

# Are employees well evaluated in their CSR actions? The perception of managers in an emerging country

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## Abstract

**Purpose** – This paper tests the influence of employees' involvement in CSR activities on managers' perceptions regarding business confidence.

**Design/methodology/approach** – A quantitative methodology was used to contrast the hypotheses presented in this paper. The empirical research began in March 2016. In April 2016, a questionnaire was sent by email to the 1,745 managers of the multiple banks with a message explaining the relevance of the research. The data gathering process finished in July 2016.

**Findings** – The causal model proved the influence of the perception of employees' involvement in the CSR actions of Peruvian banks in terms of improving the perception of business confidence by managers. The relationship found was not statistically significant at a level of  $p < 0.05$ . Therefore, the assessment of the involvement of workers in CSR in Peruvian banks does not significantly influence business confidence.

**Originality/value** – The main contribution of this paper is that it empirically analyzes how business confidence is perceived by managers and how it is influenced by perceptions of employees' involvement in CSR actions in a context barely investigated: an emerging country.

**Keywords** – corporate social responsibility; employee involvement; bank; emerging country; business confidence



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## I Introduction

Corporate social responsibility (CSR) has evolved over time and has become one of the main pillars for the development of any project undertaken by a company. From an academic point of view, there has been extensive research on its importance for the economic benefits of companies and for community development. Furthermore, as empirical evidence shows, CSR practices may have positive consequences in terms of both the internal and external development of companies, improving confidence in them (Porter & Kramer, 2006) and reinforcing their reputation.

Some authors explain that CSR actions to obtain profits for companies must go beyond their economic and legal responsibilities. Companies should give strategic consideration to CSR, that is, they should conceive CSR as a social action that would be present in all policies and processes of the company and at all hierarchical levels (Freeman, 1984; Gupta, 2002). Integrating CSR actions into a company's strategy requires the commitment of all the internal stakeholders, among which the role of the employees is essential (González-Padrón, Hult, & Ferrell, 2016; Nielinger, 2003; Peterson, 2004). However, research on this topic is generally conducted within the context of developed countries and has focused on the productive sector of the economy, overlooking the context of emerging countries and other sectors, which represents a gap in the research.

In order to reduce the research gap mentioned above, the main objective of this paper is to analyze the role played by employees in CSR activities, as a component of the strategic conception of CSR within companies in an emerging country, Peru, setting this research in the banking sector.

In the banking sector of developed countries, corporate social responsibility is solidly established due to its significant impact on society and its various interest groups (Scholtens, 2009). The banking sector has undergone significant transformations in recent years and has become one of the most proactive agents, becoming involved in CSR in all its actions worldwide

(Marín, Ruiz, & Rubio, 2009; Truscott, Bartlett, & Tywoniak, 2009). This approach to CSR actions has changed significantly and, therefore, banks are now closer to social and environmental problems, they play a greater role in society by implementing CSR objectives and principles in their operations, and with this the transactions that they carry out are more transparent and generate value for society in general and for various interest groups such as customers, suppliers, investors, and employees (King & Levine, 1993; Prior & Argandona, 2008). In addition, banks are implementing CSR strategies and practices with initiatives such as financial inclusion (Decker, 2004). However, it is not yet clear if the positive response to CSR in developed countries will be the same in emerging countries and, therefore, if the managers, the main drivers of CSR actions, perceive their advantages or not. In the case of one emerging country, Peru, the banking sector has included different CSR plans within the framework of its strategic planning since 2000. In recent years, several banking companies have strengthened these plans because the results of their initial actions have been positive.

The first novelty of this paper is it analyzes the relevance of employee CSR actions from the perspective of managers. The perception of managers and ability to influence them will have an impact on the success of the application of CSR actions (Fatma & Rahman, 2015). Therefore, the results obtained from this paper will help to understand the current state of CSR in an emerging country from the perspective of the managers responsible for its implementation.

Secondly, the amount of studies on the effects of CSR in the banking sector has historically been lower than in other sectors, especially the chemical and pharmaceutical industry (Roberts & Dowling, 2002), not doing justice to the central role it plays in the economic development of nations. The absence of actions in favor of CSR can lead to short-term benefits; however, such short-term benefits can cause a loss of reputation and long-term profits (Ruiz, Esteban, & Gutierrez, 2014). Thus, CSR is a very

valuable asset of the banking sector. The choice of commercial banks as a framework for this study is conditioned by the great challenge facing the financial sector to counteract the negative effect that the economic crisis has had on perceptions of banking institutions, which has occurred not only in developed countries but also in emerging countries (Matute-Vallejo, Bravo, & Pina, 2010). This has led to a deterioration in the perception of financial institutions among the general public, generating a feeling of fear among bank customers about the security of their investments and financial assets (Simon, 2009).

The final novelty of the study lies in it raising how CSR actions can directly influence perceptions of trust toward companies. The reasons behind the implementation of CSR in companies, which do not necessarily have to be linked to altruism or a pursuit of the common good, may involve an economic motivation (McWilliams & Siegel, 2001). Managers can perceive CSR as a means, with a marked economic and instrumental component and whose development will depend on its foreseeable positive impact for the company.

