

The Effect of Corporate Social Responsibility on Employees' Commitment in Banking Industry in Thai Nguyen Province

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Abstract: *Corporate Social Responsibility receives much attention of researchers and managers. This paper analyzes the effect of Corporate Social Responsibility's (CSR) on employee's commitment in Banking Industry in Thai Nguyen province. This study explains how employee's perceptions of Corporate Social Responsibility affect their commitment. The findings show that Corporate Social Responsibility has a positive effect on employee's commitment. From these findings, service firms can improve service quality through employees' attitude to work during the service process.*

Keywords: *Corporate Social Responsibility, Commitment, Perception, Mediation, Banking Industry*

I. Introduction

In Thai Nguyen province, there are many banking branches facing difficult competition. In some companies with high levels of social responsibility, employees seem to be more responsive with their jobs than employees in companies with low levels of social responsibility is. It leads to the question that social responsibility has a relationship with employees' commitment at work.

There is no research that studies the effect of social responsibility on employee commitment in banking industry in Thai Nguyen City. Some studies showed that there was a strong relationship between affective commitment and job satisfaction. Besides the salary or work condition, employee's commitment depends on the belief that company has commitment with employees and their families. A better understanding of the effect of social responsibility on employee's commitment will improve the service quality and improve customer satisfaction.

II. Literature Review

2.1 Corporate Social Responsibility

Corporate Social responsibility (CSR) has been an attracting topic for many researchers recently. Both organizations and societies have significantly increased their focus on CSR in recent years. In the past, companies used to focus on strategies for their business operations and profit such as differentiation, diversification, turnaround, concentration and globalization. However, recent developments in strategic thinking support the need to add activities that expand out from the company into society and that businesses must participate in society in a responsible and ethically symbiotic way. In management literature, the issues relating to sustainable and responsible ways of conducting business are typically discussed within the concepts of CSR, business ethics, Corporate Responsibility (CR), Corporate Citizenship, stakeholder issues, and sustainability. Waddock's (2004) define CSR as the following: caring for the well-being of others and the environment with the purpose of also creating value for the business. CSR is manifested in the strategies and operating practices that a company develops in operationalizing its relationships with and impacts on the well-being of all of its key stakeholders and the natural environment. To evaluate the effect of CSR, the perception of employees about CSR bases on three dimensions: economic, legal, and ethical corporate social responsibilities. Economic Responsibility refers the economic benefit a firm brings to its stakeholders. A corporate social responsibility program (CSR program) cannot be implemented until a business is profitable. Legal Responsibility refers to the following the law or regulation. A company cannot benefit society if it does not adhere to labor and tax laws or applicable industry regulations. Ethical Responsibility refers the responsibilities that firms should do for its stakeholders, which might include paying higher wages, offering employees better benefits, avoiding trade with unscrupulous companies or providing jobs to those who would otherwise have difficulty finding work. Philanthropic Responsibility is considered as the responsibility a company do to meets the community, it can consider taking on philanthropic responsibilities. Corporate philanthropy ranges in size and scope, and can include everything from donating time to a local charity to building a children's hospital.

2.2 Employee Commitment

Employee commitment is relative to the workers' attachment to or participation in the organizations in which they employed. Employee commitment is significant since it determines whether employees are likely to leave their jobs or improve performance. Meyer and Allen (1991) is the most recognized among employee commitment theories. In this approach, employee commitment has three multidimensional components namely: affective commitment, continuance commitment, and normative commitment. Affective commitment, which relates to emotional attachment, is normally linked to a favorable working environment and relationships with the other employees. Normative commitment, on the other hand, is related to obligation: employees may feel they owe the organization for being given a job when they need it most. Finally, continuance commitment relates to such terms of employment as job contracts, which may make leaving the current job very costly or troublesome.

2.3 Corporate Social Responsibility and Employee Commitment

When employees perceive that company pays attention to community or employees' families, they may think that they should try the best to contribute to company's images. It is clearly that there is a positive relationship between an organization's social responsibility and employees' commitment. Employees may believe that the organization would be highly commitment to them, therefore, they also commit with organizations. Employees' commitment could not be so high if they do not see the organization's responsibility. Corporate Social Responsibility relates to employee's job satisfaction. When employees satisfy with jobs, they tend to work for company for long time and try to provide best ability to serve customers. From above discussion, the following hypothesis was proposed:

H1: Economic social responsibility have a positive effect on employee's affective commitment.

H2: Legal social responsibility have a positive effect on employee's affective commitment.

H3: Ethical social responsibility have a positive effect on employee's affective commitment.

H4: Economic social responsibility have a positive effect on employee's normative commitment.

H5: Legal social responsibility have a positive effect on employee's normative commitment.

