

# CORPORATE SOCIAL RESPONSIBILITY ITS IMPACT ON STAKEHOLDER

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**Abstract:** Currently, large industries like garments, Textile and Leather industries in India have interested to implement CSR activities. Hence, this study examined the causal relationship between stakeholders' and CSR implementation in leather footwear industries based on employees' perceptions. After reviewing several works of literature we developed CSR implementation measurements. For analysis of CSR implementation, a total of 891 respondents were taken from leather footwear industries of Vellore District in Tamil Nadu. Then we applied frequency, percentage, Confirmatory factor analysis and structural equation model for this data analysis. The empirical result showed that environment, customer, owner/shareholder, community have a significant positive effect on CSR implementation in leather footwear industries. However, it was also confirmed that employees have a negative significant effect on CSR implementation. Consider identified evidence of determinant factors of CSR implementation, managers of leather footwear industries should take actions to improve CSR implementation and to alleviate those problems.

## Introduction

Corporate social responsibility (CSR) in India has become an important aspect of managing industries like footwear Industries, Leather Manufacturing food processing, beverages, and textiles. As well said by Hohenen (2007), the business can only flourish when the communities and ecosystems in which they operate are healthy. In a study by Ingley, Mueller, and Cocks (2010), CSR implies all the proper social, environmental and economic actions that a firm must incorporate to satisfy the concerns of stakeholders and the financial requirements of shareholders. CSR is the procedure for assessing an organization's impact on society and evaluating their responsibilities. And also is a form of corporate self-regulation integrated into a business modal. It is sustainable, involving activities that an organization can uphold without negatively affecting the business goals. It begins with an assessment of each business that should have a positive impact through its activities on; Customers, Suppliers, Environment, Communities, and Employees (Yasmin&Shamshuddin, 2014).

The CSR investments lead to higher levels of credibility (Lin, Chen, Chiu, & Lee, 2011), improved image or reputation (Tewari, 2011), higher employee retention (Kim and Park, 2011) and build customer relationships (Peloza& Shang, 2011). CSR is an organization's obligation to engage in activities that protect and contribute to the welfare of society, including general communities, customers, shareholders, the environment and employees (Davis & Frederick, 1984).

Henrique and Sadorsky (1999) pointed out that stakeholders can influence organizational behavior via direct pressure or by conveying information. Primary stakeholders (shareholders and investors, employees, customers, government) are essential for the survival of the company; secondary stakeholders (media, nonprofits) influence public opinion and thus can damage or enhance a company's reputation (Godfrey, Merrill, & Hansen, 2009; Harrison, Bosse, & Phillips, 2010). Author Clarkson (1995) stated that primary stakeholders influence CSR implementation more than do secondary stakeholders. According to Campbell (2007), secondary stakeholders could have a direct impact on CSR implementation. Also, secondary stakeholders exert indirect impacts by influencing primary stakeholders, usually through the provision of information or by setting social agendas, such as through mass media.

As reported by IMF (2006) that Developing countries' economies are changing rapidly. Their organizations have a profit-making growth market for their operational activities. It also has significant social and environmental problems that may include civil wars, disasters and political instability (UNDP, 2006).

Developing nations will be forced to adopt CSR practices in response to environmental and social factors such as globalization, economic growth, investment and business activity (World Bank, 2005). Besides, Visser (2007) showed that CSR in Africa is still at an early stage. The legal infrastructure is poorly developed; hence it is a less demanding driver of CSR. Carroll (2016) indicated that the majority of the world's population lives in developing countries and each country's experience its own unique social, political and environmental issues. These countries are in the process of industrialization and are often characterized by unstable governments, higher levels of unemployment, limited technological capacity, unequal distribution of income, unreliable water supplies and underutilized factors of production.

As a result of rapid industrial development, policies are pursued that aim to attract greater foreign investment, and the investors are often keen to start benefitting from fiscal incentives and cheap labor. While these strategies make economic sense, they have adverse social and environmental effects, including the use of child labor, low or unpaid wages, unequal career opportunities, occupational health and safety concerns, and increased pollution (Carroll, 2016).

Academic and business people of India were interviewed about CSR implementation and revealed that a handful of individuals control the majority of private sector wealth. Firms in India do not think in terms of CSR while for the most part, are concerned with economic survival. Ownership structure has a decided impact on CSR in a given country. The proportion of public versus private ownership of firms matters because it influences how executives make decisions about CSR; in a publicly-traded company the interests of shareholders must be considered. As economies grow, the trend is often towards increasing market capitalization, which in turn should have some bearing on the nature of CSR (Robertson, 2009).

