Organizational Commitment in Islamic Banking: Does Internal CSR Matter?

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ABSTRACT

The purpose of this study is to examine the effects on affective organizational commitment of the work environment, skill development, and empowerment as elements of internal corporate social responsibility (ICSR). PLS-SEM or SEM based on variance were utilized to analyze 300 surveys. The study found that organizational commitment is impacted by work environment, skill development, and empowerment in internal CSR. These findings imply that internal CSR, which encompasses skill development, empowerment, and work environment, is a critical component in strengthening organizational commitment to Islamic banking in Aceh. This is the first study to examine the relationship between internal corporate social responsibility and affective organizational commitment in Islamic banking.

Keywords: Affective Commitment, CSR, Internal CSR, Islamic Banking, Organizational Commitment
INTRODUCTION

CSR, or corporate social responsibility, has gained popularity during the last decade (Turker, 2016), and have been widely researched in various disciplines by academics and practitioners (Farooq & Salam, 2020; Lee & Chen, 2018; Liu & Lee, 2019). CSR has become a top priority in companies when values and ethics are incorporated into the company’s business strategy (Platonova, Asutay, Dixon, & Mohammad, 2018). The company’s ability to progressively meet stakeholders’ expectations concerning ethics and social is a necessary and strategic asset to develop a positive identity and ethics (Jamali, Samara, Zollo, & Ciappei, 2020).

Although it may build stakeholder trust, corporate social responsibility (CSR) is seen as a potent tool for achieving sustainable development. Furthermore, businesses that use sustainability-based business models foster an atmosphere of trust that fosters innovation and the growth of long-term competitiveness (Lee & Chen, 2018). Employees’ perceptions of CSR disclosures and practices have reinforced positive attitudes, behaviors, and performance among employees in organizations (Giang & Dung, 2021). Their perceptions of CSR implementation have influenced employees’ positive attitudes and behaviors, thus impacting organizational outcomes (Farooq & Salam, 2020). Based on previous research, it has been proven that internal CSR constructs are more strongly related to internal employee attitudes and behaviors than external CSR dimensions (Hur, Moon, & Ko, 2018; Skudiene & Auraskeviciene, 2012; Story & Castanheira, 2019).

CSR has been researched in conventional and Islamic banking in addition to businesses and SMEs (Amran et al., 2017). The effect of CSR in banking can be quite delicate. The most notable aspect of banking, in comparison to other economic sectors, is compliance with an assortment of intricate stakeholders (Al-bdour, Ali, Nasruddin, & Lin, 2010). Therefore, CSR and its reports are very important for banks to improve their image in the eyes of stakeholders (Amran et al., 2017). Organizations that view CSR as part of organizational strategy have considered CSR important in revealing attitude and work behavior (Faliza, Adam, Basri, & Madjid, 2020).

Based on previous research, it has been proven that internal CSR constructs are more strongly related to internal employee attitudes and behaviors than external CSR dimensions (Hur, Moon, & Ko, 2018; Skudiene & Auraskeviciene, 2012; Story & Castanheira, 2019). Previous studies have also revealed CSR, from an internal perspective, positively reacts to internal corporate social responsibility (CSR) initiatives in increasing their affective commitment (Jamali, Samara, Zollo, & Ciappei, 2020). Internal CSR and employees’ attitudes and behaviors have a strong relationship (Giang & Dung, 2021). Additionally, prior studies showed that organizational commitment is derived from internal CSR (Canh, Liem, Thu, & Khuong, 2019).