This paper is structured in the following way. Firstly, we review the theory that explains the importance of the strategic conception of CSR through the involvement of employees and its relationship with improvements in business confidence. In section 3, we explain the methodology used for testing the hypothesis proposed in the theoretical section. Then, we show the main results of the analysis. Finally, we present our conclusions.

## 2 Employees' involvement in CSR and business confidence

Employees are a key element for the strategic conception of CSR. The role of employees in establishing responsible practices has been considered a necessary element since the success of CSR practices can hardly be achieved without a profound transformation of employees' motivations and commitments (Bhattacharya,

Sen, & Korshun, 2008; Maak & Pless, 2006; Wittenberg, Harmon, Russel, & Fairfield, 2007).

The theory of social identity explains that people want to obtain a positive social identity (Aberson, Healy, & Romero, 2000). In general, people achieve their social identity through belonging to different groups (Ashforth & Mael, 1989). Hogg and Terry (2000) teach us that belonging to business organizations is one of the most important components of people's social identity and call this organizational identification. Employees evaluate their value and self-esteem through their status and the social position of their organization. For this reason, they like to identify with organizations whose image is perceived as prestigious or whose identity enhances their self-esteem, and fulfills their need for self-improvement (Ashforth & Mael, 1989). Organizational identification, therefore, is very sensitive to the image of the organization (Dutton, Dukerich, & Harquail, 1994; Tyler & Blader, 2003). Employees evaluate the image of an organization as the interpretation of its external image, that is, the employees' perception of what others think about their organization (Dutton, Dukerich, & Harquail, 1994). When a company implements CSR practices and involves the employees, they perceive that third parties consider their work to be more relevant, improving their self-esteem and encouraging them to become more involved with the company (Crites, Fabrigar, & Petty, 1994). This forges a competitive advantage which is difficult to imitate because it is based on the involvement of the employees (Hart, 2005).

Once a company's intentions to support social and environmental causes are known, employees are inspired to improve their attitudes toward their workplace (Du, Bhattacharya, & Shen, 2010). This point of view is also supported by a series of studies that explore the relationships between CSR procedures adopted by the organization and employee CSR attitudes. For example, Aguilera, Rupp, Williams, and Ganapathi (2007) confirm that employees' perceptions of their company's external CSR practices model their attitudes and behavior

towards the organization. In addition, Rupp (2011) argues that CSR practices could stimulate employee morale. Having satisfied people means greater productivity for the organization and having people who lead their work teams, which increases the profitability and reputation of the company. In contrast, dissatisfied employees leads to increased absenteeism, resignations from work, and reduced productivity and profitability of the company.

For Becker-Olsen, Cudmore, and Hill (2006), investment in CSR has become a concept that is of great interest due to its multiple human capital benefits for companies. Some of these benefits from human capital include the retention of talent, employee welfare and the best working environment, the best relationship between the company, employees, and other interest groups, and the active participation of employees in the activities of the company (Table 1).

Table 1  
**Source of competitive advantage from involvement of employees in CSR actions**

Source of sustainable competitive advantage	Authors
Retention of talent. CSR helps meet the employee's need for security by enabling development, the retention of talent, and the attraction of new talent.	Bauman and Skitka, 2012; Ghafoor and Islam, 2015
Work environment and welfare of employees. If the company involves employees in CSR actions, feelings of well-being and pride increase, improving the internal work environment.	Crites, Fabrigar and Petty, 1994; Du, Bhattacharya and Shen, 2010; Ghafoor and Islam, 2015; Hogg and Terry, 2000; Rupp, 2011
Better employee-company-other interest groups relations.	Eberle, Berens and Li, 2013; Sen and Bhattacharya, 2001
More active participation of employees in CSR programs promoted by the company.	Bauman and Skitka, 2012; Ghafoor and Islam, 2015

Several studies have analyzed the relationship between these advantages of human capital and company results, since these actions generate competitive advantages with respect to other competitors, improving the image of the brand and having a positive effect on business confidence (Eberle, Berens, & Li, 2013; Sen & Bhattacharya, 2001). Although employees are recognized as a group of key actors on which leaders must focus their attention, if managers are not capable of transmitting and perceiving this need, that is, employees' commitment to CSR practices, the success intended with the CSR actions will not be achieved (Aguilera et al., 2007). This perception of commitment in an emerging country is essential to check if CSR practices are being implemented successfully and it has not been analyzed so far, which represents the main novelty of this work. Only one paper was found covering the banking sector in emerging countries, that is, the study by Ghafoor and Islam (2015), who explain that nowadays banks face global and

dynamic competition, and need to have a happy and satisfied workforce, which is a true asset for an organization. These people are responsible for increasing profitability, implementing new ideas, and promoting the success of an organization. If a person perceives that their company is responsible about the work, salaries, or designations that are granted and at the same time feels increased self-esteem from getting involved in social activities, they will be satisfied. In their research, Ghafoor and Islam (2015) analyzed the role of 120 employees of 20 branches of MCB Bank in Pakistan. The results showed a strong and positive correlation between satisfaction and attitudes derived from social actions and the performance of collaborators. But it has not been ascertained whether those responsible for making the decisions on the implementation of these social actions perceive the positive result of them with respect to the actions of employees.

