The Relationships among Perceived Internal Corporate Social Responsibility, Organizational Trust and Perceived External Prestige
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Abstract
This paper aims to evaluate the relationship among internal corporate social responsibility perception, perceived external organizational prestige and organizational trust. There were 149 respondents from 4 commercial banks of Nepal. The data were collected in 2020 AD, through self-administered questionnaire for each variable. The findings show that internal CSR and trust has positive and significant relationship. However, Internal CSR and perceived external prestige of organization as well as trust and prestige have insignificant relationship.

Keywords: Internal CSR, perceived external prestige, organizational trust

1. Introduction
In the business sector and management research, corporate social responsibility (CSR) is becoming increasingly important (Aguinis & Glavas, 2012; Allameh & Alinajimi, 2012; Glavas & Kelley, The effects of perceived corporate social responsibility on employee attitudes, 2014). Previous research on firm perspectives of CSR has produced mixed results in terms of its impact on financial performance. Furthermore, corporate performance is largely determined by employee actions, which have strong links to employee psyche (Glavas, 2016). Employees' actions are also influenced by organizational activities that affect their stakeholders. Seven subsequent researches advocated that stakeholders' attitudes and actions be used as a mediation mechanism to understand CSR's contribution to corporate success (Gupta, Agarwal, & Khatri, 2016). Employees as primary and critical stakeholders have an impact on the financial performance of a firm (Tremblay & Gibson, 2016). According to research, having a socially responsible standing is critical for improving employee attractiveness, satisfaction, and retention (Valentine & Fleischman, 2008).

Despite the large number of submissions, only a few studies (Edwards & Peccei, 2010; Gond, El Akremi, Swaen, & Babu, 2017) focused on incumbent employees and looked at the influence of CSR on their attitudes and behaviors. Employees develop an important stakeholder group related to the drivers and results of CSR, but the psychological mechanism through which CSR might establish observable employee attitudes and behaviors is yet unknown (Valentine & Fleischman, 2008; Van der Heijden, Driessen, & Cramer, 2010; Wong, Wong, & Ngo, 2012). Scholars also emphasized the process that connects CSR to desired employee outcomes (i.e., attitudes and behaviors) as well as emotional labor (Shen & Benson, 2016).
This study also looks at how employees perceive internal CSR in relation to perceived organizational trust, as well as perceived external prestige. Banking employees are the primary providers of services. The notion that employees' emotions and management have an important role in the workplace has been documented in literature. Employee attitudes such as job satisfaction (Grawitch, Gottschalk, & Munz, 2006), role identification, and organizational commitment are all influenced by organizational prestige and trust. Thus, this study aims to explore the relationship among internal CSR, organizational external prestige and organizational trust.

1.1 Literature Review

Social Responsibility of Corporations

In the last few decades, the notion of CSR and its definition have developed (Esmaeelinezhad, Singaravelloo, & Boerhanneoddin, 2015). Despite several efforts, a widely agreed definition of CSR in the corporate and academic worlds remains elusive (Freeman & Hasnaoui, 2011). CSR is difficult to define because of several interpretations such as "basically contentious notion," "internally complex," and "open rules of application." (Turker, 2009). CSR encompasses a wide range of legal and economic responsibilities and obligations to stakeholders, as well as broader responsibilities to the larger social structures in which a firm is rooted (Ehsan & Ahmed, 2012). As a result, the focus is on the interaction between business and society, as well as organizations that seek to differentiate themselves by participating in CSR (Valentine & Fleischman, 2008).

Many other researchers, on the other hand, disagree with Carroll's definition of CSR, arguing that legal, technical, and economic duties should not be included (Chepkwony & Mutai, 2015). The economic component of Carroll (2010) 's CSR definition is "what company does for itself," whereas the non-economic component is "what business does for others." Turker (2009) questioned Carroll's justification of the economic component, claiming that it is the fundamental reason for a company's existence, as profit is the primary goal.