Previous studies have revealed the internal dimensions of CSR and its relationship with organizational commitment, including Mory, Wirtz, and Göttel (2015), Al-bdour, Ali, Nasruddin, and Lin (2010), Thang and Fassin (2017), and Canh, Liem, Thu, and Khuong (2019). However, these studies did not focus on the importance of internal CSR in Islamic banking. Thang and Fassin (2017) on service companies in Vietnam, Mory, Wirtz, and Göttel (2015) on pharmaceutical companies in Germany, and Al-bdour, Ali, Nasruddin, and Lin (2010) on conventional banking in Jordan.
However, research on Islamic banking emphasizes CSR disclosure (Amran et al., 2017; Harun, Hussainey, Kharuddin, & Farooque, 2020; Platonova, Asutay, Dixon, & Mohammad, 2018), and CSR practice (Menne, 2017). Research in Islamic banking in Indonesia, especially in Aceh, still needs to be addressed, especially concerning internal CSR and its outcomes. This study advances science, particularly in the areas of organizational commitment and internal corporate social responsibility, particularly in Islamic banking in Aceh.

Internal CSR and organizational commitment are multidimensional concepts (Allen & Meyer, 1990; Ligeti & Oravecz, 2009; Meyer, Stanley, Herscovitch, & Topolnytsky, 2002; Mory, Wirtz, & Göttel, 2015). In this study, internal CSR uses three dimensions of the concept developed by Mory, Wirtz, and Göttel (2015), and organizational commitment uses affective commitment. The reason for using affective organizational commitment is because among the three dimensions of organizational commitment (affective, continuance, normative), in theory, and also supported by empirical studies (Closon, Leys, & Hellemans, 2015; Huang, You, & Tsai, 2012) has a stronger emotional bond with the organization than the other dimensions of organizational commitment.

In this study, the relationship between organizational commitment and internal CSR uses the social identity theory developed by (Taifel & Turner, 2004). Social identity is a dual concept that stems from the way one's self and social group shape one another. A person's conception of what it means to belong to a group is influenced by their social identity, which grows over the learning process. A hierarchy of social identification is based on how much a person identifies with a particular group (Taifel & Turner, 2004). Our empirical analysis of survey data collected from 300 employees supports our conceptual framework. As such, our contribution to the understanding of attitude behavior is twofold. Our research is among the first to reveal the benefits of internal CSR in Islamic banking. We find that internal CSR generally enhances organizational commitment. Taken together, these findings indicate that employees who feel empowered, develop their skills, and are provided with a good working environment from Islamic banking will exchange their contribution to Islamic banking with their commitment.

LITERATURE REVIEW

Internal CSR
CSR can be defined as companies’ obedience to implement behavioral ethics and participate in sustainable economic development (Daniswara, Kusumawardhani, & Windyastuti, 2021). CSR has been developed from various approaches, both external and internal (Al-bdour, Ali, Nasruddin, & Lin, 2010; Buciuniene & Kazlauskaitė, 2012; Mory, Wirtz, & Göttel, 2015; Skudiene & Auruskeviciene, 2012). The welfare of all firm stakeholders, particularly in the area of human resources, is the primary driver of CSR’s significance (Fuentes-García, Núñez-Tabales, & Veroz-Herradón, 2008). This includes internal CSR, or corporate social responsibility for employees.

Mory, Wirtz, and Göttel (2015) state that internal CSR refers to a company's duty of care to its workforce. Employee-focused CSR initiatives, such as employment stability, a supportive work environment, skill development, work-life balance, diversity, empowerment, and employee involvement, are ways in which this behavior is shown. CSR towards employees is the perception of the company's social responsibility related to its activities towards employees (Jamali, Samara, Zollo, & Ciappei, 2020).
The dimensions of internal CSR show how CSR handles its personnel. Among these include workers' personal and professional growth, an equitable pay structure, and an improvement in the psychological environment at work (Aguilera, Rupp, & Williams, 2007), open, sincere, and adaptable communication with staff members as well as including them in decision-making processes (Ligeti & Oravecz, 2009). According to Mory, Wirtz, and Göttel (2015), there are seven components that make up internal corporate social responsibility (CSR): employment stability, work environment, skill development, workforce diversity, work-life balance, and employee empowerment and involvement. The three dimensions of empowerment, skill development, and work environment—which are based on Mory, Wirtz, and Göttel (2015)—are used in this study to quantify internal CSR.

