



## IMPACT OF CSR ACTIVITIES ON EMPLOYEE ENGAGEMENT WITH RESPECT TO INDIAN BANKING INDUSTRY

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### ABSTRACT

*Corporate social responsibility (CSR) is an accepted and a recurrent part of company activity. Some of the regularly cited motives behind CSR are employee morale, recruitment and retention, with employees acknowledged as a key organisational stakeholder and it is also making great efforts to enhance corporate image. Despite the significance of employees in relation to CSR, relatively few studies have examined their engagement with CSR in banking industry and the impediments relevant to this employee engagement and their level of motivations. Only a few studies have considered employee emotions and feelings towards CSR activities as a core function towards the society. This paper explores the dimensions of CSR practices and its relationship with employee engagement and organizational performance in banking industry. The study focuses on CSR as a significant contributing factor among the antecedents of employee engagement that has emerged as sustainable business strategy by number of corporate and also practices by banking industry in India.*

### 1. Introduction

Corporate Social Responsibility has gained importance over the years. The corporate scams & failures worldwide have increased the demand of CSR on global scale. Organizations are spending countless hours and energy on corporate citizenship initiatives and programmes. Many banks in India are implementing CSR activities due to Government norms. The picture is painted such that the purpose of CSR is just for social welfare & the duty towards the

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society. While the debate about the benefits of socially responsible activities and corporate citizenship continues, the question remains, to what extent does "doing good" really matter?

Corporate Social Responsibility is not a new phenomenon; rather its history is long embedded in the Indian culture and has its roots in Indian context. Nevertheless there is no uniform definition of CSR accepted globally and a debate is going on about what is and what is not included in the realm of CSR.

*According to World Business Council for Sustainable Development (WBCSD), 1999 “ Corporate Social Responsibility is the continuing commitment by business to behave ethically and contribute to economic development while improving the quality of life of the work force and their families as well as of the local community and society at large.”*

CSR means more than promulgating a company’s own values and principles. It also depends on understanding the values and principles of those who have a stake in its operations” Scholars have also linked organizations’ CSR to its relationship with not only its customers or shareholders but also with other stakeholders as suppliers, local community, employees etc

Regarding the banking sector Bhatt (2008) stated that banks do not exist in a vacuum.

They make a large contribution to the country's GDP growth, meet the demand of the growing middle class, contribute to infrastructure spending, and reach out to the semi-urban and rural areas. The Reserve Bank of India (RBI) (2011) on stressing the need for CSR, suggested the banks to pay special attention towards integration of social and environmental concerns in their business operations to achieve sustainable development.

RBI also pointed out to start non financial reporting (NFR) by the banks which will cover the work done by the banks towards the social, economic and environmental betterment of society. The CSR in Indian Banking Sector is aimed towards addressing the financial inclusion, providing financial services to the unbanked or untapped areas of the country, the socio-economic development of the country by focusing on the activities like, poverty eradication, health and medical care, rural area development, self employment training and financial literacy trainings, infrastructure development, education, and environmental protection etc.

The performance of an organisation should be judged beyond the financial parameters. The authorities need not only focus on the financial performance but to examine into the CSR performance of the organisation. The performance of any CSR activity is depended on its internal customers who are their own employees, shareholders. An employee is the one who

is actually behind doing all these activities so what motivates them or engages them to do so. Let's understand this by first looking at what is employee engagement:

There is confusion and misdirection as to what exactly employee engagement is. The primary causes of this confusion and misdirection are a lack of congruity concerning the definition and measurement of employee engagement and a lack of distinction from other closely related concepts. There are various definitions to employee engagement however, *William Kahn* provided the first formal definition of employee engagement, as such: *"the harnessing of organisation members' selves to their work roles; in engagement, people employ and express themselves physically, cognitively, and emotionally during role performances."* Kahn (1990).

According to Harrison (2000), the main factors affecting a person's performance are "knowledge, skill, motivation and environment". He pointed out people not perform well were usually caused by inadequate information or reference materials; poor working environment or inadequate tools; poor incentives; lack of knowledge; lack of skill; and poor motivation.

Harrison brought up the point that the powerful thing that drove people behavior was self-image. In fact, ISO 9001: 2008 can act as a catalyst to strengthen the image of "involvement of staff" and "transparent". Besides, concepts like "corporate social responsibility" (CSR) and "ethics" have also become a fundamental part of the future development ISO 9001: 2008

The researches till date states the reaction of external viewers like shareholders or customers but an organization ignores the psychological interest of the employees engaged in such activities. This research will help exploring the impact of CSR activities on employee engagement and employees perception about the organization.

## **2. Literature Review**

Past linkage research has examined the relationships between employee opinions and desirable business outcomes and has demonstrated that employee and customer satisfaction, as well as employee retention and Business performance, are positively linked.

Sharma (2011) made an attempt to analyze CSR practices and CSR reporting in India with special reference to banking sector and concluded that banking sector in India is showing interest in integrating sustainability into their business models but its CSR reporting practices are far away from satisfaction.

In the same manner, measures of employee engagement and business performance have been integrated showing that employee engagement and retention are positively related. Building upon this prior research, the *Kenexa Research Institute (The Impact of Employee Engagement Previously published in the Kenexa Research Institute's 2008 Work Trends Annual Report)* conducted two studies that explore the relationship between employee engagement and important business performance metrics. These two studies are important contributions to organizational science because they expand the understanding of this construct and represent one of the first efforts to examine employee engagement across organizations, industries, organization size and geographic locations (i.e., global/multi-national organizations)

***Nadine Exter*** in her book *Employee Engagement with Sustainable Business* rightly stated that Sustainability is, and continues to grow as, a key issue for organizations: in the board room; with investors, customers and regulators; and from employees whose demands on organizations include improving their social and environmental performance in return for loyalty and commitment & Research shows that employees of all types are vital in the pursuit of sustainability, however, to date there is no one source that shows all of these identified types of employees and how they are involved in the sustainability process.