The majority of the CSR framework is built around the expectations of numerous stakeholders, including social and non-social stakeholders (such as the community, environment, employees, and customers) (Aguilera, Rupp, Williams, & Ganapathi, 2007).

Scholars found that the contrast between internal CSR, which includes empathy, support, emotional and welfare of employees, and external CSR, includes environmental protection and the firm's involvement in society, and has an impact on workforce attitudes. However, this distinction is significant since it may be the source of a divergent impact on workforce outcomes (Abdullah & Rashid, 2020). Because the recipients of CSR activities might be internal or external, CSR academics have generally divided these activities into internal and external CSR (Bozkurt & Bal, 2012). Internal CSR is "self-directed," whereas external CSR is "other-focused," impacting employee attitudes and behavior in different ways (Cornelius, Todres, Janjuha-Jivraj, Woods, & Wallace, 2008).

Internal CSR measurements are defined as "policies and practices that are directly related to an organization's physical and psychological working environment. (Ali, Rehman, Yilmaz, Nazir, & Ali, 2010)". Employees are important stakeholders in a company and are crucial to attaining a competitive advantage (Van der Heijden, Driessen, & Cramer, 2010). Internal CSR is concerned with the organization's internal operations that affect its personnel, such as training and development programs, decent working conditions, organizational justice, employee health and safety programs, diversity, and rewards (De Roeck, Marique, Stinghamber, & Swaen, 2014).

Internal CSR activities are no longer constrained by cultural expectations and behaviors that go "beyond compliance" with corporate justice norms; instead, they focus on employees' personal and professional development, (Shen & Benson, 2016) in addition to
HRM's primary legal mandate (Aguinis & Glavas, On corporate social responsibility, sense making, and the search for meaningfulness through work., 2017). Employees demand appreciation and acknowledgment in the form of respect from their company because monetary pay is insufficient. Internal CSR, according to Jamaliet al1 (2007), has a favorable impact on employees' attitudes and behavior.

CSR operationalization in such categories is beneficial in identifying CSR actions that are specific to the target (Aguinis & Glavas, 2012). External CSR benefits stakeholders outside the firm, and internal CSR benefits incumbent personnel (Bashir, Hassan, & Cheema, 2012). Although existing micro-CSR literature classifies employees' perceptions of their organizations internal and external CSR as a unit of difference, these constructs are further differentiated based on whether employees believe these acts are helpful to themselves or others (Cornelius, Todres, Janjuha-Jivraj, Woods, & Wallace, 2008). The current study identifies the unique nature of these activities as a turning point in identifying the mechanisms by which different types of CSR activities influence emotional labor; and proposes The social identity theory was introduced by Abrams and Hogg in the 1970s (2011), and its core postulate states that group/team behavior is based on a shared sense of social category membership, which has led to numerous interesting breakthroughs in the literature.

External Prestige of Organization

External prestige, according to Smidts et al. (2001), is an employee's sense of an organization's social status in the eyes of external stakeholders. The individual's assessment of the extent to which organizational outsiders hold the company in high regard or esteem due of the positive, socially desirable aspects of the organization is sometimes referred to as organizational image (2005). According to the social identity approach, an individual's self-definition is crucial to their social unit membership (i.e. organization) (Shahzad, Iqbal, & Gulzar, 2013). According to this hypothesis, if members believe an organization to have distinct features from others, they will firmly identify with it and follow its rules and regulations. More importantly, increased identification encourages employees to engage in actions that benefit the company because they regard the company's well-being as their own (Eisenberger, Cummings, Armeli, & Lynch, 1997).

Companies that engage in ecologically and socially responsible initiatives clearly have a high level of corporate credibility (Ismail, 2009). Demonstrating distinctive traits that are valued by external stakeholders contributes to company identity development and increases staff self-confidence and esteem (Badea, Jetten, Czukor, & Askevis-Leherpeux, 2010). In line with this, employees who work for reputable companies feel proud to be a part of such a company, which boosts their self-esteem (Eisenberger, Huntington, Hutchinson, & Sowa, 1986). Prior research has shown that an organization's CSR initiatives have an impact on employee perceptions of external status (Amini & Bienstock, 2020).