Empowerment is an important aspect of internal CSR in addition to other aspects. The degree to which individuals within an organization have the ability to set its operating context in a self-actualizing fashion is known as empowerment. Furthermore, it delineates the degree of employee autonomy in job performance and the adjustment of tasks and objectives (Mory, Wirtz, & Göttel, 2016).

The degree to which employees' talents are advanced within the company is known as skill development, and it is a crucial component of internal CSR. Providing employees with training and additional education, for example, is a traditional company benefit.

Work environment, addressing health and safety issues at work is a crucial component of internal corporate social responsibility. Employees will have a healthy work environment if they are given a nice and safe workplace. Al-bdour, Ali, Nasruddin, and Lin (2010) state that internal CSR refers to CSR initiatives that are specifically tied to employees' physical and mental work environments and are motivated by a concern for their health and well-being.

Affective Organizational Commitment
In organizations, employee emotional attachment, affiliation, and involvement in the company are known as affective commitment. On the other hand, continuity commitment is predicated on the approximate expenses linked to departing from the present company. According to Luthans (2011), employees who feel they have a moral obligation to stay with the firm are said to have a normative commitment. While organizational commitment has been described as a multifaceted term, the attitudinal approach can be used as the basis for measuring organizational commitment and has been frequently used and validated in previous studies (Lok & Crawford, 2001).

Affective organizational commitment is a core component of organizational commitment and is most strongly related to organizational outcomes, such as performance, job satisfaction, intention to quit, and organizational turnover (Riketta, 2008; Chen, Wang, & Sun, 2012). Closon, Leys, and Hellemans (2015) revealed that affective organizational commitment reflects a desire that shows an individual's emotional identification and commitment to the organization. Which signifies emotional involvement in the organization (Huang, You, & Tsai, 2012).

Internal CSR and Affective Organizational Commitment
Sustainable organizational commitment is a result of CSR efforts, and companies with a strong reputation for social responsibility can boost employee commitment and loyalty (Bhattacharya, Sen, & Korschun, 2008; Branco & Rodrigues, 2007). Organizational commitment is strongly impacted by corporate social responsibility, as demonstrated by the research of Brammer, Millington, and Rayton (2007). Studies by Closon, Leys, and Hellemans (2015) and Wong and Gao (2014) showed that an organization's affective
commitment can be impacted by CSR. They do not, however, employ the same CSR dimensions. Based on the study conducted by Wong and Gao (2014), only CSR stakeholders have an impact on commitment; this means that organizational culture mediates the relationship between CSR and organizational commitment to some extent.

Turker (2009) found that social identity theory explains CSR, a multifaceted stakeholder connected to corporate commitment. Based on social exchange theory, internal CSR is given more attention in the studies of Mory, Wirtz, and Göttel (2015) and Al-bdaour et al. (2010) that might increase organizational commitment. Internal CSR may strengthen organizational commitment in both affective and continuous normative ways, according to research by Al-bdour, Ali, Nasruddin, and Lin (2010), however Mory, Wirtz, and Göttel (2015) found that internal CSR had little effect on normative commitment. The study's hypothesis is that affective commitment is positively and significantly impacted by internal CSR.

H1. Empowerment has a positive and significant effect on effective organizational commitment.

H2. Skill development has a positive and significant effect on effective organizational commitment.

H3. Work environment has a positive and significant effect on affective organizational commitment.

