

# The Impact of Religiosity on the Relationship between Corporate Social Responsibility (CSR) and Organizational Commitment

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**Abstract.** *Non-financial performance variables such as corporate social responsibility (CSR) receive increased attention from stakeholders. This study examines whether CSR performance affects employees of Sharia financial institutions concerning organizational commitment and whether religiosity as a moderating variable strengthens or weakens that effect. Research on the role of employee performance toward CSR practices and the impact of those performances on employee behaviour is limited, especially in developing countries. In addition, the religiosity factor is still under consideration in terms of whether it affects employee performance. Based on information gathered from questionnaires distributed to employees of Sharia financial institutions in Indonesia, this study shows that CSR performance positively affects organizational commitment, and religiosity weakens the positive influence of CSR performance on organizational commitment. Employees feel CSR practices can affect their work performance because companies with good CSR practices could create a good reputation for their organization.*

**Keywords:** *Religiosity; CSR Performance; Organisational Commitmen*

**Abstrak.** *Variabel kinerja non-keuangan seperti tanggung jawab sosial perusahaan (CSR) mendapat perhatian yang besar dari para pemangku kepentingan. Penelitian ini menguji apakah kinerja CSR mempengaruhi karyawan lembaga keuangan syariah terhadap komitmen organisasi dan apakah religiusitas sebagai variabel moderasi memperkuat atau memperlemah efek tersebut. Penelitian tentang peran kinerja karyawan terhadap praktik CSR dan dampak sikap tersebut terhadap perilaku karyawan masih terbatas, terutama dalam konteks negara berkembang. Selain itu, faktor religiusitas masih dalam pertimbangan apakah berpengaruh terhadap kinerja karyawan. Berdasarkan informasi yang dikumpulkan dari kuesioner yang dibagikan kepada karyawan lembaga keuangan syariah di Indonesia, penelitian ini menunjukkan bahwa kinerja CSR berpengaruh positif terhadap komitmen organisasi, dan religiusitas memperlemah pengaruh positif kinerja CSR terhadap komitmen organisasi. Karyawan merasa praktik CSR dapat mempengaruhi kinerja di tempat kerja karena perusahaan dengan praktik CSR yang baik dapat menciptakan reputasi yang baik bagi organisasi.*

**Kata kunci:** *Religiusitas; Kinerja CSR; Komitmen Organisasi*

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## Introduction

The increasing interest in adopting strong corporate social responsibility (CSR) practices in businesses worldwide reflects dissatisfaction within social and corporate communities regarding previously inadequate CSR practices (Carrol and Shabana, 2010). Many firms face business scandals such as those experienced by Enron, Arthur Anderson, WorldCom, Nike, and other multinational companies (Lee and Sweeney, 2015). These scandals have a noticeable negative impact on shareholders and other stakeholders. Financial performance alone is not enough to determine the value of a firm. CSR practices that can reduce the likelihood of scandal are also essential. Many firms are now promoting their CSR activities because non-financial performance variables such as CSR receive more attention from stakeholders (Gramlich and Finster, 2013). One stakeholder who feels the importance of CSR practices is a firm employee. Employees feel their employer of CSR practices can affect their workplace performances because good CSR practices enhance the business reputation. In addition, strong CSR practices increase a firm attractiveness to prospective employees who value social welfare and the work environment. The company's CSR performance sends signals to potential job seekers about the work environment they would experience if they came to work at the company. There is limited research into employee performance about CSR practices and the impact of those performances on employee behaviour, especially in developing countries (Zhu et al., 2014). This study examines the effect of CSR performance on organizational commitment. We define CSR performance as employees' perception of CSR practices that can be affected by employee characteristics, such as religiosity, which can affect organizational behaviour (Rahman et al., 2016).