This investigation started with a case study of companies belonging to the Peruvian

banking system, which was formed of seventeen banks in 2012. A representative sample will be considered from this universe; for this purpose,

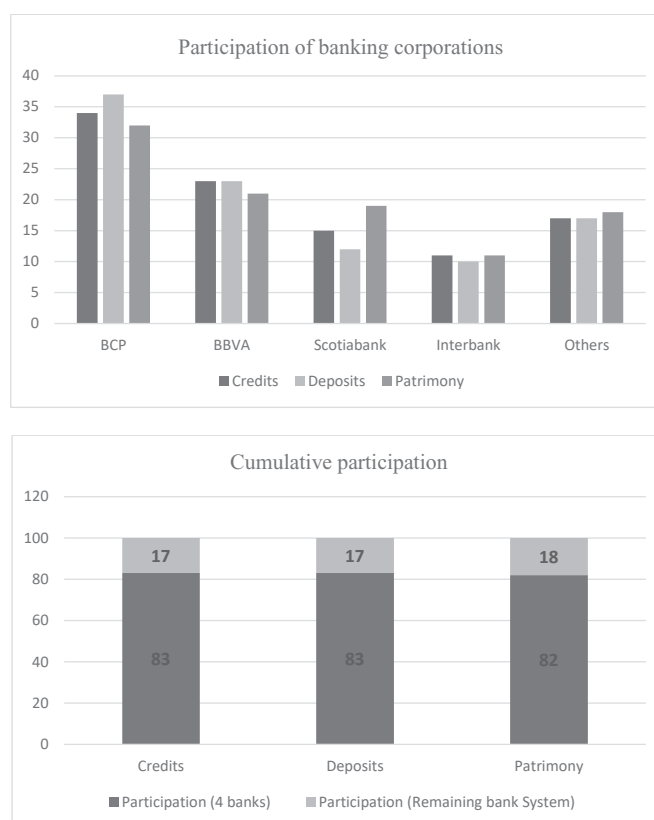
a set of financial indicators that will provide the necessary criterion to select the members of the sample has been chosen.

Table 2  
**Banks in Peru (January 2016, compiled by the authors)**

1. Banco de Crédito del Perú	2. Banco Continental	3. Scotiabank Perú	4. Interbank	5. Mibanco	6. Banco Interamericano de Finanzas
7. Banco Financiero	8. Banco GNB	9. Banco Falabella	10. Banco Santander	11. Citibank	12. Banco Ripley
13. Banco de Comercio	14. Banco Azteca Perú	15. Banco Cencosud	16. Banco ICBC	17. Deutsche Bank Perú	

Among the various financial indicators available, three main ones were chosen because they reflect the incomes of the banking company, the source of funding, and the financial health to face a future crisis. These three indicators are: the participation of the company in the credit market, in the deposit market, and in patrimony. The first one (% credit) indicates the percentage of positions of the bank in relation to the total in

the banking system. This indicator is important because it reflects the market power of the banking corporations to a certain degree. The second one (% deposits) reflects the participation in the funding market. The third one (% patrimony) reflects the own capital of each bank in comparison to the total of the banking system. The latter is relevant because it reflects financial strength to deal with unexpected losses.



**Figure 1.** Participation of the banking corporations in the financial market.

The sample will be composed of those banking corporations that together have a participation of more than 80%. Figure 1 illustrates these indicators for the banking system in 2012. Banco de Crédito del Perú (BCP) has the highest participation in the market for credits, deposits, and in net patrimony in relation with the total of the banking system. Banco Continental (BBVA) is in second place, while Scotiabank Perú and Interbank are in third and fourth places, respectively. Likewise, the graphic illustrates that these four banks collectively have a participation of more than 80% in the three proposed indicators. This suggests that the sample will be composed of these four banks, which represent 25% of all the banking system participants. It is worth mentioning that these cases, according to the three financial indicators, have more than 80% representation in the banking system, and the selected cases represent 25% of the population, thus fulfilling the purpose of extending the findings in this sample to the universe, which is in line with Eisenhardt (1989).

From the results of the case study (see previous authors' publications, e.g. Lizarzaburu & Brío, 2015), it could be observed that the actions of the four banks analyzed related to their employees' involvement in CSR improved the reputation of the banks from the point of view of those interviewed.

As a result of the literature that relates the involvement of employees in CSR and business confidence, the few empirical analyses which prove this relationship for the banking sector in developing countries (Ghafoor & Islam, 2015), and the initial findings of the analysis of cases observed in Peru regarding employee involvement, the first hypothesis of this paper is proposed:

**H1:** *The greater the perception of employee involvement in CSR actions, the greater the perception of business confidence in the banking sector of an emerging country.*

### 3 Methodology

A quantitative methodology was used to contrast the hypotheses presented in this paper and to demonstrate with a large sample the descriptive findings of the case study described in the previous section. The empirical research began in March 2016 with the presentation of the initial questionnaire to the directors of the Association of Banks of Peru (ASBANC). This pilot served to prepare the final survey.

