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**Corporate Social Responsibility done through  
Human Resource Management in Sri Lankan Banking Sector**

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**Abstract**

*Corporate social responsibility is a broad concept defining as fulfilling the objectives of the stakeholders of an organization. Employee is one kind of organizational stakeholder. Therefore, there should be a special program of CSR for organizational employees. Utilization of organizational employees names as human resource management which is a way of responsibility to fulfill objectives of employees by organization. Then, there is new definition for HRM concerning corporate social responsibility. However, in the available literature in the local as well as global, there are no any theoretical and empirical findings for this phenomenon except any one study done in Sri Lanka. Therefore, the problem of the study addressed as “How Corporate Social Responsibilities done through Human Resource Management initiatives affect to the retention of operational workers in banking sector in Sri Lanka”. The sample was drawn from public and private bank employees in Colombo district and it was 104 responders. Structured questionnaire was used to gather the primary data from the sample. SPSS 16 versions was used to analysis the data. Univariate, bivariate and multivariate analyses were used to analysis the primary data. The major finding of the study is that there is significant impact of CSR done through HRM to retain the employees. Therefore, as recommendation, researchers suggest that bank management has to enrich the practices of human resource management in the banks to retain their employees.*

*Key words: CSR done through HRM, Employee retention*

**Introduction**

It's obvious that any business needs a source of labour to function and labour is considered as one of the major factors of production. The complex behaviour of people and its ability to exercise control over other resources have led to enhance its significance and uniqueness further. It's clear that human resource management plays a vital role in gaining and maintaining organizational competitive edge in the dynamic market. This reality is same for the banking sector too.

Banking industry is the largest financial intermediary in Sri Lanka's capital market. In Sri Lanka we have bank dominated financial system where banks contribute 56% of the assets in the financial system and 77% of GDP. Hence, a sound banking system is a vital pre-requisite to ensure financial system stability and economic growth. Banks are highly leverage institutions that depend heavily on depositors' confidence. A sound banking system contributes to the effectiveness of the intermediation, maturity transformation (turning short-term savings deposits in to long term loans), and payment facilitation, allocators of resources and providers of liquidity. As primary providers of

payment services and as a fulcrum for the implementation of monetary policy, banks stand apart from other institutions and remain at the centre of economic and financial activity.

Therefore, to have an efficient and stable banking system it is imperative to acquire and retain an appropriate and contented employee force to yield maximum customer satisfaction and to maximize shareholder wealth and to achieve other broader macro and micro objectives of the banking organizations. We should put an emphasis to retain our competent employees to achieve a sustainable development of any business. Retention of workers is mainly linked to two major factors such as; economic and psychological. Under the economic factors alternative opportunities, labour market opportunities, job search, performance, pay satisfaction can be considered. Under the psychological factors, job satisfaction, organizational commitment and other forms of commitment (Neil, 2007), job involvement, training & career development, psychological contract and professionalism can be considered. According to the McKinsey study, he has found that there are three main areas for retention of workers; great company, great job and compensation and lifestyle. Under great company; value and culture, well managed & existing challenges that company is facing have been pointed out. Freedom & autonomy, exciting for challenges, career advancement and growth have been considered under great job. Under the area of compensation & lifestyle; differentiated pay package, high total compensation, geographic location and respect for the lifestyle have been considered.

As indicated above, employee retention is significant to any organization. However, there may be different factors affecting employee retention. Among these factors, social responsibility is a significant and important factor, particularly in developing countries and the labour oriented industry. Labour oriented industry is running with welfare oriented management system, especially welfare oriented human resource management practices. However, in the Sri Lankan context, there is no theoretical or empirical evidence to show how employee retention is achieved through corporate social responsibility, implemented through the human resource management. This study will examine how employee retention may be achieved through Corporate Social Responsibility, as applied to Human Resource Management in the banking sector.