## 2. Empirical literature review and hypotheses development

As pointed by Maimunah (2009), the stakeholder approach has been developed as one of the strategies in improving the management of the firm. It is also said as a way to understand reality to manage the socially responsible behavior of a firm. Hopkins (2003) provided that CSR means treating the stakeholders of the firm ethically or responsibly. Strategic CSR is when a firm undertakes certain caring corporate community service activities that accomplish strategic business goals (Lantos, 2002). Smith (2003) stated that CSR is the obligations of the firm to society, or more specifically, the firm's stakeholders those affected by corporate policies and practices. CSR is a concept whereby business organizations consider the interest of society by taking responsibility for the impact of their activities on customers, suppliers, employees, shareholders, communities and other stakeholders as well as their environment. This obligation shows that the organizations have to comply with legislation and voluntarily take initiatives to improve the well-being of their employees and their families as well as for the local community and society at large (Maimunah, 2009). To measure CSR implementation within the organizational strategic planning systems. CSR is the continuous management of business processes to produce an overall positive impact on society. Hence, the Company and/or industries strategic planning systems provide the foundation for Owners/Shareholders, Employees, Environment, Community, Customers and Government. All these stakeholders influence CSR practices of the industries/company.

### 2.1 CSR and owner/shareholder

It is one of the important stakeholder groups that companies must serve (Freeman, 1984) and it can influence important organizational decisions (Lambooy, 2010). A firm's activities affect the employees, the environment and the society. Hence, it is evident that part of a business's CSR engagement may have to account for the interests of its shareholders from a CSR perspective. The result of previous studies shows that CSR aims to reduce the agency issue because CSR is considered to be a means of reconciling business goals with social and ethical ends and of avoiding a conflict of interest among managers, shareholders and other stakeholders, thus their finding confirms that CSR disclosure in the company may be used as a means of anticipating and avoiding social pressure to enhancing the firm's image or reputation status (Riyadh, Sukoharsono, &Alfaiza, 2019). Based on the literature review, this study proposes the following hypothesis:

H<sub>1</sub>: The owner/shareholder of a corporation has a significant impact on CSR activities.

## 2.2. CSR and environment

An industry activity could have some environmental impacts. To start addressing them, the company needs to prioritize and develop a strategy on how to tackle these issues (UNDP, 2010). As stated by Turker (2009), today, the responsibility of Corporations to the natural environment is not only to avoid environmental harm but also to protect and improve the natural environment. The right of future generations is another important dimension in stakeholder management. Environment-friendly products, hazardous-waste management, pollution control, recycling (Sen& Bhattacharya, 2001). Integrating the environmental dimension in the management system of a business improves its environmental performance (Huang & Watson, 2015). The study of green human resource management practices showed most organizations that require survival, sustainability, and the creation of a good positive image. As a result, most firms encouraged a green approach as a way of acting socially responsible and creating a sustainable environment. Hence, green human resource management has a significant effect on corporate social responsibility (Cheema&Javed, 2017). Regarding the previous studies, the following hypothesis is developed:

H<sub>2</sub>: The Environment has a positive effect on CSR activities of industries

## 2.3. CSR and customer

Graafland, Eijffinger, and SmidJohan (2004) shared that CSR to customers should focus on safety and quality of the product, respect for customers, and supply of sustainable alternatives. Businesses may need to consider factors such as consumer information availability, truthful advertising, and advertising to children (Lambooy, 2010; Porter & Kramer, 2006). Berens, van Riel, and van Bruggen (2005) found that Consumers respond more positively to a company's CSR when its products are perceived as stand-alone brands (i.e., low corporate brand dominance) rather than as part of a monolithic corporate brand. Cone (2017) found that CSR is not only a moral imperative for businesses today but, increasingly, a business imperative as well, with consumers rewarding socially responsible companies by engaging in a host of pro-company behaviors (e.g., purchase, loyalty, advocacy). Consumers are willing to pay more for products from socially responsible organizations (Bhattacharya & Sen, 2004). Studies show that CSR activities can enhance the satisfaction and loyalty of banking customers. It also indicated that CSR activities can increase customer satisfaction. CSR activities can be considered as having a significant and strong positive relationship with customer satisfaction and loyalty. Customer satisfaction can lead to high levels of customer loyalty (Al-Ghamdi&Badawi, 2019). According to the prior literature, the following hypothesis will be tested:

H<sub>3</sub>: Customer has a positive impact on CSR activities of industries

## 2.4. CSR and government

It has regulated firms to work with the legal framework to improve waste treatment & management as well as offer safe working conditions for employees. Campbell (2007) remarked that the European perception of CSR is strongly influenced by the normative research stream, with the state as a strong regulator, the assumption of the strong role of government. On the other hand, according to (Friedman, 1962; Helmig, Spraul, &Ingenhoff, 2016) confirmed that the notion that strong government regulations might not be necessary. The government has the weakest weight in the pressure from the primary stakeholders construct. Shahin and Zairi (2007), Social responsibility must be built into the management structure and processes of the organization so that, as far as possible, all social responsibility issues are foreseen, covered by corporate policy, and dealt with in a way that shows an understanding of the issues involved and a willingness to help solve societal problems, thus Corporate Governance is a critical element for driving excellence in CSR. Friedman (1970) demonstrates that governments themselves should set the agenda for social responsibility by the way of laws and regulations that will allow a business to conduct themselves without disadvantage or degradation. Hence, the current study proposes the following hypothesis:

H<sub>4</sub>: Government has a positive impact on CSR activities of industries



## 2.5. CSR and employees

Socially responsible businesses take better care of the needs and interests of their employees and they seek to improve the employees' working conditions and well-being on an ongoing basis (Buciuniene&Kazlauskaitė, 2012). Lee, Park, and Lee (2013) found that when employees perceive CSR capabilities more positively, they see the company's CSR activities as being favorable. There was also remarked that as employees perceive CSR activities more positively, employee attachment toward the company increases. The more employees perceive an alignment between CSR and the culture of their firm, the more likely they are to think that their firm is effectively executing CSR. Strengthening CSR capabilities is another important factor in ensuring employees' positive perception of CSR activities. Aguilera, Rupp, Williams, and Ganapathi (2007) confirmed that how employees might push corporations to engage in CSR initiatives, suggest that the perception of CSR shapes employee attitudes and behaviors towards companies. The CSR has a significant influence on employee's commitment towards rural and community banks in Ghana (Mensah, Agyapong, & Nuerter, 2017). The human capital (HC) is constructed from the human competence (average annual salary, the average age of employees, and average years of service) and attitude components (regular employee ratio, employee retention rate, and initial three years'). Hence, various social activities are carried out by employing more skilled and motivated HC. The research analysis result suggests that increasing HC is effective in increasing CSR activities. Moreover, it suggests the importance of enhancing HC in a low birth rate and an aging society (Iwamoto & Suzuki, 2019). Thus, this study states the following hypothesis:

H<sub>5</sub>: Employees have a positive effect on the CSR activities of the industries

## 2.6. CSR and community

The industry has a CSR to communities that involve socially responsible business practices that support social causes to improve community well-being (Kinder & Domini & Co., Inc., 1998; Kotler & Lee, 2005). It also Community support such as support of arts and health programs, educational and housing initiatives for the economically disadvantaged as well as generous/innovative giving (Sen & Bhattacharya, 2001). Concerning Agarwal (2008), Society expects that organizations will provide safety, improved lifestyle, employment, infrastructure, and environmental protection, without affecting cultural practices and benefits. Besides, Idemudia and Ite (2006) stated that company CSR practices mainly target poverty alleviation, the prevention of human rights violations and environmental protection. It can be observed through the sustainable activity which is most commonly found in small and medium-sized enterprises, the local communities are the stakeholders receiving the greatest attention. Moreover, Information and transparency to new candidates, which is related to providing equal opportunities for employment to all candidates interested in joining the company, which gives CSR practice great visibility (Larrán Jorge, Madueño, Lechuga Sancho, & Martínez-Martínez, 2016). Therefore, this reviewed literature leads to the formulation of the following hypothesis:

H<sub>6</sub>: Community has a positive effect on CSR activities of industries

Hence this study focus on identifying and rank the causal relationship between stakeholders (owners/shareholders, employees, environment, community, customers and government) with selected company/industry's CSR implementation.

## 3 Research design

### 3.1. Data and sample

This research data was collected from primary sources. The researchers conducted a series of interviews with stakeholder i.e., employees (managers, supervisor, operators, field employees, etc.) of the selected large industries in Vellore District. The Collection of data using the questionnaire is the basic data collection tool to measure CSR activities of a corporation. The sample survey of this study consists of three parts. The first part contains the socio-demographic background of respondent information. The second part includes the company/industry profile and its prior information for the practice of CSR. Lastly, part

three consists of the 55 measurement items. The questionnaire should be administered throughout the different dimensions of CSR. The respondents were requested to rate the observed variables (to indicate the extent to which the company/industry has experienced each suggested dimension to specific CSR) on a five-point Likert scale, with '1' being "not at all", '2' being 'a little', '3' being "moderately", '4' being "high" and '5' being "very high".