In addition to the impact of CSR practices on various stakeholders, the effect of employee religiosity is also gaining increased attention in the academic literature (Ibrahim et al., 2008). Religiosity may be defined as a view expressed by one's beliefs, prayer practices, and individual spiritual experiences that can connect individuals and result in action (Peterson, 2001). By displaying religiosity, an individual is a religious person who can exercise positive ethical judgement. It is stated in the source of Islamic law, the hadith, that 'Allah loves optimism and hates despair'; therefore, individuals who have the quality of religiosity may believe that they are committed to the will of God (Ji et al., 2006). Research on the connection between the level of individual religiosity and CSR performance is mixed. Individuals can change a company's performance toward good CSR practices with religiosity. Mazereeuw-van der Duijn et al. (2014) stated that intrinsic religiosity affects CSR performance. Meanwhile, Guiso et al. (2003) found that religiosity negatively affects CSR performance.

This study examines whether CSR performance affects organizational commitment, with religiosity as a moderating variable. The study uses data obtained from questionnaires distributed to employees of Sharia financial institutions in Indonesia. By conducting a regression analysis, our results show that CSR performance positively affects organizational commitment, and religiosity weakens the positive effect of CSR performance on organizational commitment. This research contributes to evidence from recent research on the impact of religiosity on CSR performance and organizational commitment in developing countries, specifically Indonesia.

## Literature Review

### Theory Overview

Sharia financial institutions have a responsibility to perform to benefit all stakeholders, including shareholders, employees, suppliers, business partners, governments, analysts, financial institutions, etc. Sharia financial institutions should also adopt good CSR practices to support the community and display the firm's gratitude for achieving good financial performance. Stakeholder theory focuses on the firm's view of its various stakeholders. Under this theory, a firm must be able to provide benefits to its multiple stakeholders. These benefits can be enhanced by implementing strong CSR practices.

Performances toward and choices regarding certain behaviours are a function of an individual's underlying beliefs regarding the consequences of certain behaviours. An individual's religiosity can determine these beliefs. Based on the Theory of Planned Behavior, religion is one of the background factors influencing employees' performances and contributions to a company's CSR practices. The performance of individuals who display religiosity should affect the intention of individuals to perform a performance that individuals will evaluate positively or negatively to organizational commitment.

### CSR Performance

After learning that employers provide social and community support, employees are inspired to improve their performances in their workplaces (Luo & Bhattacharya, 2009). This view is further supported in several studies that explore the relationship between CSR practices adopted by organizations and the CSR performance of employees of the organizations. For example, by integrating organizational justice, corporate governance, and the theory of capitalism, Aguilera et al. (2007) found that employees' perceptions of an organization's external CSR practices (i.e. CSR activities directed toward external communities) can shape performances and behaviours itself.

In addition, Rahman et al. (2016) believe that employee perceptions of CSR practices can affect feelings, performances and behaviours.

## **Organizational Commitment**

Organizational commitment is a psychological state that reflects an employee's relationship with the employer organization. It has important implications for an employee's decision-making regarding whether they will continue or terminate membership in the organization. Organizational commitment also encompasses a variety of attitudinal and behavioural characteristics among employees within an organization, including timeliness, individual behaviour, job performance, and organizational change performance. Meyer, Allen and Smith (1993) identified three types of organizational commitment as follows: affective commitment (emotional attachment to the organization), ongoing commitment (perceived costs associated with leaving the organization) and normative commitment (feelings of obligation to the organization). Employees who feel effective and/or normative commitment tend to do their jobs better and be more productive than employees who demonstrate ongoing commitment (Meyer et al., 1993).

## **Hypothesis Development**

### ***The Effect of CSR performance and Organizational Commitment***

According to (Meyer et al., 1993), organizational commitment reflects an employee's relationship with the employer. It has implications concerning the decision to continue or terminate membership in the organization. The presence of good CSR practices can increase the sense of pride among employees through the positive reputation those good practices generate within the community; therefore, good CSR practices can lead to higher levels of organizational commitment. Conversely, employees who are more committed to the organization they work for can respond to their company's CSR efforts more positively than less committed employees. Therefore, employees with a high degree of organizational commitment may report a more positive performance regarding a company's CSR practices (Aguinis & Glavas, 2012).