### **Problem of the Study**

Corporate social responsibility is a broader concept. However, in the view of managing human resource is different angle of doing the corporate social responsibility by an organization. In the Sri Lankan context, there is only one research done in this area. It was done by Dalpathadu in 2007. His study area was limited to estate sector in Sri Lanka. Therefore, the findings of the study are not enough to find the context of banking sector in Sri Lanka. Then the problem of the study is aimed to discuss “How Corporate Social Responsibilities done through Human Resource Management initiatives affect to the retention of operational workers in banking sector in Sri Lanka”. Under the main objective of the study which is to find out the impact of corporate social responsibility done through the HRM to retain the operational workers in the Sri Lankan banking sector, specific objectives are;

- To identify the retention level of operational level workers in the Banking sector.
- To identify the level of CSR done through HRM of the workers in the Banking sector
- To find out the impact of CSR done through the HRM to retain the workers in the Banking sector.

## **Literature Review**

### ***Areas of Corporate Social Responsibility for Employees***

Corporate Social Responsibility is a concept whereby companies integrate social and environmental concerns in their business operations and in their interaction with their stakeholders on a voluntary basis. It 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). World Business Council defines CSR as the continuing commitment of business to behave ethically and contribute to economic development while improving the quality of work life of the workforce and their families as well as of the local community and society at large (Neil, 2007). CSR has been identified as having four dimensions: economic, legal, ethical and philanthropic (Carroll, 1981). It stipulates organizations to act as optimizing the satisfaction of all stakeholders by being profitable, compliance with legal requirements, practice ethical values and contribute benefits to the society for the well being of mankind (Neil, 2007).

CSR should be done on areas covering job security and employee privacy, balance between working and private life, equal employment opportunities and issues such as discrimination, harassment and undue influences. Job insecurity generally increase as workers become older because these individuals perceive they would have more difficulty in finding employment that provides comparable pay, benefits, and responsibility. Many individuals have seen a decline in job security over the past decades (Mathis and Jackson, 2004). Privacy refers to the interest employees have in controlling the use that is made of their personal information and in being able to engage in behavior free from regulation or surveillance (Piller, 1993).

Another area of corporate social responsibility is balancing work and private life of employees. Organizations should plan programs to balance work and private life of employees in the organization. Work and private life programs can include a wide range of items such as flexible work scheduling, job sharing or telecommunicating (Mathis and Jackson, 2004). There are many ways to define and discuss the balance but most seem to include the notion of flexibility (Hill, Hawkins, Ferris, and Weitzman, 2001; Papalexandris and Kramer., 1997), juggling (Brown, 2004) and sustainability (Van Eijnatten and Vos, 2002).

Equal employment opportunity is a social responsibility area that can be done through the practices of human resource management. Mathis and Jackson (2004) define the term as individuals should have equal treatment in all employment related actions. According to Mathis and Jackson (2004), business necessity and job relatedness, no disparate treatment, no disparate impact, non- retaliatory treatment, burden of proof,

bona fide occupational qualifications are the concepts resulting in equal employment opportunity. All these things are leading to corporate social responsibility for organizational employees. If there is absence of equal employment opportunity, then it practices the discrimination.

Discrimination simply means recognizing differences among items or people (Mathis and Jackson, 2004). Discrimination is a broad concept (Casico, 2005). According to Casico, followings are the area of discrimination: sex discrimination, pregnancy, reproductive hazards, sexual harassment, age discrimination, overqualified job applicants, seniority and preferential selection (Casico, 2005).

If organizational management does sex discrimination, pregnancy harassment, reproductive hazards, sexual harassment, age discriminations, rejecting overqualified job application, seniority and preferential selection, it implies that organization does not practice the employee management with social responsible manner. Harassment is a violating corporate social responsibility for employees in the workplace. There are different levels of employee harassment such as supervisor, customer, vendor, coworkers, former employees and other employees (Mathis and Jackson, 2004). Among them sexual harassment is a significant concern in many organizations and can occur by men harassing women, women harassing men or same sex harassment.

Redington (2005) with the help of twelve case studies, while underlining the HR professionals' key role in managing the changes required for CSR activities to succeed, stated that employees are the most neglected though most important stakeholder of the organization for conducting CSR activities. But, the contemporary business competition is growing at an alarming rate and more focus is required to place on employees to ensure sustainable survival of the organisation.