RESEARCH METHOD

Data for this study were gathered using a survey over a brief period of time (cross-sectional). The self-administered method of data collecting utilized in the research involved the use of a questionnaire. The Aceh region's Sharia banking, namely that of BSI, Bank Muamalat, and Bank Aceh Syariah, served as the study's unit of analysis, and their involvement was solicited. A total of 365 questionnaires were sent out to Aceh workers working in Islamic banks, and 337 questionnaires were completed. Due to some missing information, some questionnaires were deemed invalid, resulting in the exclusion of 37 questionnaires from further analysis. The final sample size used for analysis was 300 questionnaires. Before conducting the research, to evaluate the compliance of each questionnaire item, a pilot study involving thirty employees was carried out. Based on the pilot study's findings, a few small adjustments were made to the questionnaire.

In this study, all variables were measured using a scale from 1 to 5. The concept created by Mory, Wirtz, and Göttel (2015) was used to measure internal CSR: four question items were used to measure the work environment, six question items were used to measure skill development, and five question items were used to measure empowerment. Seven question items are used to measure the affective variable of organizational commitment using the Allen and Meyer (1990) approach.

This study employed PLS-SEM (Partial Least Squares Structural Equation Modeling) with SmartPLS3 as the data analysis approach. A causal modeling technique called PLS-SEM aims to optimize the variance that is explained by latent dependent components. It is called multivariate analysis's second generation, and is an extension of OLS regression (Hair, Ringle, & Sarstedt, 2012). According to Hair, Hult, and Ringle (2017), PLS is advised for theory creation and predictive research.
A conceptual framework was employed in this investigation, and a reflecting indicator model was used to build the overall measurement model. As a result, both the outer and inner models were taken into consideration while evaluating the measurement model. Convergent validity (factor loadings, average variance extracted) and discriminant validity (Fornel Larcker criterion and HTMT, or Heterotrait-Monotrait Ratio of Correlations) were used to evaluate the outer model measurement, as was internal consistency (Cronbach's alpha and composite reliability). In this work, the inner model measurements were $f^2$, $Q^2$, and $R^2$.

**RESULTS**

The study results showed that the outer loadings (see Table 1) for all constructs in this research were above 0.5, except for the AOC6 indicator, which had a factor loading of 0.345 and was removed from the model. Hair, Hult, and Ringle (2017) suggested that items or indicators with factor loadings between 0.4 and 0.6 can be retained in the model if they are important for measuring a construct. Based on this, AOC5, AOC7, and AOC1 had factor loadings below 0.7 but were kept from the model because these three items were deemed important for measuring affective organizational commitment.

Furthermore, the average variance extracted (AVE), which compares the amount of variation recorded by the construct to the variation brought on by measurement error, was used to evaluate convergent validity. There should be more than 0.5 in the AVE. As suggested by Ghozali and Latan (2015), Table 1 demonstrates that all latent variables in this investigation had AVE values over 0.50 (>0.5), indicating that they should be retained in the model and do not need to be removed.
Internal consistency metrics, namely Cronbach's alpha and composite reliability, were used in this work to evaluate the constructs’ reliability (see Table 1). If the composite reliability value is greater than 0.70, it is deemed dependable. Composite reliability measures how well the construct is tested by the predefined indicators. Similarly, Hair Hult, and Ringle (2017) recommended that Cronbach's alpha be regarded as good if it is more than 0.70. Table 1 shows that every latent variable in this study showed composite reliability with Cronbach’s alpha values greater than 0.70, proving the reliability of each variable.

The next step involved evaluating discriminant validity to see if the variables or indicators used in the study had distinct values and were solely related to the constructs to which they belonged, as opposed to being impacted by other variables or indicators. In order to evaluate the research model's discriminant validity, the Fornell Larcker criterion was utilized in this study, as indicated in Table 2.
Good discriminant validity is shown, according to Fornell and Larcker (1981), when the square root of the AVE for each construct is higher than the correlation between the constructs in the model. Table 2 presents the square root AVE values for each latent variable in this investigation, in accordance with the recommendations made by Fornell and Larcker (1981). As a result, this study's latent variables all have strong discriminant validity. The HTMT criterion's examination of discriminant validity lends additional credence to this conclusion. As suggested by Henseler, Ringle, and Sarstedt (2015), Table 3 shows that the HTMT values are less than 0.9, meaning that every construct is discriminantly valid.

