

# IMPACT OF CORPORATE SOCIAL RESPONSIBILITY ON ORGANIZATION PERFORMANCE: SPECIAL REFERENCE TO THE COMMERCIAL BANK PLC

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## Abstract

*Nowadays CSR is the most significant factor for the organization and it is directly affected to the performance of the organizations. CSR realize the responsibility of organization for related parties and this study aims to identify the impact of the CSR on organization performance with special reference to the Commercial Bank PLC. Additionally, this study is providing the theoretical base on CSR and organization performance and thereby analyse the relationship between CSR and organization performance. To achieve objectives of the study, quantitative approach has used with 92 respondents and the results are indicated that there is a significant correlation between CSR and organization performance and also CSR positively impact on the organization performance.*

**Keywords:** CSR, Organization Performance

## 1. INTRODUCTION

Today CSR is the most important factor for organizations. It is directly affected on organization performance and there is a powerful combination between CSR and organization performance. CSR realizes the responsibility of the organization to related parties and it can be used as a strategy to improve the performance and the value of the organization. Commercial Bank PLC is one of the most recognized commercial bank in Sri Lanka and it has utilized millions of funds for CSR. However problem is that they have no proper observation about outputs of their CSR practice and the top management does not know the most probable factor that improves organization performance through CSR. Major objective of this study is to identify the relationship between CSR and organization performance and also answer for problems of Commercial Bank PLC. Through this study Commercial Bank PLC can diagnosis current situation of their CSR practice and its relationship with organization performance.

## 2. LITRETURE REVIER

### 2.1 What is CSR?

CSR can be considered as a most important concept for organization that affects into day to day operations of organization from different ways. CSR is the degree of moral obligation that may be ascribed to corporations beyond simple obedience to the laws of the state (Kilcullen and Kooistra, 1999, cited in Dahlsrud, 2008). The key objective of the organization is to maximize the profit and in this case it is avoided. Jackson and Hawker (2001) concluded that CSR is how you treat your employees and all your stakeholders and the environment (cited in Dahlsrud, 2008). It eliminates negatives and creates positives for the organization.

However every organization should have effective CSR framework for gain those benefits (Amato et al 2009).

## 2.2 What is the organization performance

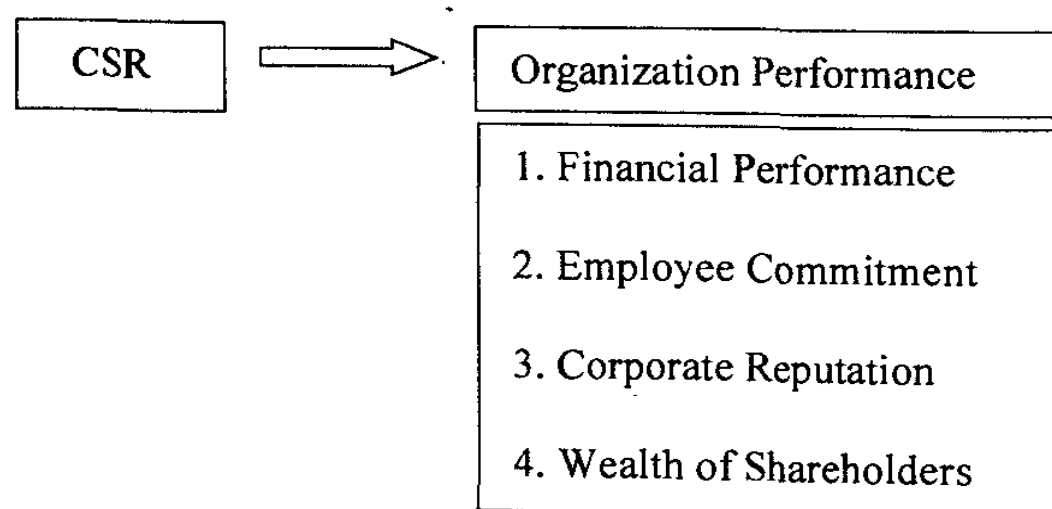
Kaplan and Norton (1992) indicated that performance is a set of financial and non-financial indicators which offer information on the degree of achievement of objectives (Cited in Kaplan, 2010). Georgopoulos and Tannenbaum (1957) defined organization performance as extent to which organizations, viewed as a social system full filled their objectives (Cited in Gavera, 2011). High performing organizations have the ability to grow and ensure the sustainability. Yuchtman and Seashore (1967) concluded that organization performance as organizations ability to exploit its environment for accessing and using the limited resources (Cited in Gavera, 2011).

## 2.3 What is the relationship between CSR and organization performance

Usually there is a positive relationship between CSR and organization performance. Akanbi (2012) concluded that there is a positive correlation between CSR and organization performance. Foote (2010) concluded that CSR improves firm`s quality and its success. Iqbal (2014) indicated that there is a positive relationship between CSR financial performances of firms. According to Ali (2010), CSR improves employee commitment level with the organization and Gazzola (2014) concluded that significant positive association between CSR and corporate reputation. Additionally, Deng et al (2013) indicated that CSR activities have positive impact on shareholders wealth.