### ***CSR through Human Resource Management Functions***

Human resource management functions are designed to utilize human resources effectively and efficiently in order to generate a pool of suitable, responsible, motivational and contented workforce within the organisation to achieve its corporate goals. In fact, HRM functions should be operated within the framework of good corporate governance to enhance the standard living of employees and quality of their work life.

Job design, job analysis, human power planning, recruitment, selection, hiring, induction, performance evaluation, pay management, training and development, employee movements, welfare administration, management of incentives & benefits, safety & health administration, discipline administration, grievance handling and labour relations are some functions of the HRM (Opatha, 2009). We will now look into each function of HRM on CSR perspective.

*Job design* - it should be based on the employee safety, health and minimum harassment. According to Opatha (2009), job designing should be focused to maximize the employee satisfaction, employee safety and employee development.

*Recruitment* – is a responsible practice involving in particular non-discriminatory practices and doing a wise recruitment of people without discriminating ethnic minorities, gender, race, religion and supporting to reduce unemployment rate in society.

*Selection and hiring* – selecting the most suitable candidate and appointing the selected candidate to the post or job should be done totally based on a fair procedure without making personal influences and discriminations.

*Performance evaluation* – this is a serious situation where supervisors can harass their subordinates through pursuing personal prejudice and accomplishing a personal anger by doing an unfair PE. Some issues can occur in PE system such as central tendency, harshness and leniency, halo effect and recency effect. All these will demotivate employees and make them unsatisfactory with their work.

*Pay management* - . Pay is the basic reward an employee receives usually as a wage or a salary. In short, equal employment opportunity implies at least fair and equal treatment of employees on the job like equal pay for equal work, and equal benefits (Casico, 2005). According to Opatha (2009), pay system of an organization should focus on internal equity, external equity, and absolute equity. These equities address the social responsibility for the workers.

*Training and development* – if organization selects employees for the training and development programs, then the selection should be done avoiding discriminations such as minority, race, religious, gender, age, handicaps, etc.

*Employee movements* – employee transfers, promotions, demotions, layoffs, terminations and employee rotations should be absolutely based on just and fair stand.

*Welfare administration* - welfare management under the human resource is most important function for social responsibility for employees. Welfare covers a vast area. Welfare includes areas such as providing employees with medical care, insuring employees, pay on sick leaves, holidays, family benefits, maternity leaves and contribute employees with EPF, ETF and pensions or compensations at the retirement.

*Health and safety administration* - HR manger should have the ability to identify exposure to occupational safety and health such as accidents, diseases, low quality of working life, safety equipments, healthy environment and less organizational stress for better organizational nature. Even by law, some of the industries have to enforce safety and health regulations, do prompt investigations of accidents and occupational disease to identify and remove causes and maintain approved conditions and procedures affecting environment and sanitation.

*Grievance Handling* - Grievance is defined as any discontent or dissatisfaction arising from a feeling or a belief of injustice felt by an employee or a group of employees in connection with the work environment (Opatha, 2009). Basically Grievance Handling refers to accepting and solving grievances effectively and efficiently. If an organization

can minimize the sources of employee grievances in the work place, then it will become social responsible for employees.

*Labour Management Relations* - labour management relations provides golden opportunity to show the social responsibility for employees. Labour relations usually involve in creating and maintaining labour peace and labour democracy (Opatha, 2009). Therefore, as a social responsibility for employees, organization has to maintain positive labour management relationship in an organization.