The changes made to the original questionnaire involve adjustments to the wording and presentation style of the questions. The final survey was composed of different sections. In the first part, economic variables concerning the banks' branches were assessed in an open-ended question format. This part gathers data on the number of employees, benefits, market share, etc. The rest of the questionnaire was composed of closed-ended questions in the form of a Likert scale ranging from 1 (very low) to 5 (very high) to evaluate the intensity of the responses. The questions are related to CSR actions concerning the triple bottom line and the strategic conception of CSR in the bank involving internal stakeholders such as employees. Likewise, the survey appraised the perception of the financial institutions regarding corporate reputation and business confidence derived from CSR activities.

Later, ASBANC's managers provided the authors with the data on the banks operating in Peru in January 2016, which were seventeen in total (Table 2), as well as the contact information of 1,745 executive officers of the branches of the banks. These key individuals were selected as the target population of the study because the authors sought to study the management's perception of CSR and business confidence (see Table 2).

The impact of managers on strategic decisions is transcendental, which is why they are chosen as the unit of analysis when CSR is studied. The socially responsible actions of companies are largely promoted, defended, and developed by them (Godos-Díez & Fernández-Gago, 2011;

Quazi, 2003). Managers will directly influence a company's commitment to CSR, allocating resources to different programs and practices and aligning these activities with the company's objectives (Aguilera et al., 2007). The perception and ability to influence of the managers will condition the success in relation to the application of CSR actions (Fatma & Rahman, 2015). Therefore, if managers perceive that employees are involved in CSR actions and these activities are positively influencing business confidence, their ability to influence will positively condition the company's behavior in terms of CSR (Fatma & Rahman, 2015). On the other hand, if managers perceive that employees do not get involved enough, their ability to influence will condition the non-continuation of this issue, since it will be considered a waste of resources (Fatma & Rahman, 2015).

In April 2016, the questionnaire was sent by email to the 1,745 managers of the multiple banks with a message explaining the relevance of the research. It also included a promise from the authors to send a summary of the results to everyone who collaborated. Additionally, to give the email more credibility, a document with the results of a case study previously carried out by the authors and published by ASBANC was

attached. The participants were sent reminders in May 2016. The data gathering process finished in July 2016 with 112 valid responses (6.41%). This response rate is low and it is certainly a weakness of the analysis. Despite all the efforts made, it was not possible to obtain a better ratio. In any case, the statistical error with this rate has been calculated and it is acceptable (Lind, Marchal, & Wathen, 2012). For this purpose, the expression  $n = \frac{Z^2 \times N \times p \times (1-p)}{(N-1) \times e^2 + e^2 \times p \times (1-p)}$  was used to calculate the sampling error. N stands for the population size (1,745), n is the sample size (112), Z at a 95% confidence level takes the value of 1.96, and p is the population that has the characteristic. As this is unknown, the authors bet on the worst case, where p = q = 0.5, and e is the sampling error, the variable to calculate. After applying the formula, the resulting error rate is 0.0896. The error rate is high because the response rate was low. However, errors below 0.1 are statistically acceptable (Lind et al., 2012).

Table 3 shows the characteristics of the empirical study, i.e., the universe or target population, geographical area and timeframe of the research, sample unit, sample size, and sampling error and confidence level.

Table 3  
**Technical Data**

Technical data	
Characteristics	Survey
❖ Universe or target population	❖ Banking entities operating in Peru (branches)
❖ Geographical area / timeframe	❖ The whole of Peru / 2016
❖ Sample unit	❖ Bank branch
❖ Sample size	❖ 112 valid surveys
❖ Sampling error / confidence level	❖ 8.9% sampling error / 95% confidence
❖ Date of completion of field work	❖ April 1, 2016 to July 30, 2016
❖ Respondent	❖ Manager of the branch

To analyze whether the sample is representative of the population, the frequency distributions are shown by gender and by age (Tables 4 and 5).

Table 4  
**Representativeness of the sample by gender**

	Population (n°)	Population (%)	Sample (n°)	Sample (%)
Men	1,135	65%	65	58%
Women	610	35%	47	42%
<b>Total</b>	<b>1,745</b>	<b>100%</b>	<b>112</b>	<b>100%</b>

Table 5  
**Representativeness of the sample by age**

	Population (n°)	Population (%)	Sample (n°)	Sample (%)
Under 25 years old	349	20%	20	18%
From 25 to 34 years old	890	51%	52	46%
From 35 to 44 years old	349	20%	18	16%
From 45 to 54 years old	105	6%	16	14%
More than 55 years old	52	3%	6	5%
<b>Total</b>	<b>1.745</b>	<b>100%</b>	<b>112</b>	<b>100%</b>

Two logit analyses were performed to evaluate the representativeness of the sample with a higher degree of reliability. The dependent variable was the probability of response (Osterman, 1994). The independent variable in the first logit was gender, measured by the number of responses from men and women. In the second logit, the number of responses by age group was the independent variable. The number of responses was not included in the model in any of the analyses. This result proved the objectiveness of the sample and guaranteed its external validity.