## 3. METHODOLOGY

The research study is focusing on analyzing the impact of CSR on organization performance with special reference to the Commercial Bank PLC. The respondents of this study are the customers of the commercial bank. Because of Okwemba et al (2014) selected customers as respondents of their study. However, a sample of 100 is selected based on the simple random sampling method. Data collection instrument is questionnaire and SPSS statistics (ver.21) is used as the data analytical tool. To check validity, the current study implemented a pilot survey and thereby acquired information through distributing 10 questionnaires for 10 branches of Commercial Bank PLC. 5 members of Commercial Bank PLC CSR unit participated as respondents of pilot survey. However only 92 filled questionnaires were received and response rate is 92%.



**Figure 1. Conceptual Framework**

Source- Author developed from the literature

## Hypothesis of the study

H1: CSR is positively impact on Organization Performance

## 4. FINDINGS AND DISCUSSION

### 4.1 Findings

#### 4.1.1 Reliability

**Table 1. Reliability Statistics**

Variable Name	Cronbach's Alpha	Number of Items
CSR	.647	5
Organization Performance	.783	20

Source – Survey Data

Reliability is tested to measure the internal consistency of the concepts. According to Walsh (1995), the Cronbach's Alpha should be greater than 60 percent. Walsh (1995) argued that if the Cronbach's Alpha is greater than 60 percent, it explains that the internal consistency of the variables is reliable. According to above table, Cronbach's Alpha of CSR is 0.647 and Cronbach's Alpha of organization performance is 0.783. Which means internal consistency between acquired data on CSR and organization performance is high.

#### 4.1.2 Correlation

**Table 2. Correlation**

		CSR	OP
CSR	Pearson Correlation	1	.552**
	Sig. (2-tailed)		.000
	N	92	92
OP	Pearson Correlation	.552**	1
	Sig. (2-tailed)	.000	
	N	92	92

\*\* . Correlation is significant at the 0.01 level (2-tailed).

Source: survey data

CSR- Corporate Social Responsibility

OP - Organization Performance

Initially, the Pearson correlation analyzes the relationship between CSR and organization performance. In table 2, the Pearson correlation is resulted as 0.552 and it is positive value. According to Landau and Everitt (2004), the relationship between two variables is regarded as significant only when the two tailed significance value is less than 0.005. According to above table, significance is 0.000 and therefore there is a significant positive relationship between CSR and organization performance.

### 4.1.3 Linear Regression

**Table 3: Adjusted R Squared**

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.552 <sup>a</sup>	.305	.298	.36787

- a. Predictors: (Constant), CSR
- b. Dependent Variable: Organization Performance

Source: Survey data

According to acquired data, table 3 indicates the Adjusted R Square value as 0.298 which can also expressed as 29.8 percent. The Adjusted R square value indicates the impact of CSR on organizational performance compared to other factors. This shows that CSR has a positive impact on organization performance.

Below table is shown Correlation between CSR and other sub dependent variables such as financial performance, employee commitment, corporate reputation and wealth of shareholders. All are very significant relationships and there is a highest Correlation between CSR and wealth of shareholders. It is 0.884.

**Table 4: Correlation**

	CSR	FP	EC	CR	WS
CSR	1	.776**	.854**	.815**	.884**
Sig. (2-tailed)		.000	.000	.000	.000

Source: survey data

According to above all tables, those are presenting important results relevant to this study and the hypothesis of study. The hypothesis of study is CSR positively impacts on organization performance and therefore all are confirmed the hypothesis of study.

## 4.2 Discussion

Researcher has indicated some major outputs of the study and all are satisfied key objectives of this study. Most of the customers of Commercial Bank PLC agreed that when bank enhance their commitment to CSR, it enhance performance of Commercial Bank PLC and also financial performance, employee commitment, corporate reputation and wealth of shareholders of the bank. Further the results indicate that highest contribution is made by wealth of shareholders through CSR into organization performance. According to literature review, findings of the study are agreed with most of the researcher's findings.

## 5. CONCLUSION AND IMPLICATIONS

### 5.1 Conclusion

Considering all facts and figures, researcher can conclude that there is a significant correlation between CSR and organization performance and CSR positively impact on organization performance. Simply it can say whether an organization increase their commitment to CSR, it increase the performance of that organization.

### 5.2 Implications

Commercial Bank PLC should create more value to organization more than competitors and also should gain competitive advantage. CSR is the factor that creates superior value to organization. As per findings of the study, first of all Commercial Bank PLC maintain the sustainability of the current CSR practice and thereafter they should concentrate on most important factors that creates higher contribution and makes higher addition to the organization performance through CSR. Results indicate that shareholders wealth is the most value addition factor to the total organization performance through CSR. Therefore they should implement new CSR strategies focus on investment and shares activities of the bank that can satisfy the expectation of potential shareholders and also current shareholders. Nowadays drug prevention is one of the well awareness topics in the society and to increase corporate reputation they can introduce drug prevention CSR project to the targeted groups and it will help to increase the organization performance.

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