As explained, CSR concept guides Human resource management functions to fulfill legal requirements and go beyond, investing more into human capital, environment and society at large. Therefore, it is indispensable that CSR is something that relates to protect and improve society's welfare. It has an impact on employee morale, motivation, commitment, loyalty, retention and turnover

### **Employee Retention and Motivation**

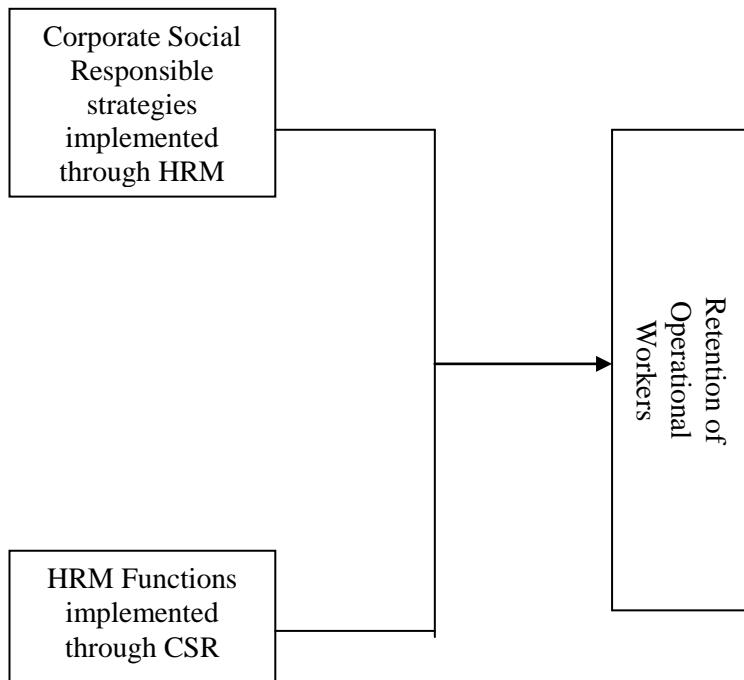
Retention of employees has become a primary concern in many organizations for several reasons. Higher retention ratio results a lower labour turnover bringing down the cost of recruiting, selecting and training. Every individual who is retained means one less person to recruit, select, and train. Also organizational and individual performance is enhanced by the continuity of employees who know their jobs, co-workers, organizational services and products and the form's customers (Mathis and Jackson, 2004). Mathis and Jackson (2004) explain losing high performances made it more difficult for organizations to reach their business goals. Further, continuity of employees provides better employee image for attracting and retaining other individuals as well. High labour turnover can damage the business's continuity and efficiency.

Employee retention and motivation has a positive relationship. Greater the number of motivated employees, better the retention ratio. Motivation can achieve through proper job design and human power planning, unbiased performance evaluation and attractive pay schemes, sufficient training and development programs, fair employee movements, proper welfare administration, impartial management of incentives & benefits, carefulness of employees safety & health, balanced grievance handling and good labour management relations. Higher the level of motive workforce will drive the organisation to reach its goal.

### **Conceptual Framework**

The conceptual framework of the study can be illustrated as figure 01.

Figure 01: The conceptual framework



**Method**

The Survey was carried out in banking sector in Sri Lanka using workers who were working in public and private sector banks. The unit of analysis was individual level. The sample size of the survey was 104 non – executive employees in the two public banks and two private banks in Colombo District. The research mostly depends on primary data. The survey was conducted among the workers through structured questionnaires. Questionnaire was printed in English. This questionnaire consisted of 73 question statements. Among the all question statements, 68 were designed with five point Likert scale to measure the variables and the dimensions in the research model. Data collected from primary (questionnaire) source were collected and analyzed using the computer based statistical data analysis package, SPSS version. The data analysis included the descriptive (univariate), and bivariate analysis. The frequency distribution analysis was done for all variables as the descriptive analysis. For bivariate analysis, correlation analysis and simple regression analysis are used to identify the relationship between independent variable and dependent variable in the research model. The decision rules used to interpret the analyzed data are given below.

**Department of HRM**

- Mean value > 03: CSR done though department of HRM is low level
- Mean value = 03: CSR done through department of HRM is average level
- Mean value < 03: CSR done through department of HRM is high level

**Functions of HRM**

- Mean value > 03: CSR done though HRM functions is low level
- Mean value = 03: CSR done through HRM functions is average level
- Mean value < 03: CSR done through HRM functions is high level

Retention of employee

Mean value > 03: Retention of employee is low level

Mean value = 03: Retention of employee is average level

Mean value < 03: Retention of employee is high level

**Empirical Data**

The empirical data of the study can be given through univariate analysis, the mean value, medium, mode, standard deviation, skewness and kurtosis. The univariate analysis for the variables of the department of HRM, function of HRM and retention of employee are given in the table No 01.