Employees believe their employer's CSR practices can affect their workplace performances because companies with good CSR enhance the organization's reputation. In addition, good CSR practices enhance a company's attractiveness to prospective employees because its social performance sends signals to potential job seekers about the work environment they will experience if the company hires them. In addition, CSR practices can play an essential role in developing employee self-concept as employees benefit from the positive reputation of their organization

(Dutton et al., 1994). Based on these observations, we develop the following hypothesis:

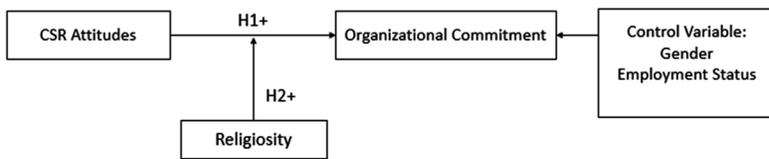
H1: CSR performance has a positive effect on organizational commitment.

### *The Effect of CSR-related Performances, Religiosity and Organizational Commitment*

The religiosity of the executive group who run the company can influence CSR-based performances in the following ways. For example, first, religion is an essential source of personal values and serves as a basis for performance formation (Fry et al., 2011). Second, the religiosity of employees can affect their performances concerning both personal and corporate interests (Mazereeuw-van der Duijn Schouten et al., 2014). Employees with high religiosity will decide to support CSR programmes since those programmes can influence the employee's choice of whether or not to stay with the company. Employee performances strongly influence behaviours that ultimately affect CSR-related performances that involve organizational commitment.

Therefore, the second hypothesis tested is the following:

H2: Religiosity strengthens the positive effect of CSR performance on organizational commitment.



## Methods

### Data and Sample

This empirical study uses statistical regressions to test the impact of CSR-based performances on organizational commitment. The regression testing also examines the effect of religiosity as a moderating variable. The sample used in this research is based on employees of Sharia financial institutions in Indonesia. The samples were obtained at Sharia financial institutions because the study wanted to measure the level of religiosity of the study participants. The sample selection technique used in this research is the purposive sampling method. The criteria used in the sampling are the following: (1) respondents are employees of Islamic financial institutions, and (2) the Sharia financial institutions have CSR programmes.

The data was collected using questionnaires distributed (using Google Docs) to employees of Sharia financial institutions within the stipulated time.

All the questions in the questionnaire were adapted from Shafiqur (2016) and Corrie (2013). The questionnaire consisted of 26 questions divided into the three following categories: (1) Religiosity, consisting of 10 questions about the impact of religiosity on cognitive, intrinsic and extrinsic employees; (2) CSR performance, consisting of four questions about the CSR-based performance of employees and (3) Organisational Commitment, in the form of 12 questions related to affective, cognitive and normative organizational commitment. The Likert scale determined the measurements of the variable defined by the questionnaire with a scale of 1 to 4, where one = Strongly Disagree and 4 = Strongly Agree. Based on Mazereeuw-van der Duijn Schouten et al. (2014), permanent employees make the best contributions to a company because they want to succeed. Female employees display a more favourable performance toward ethical behaviour than male employees. Therefore, this study uses employee status as a control variable, measured by a dummy variable set to 1 if the permanent employee and 0 if contract employee and Employee Gender, measured by a dummy variable set to 1 if female and 0 if male.

## Data Analysis

The study uses the Stata programme to analyze the data. With a sample of 83 respondents and a 95% significance level, the study conducted a pilot test and tested classical assumptions to avoid any Best, Linear, Unbiased Estimator (BLUE) in the study. Testing for hypothesis 1 uses Ordinary Least Square (OLS) regression with organizational commitment as the dependent variable, CSR-based performances as independent variables, and employment status and gender as control variables. In contrast, testing for hypothesis 2 uses regression analysis with organizational commitment as the dependent variable, CSR-based performances as independent variables, religiosity as a moderating variable and employment status and gender as control variables. The models used to test the hypotheses are defined as follows:

- Testing Model 1:  
$$OC = \alpha + \beta_1 CSR + \beta_2 Status + \beta_3 JK + \epsilon \dots (1)$$
- Testing Model 2  
$$OC = \alpha + \beta_1 CSR + \beta_2 RGL + \beta_3 CSR * RGL + \beta_4 Status + \beta_5 JK + \epsilon \dots (2)$$