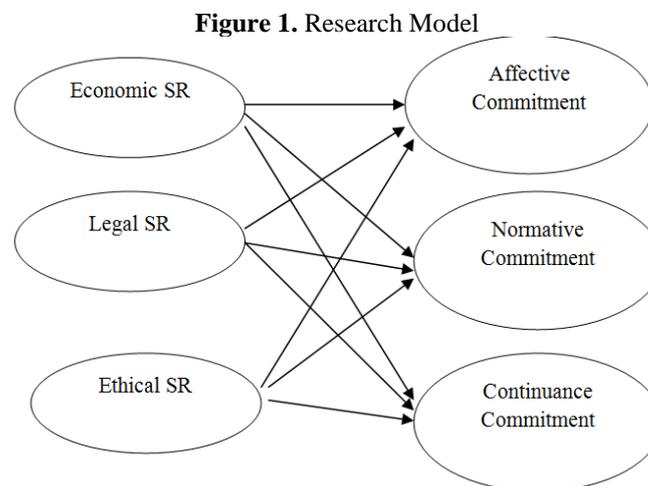
H6: Ethical social responsibility have a positive effect on employee's normative commitment.

H7: Economic social responsibility have a positive effect on employee's Continuance Commitment.

H8: Legal social responsibility have a positive effect on employee's Continuance Commitment.

H9: Ethical social responsibility have a positive effect on employee's Continuance Commitment.

The research model was present as following:



III. Research Methods

This study chooses to use a one-shot survey for data collection. All research methods, including surveys, have strengths and weaknesses, which cannot be overlooked. Surveys have the ability to investigate problems in realistic settings rather than being restricted in laboratories or artificial rooms under artificial conditions.

3.1 Sample Size

However, this study will be restricted to Thai Nguyen province. Participants are employees who are working for banks in Thai Nguyen province. The sample size will be decided based on number of items used in

questionnaire. This study intends to focus on banking services in order to examine how employees' perceptions of their firms' social responsibility influenced their commitment. The author plans to collect data from three hundred employees working in banks in Thai Nguyen province, Vietnam. Conducting a group survey will be considered important in order to reach a wide range of banking employees.

3.2 Research Instruments

To measure social responsibility, eighteen items was used adapted from study of Glavas et al. (2013). Respondents will use a seven-point Likert scale (1= "Strongly disagree," to 7= "Strongly agree") to indicate their level of agreement with a set of statements. The statements was used to ask participants about their perception of their company's social responsibility. To measure employee commitment, 12 items were used adapted from the 15-item Commitment Questionnaire (OCQ) (Porter et al., 1974) and measures of commitment in the areas of affective, continuance, and normative commitment.

3.3 Purification Process

Eighteen items were used to measure the perception of employee about corporate social responsibility. The results from exploratory factor analysis show that five items (ESR1 to ESR5) belong to one factor named Economic Social Responsibility. However, after reliability test, one items ESR5 was deleted because of low level of reliability. Four items were retained and test the reliability test again. The results show that item-total correlations were all greater than .50 and the Alpha coefficient was .77. Five items were used to test legal social responsibility. This scale performs well with factor loading values of items were all greater than .50 and Alpha coefficient was .75. Four items were used to test ethical responsibility. These items belong to one factor and perform well with Alpha was .78. Twelve items were used to measure employee's commitment. These items belong to three factors. Four items measuring employees' affective commitment (AC) belong to one factor. These scale performs well with Alpha coefficient was .78. The four items used for measuring normative commitment (NORMC) also show the convergent and reliable with Alpha Coefficient was .80. Four items used for measuring continuance commitment (CONC) belongs to one factor and perform well with Alpha was .73.

Convergent validity. Convergent validity of measures can be evaluated in terms of significance of factor loadings of scale items. Results showed that, t-values of all estimated standardized loadings were significant at p<.01 level. Composite reliabilities of construct were also high. Results showed evidence of convergent validity. The measurement model for all constructs showed a reasonable fit with $\chi^2 = 221.37$, GFI=.90, CFI=.96, RMSEA=.055.

Discriminant Validity. Discriminant validity is the extent to which the measure is unique and not simply a reflection of other variables. The results provided the evidence of discriminant validity using average variance extracted (AVE). The AVE exceeded the square correlation between all pairs of constructs. The results showed that all constructs are discriminant.

I. Hypotheses Testing

To test the hypotheses 1, 2 and 3, the variable AC then was regressed on ESR, LSR and EthSR. The results showed that three variable ESR, LSR, and EthSR had a positive effect on Affective Commitment. Therefore, the hypotheses 1, 2 and 3 were support. The table 1 indicates the regression results.

Table 1. The Regression Results of AC with ESR, LSR and EthSR

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	2.027	.361		5.617	.000
	ESR	.371	.060	.315	6.293	.000
	LSR	.179	.026	.171	6.880	.000
	EthSR	.214	.023	.0208	9.304	.000

a. Dependent Variable: AC

The procedures were conducted again with variable NORMC, the results showed that ESR, LSR, EthSR have positive effect on NORMC. Therefore, the hypotheses H4, H5, H6 were supported.

The regression of variable CONC with three independent varibale ESR, LSR, EthSR also shows the positive relationship between CONC and these three independent variables.

IV. Discussion

The results from data analysis show that employees perceive high the corporate social responsibility seem to commit more with organizational goal. Building the good image in employees' mind may help banks achieve the better service for customers because employees believe that they should do best things for the banks.

The banks should pay attention to economic social responsibility, especially with employees and their relatives. Because when employees feel that they believe in banks they should do their best with service work. In addition, banks also take care of ethical social responsibility. ESR can reinforce employees' self-definition and subsequently their job commitment. ESR can also enhance positive workplace attitudes, such as job satisfaction, and/or improve service quality.

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