Table 01: Univariate analysis of the variables

	CSR through HR Department	CSR through HR functions	CSR through HRM	Employee Retention
Mean	2.1090	2.0641	2.0697	2.1287
Medium	2.0000	2.0714	2.0625	2.0385
Mode	2.00	2.24	2.12	2.00
Standard deviation	0.59673	0.34181	0.35458	0.57760
Skewness	0.444	0.742	0.787	1.253
Kurtosis	0.544	0.738	1.045	2.289

The mean value of all independent variables (CSR done through HRM Department and CSR done through HRM functions) are at high level. It concludes that the practices of HRM through CSR in the banking sector are good in nature (mean value of HRM through CSR is 2.0697). Employee retention of the banking sector is also remains at high level. The mean value of employee retention is 2.1287.

The impact of CSR done through HRM Department and Functions to the employee retention is given table No 02.

Table 02: The impact of CSR through HRM to the employee retention

	Employee retention	
	Pearson Coefficient	Significant at 0.001 level
CSR done through Department of HRM	0.771	0.000
CSR done through Functions of HRM	0.795	0.000
CSR done through HRM	0.833	0.000

According to the table no 02, the relationship between CSR done through department of HRM and employee retention in banking sector is significantly positive (Pearson Coefficients is higher than 0.7). The relationship between CSR done through HRM functions and employee retention in banking sector employees are significantly positive, which Pearson Coefficient is higher than 0.7. As a whole, the relationship between CSR done through HRM and employee retention is significantly positive. The Pearson coefficient is higher than 0.8. Therefore, according to the Pearson coefficient, there is impact of CSR done through HRM to the employee retention in banking sector. The multiple regressions were used to analyse the multivariate analysis of the variables. Table No 03 presents the results of multiple regressions.



Table 03: The multiple regressions results

Multiple R	R Square	Adjusted R Square	Standard error of the Estimate	F	Sig. F
0.853	0.727	0.716	4.0023208	65.254	0.000

The square of the multiple R is 0.853, which indicate that 72.7% of the variation in employee retention is explained by the two variables, CSR done through department of HRM and CSR done through functions of HRM. The F value is 65.254, which are significantly at 1% ( $p = 0.000$ ), which suggests that the two independent variables have significantly explained 73% of the variation in the employee retention.

### Findings

The finding derived from the empirical data can be pointed out as below.

- The bank employees perceived that the corporate social responsibility done through the department of human resource management remains at high level.
- The bank employees perceived that the corporate social responsibility done through the functions of human resource management remains at high level.
- Then, bank employees perceived that the corporate social responsibility done through the human resource management remains at high level.
- The bank employees perceived that there is a positive and significant relationship between corporate social responsibility done through department of human resource management and the employee retention.
- The bank employees perceived that there is a positive and significant relationship between corporate social responsibility done through functions of human resource management and the employee retention.
- Then, the bank employees perceived that there is a positive and significant relationship between corporate social responsibility done through human resource management and the employee retention.

### Conclusion and Recommendation

The objective of the study is to find out the impact of CSR done through HRM to retain the bank employees in Sri Lanka. The findings of the study reveal that there is a strong and positive relationship between these two variables. Mathis and Jackson (2004) pointed out that there is a relationship between motivation and employee retention. Corporate social responsibility done through HRM is a motivational factor to the employee. Then, the findings of the study can be confirmed by the findings given by Dalpadhadu in 2008. According to the findings of the study, it concludes that absence of corporate social responsibility through human resource management leads to leaving of the employee from the bank. Then, the corporate social responsibility done through HRM plays significant role to retain employees within the bank. Therefore, as a recommendation of the study, researchers suggest that the human resource management should be done as corporate social responsible manner for the purpose of retaining employees.

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