### Where:

OC : Organisational Commitment  
CSR : CSR performance  
RGL : Religiosity  
Status : Status of Employee  
JK : Gender of Employee  
 $\epsilon$  : error

## Results and Discussion

### Descriptive Statistics

Table 1 provides statistical measures for all variables. The average value for OC is 41.5421, indicating that employees at Sharia financial institutions have high organizational commitment. The average CSR value is 14.0843, which demonstrates that Sharia financial institutions are engaged in CSR activities that impact employee performances that tend to be CSR-based. For employee status, the typical employee is a permanent employee, based on the average employee status value of .9277108. In contrast, the employees of Sharia financial institutions are primarily men, given the variable's average value of 0.3614.

The study obtained data from 89 questionnaires, but six were invalid because the respondents were employed by conventional (non-Sharia) businesses. Most of the respondents from Sharia financial institutions are male (53 respondents, 64%). The majority are 24–28 years old (64 respondents, 77%). Almost all employees of Sharia financial institutions are permanent employees (77 respondents, 92%).

Table 1. Descriptive Statistics

Variable	Mean	Median	SD	Min	Max
OC	41.5421	45	8.0868	14	48
CSR	14.0843	15	1.5788	9	16
RGL	35.0481	37	6.1225	17	40
CSR*RGL	524.6627	540	119.9786	180	640
Status	0.9277	1	.2605404	0	1
JK	0.3614	0	.4833398	0	1

Explanation:

**OC:** Organisational Commitment; **CSR:** CSR performance; **RGL:** Religiosity; **CSR\*RGL:** Moderating of CSR performance and Religiosity; **Status:** Employee Status; **JK:** Employee Gender

Source: processed authors (2018)

### Result of Model Analysis

#### *Classic Assumption Test*

This study conducted a heteroskedasticity test and a normality test. Breusch–Pagan test in Stata, performed Heteroskedasticity testing. We concluded the free data from heteroskedasticity because the p-value is 0.3815 ( $>0.05$ ). Normality testing was performed using skewness and kurtosis tests. The results show the data is normally distributed based on the probability chi value of 0.9691 ( $>0.05$ ).

### Empirical Result

The results of the OLS regressions can be seen in Table 2, which evaluates the results of each variable hypothesized in this study. For Model 1, the results support hypothesis 1, showing that CSR-based performances have a significant, positive effect on organizational commitment. However, the results do not support hypothesis 2, as Model 2 shows that religiosity weakens the significant positive impact of CSR-based performances on organizational commitment.

Table 2. Regression Analysis Result

Variable	Predict	Model 1		Model 2	
		Coef	Prob	Coef	Prob
CSR	+	3.78822	0.000***	5.665404	0.000***
CSR*RGL	+			-0.11570	0.000***
Status	?	6.123384	0.003	-0.5717	0.552
JK	?	-1.01127	0.285	-0.2999	0.475
Observation		83			83
R-squared		0.7617			0.9551
Prob		0.000			0.000

\*\*\* significance at 1%, \*\* significance at 5%, \* significance at 10%

Explanation:

**OC:** Organisational Commitment; **CSR:** CSR performance; **RGL:** Religiosity; **CSR\*RGL:** Moderating of CSR performance and Religiosity; **Status:** Employee Status; **JK:** Employee gender

Source: processed authors (2018)

### CSR performance and Organizational Commitment

Table 4.2 shows that the coefficient of CSR is 3.78822, which is positive and significant at the probability of 0.000, which provides strong support for hypothesis 1, indicating that CSR-based performances have a significant positive effect on organizational commitment. We conclude that Sharia financial institutions with solid CSR practices can benefit stakeholders. Employees feel that CSR practices benefit their workplace performance because good CSR practices positively impact the organization's reputation. In addition, prospective employees applying for jobs will increase their attractiveness from social welfare, the environment and employees because the firm's social performance sends signals to potential job seekers about the work environment they will experience if accepted. In addition, CSR activities can play an essential role in developing a positive employee self-image because employees benefit from the positive reputation of their organization

and are likely to have a high organizational commitment (Dutton et al., 1994). Also, employees who are more committed to where they work may view their company's CSR efforts more positively and, therefore, may report more positive CSR-based performances (Aguinis & Glavas, 2012).