### 3.2. Method of data analysis

For this study, to analyze the primarily collected data; frequencies, percentage, confirmatory factor analysis (CFA) and structural equation model (SEM) was used. SEM is stated to describe various causal connections between the six latent variables (Owners/Shareholders, Employees, Environment, Community, Customers and Government) and their associated observed ones. In this case, the latent variable structural model is used to represent the causal relationships among latent variables. For the requirements of corporate social responsibility evaluation, the system must deliver meaningful results in terms of causal relationships and a structural approach; that is to say that the analysis shall be model-based. SEM provides a means by which relationships can be tested. To estimate the strength of these causal connections, it is necessary for each of the latent variables to be operational in terms of manifest variables (measurement items). In reality, the manifest variables are measured by using measurement instruments, such as questionnaires; also, they serve as indicators of the latent variable.

In this research, the corporate social responsibility model (CSR) for Leather footwear industries strategic planning systems divides into six latent variables i.e., Owners/Shareholders (OWN), Employees (EMP), Environment (ENV), Community (COM), Customers (CUS) and Government (GOV).

### 4. Empirical results and discussion

This paper addressed to what extent corporations are operating in the socially responsible way i.e., the causal relationship of stakeholders; owners/shareholders, Employees, Environment, Community, customers and government with CSR implementation in leather footwear industries of Amhara Region, India using structural equation model. All statistical analysis was performed using STATA 14 statistical software.

A total of 891 full responses were received for analysis of CSR implementation. Cases with missing values are deleted to prevent overestimation (Tabachnick&Fidell, 2007).

Table :Frequency and Percentage Distribution of CSR

Variables	Categories	Frequency	Percentage
Is there any independent budget for heading CSR activities	No	282	31.65
	Yes	609	68.35
<b>Reasons for discharging CSR</b>			
Commercial code/rule and regulation of the country forces to do so	No	204	22.9
	Yes	687	77.1
The company has own rules and regulation to discharge CSR	No	31	3.48
	Yes	860	96.52
Because of competition in the industry both from domestic and international firms	No	26	2.92
	Yes	865	97.08

Variables	Categories	Frequency	Percentage
Discharging CSR affects the profitability of the company	No	122	13.69
	Yes	769	86.31

This study used the methodology proposed by Anderson and Gerbing (1988) to perform structural equation modeling. They recommend analyzing the measurement model followed by the structural model. For assessing the measurement model, the results of the confirmatory factor analysis (CFA). With a measurement model, CFA is used to test the hypothesis that a relationship between observed variables and their underlying unobserved latent variable (construct) exists. An observed variable of the CSR model must be valid and reliable. The standardized factor loading ( $\lambda$ ), Cronbach's alpha ( $\alpha$ ) and average variance extracted (AVE) for each measurement observed or latent variable. Consider Hair, Black, Babin, and Anderson (2010), a factor loading represents the correlation between an observed variable and its construct. The average variance extracted is a measure of convergence among a set of observed variables representing a latent construct. It is the average percentage of variation explained by the observed variables of a construct. Cronbach's alpha is commonly used to establish internal consistency construct validity for similarity scales. As suggested by Campbell and Fiske (1959), two aspects to assess the construct validity of a test: the first is Convergent validity is the degree of confidence we have that a latent variable is well measured by its indicators. The second, Discriminant validity is the degree to which measures of different latent variables are unrelated. The criterion of Fornell and Larcker (1981) has been commonly used to assess the degree of shared variance between the latent variables of the model. According to this criterion, the convergent validity of the measurement model can be assessed by the average variance extracted (AVE) and Cronbach's alpha. According to the Fornell and Larcker testing system, discriminant validity can be assessed by comparing the amount of the variance captured by the construct and the shared variance with other constructs.

construct	OWN	EMP	ENV	COM	CUS	GOV	CSR
OWN	0.3						
EMP	0.19	0.78					
ENV	0.20	0.55	0.82				
COM	0.29	0.74	0.76	1.23			
CUS	0.14	0.36	0.43	0.61	0.65		
GOV	0.17	0.41	0.50	0.63	0.37	0.73	
CSR	0.23	0.53	0.69	0.90	0.53	0.52	0.98

**Note:** Values in main diagonal are the square root of average variance extracted; Values in off-diagonal are squared correlations

To assess goodness of fit of measurement model using the likelihood ratio chi-square value of 34421.37, the degrees of freedom of 1419 and the significance of the chi-square test (i.e. p-value < 0.001). This preliminary goodness of fit statistics suggests a significant difference between the specified model and observed data. However, it was reported that chi-square values can be inflated by sample size and degrees of freedom, causing tests to be significant (Diamantopoulos & Siguaw, 2000; Yuen & Lim, 2016). This may be the case for this study since the measurement model has 1419 degrees of freedom which is large.