All these researches give us a base to work upon the area of employee engagement and how employee engagement is co-related with the performance of the organization. CSR can act as one of the tool for employee engagement in any organization.

Recent article published in *AIMA Journal of Management & Research Vol. 7* highlighted the comparative study of various Indian banks (which include public sector, private sector & foreign banks) who were engaged in the CSR activities. The study analyzed the corporate social responsibility activities of Indian commercial banks. The variables to the study were rural branch expansion, Women welfare, Farmer's welfare, new initiatives in CSR, Financial Literacy, Education and many more. The outcome of the study showed that though the Indian banks were making efforts in the CSR areas but still there is a requirement of more emphasis on CSR. There were some banks which were not even meeting the regulatory requirement of Priority sector lending and rural branch expansion. Even after the RBI's guidelines for financial literacy programs the banks have not take substantial steps in this direction. The banks have focused on the community welfare and farmers' welfare programs but the efforts for women welfare and education are not sizeable. Moreover, the public sector banks have

overall highest contribution in CSR activities. Private sector banks and foreign banks are still lagging in this area.

As it can be noticed from the exhaustive review undertaken, a lot of work is done on employee engagement & CSR and how can CSR activity result in increasing the profitability of the organization but every conclusion ends to an argument & question like will CSR also increase the employee engagement among the employees or would there be a positive impact of CSR activities on employee engagement? This research will help to explore the beneficial impact on employee engagement & employee perception. It will provide a clear picture of how future CSR activities to be streamlined to achieve employee engagement.

### **3. Objectives of the study**

1. To understand the relationship of different demographic factors on employee engagement w.r.t CSR activities.
2. To study the impact of CSR activities on employee perception about the organization.

### **Hypotheses**

**H00:** There is no association between Demographic factors with Employee engagement w.r.t CSR activities

**H01:** There is an association of demographic factors with employee engagement w.r.t CSR activities

**H02:** There is no impact of CSR activity on employee perception about the organization.

**H22:** There is a impact of CSR activity on employee perception about the organization

### **4. Research Methodology**

**Sample Size:** 100 employees of various banks

**Sampling Technique:** Non probability Convenient Sampling has been used for the study

**Sampling Frame:** The frame consists of employees at various levels like Managers, Senior Managers and Executives.

## 5. Data Analysis and Interpretation

### Hypothesis-1

The hypothesis was tested by applying chi-square test and the results shows that sign value is less than p value (.05) Hence the demographic factors (Age, Gender & Qualification) have significant associations with employee engagements w.r.t CSR activities.

Age \* Employee Engagements

#### Chi-Square Tests

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	100.000 <sup>a</sup>	5	.000
Continuity Correction			
Likelihood Ratio	11.200	5	.048
Linear-by-Linear Association	7.062	1	.008
N of Valid Cases	100		

a. 7 cells (58.3%) have expected count less than 5. The minimum expected count is .01.

Gender \* Employee engagements

#### Chi-Square Tests

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	100.000 <sup>a</sup>	2	.000
Continuity Correction			
Likelihood Ratio	11.200	2	.004
Linear-by-Linear Association	7.348	1	.007
N of Valid Cases	100		

a. 4 cells (66.7%) have expected count less than 5. The minimum expected count is .01.

**Qualification \* Employee engagement**

**Chi-Square Tests**

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	100.000 <sup>a</sup>	3	.000
Continuity Correction			
Likelihood Ratio	11.200	3	.011
Linear-by-Linear Association	9.966	1	.002
N of Valid Cases	100		

a. 6 cells (75.0%) have expected count less than 5. The minimum expected count is .01.

**Hypothesis-2**

The T-test is conducted to test the 2<sup>nd</sup> hypothesis and the significance value (.000) is lower than the tabulated alpha value (.05) hence it proves the fact that there is a significant impact of employees perception on CSR activities.

**T-Test**

**One-Sample Statistics**

	N	Mean	Std. Deviation	Std. Error Mean
Do you feel your bank meeting the expectations of employee's need and wants	100	3.96	1.004	.100

CSR in my organization is required to have more attention from leadership	100	3.96	.724	.072
Does your Bank have policies to ensure representative on of women and minorities on the Board of Directors	100	3.52	.703	.070
I feel really proud working for my bank	100	3.77	.723	.072

### One-Sample Test

	Test Value = 0					
	t	df	Sig. (2-tailed)	Mean Difference	95% Confidence Interval of the Difference	
					Lower	Upper
Do you feel your bank meeting the expectations of employee's need and wants	39.433	99	.000	3.960	3.76	4.16
CSR in my organization is required to have more attention from leadership	54.724	99	.000	3.960	3.82	4.10

Does your Bank have policies to ensure representative on of women and minorities on the Board of Directors	50.054	99	.000	3.520	3.38	3.66
I feel really proud working for my bank	52.164	99	.000	3.770	3.63	3.91

## 6. Findings of the Study

- It is been observed that demographic factors like age, gender and qualification have an impact on the level of engagement with respect to CSR activities
- Employees also feel that the organization takes care of their needs and wants and better leadership will ensure more engagement among employees w.r.t CSR
- Employees are overall very proud about their organizations and the CSR initiatives that the company takes which increases their involvement in the work place.

## 7. Conclusion

Since the study is been taken with a very specific goal that how CSR can be a vital element in the organization and how it can potentially increase the level of engagements.

Many aspects have been taken into account, especially from the demographic features to the groups selected and the results suggests that CSR practices have a very high impact on employee engagements, and bring about a radical change in the overall banking industry.

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