Table 2. Fornell Lacker

<table>
<thead>
<tr>
<th></th>
<th>EP</th>
<th>SD</th>
<th>WE</th>
<th>AOC</th>
</tr>
</thead>
<tbody>
<tr>
<td>Empowerment (EP)</td>
<td>0.828</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Skill Development (SD)</td>
<td>0.535</td>
<td>0.874</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Work Environment (WE)</td>
<td>0.57</td>
<td>0.706</td>
<td>0.798</td>
<td></td>
</tr>
<tr>
<td>Affective Organizational Commitment (AOC)</td>
<td>0.615</td>
<td>0.517</td>
<td>0.532</td>
<td>0.713</td>
</tr>
</tbody>
</table>

The dependent latent variable’s R-square value is the first step in using PLS to evaluate the research model, or inner model. The findings revealed that the organizational commitment variable's R-Square value was 0.441, meaning that internal CSR—specifically, skill development, empowerment, and environment—influences 44.1% of the organizational commitment variable.

The exogenous latent variables in this study, specifically the impact of empowerment on organizational commitment, have an effect size f² value of 0.211. The relationship between skill development and organizational commitment is 0.025 and 0.023, respectively, depending on the work environment. Cohen (1988) provided guidelines for calculating f², with values of 0.02, 0.15, and 0.35 denoting minor, medium, and large effects, respectively. Therefore, there is a medium relationship between the exogenous latent of empowerment and the endogenous latent of organizational commitment. On the other hand, there is little correlation between organizational commitment and skill development and the work environment (exogenous latent).
Next, the structural model's Q-Square predictive relevance quantifies how well the model produces the observed values and parameter estimations. The model has predictive relevance if the Q Square value is greater than zero (Hair, Hult, & Ringle, 2017). Q Square values (Q2) > 0 are present for all variables in this investigation (Q2 EP: 0.531, Q2 SD: 0.671, Q2 WE: 0.379, Q2 OC: 0.338). This indicates that the components of internal CSR that are predictively relevant are skill development, affective organizational commitment, work environment, and empowerment.

The impact of internal CSR on affective organizational commitment in Acehnese Islamic banking, namely in the areas of skill development, empowerment, and work environment, is shown in Table 4. Three hypotheses tested in this study. Organizational commitment is positively and significantly impacted by empowerment (β = 0.429, t = 6.756, P-value <0.05). The first hypothesis is validated. The second hypothesis is supported, since skill development has a positive and significant effect on organizational commitment (β = 0.170, t = 2.211, and P-value <0.05). Subsequently, the third hypothesis is validated as the work environment has a positive and significant impact on organizational commitment (β = 0.167, t = 1.844, and P-value <0.05). This shows how affective organizational commitment in Acehnese Islamic banking is influenced by internal CSR.

Table 4. Path Coefficients

<table>
<thead>
<tr>
<th>Hypotheses</th>
<th>Relationship</th>
<th>β Value</th>
<th>Std Dev</th>
<th>T-Value</th>
<th>P Value</th>
<th>Result</th>
</tr>
</thead>
<tbody>
<tr>
<td>H1</td>
<td>E -&gt; OC</td>
<td>0.429</td>
<td>0.064</td>
<td>6.591</td>
<td>0.000</td>
<td>Accepted</td>
</tr>
<tr>
<td>H2</td>
<td>S -&gt; OC</td>
<td>0.17</td>
<td>0.077</td>
<td>2.211</td>
<td>0.014</td>
<td>Accepted</td>
</tr>
<tr>
<td>H3</td>
<td>W -&gt; OC</td>
<td>0.167</td>
<td>0.095</td>
<td>1.844</td>
<td>0.033</td>
<td>Accepted</td>
</tr>
</tbody>
</table>