Organizational Trust

Expectations, assumptions, or ideas about the possibility of another's future behaviors being advantageous, positive, or at the very least not damaging to one's interests are referred to as organizational trust (Robinson, 1996). There are a few theories that describe the emergence of trust in an organization, such as social exchange theory and deontic justice theory. The essence of social exchange theory is the concept of reciprocity, which has two dimensions: direct vs. indirect reciprocity and unilateral vs. bilateral flow of benefits between the people involved in the exchange process. The risk of gaining advantages back in the future is inherent with unilateral trades. This interaction fosters trust among the network's participants (Beslin & Reddin, 2004).

Through both direct (limited) and an indirect (generalized) exchange between the organization and its employees, CSR activity builds trust. According to the direct reciprocal
exchange method, CSR toward employees is reciprocated by employees. And CSR initiatives involving external stakeholders other than employees elicit generalized exchange, which develops trust as a result of the generalized exchange's risk. CSR initiatives will increase employee trust in organizations that provide benefits to society and in employees themselves through both types of social exchange (Farooq, Farooq, & Jasimuddin, 2014). People have fundamental moral duties to treat others fairly, according to Deontic justice theory, and when they observe others violate these duties by treating others unfairly, they will react as if they are the ones being ill-treated (Butler, 1991). According to this viewpoint, organizational behavior research shows that employees react not only to how their organization treats them, but also to how others are treated, both inside and outside the organization (Cheney & Tompkins, 1987). Deontic justice or normative treatment theory has been applied to the context of CSR by recent organizational behavior theories.

If an employee believes that his or her company is acting in a socially irresponsible manner (e.g., by destroying the environment or taking advantage of the general public), he or she is more likely to have unfavorable work attitudes and behaviors. In contrast, if an employee believes that his or her employer acts in a socially responsible manner toward persons outside and outside the organization, he or she is more likely to have good feelings about the company (Rupp & Mallory, 2015).

It can be assumed that CSR perception has a beneficial impact on organizational trust, which is an important direct result of the organization's CSR operations. Ability, honesty, benevolence, and predictability are four characteristics of the construct trust. As a result, employees acquire faith in their firms when they perceive them to be socially responsible (Mayer, Davis, & Schoorman, 1995).

As a result, these individuals adopt a mindset and engage in behaviors that help their firms operate better overall. Employees are instilled with organizational trust through CSR efforts, which provide signals that the company will treat them with the same amount of care and generosity in the future. Employees' emotional attachment and dedication to their organization is fueled by their belief that the company's future actions will not be damaging to their interests.

1.2 Research Objective

The main objectives of the present study are as follows:
1. To explore the relationship between Internal CSR and perceived external prestige of the organization.
2. To find the relationship between Internal CSR and organizational trust.
3. To examine the relationship between perceived external prestige of organization and organizational trust.

1.3 Hypotheses

Based on the above-mentioned objectives, the hypotheses are as follows:
H1: The Perceived Internal CSR initiatives of an organization have a significant and positive impact on the Perceived External Prestige (PEP) of employees.
H2: Employees’ Perceived Internal CSR initiatives have a significant and positive impact on their Organizational Trust (OT).
H3: There is positive and significant relationship between perceived external prestige of organization and organizational trust.

2. Materials and Method Used

A quantitative research design was used in this study. In social science, quantitative research is seen as a more scholarly and suitable technique (Richard, 2009). Because of their ability to make accurate predictions and their appeal for theory construction and evaluation in a number of contexts, quantitative techniques are widely used (Bhattarai, 2016).

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Turker's (2009) instrument scale was used to determine the internal CSR. This instrument consists of six items. (For example, “My company policies encourage the employees to develop their skills and careers.”). The measuring scale was judged to be well-established, valid, and trustworthy.

