



IMPACT OF CORPORATE SOCIAL RESPONSIBILITY ON EMPLOYEE ENGAGEMENT AND RETENTION

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ABSTRACT:

This study investigates the influence of Corporate Social Responsibility (CSR) initiatives on employee engagement and retention. CSR has evolved as a critical component in the organizational strategy, impacting not only external stakeholders but also internal stakeholders—particularly employees. The paper uses a quantitative approach involving a structured questionnaire administered to 120 employees from the manufacturing sector. Statistical tools, including hypothesis testing, were used to analyze the data. The findings reveal that CSR initiatives have a significant and positive effect on employee engagement and retention, suggesting organizations can enhance employee satisfaction and reduce turnover by investing in CSR practices.

KEYWORDS:

CORPORATE SOCIAL RESPONSIBILITY, EMPLOYEE ENGAGEMENT, EMPLOYEE RETENTION, ORGANIZATIONAL COMMITMENT, HYPOTHESIS TESTING.

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1. INTRODUCTION

In the evolving landscape of global business, organizations are increasingly being judged not solely by their financial performance but also by their commitment to ethical practices, sustainability, and social responsibility. Corporate Social Responsibility (CSR) refers to a company's efforts to conduct its business in an ethical manner, take responsibility for its impact on society, and contribute to the welfare of communities and the environment. CSR encompasses a wide range of activities, including charitable donations, environmental sustainability initiatives, ethical labor practices, community engagement, and workplace diversity.

While CSR was once perceived mainly as a public relations tool or a compliance requirement, it has now become an integral part of strategic management. Forward-thinking organizations recognize CSR as a driver of competitive advantage and stakeholder trust, including among one of their most critical internal stakeholders—the employees.

Employee engagement, defined as the emotional commitment an employee has toward their organization and its goals, plays a vital role in productivity, innovation, and organizational success. Engaged employees are more likely to be motivated, customer-focused, and loyal to their employer. On the other hand, employee retention—the ability of an organization to retain its talent—is equally important, as high turnover can be costly, both financially and operationally.

Numerous studies have suggested that CSR initiatives

contribute positively to employees' perceptions of their organization, enhance job satisfaction, and foster a sense of pride and belonging. When employees perceive their organization as socially responsible, they often exhibit stronger organizational commitment and are less likely to seek employment elsewhere. CSR initiatives that include fair labor practices, employee wellness programs, community involvement, and environmental sustainability not only create a positive public image but also cultivate a culture of trust and care within the workplace.

In the context of India's dynamic business environment, especially within the manufacturing sector, CSR has received renewed attention following the implementation of the Companies Act 2013, which made CSR expenditure mandatory for certain companies. This has prompted many firms to institutionalize CSR and link it with internal human resource strategies. Yet, there remains a need for empirical research examining how these CSR efforts are perceived by employees and how they influence key workforce outcomes like engagement and retention.

This study aims to bridge that gap by analyzing the effect of CSR initiatives on employee engagement and retention within the manufacturing sector. By doing so, the research provides valuable insights for business leaders, HR managers, and policymakers who seek to align social responsibility with talent management practices. The study also explores whether organizations can achieve dual goals of social contribution and human capital

development through strategic CSR implementation.

2. REVIEW OF LITERATURE

- (1) **Glavas & Piderit (2009)** found that employees respond positively to organizations engaged in CSR, leading to higher commitment and engagement.
- (2) **Turker (2009)** argued that CSR perception significantly influences employee attitudes toward the organization.
- (3) **Branco & Rodrigues (2006)** suggested that CSR practices create a sense of pride among employees, fostering loyalty and reducing attrition.
- (4) **Aguinis & Glavas (2012)** developed an integrated framework showing how CSR enhances psychological meaningfulness at work.

These studies provide a theoretical foundation for analyzing the link between CSR and employee outcomes such as engagement and retention.

3. OBJECTIVES OF THE STUDY

- 1. To analyze the effect of CSR initiatives on employee engagement.
- 2. To study the impact of CSR on employee retention.
- 3. To test the relationship between employee engagement and retention in the context of CSR.

4. HYPOTHESES OF THE STUDY

H0 (Null Hypothesis): CSR initiatives have no significant effect on employee engagement and retention.

H1 (Alternative Hypothesis): CSR initiatives have a significant effect on employee engagement and retention.

5. RESEARCH METHODOLOGY

- (a) **Research Design:** Descriptive and analytical
- (b) **Sample Size:** 120 employees from manufacturing companies
- (c) **Sampling Technique:** Stratified random sampling
- (d) **Data Collection Tool:** Structured questionnaire using 5-point Likert Scale
- (e) **Statistical Tools:** Descriptive statistics, Correlation Analysis, Regression Analysis, and t-test (for hypothesis testing)
- (f) **Software Used:** SPSS 26.0

6. DATA ANALYSIS AND INTERPRETATION

6.1 DESCRIPTIVE STATISTICS:

Variable	Mean	SD
CSR Perception	4.12	0.58
Employee Engagement	4.08	0.64
Employee Retention	3.89	0.71

6.2 CORRELATION MATRIX:

Variables	CSR Perception	Engagement	Retention
CSR Perception	1	0.76	0.69
Engagement	0.76	1	0.73
Retention	0.69	0.73	1

(p < 0.01, significant)

6.3 REGRESSION ANALYSIS:

Dependent Variable: Employee Retention

Independent Variables: CSR Perception, Engagement

Variable	Beta	t-value	Sig.
CSR Perception	0.45	4.23	0.000
Employee Engagement	0.41	3.89	0.000

R² = 0.58, Adjusted R² = 0.57

6.4 HYPOTHESIS TESTING (T-TEST FOR SIGNIFICANCE OF CSR ON ENGAGEMENT):

- Mean engagement score for employees who rate CSR as "High" = 4.32
- Mean engagement score for those who rate CSR as "Low" = 3.71
- **t-value = 3.48, df = 118, p-value = 0.001 (< 0.05)**

Result: Since p < 0.05, we reject the null hypothesis.

7. FINDINGS

- 1. CSR perception significantly influences employee engagement and retention.
- 2. A positive work environment created through CSR improves emotional connection with the organization.
- 3. Employees who perceive their organizations as socially responsible are more likely to remain committed.

8. SUGGESTIONS

- 1. Companies should integrate CSR with HR practices to enhance employee satisfaction.
- 2. Internal CSR communication should be improved to make employees aware of initiatives.
- 3. Encourage employee participation in CSR activities to build belongingness.

9. CONCLUSION

The study confirms that CSR has a significant positive impact on employee engagement and retention. Employees increasingly prefer to work with socially responsible companies that value not only profits but also people and the planet. Companies aiming for sustainable growth must consider CSR as a key strategy for talent management.

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