### 3.1 Measurement scales

A multiple indicators approach was followed to construct the measurement scales of the concepts used in this study. Thus, each concept was measured using various items or variables. Besides the theoretical contributions from the literature cited, the authors employed the scales of the studies mentioned below as references in the process of developing the measurement scales of each of the dimensions assessed.

#### 3.1.1 Perception of business confidence by managers

The first group of questions refers to the perception of business confidence, which

is the final dependent variable of the model. Following the contributions of those authors who have analyzed improvements in the perception of business confidence based on economic, emotional, market, and external factors, questions were asked about the importance of the variables that explain these factors. Regarding the business confidence factor for economic improvement of the company, the respondents were asked to assess: 1) the importance of the company's annual profit (Y1), following the analyses of Eiadat, Kelly, Roche, and Eyadat (2008), Leaniz and del Bosque (2016), and Maignan (2001); 2) the importance of value creation for the stakeholders (Y2), following the analyses of Greening and Turban (2000) and Kansal and Joshi (2014); 3) the importance of the company's financial profitability (Y3), following the analyses of González-Padrón, Hult, and Ferrell (2016), Greening and Turban (2000), and Kansal and Joshi (2014). Regarding the improvement of business confidence through an emotional factor, the respondents were asked about the importance of a feeling of confidence towards the company (Y4) (González-Padrón, Hult, & Ferrell, 2016; Leaniz & del Bosque, 2016). There were factors related to the market. Regarding these, the respondents were asked about the valuation



of the market share (Y5) and their perception about the clients' evaluation of the company (Y6) (Fineman & Clarke, 1996; Miao, Cai, & Xu, 2012). \*\*Finally, there were external factors that can be improved through CSR and these have an effect on business confidence (Bigné, Andreu, Chumpitaz, & Swaen, 2005; Jennings & Zandbergen, 1995; Maignan, 2001). Some are related to the environment, which is the variable addressed by (Y7).

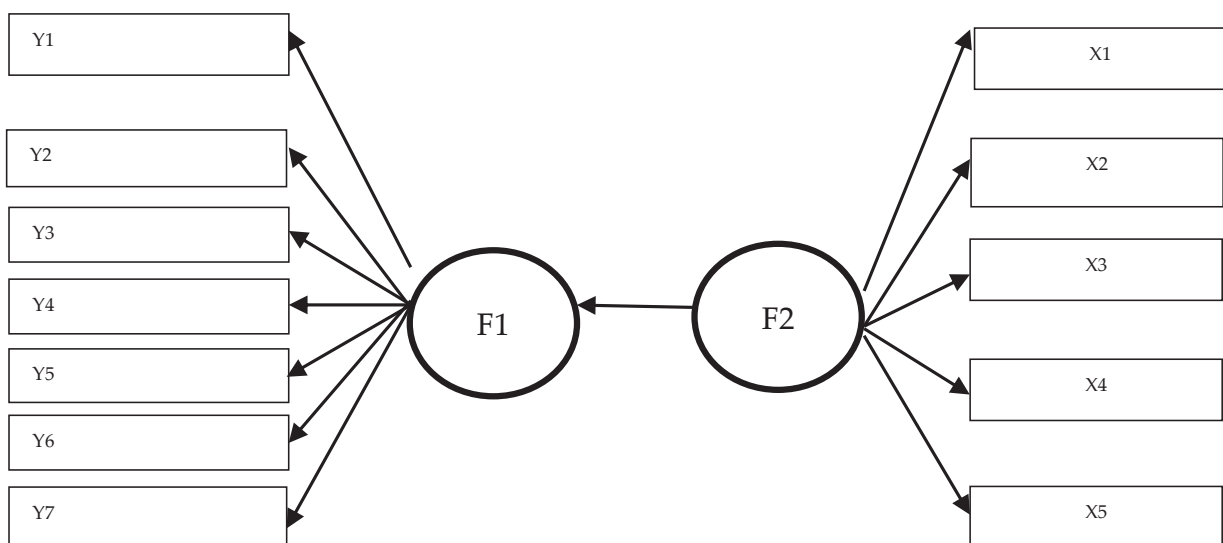
### 3.1.2 Perception of involvement of workers in CSR actions

The second group of questions refers to worker involvement in CSR actions. Based on the study by Becker-Olsen, Cudmore, and Hill (2006) on the advantages of human capital derived from the involvement of workers in CSR, a question was asked about the importance of involving employees in CSR programs, following the recommendations of previous studies. The variables assessed: a) CSR programs that involve employees (X1) (Bauman & Skitka, 2012; Ghafoor & Islam, 2015); b) the bank's working environment (X2) (Crites, Fabrigar, & Petty, 1994; Ghafoor & Islam, 2015); c) the bank's concern for its employees (X3) (Ashforth & Mael, 1989;

Du, Bhattacharya, & Shen, 2010; Hogg & Terry 2000; Rupp, 2011); d) the level of investment in CSR programs that the bank performs through its employees (X4) (Eberle, Berens, & Li, 2013; Sen & Bhattacharya, 2001); e) employee participation in the bank's CSR programs (X5) (Bauman and Skitka, 2012; Ghafoor & Islam, 2015).