Organizational trust is defined as a person's belief that others will make a good faith attempt to stay loyal, be honest, and not take advantage of others (Cummings & Bromiley, 1996). Trust instrument was developed by Podsakoff et al. (1990) and measured using six items (e.g., I am quite convinced that my boss would always endeavor to treat me fairly). Because the Cronbach's alpha coefficient was 0.90, the measurement scale was regarded well-established, valid, and reliable.

Perceived external prestige shows how an employee believes about the organization and trusts outsiders’ perceptions of it, thus they consider themselves a part of it (Smidts, Pruyn, & Van Riel, 2001). External prestige was assessed using eight items instrument adapted from Mael and Ashforth (1992) (for example, "people in my community think favorably of my employer"). Because the Cronbach's alpha coefficient was 0.77, the measurement scale is regarded well-established, valid, and reliable.

Different data tools, such as descriptive analysis of respondents' profiles, descriptive analysis of study variables, and correlation analysis, are used in a systematic manner. For data analysis, the statistical software statistics package for the social sciences (SPSS) was utilized.

3. Results and Discussion

This section begins with explanation of demographic variables. Table 1 shows frequency and percentage of gender, marital status, age, years of service, name of bank and education of respondents.

<table>
<thead>
<tr>
<th>Table 1: Frequency and Percentage of Demographic Variables</th>
<th>Count</th>
<th>Table N %</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gender</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Female</td>
<td>62</td>
<td>41.6%</td>
</tr>
<tr>
<td>Male</td>
<td>87</td>
<td>58.4%</td>
</tr>
<tr>
<td>Total</td>
<td>149</td>
<td>100.0%</td>
</tr>
<tr>
<td>Marital Status</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Married</td>
<td>131</td>
<td>87.9%</td>
</tr>
<tr>
<td>Unmarried</td>
<td>18</td>
<td>12.1%</td>
</tr>
<tr>
<td>Total</td>
<td>149</td>
<td>100.0%</td>
</tr>
<tr>
<td>Age</td>
<td></td>
<td></td>
</tr>
<tr>
<td>21 to 25 years</td>
<td>12</td>
<td>8.1%</td>
</tr>
<tr>
<td>26-30 years</td>
<td>1</td>
<td>0.7%</td>
</tr>
<tr>
<td>31 to 35 years</td>
<td>84</td>
<td>56.4%</td>
</tr>
<tr>
<td>36-40 years</td>
<td>50</td>
<td>33.6%</td>
</tr>
<tr>
<td>Above 40 years</td>
<td>2</td>
<td>1.3%</td>
</tr>
<tr>
<td>Total</td>
<td>149</td>
<td>100.0%</td>
</tr>
<tr>
<td>Years of service</td>
<td></td>
<td></td>
</tr>
<tr>
<td>10 to 15 years</td>
<td>50</td>
<td>33.6%</td>
</tr>
<tr>
<td>15 to 20 years</td>
<td>13</td>
<td>8.7%</td>
</tr>
<tr>
<td>5 to 10 years</td>
<td>62</td>
<td>41.6%</td>
</tr>
<tr>
<td>Below 5 years</td>
<td>24</td>
<td>16.1%</td>
</tr>
<tr>
<td>Total</td>
<td>149</td>
<td>100.0%</td>
</tr>
</tbody>
</table>
Name of Bank | GBIME | 5 | 3.4% | RBBL | 69 | 46.3% | SANIMA | 37 | 24.8% | SBL | 38 | 25.5% |

| Total | 149 | 100.0% |

| Education | 12 | 1 | 0.7% | Bachelor | 71 | 47.7% | Master's | 77 | 51.7% |

| Total | 149 | 100.0% |

There were 149 respondents. Gender-wise, there were 62(41.6%) females and 87(58.4%) males. Among them, 131(87.9%) were married and 17(12.1%) unmarried. The age of respondents was categorized as 21-25 years 12(8.1%), 26-30 years 1(0.7%), 31-35 years 84(56.4%), 36-40 years 50(33.6%), above 40 years 2(1.3%). Out of 149 respondents, 24(16.1%) had less than 5 years of service, 62(41.6%) had 5-10 years of service, 50(33.6%) had 10-15 years of service and 13(8.7%) had 15-20 years of service experience in the corresponding banks. The respondents were from four commercial banks: 5(3.4%) from GBIME, 69(46.3%) from RBBL, 37(24.8%) from SANIMA and 38(25.5%) from SBL. Similarly, 1(0.7%) had 12 passed degree, 71(47.7%) had bachelor degree and 77(51.7%) had master’s degree.