### **CSR-based Performances, Religiosity and Organizational Commitment**

As shown in Table 4.2, the coefficient of CSR\*RGL is  $-0.11570$ , which is negative and significant at the probability level of 0.000, which means it does not support hypothesis 2 that religiosity can strengthen the positive effect of CSR performance on organizational commitment. This study proves that religiosity weakens the positive impact of CSR-based performances on organizational commitment. This finding is consistent with Mazereeuw-van der Duijn Schouten et al. (2014) that the level of religiosity of employees can also affect employee performances, both for personal and corporate interests. Female employees have a more significant burden in taking care of the household. To the extent that one's religion encourages women not to work outside the home, female employees with high religiosity may decide to leave the organization because a CSR programme will require more time at work and can reduce the time with the family. Performances can substantially affect behaviours that ultimately affect CSR-based organizational commitment performances. The key to the success of CSR programme is very dependent on the support of company employees as the primary implementers of these activities (Chaudhary, 2019) so that employee awareness and high motivation are needed to carry out the company CSR programme (Shen & Zhang, 2017). The results of this study indicate that employees still do not fully support the company's CSR programme because the workload outside of working hours is burdensome for women who are required to fulfil their obligations as well as homemakers. This finding has managerial implications; first, companies must enhance CSR beliefs to meet employees' high moral standards. Second, companies should strengthen employee CSR beliefs by training and communicate with employees.

Parboteeah et al. (2009) also found that religiosity negatively affects CSR-based performances seen from extrinsic work values such as work benefits, work security, and success. Parboteeah et al. (2009) explain this based on biblical quotes about wealth and money, including 'You cannot serve both God and money (Luke 16:13) and 'For the love of money is a root of all kinds of evil' (Timothy 6:10). However, the findings related to the Qur'an of Al-Anfaal:28: 'And know that your possessions and your children are a test. And that surely with God is a Mighty Reward.' The verse explains that every individual should seek wealth but not for a goal, just as a method of praising God. It is plausible that employees who have a

high level of religiosity tend to have a sense of conflict between God and Money. With a CSR programme required by their firm, individuals may feel an additional burden in their daily jobs that can reduce the time available to pray to God; therefore, employees may consider leaving the firm to have more time for prayer.

'We send the apostles in order to give good announcements and warnings. There is no fear of whoever believes and makes improvements, and they do not grieve' (QS al-An'am: 48). The verse can be understood that faith and practice will cause tranquillity and bury the ideas and beliefs to delay something because of laziness or fear of carrying it out. Therefore, most employees are still rethinking whether to work in a firm that still contains elements of usury or not, according to Islam. Employees will think that leaving the company is the first step to change better because they stay away from the element of usury. Employees who have the level of religiosity will be prejudiced as excellent and positive toward God, giving another blessing afterwards.

## **Conclusion**

Non-financial corporate activities such as CSR programmes benefit stakeholders, especially employees. This study examines whether CSR activities of Sharia financial institutions affect employees' organizational commitment and considers the effect of religiosity as a moderating variable that either strengthens or weakens that effect. Based on the survey results of 83 respondents, the results support the hypothesis that CSR-based performances positively affect organizational commitment. Employees feel that strong CSR practices can benefit their workplace performance because firms with good CSR practices will improve the organization's reputation. However, the study results do not support the hypothesis of religiosity as a moderating variable. Instead, the research results show that religiosity can weaken the positive effect of CSR-based performances on organizational commitment.

This study has limitations in the lack of sample size but has provided results applicable to Sharia financial institutions, not just specific to an institution. The research suggests companies must remain consistent in their CSR programmes and disclose their CSR activities because investors are interested in non-financial performance and because of the company's employees. This research also suggests that when companies recruit employees, they should choose prospective employees with high intelligence and a high degree of religiosity. Further research could develop this model by adding more variables or examining organizational commitment, specifically in affective, cognitive and normative organizational commitment.

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