### 3.1.2 Estimation of measurement model

For the purpose of contrasting our hypothesis, a SEM (structural equation modeling) model was used. SEM includes the calculation of direct, indirect, and total effects stemming from the path analysis methodology, but also offers much more. Its most prominent feature is its ability to deal with latent variables, i.e. nonobservable quantities such as true-score variables or factors underlying observed variables (Nachtigall, KroehneFunke, & Steyer, 2003). Structural equation modeling, therefore, consists of a structural model representing the relationship between the latent variables of interest, and measurement models representing the relationship between the latent variables and their observable indicators, and it is therefore perfectly adapted to the model proposed in this study.



**Figure 2.** SEM model between perception of employees' involvement in CSR and perception of business confidence

## 4 Results

The proposed scales were subjected to evaluation. For this, the authors conducted principal component analyses (PCA), exploratory factor analyses (EFA), and confirmatory factor analyses (CFA) using structural equation modeling. The statistical software employed consisted of IBM/SPSS version 24 for Windows and EQS version 6.1 for Windows. Later, the

authors used the structural equation modeling statistical technique to test the proposed model. Said method allows complex models to be tested of relationships between variables by considering all of them simultaneously. Table 6 shows the mean and standard deviation of each of the items employed. Table 7 shows the correlations between the variables, providing an initial idea of the relationships between them.

Table 6  
Descriptive variables analyzed

	N	Minimum	Maximum	Mean	Deviation
Y1	112	2.00	5.00	4.33	0.848
Y2	112	2.00	5.00	4.30	0.893
Y3	112	3.00	5.00	4.26	0.815
Y4	112	2.00	5.00	4.48	0.657
Y5	112	1.00	5.00	4.22	0.884
Y6	112	2.00	5.00	4.13	0.985
Y7	112	2.00	5.00	3.91	1.067
X1	112	1.00	4.00	3.09	0.612
X2	112	2.00	5.00	3.53	0.737
X3	112	2.00	4.00	3.33	0.540
X4	112	2.00	5.00	3.09	0.612
X5	112	2.00	5.00	3.20	0.657

Table 7  
Correlations

	Y1	Y2	Y3	Y4	Y5	Y6	Y7	X1	X2	X3	X4	X5
Y1	1											
Y2	.719**	1										
Y3	.845**	.772**	1									
Y4	.650**	.656**	.666**	1								
Y5	.821**	.709**	.769**	.684**	1							
Y6	.785**	.672**	.759**	.657**	.752**	1						
Y7	.766**	.716**	.713**	.737**	.831**	.835**	1					
X1	.312**	.029	.218**	-.046	.129	.241*	.047	1				
X2	-.114	-.323**	-.109	-.547**	-.270*	-.254*	-.453**	.541**	1			
X3	-.232**	-.417**	-.233*	-.374**	-.415**	-.232*	-.435**	.487**	.620**	1		
X4	.145	.116	.156	-.024	.067	.148	-.039	.459**	.417**	.555**	1	
X5	.088	-.121	.011	-.055	-.039	-.059	-.151	.487**	.380**	.538**	.571**	1

Harman's single factor test was used to verify that there was no common method bias (CMB). To do this, the number of items of the scale is constrained to just one. If all variables involve a single factor or any factor explains most of the variance, then CMB would be a problem. The importance of this method has been shown in the literature (Diamantopoulos & Winklhofer, 2001). The exploratory factor analyses carried out are shown in Tables 8 and 9. Two factors were generated using the eigenvalues >1 rule. These explain 36.6% and 30.18% of the variance of the data. The authors conclude that the results are not affected by CMB because there is no single factor nor does the first factor represent a majority of the variance of the data. Furthermore, the analysis reflected consistency between the composition of the scales and the initial assumptions. In other words, it revealed the existence of two factors measured by the items suggested in the theoretical analysis previously explained.

Table 8

**Variance of the factors**

Factors	Explained variance
1	36.674
2	30.184

Table 9

**Rotated component matrix**

	Factor 1	Factor 2
Y1	0,878	0,1
Y2	0,876	0,08
Y3	0,876	-0,228
Y4	0,871	0,018
Y5	0,854	-0,127
Y6	0,839	-0,11
Y7	0,828	-0,216
X1	-0,315	0,845
X2	0,171	0,814
X3	-0,333	0,732
X4	0,126	0,684
X5	-0,049	0,665