DISCUSSION

Internal CSR, namely skill development, empowerment, and work environment, has improved strong emotional attachment in Islamic banking employee. Employee empowerment at Islamic banking is demonstrated by the organization's faith in staff members to autonomously address work-related difficulties while adhering to standard operating procedures. The increasing empowerment of employees carried out by Islamic banking in Aceh will further increase the identification of employees to be involved and as an important part of Islamic banking in Aceh. The findings of this study confirm the results of a study by Mory, Wirtz, and Göttel (2015), which showed how empowerment—a facet of internal corporate social responsibility—can explain the relationship between organizational commitment and its affective components.

The study's findings confirm those of studies by Al-bdour, Ali, Nasruddin, and Lin (2010) and Mory, Wirtz, and Göttel (2015), which found a strong and favorable relationship between skill development and organizational commitment. Nonetheless, this study's findings are consistent with earlier research by Ekawati and Prasetyo (2017). Employee perception of skill development within Islamic banking is positive, but it is not the primary driver of increased organizational commitment. Aceh’s Islamic banking workers’ devotion to the company can be further strengthened by providing them with a work-life balance, competitive pay, and stable employment.
According to this study, the work environment dimension of internal CSR has a positive and significant influence on affective organizational commitment. Employees’ emotional commitment to Islamic banking in Aceh is positively correlated with the quality of their work environment. The degree to which Islamic banking can offer a cozy, hygienic (clean), and psychologically safe workplace has a significant influence on how staff members feel about the company and how they behave at work. Workers have a deep sense of loyalty to the company because they perceive it to be concerned about their well-being, comfort, and safety at work. The findings of this investigation verify the previous studies by Mory, Wirtz, and Göttel (2015) and Al-bdour, Ali, Nasruddin, and Lin (2010). Employee comfort and safety on a physical and psychological level can also be achieved through effective internal CSR procedures. The key idea is that Islamic banking may offer workers security, well-being, and comfort. Internal CSR has the ability to strengthen employee organizational commitment, as shown by Thang and Fassin (2017).

CONCLUSION

The purpose of this study is to investigate how successful organizational commitment is influenced by internal CSR. The results revealed that the three dimensions of internal CSR, empowerment, skill development, and work environment, can strengthen attitude and work behavior, namely affective organizational commitment. Employee empowerment programs used by Islamic banks have the potential to increase workers’ levels of autonomy and personal accountability in the performance of their jobs, so reinforcing the productive organizational commitment of Aceh Islamic banking employees. Afterwards, by giving them access to education and training, the Bank supports all staff members at every level of their professional careers, fostering an emotional bond between them and Islamic banking. The bank makes continuous attempts to eliminate psychological risks from the workplace that lead to stress and disease, which might improve the emotional connections amongst Aceh Islamic banking staff members.

Several enhancements can be recommended based on the previously stated research findings, including the following: In order to enhance employee training for career growth, Islamic Banking should integrate employee and organizational career planning to improve career planning. subsequently, provide staff members more assistance when they acquire new knowledge and abilities. Afterwards, preserve and enhance employee empowerment and skill development while offering a physically and mentally safe and comfortable work environment.

LIMITATION

There are various limitations of this study that will guide future research. The scope of this research is restricted to Islamic Banking in Aceh with respect to the sample structure. No generalization to other nations or provinces is made. The similar methodology used in this study can be tested in future studies using a larger sample for Southeast Asia or Indonesia. Internal CSR and organizational commitment are dynamic constructs, and this study is a cross-sectional investigation to examine the research model and hypotheses. Future research on Aceh Islamic Banking should take into account longitudinal research designs or mix cross-sectional and longitudinal research. The study indicates that factors other than empowerment, skill development, and work environment have a greater and more noticeable impact on organizational commitment in Aceh Islamic banking. It may be of interest to future academics to assess internal CSR using different dimensions.
REFERENCES