Table 2: Correlation among Perceived Internal CSR, Perceived External Prestige of Organization and Organizational Trust

<table>
<thead>
<tr>
<th></th>
<th>PICSR_TOT</th>
<th>PEP</th>
<th>Trust</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>PICSR_TOT</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Pearson Correlation</td>
<td>1</td>
<td>.125</td>
<td>.413**</td>
</tr>
<tr>
<td>Sig. (2-tailed)</td>
<td>.127</td>
<td>.000</td>
<td></td>
</tr>
<tr>
<td>N</td>
<td>149</td>
<td>149</td>
<td>149</td>
</tr>
<tr>
<td><strong>PEP</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Pearson Correlation</td>
<td>.125</td>
<td>1</td>
<td>-.189*</td>
</tr>
<tr>
<td>Sig. (2-tailed)</td>
<td>.127</td>
<td>.021</td>
<td></td>
</tr>
<tr>
<td>N</td>
<td>149</td>
<td>149</td>
<td>149</td>
</tr>
<tr>
<td><strong>Trust</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Pearson Correlation</td>
<td>.413**</td>
<td>-.189*</td>
<td>1</td>
</tr>
<tr>
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<td>.000</td>
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<td></td>
</tr>
<tr>
<td>N</td>
<td>149</td>
<td>149</td>
<td>149</td>
</tr>
</tbody>
</table>

**. Correlation is significant at the 0.01 level (2-tailed).
*. Correlation is significant at the 0.05 level (2-tailed).

#PICSR_TOT= Perceived Internal Corporate Social Responsibility, PEP= Perceived External Prestige & Trust= Organizational Trust

Table 2 shows that there is no relationship between perceived internal corporate social responsibility and perceived external prestige of organization (p>0.05). It shows that hypothesis 1 is rejected.

On the other hand, there is positive and significant correlation between perceived internal CSR and organizational trust (p<0.05). It proves that hypothesis 2 is accepted. Finally, there is insignificant relationship between perceived external prestige of organization and organizational trust (p>0.05).
Thus, the current discussion begins with the study's findings, focusing on the study's key aims and determining how successful the study was in achieving those objectives. This research contributes to the understanding of the relationship between employee CSR perception, perceived external prestige of organization and organizational trust in Nepalese commercial banks, where CSR is seen as very important (Ali, Rehman, Yilmaz, Nazir, & Ali, 2010). As businesses face fierce competition throughout the world, executives have begun to recognize the importance of corporate social responsibility in meeting the requirements of stakeholders and accomplishing their goals. During the previous decade, corporate social responsibility had resonated strongly as managements of various firms around the world have placed an emphasis on it, evoking the desired attitude and effect. The implementation of corporate social responsibility policies affects internal and external stakeholders, according to the micro foundation centered view, however only a few studies have concentrated on micro (employee) level analysis (Glavas, 2016). However, the study's goal appears to have been realized, as seen in Table 2, where one of the three hypotheses is accepted and two are rejected.

4. Conclusion and Recommendation

The importance of employees and their perceptions were the study's main focus. The beauty of this study is that it used social exchange theory to investigate the linkages between employee, organizational support, and perceived external prestige of organization and perceived internal CSR. Overall, the findings imply that an increase in a firm's CSR efforts is regarded as positive support, which leads to favorable employee attitudes and an emotional bond between employees and the organization. As a result, firms and their management must be alert, vigilant, and aware of the need to reform organizational strategies for CSR.

References