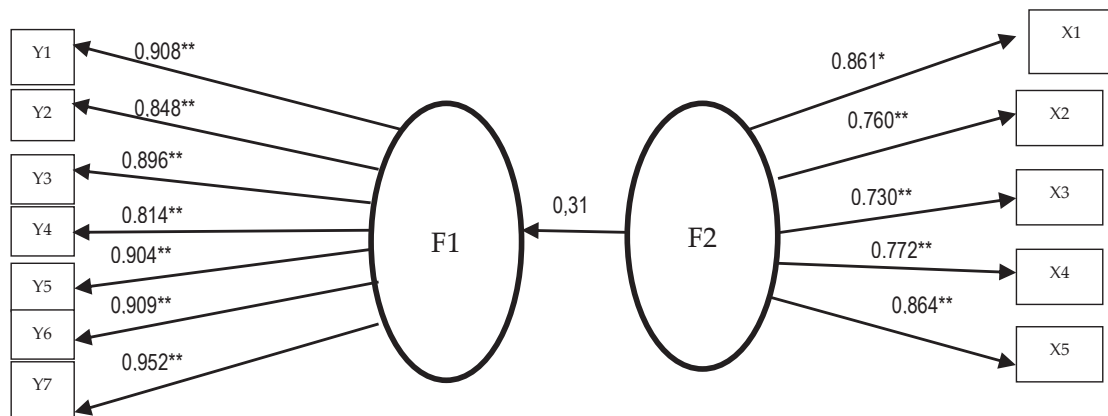
Subsequently, the authors used structural equation modeling (SEM) to perform a confirmatory factor analysis of the proposed model. Also, for the estimation, the robust maximum likelihood method was employed (Hair, Hult, Ringle, Sarstedt, & Thiele, 2017). This procedure carried out a global adjustment of the proposed model in various statistics corrected to assume non-normality. Additionally, the authors developed a regression model in which factor 2 (perception of employees' involvement) is the determinant, while factor 1 (perception of business confidence) is the forecasted variable. Figure 2 shows the suggested model following the SEM method.

Table 10 shows the statistics that explain the goodness of fit of the proposed scales of the model. Figure 3 presents the final results of the model, including the factorial weights of the items over their respective factors, as well as the coefficients of the causal model of factor 2 over factor 1.

Table 10

**Goodness of fit summary for robust method**

Satorra-Bentler Scaled Chi-Square	60.59	Comparative Fit Index (CFI)	0.921
Degrees of Freedom	53	Bollen's (IFI) Fit Index	0.922
P value	0.136	McDonald's (MFI) Fit Index	0.926
Bentler-Bonett Normed Fit Index	0.893	Root Mean Square Error of Approximation (RMSEA)	0.046
Bentler-Bonett Non-normed Fit Index	0.902	90% Confidence Interval of RMSEA	(-0.01 , 0.14)



**Figure 3.** SEM model between perception of employees' involvement in CSR and perception of business confidence.

Note. + $p < 0.1$ ; \* $p < 0.05$ ; \*\* $p < 0.01$ ; \*\*\* $p < 0.001$

## 5 Discussion

The results of the robust model (without assuming normality of the variables) show that the SEM model presents a good fit (Hu & Bentler, 1998):

- the probability value for the Satorra-Bentler chi-square statistic is 0.136 and higher than 0.05, as shown in the displayed results (Table 10);
- the Bentler-Bonett index or normed fit index (NFI) and comparative fit index (CFI) should be higher than 0.9 to accept the model. If they are higher than 0.95, the model is much better. In this case, we consider the model to be acceptable. Although the Bentler-Bonett index is less than 0.9 it is close to this value (0.893) and the other statistics do fulfill the condition (the Bentler-Bonett normed fit index is 0.902 and the comparative fit index is 0.921);
- the root mean square error of approximation (RMSEA) has to be, at least, smaller than 0.08; the indicator is better if it is lower than 0.05. Furthermore, the confidence interval of the RMSEA has to include the zero. We satisfy all these parameters (the RMSEA is 0.046, and so less than 0.08);
- the factorial weights are between 0 and 1. According to the literature, the higher

the value, the better; but they must be at least higher than 0.7. However, several researchers think that this heuristic rule should not be so rigid. It is necessary that indicators with very low loads (i.e., 0.4) are eliminated (Hair et al., 2017). In the model presented, the factorial weights are greater than 0.7. Therefore, the authors assume that the model is acceptable.

In conclusion, the model presented significance in the confirmatory factor analysis, and is thus suitable for the investigation's purpose. The results lead to the conclusion that the two factors chosen summarize the information of the items asked in the survey. The dependent variable of the model is the perception of business confidence construct and explains 77.716% of the variables analyzed in the questionnaire. Additionally, the independent variable is the perception of employees' involvement in CSR actions (F2), which explains 60.509% of the variance of the items.

The causal model proved the influence of the perception of employees' involvement in CSR actions of Peruvian banks in terms of improving the perception of business confidence by managers. The relationship found was not statistically significant at a level of  $p < 0.05$ . Hypothesis 1 is, therefore, not validated. The

assessment of the involvement of workers in CSR in Peruvian banks does not significantly influence business confidence. Consequently, hypothesis H1 cannot be validated. That is, it cannot be validated that managers perceive that the involvement of employees influences the improvement of business confidence in an emerging country.

## 6 Conclusions and Limitations

A healthy banking system is the key to sustained prosperity. Along these same lines, the banking system plays an important role in economic development (Levine, 2005) because its security and solidity creates various external benefits for society (Lizarzaburu & del Brío, 2015).

