CSR literature remains highly fragmented. One reason for this fragmentation is that the study of CSR is done by different scholars through different disciplinary and conceptual lenses.

Allen. and Meyer. (1990) assert that senior workers are extra committed and satisfied towards organization because they have less possibility of getting suggestions for a new job. And therefore because of lack of job alternatives, they further become more committed to their existing job. In addition it was interpreted that the senior workers feel less emotional attached to their organization. It was found that human resource managers act as an important implication because it pays more attention to motivate young employees.

Mehta, F. and Deodhar, S.Y. (2014) found that Indian government mandates firms meeting certain criteria to spend at least 2 per cent of their net profits on CSR activities. Voluntary CSR Initiatives by the private sector can be instrumental in providing impetus to inclusive and sustainable development. They help increase the competitiveness of a nation by following responsible business practices that increase

productivity and performance. As a result, India is the only country in the world which has mandated CSR through a legal procedure.

Deodhar, S.Y. (2015) found that with the advent of Companies Act 2013, corporate charity has been blended with a mandatory element. If companies fail to do so, penalties are also in place. It was also been felt that industry observe imposition of this provision as coercive, impinging on profitability and thus on stock prices. Perhaps smaller companies which barely got covered by the new Act would have felt the impact more.

Naim, M.F. and Lenkla, U. (2016) identify the relationship between knowledge sharing, competency development, affective commitment and intention to stay of employees. The proposed conceptual framework elucidates the role of knowledge sharing in developing personal, social and professional competencies leading to generate affective commitment and ultimately translating into intention to stay. The perception of learning and competency development will give employees an increased assurance of a profitable future. This in turn will result into positive psychological responses leading to intention to stay with the firm.

Carnahan. et al., (2017) reported that if firms are involved in higher levels of CSR activities then it results in higher rates of employees intention to stay. The study discovered that higher levels of CSR show higher turnover rates for non start-up law firms. The two conclusions examining CSR and turnover provided by the study are as follows:

- i. to review the CSR-turnover relationship through a risk-management lens was useful, and
- ii. to increase employee departures from organizations, under certain conditions by making investments in CSR.

John, A. et al., (2019) discusses about the processes and contingencies as to how employees respond towards corporate social activities. The study analyzes the effect of perceived corporate social responsibility on organizational citizenship behavior of employees on the basis of social-exchange and self-enhancement theory. It offers a structure to understand the influence of how corporate social responsibility on workplace behaviour of employees. In order to have a significant impact through work, the study concludes that corporate social responsibility and workplace behaviour of employees has to be mediated by organizational pride and identification and get moderated by desire of employees.

Story, J. and Castanheira, F. (2019) discussed CSR practices (both external and internal), its relationship with employee performance and mechanisms that would explain their relationship. The results indicate the following:

- there exists a relationship between the performance and perceptions of external CSR and
- the relationship mediates job satisfaction partially.

The findings disclosed the relation between the perceptions of internal CSR resulting in higher performance through job satisfaction. Though internal and external CSR relates to affective commitment, on the other hand such commitment do not act as a mediator for the CSR-performance relationship.

Farrukh, M. et al., (2020) investigates the relationship between employees' perception and the role of gender differences in terms of CSR and employee engagement in Pakistan. The collected data forms a part of those employees who are working in different industries of Pakistan such as manufacturing, banking, electronics, and oil and gas. The study concluded the importance of CSR in nurturing employees' positive work behaviour and a significant positive impact of CSR perception on EE. The empirical evidence has showed a greater relationship between CSR on women than men. The research emphasized to incorporate CSR in a business for the maximum possible capacity.

### **III. Impact of CSR on Current Employees**

The impact of CSR on current employees is studied from many different perspectives. Foremost, the theory of Organizational Commitment is studied extensively by Meyer and Allen (1997). In their study of employee's commitment in the workplace, the authors noted that committed employees present more possibilities of remaining in the organization than uncommitted employees do. They offer three components of commitment: affective, continuance, and normative commitment. According to them, employees are affectively committed only when they get involved, identified and emotionally attached to the organization. As a result, those employees stay by their own desire within the organization. Whereas, employees with continuance commitment are conscious of the costs related to leaving the organization and so they stay with the organization out of necessity. Last but not least, if the employees have a high level of normative commitment they feel obliged and must stay with the organization forever.

### **IV. Conclusion:**

As organizations are increasingly involved in CSR, scholars have an important opportunity to engage in CSR research. To serve as a catalyst for this course of action, the primary goal of writing this research paper is to discuss the impact of Corporate Social Responsibility initiatives on Organizational Commitment and Intention to stay of employees to a broader audience of scholars by synthesizing and integrating the vast and heterogeneous CSR literature. It was concluded that CSR alone does not impact Intention to stay of employees. There must be other factors like job satisfaction, work ethics, organizational culture, motivation, policies, leadership, organizational commitment, etc. that contribute to show the significant relationship of CSR with retention of employees. Along with practicing CSR initiatives, the organizations should contribute to satisfy and make the employees committed to work so that they can be lead to the retention strategy. The retention strategy should make an organization a great experience.

It was also concluded that employees were committed towards work within the organization because they did not want to lose their benefits so they were committed to work for the organization until they retire. The study further concluded that the employees were recognized and rewarded for their commitment and devoted service for the organizations.

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