Business confidence in Peruvian banking companies is important because of its impact not only on profitability and compliance with regulatory indicators (Lizarzaburu & del Brío, 2016), but also because it contributes to keeping these indicators within the ranges required by regulators, considering that these are based on funds raised and invested. As these are “healthier,” they ultimately have a positive impact on the different variables that measure the perception of business confidence used in this paper: benefits, value, profitability, market share, customer evaluation, and environmental care.

The Association of Banks of Peru – ASBANC<sup>1</sup> and the specialized international magazine *América Economía* have indicated through their report of January 16, 2017, edition 226, year 7, that reputation is “key” to consolidating the results of banks in Peru<sup>2</sup>. Likewise, corporate reputation has a positive impact on business confidence, and this, aligned with the products that the financial institution requires and offers for its operational development (investments, deposits, and services), generates better financial results and greater reach in its community. With an adequate reputation, greater confidence can be achieved among the most representative interest groups (collaborators,

customers, and suppliers), who ultimately measure their investments according to the risk and return obtained over a period of time.

Following the same line as Carroll (1979), several researchers (Aupperle, Carroll, & Hatfield, 1985; Clarkson, 1995; Wartick & Cochran, 1985; Wood, 1991) argue that the strategic consideration of CSR involves assuming the obligations of the company within society in the economic, legal, ethical, and discretionary categories of business development, and for some authors this should even be part of the mission, vision, and values of the company (Freeman, 1984; Gupta, 2002). It is through such a conception that the CSR will begin to have positive internal effects on the company, which will also be external once the social impacts of the CSR operational actions become visible (Carroll, 1979; Gupta, 2002; Windsor, 2001). In the case of banking, the strategic consideration of CSR should be aligned with the products and services offered by banks (such as investments and fundraising and the efficient management of these), which would attract and generate greater business confidence.

Strategic consideration of CSR needs the participation of employees because they play a fundamental role in growth and sustainability over time. For this, job satisfaction is necessary, as it will lead to better performance, higher income for the organization, higher productivity, etc. (Ghafoor & Islam, 2015). The attitude of the employees improves when the company commits to CSR actions (Bhattacharya, Sen, & Korshun, 2008; Du, Bhattacharya, & Shen, 2010). But in the case of Peruvian banks it was possible to verify that the involvement of employees in CSR has a positive influence on the perception of managers regarding business confidence.

Social identity theory explains that people want to obtain a positive social identity (Aberson, Healy, & Romero, 2000). Thus, they like to identify with organizations whose image is perceived to be prestigious or whose identity enhances their self-esteem, and fulfills their need for self-improvement (Ashforth & Mael, 1989).

For this reason, we expected to find a relationship between the commitment of employees to CSR actions and a better company reputation from the viewpoint of managers. As was argued in the introduction of this paper, we supposed that relationship would encourage greater employee involvement in CSR over time. However, based on the manager perception data, this relationship is not supported in Peruvian banks. In emerging countries such as Peru, the implementation of CSR is at an early state, and perhaps managers still think that employees understand involvement in it as an additional burden on their work and therefore perceive that rather than helping, their involvement hinders the success of the CSR. To sum up, although the literature on developed countries does highlight the need for workers to get involved to obtain advantages derived from social responsibility actions, in emerging countries, unlike in developed ones, managers are not yet aware of the need to involve workers or have a well-founded opinion that the success of CSR will depend on their own actions and not on the rest of the employees, who are not willing to help and in any case hinder the process.

Of course, we are aware of the limitations of this study and of the future improvements that can be made. To measure the perception of employees' involvement and business confidence, perception scales ranging from 1 to 5 were used. Other articles have used the same procedure. But this is no reason not to recognize that the conclusions could be improved or accredited if objective measures were used.

The study uses a questionnaire and this includes the evaluation of perceptions, which can create a subjective point of view, related to the experience and personal opinions, beliefs, and mood of the people who answered the questionnaire.

We hope that all this does not detract from an investigation that from an academic research perspective is novel because it analyzes how CSR, which is still in an incipient phase of application in a developing country such as Peru, makes it

possible to improve business confidence in the banking sector. And from a business perspective, this paper makes a fundamental contribution, providing reasons for banks to believe definitively that the integration of CSR into business strategy allows them to improve business confidence.

## Notes

- 1 <http://www.asbanc.com.pe/Publicaciones/ASBANC-Semanal-226.pdf>
- 2 <http://www.americaeconomia.com/negocios-industrias/asbanc-la-reputacion-es-clave-para-consolidar-resultados-de-los-bancos-en-el>

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2. Development of hypotheses or research questions (empirical studies)	√	√
3. Development of theoretical propositions (theoretical Work)	√	√
4. Theoretical foundation/ Literature review	√	√
5. Definition of methodological procedures	√	√
6. Data collection	√	√
7. Statistical analysis	√	
8. Analysis and interpretation of data	√	√
9. Critical revision of the manuscript	√	√
10. Manuscript Writing	√	√
11. Other (please specify which)		