Moreover, the goodness of fit statistics based on fit indices are: root mean square error of approximation (RMSEA), Tucker Lewis index (TLI) and Standardized root mean square residual (SRMR). According to Hu and Bentler (1999) good fit indicated by RMSEA less than 0.06, since this study RMSE value is 0.057(<0.06). With TLI good fit indicated by TLI greater than 0.95. The result indicated TLI is 0.96(>0.95). Hair, Hult, Ringle, and Sarstedt (2014) suggest that SRMR values less than 0.1 and of 0.08 are considered a good fit. It is confirmed that SRMR is 0.087(<0.1). Hence, these all indices are within the recommended cutting points which indicate a good model fit. As a result, the quality of the measurement and the suitability of the model were accepted.

In this study, construct validity was evaluated based on different components; convergent validity (or reliability), and discriminant validity. The evaluation of convergent and discriminant validity results presented. The measurement items were derived from the existing literature that was used in past measurement studies. All items in a construct should converge to establish convergent validity. Convergent validity is established statistically when items that are meant to converge (measure the same constructs) have similar scores. AVE measures the level of variance captured by a latent construct versus the level due to measurement error, values above 0.7 are considered very good, whereas, the level of 0.5 is acceptable. Convergent validity is established if an AVE of 0.50 or greater is achieved for the constructs (Fornell&Larcker, 1981). AVE values for EMP (0.61), ENV (0.68), COM (1.52), GOV (0.54) and CSR (0.96) were acceptable convergent validity.

Internal consistency or reliability refers to the extent to which a variable or set of variables is consistent in what it is intended to measure (Hair et al., 2010). The reliability of a scale indicates how free it is from random error: it is the degree to which the items that make up the scale are all measuring the same underlying attribute i.e. the extent to which the items “hang together” (Pallant, 2013). Internal consistency can be measured in several ways. The most commonly used statistic is Cronbach’s (1951) coefficient alpha, which is the most sophisticated test for measuring reliability (Hinton, Brownlow, McMurray, & Cozens, 2004). Cronbach’s alpha is commonly used to establish internal consistency construct validity for similarity scales, with 0.70 considered adequate for confirmatory purposes, and 0.80 considered good for confirmatory purposes. Cronbach’s alpha is both a validity coefficient and a reliability coefficient. It is found that Cronbach’s alpha value for OWN (0.88), EMP (0.87), ENV (0.86), COM (0.91), CUS (0.88), GOV (0.90) and CSR (0.94) were more than cutting value (0.8) which indicated that each latent variable was fit the model. Hence, the CSR measuring model is a high level of internal consistency or reliability for all seven constructs.

Anderson and Gerbing (1988) noted that to ensure discriminant validity, correlation values between latent constructs must be significantly different from zero, and there should not be any high or very high correlations. The criterion used to evaluate discriminant validity is that the square root of the AVE for each construct should be greater than the highest intercorrelations with any other constructs in the model (Fornell&Larcker, 1981). The Convergent and discriminant validity result is shown. The cross-loadings were checked for discriminant validity and it was found that all the square root of the AVE of each construct was higher than the construct’s highest correlation with any other construct in the model. Hence, each measurement item represents only its loaded construct

### *Structural model*

Structural equation modeling with a latent variable is a multivariate statistical technique. It encompasses a broad array of models from linear regression to measurement models to simultaneous equations.

**Outer (measurement) coefficient** shows how each question (indicator) loads into the respective factors (latent variable) in the corporate social responsibility model. indicates how each observed variable contributes to the respective factors of the CSR model. The responses to the research questions have to be addressed; outer coefficients (weights) are analyzed to facilitate the interpretation of the results. It is showed the outer coefficient for the owner/shareholders of the industry. The value 0.36 of the outer coefficient indicates that the fair and regular return on investment is not contributing much to the overall CSR implementation. Also, the industries in a dimension of owner/shareholders have required vision, mission and regulations on CSR, since it has an outer coefficient (0.73). On the other hand, industries as a dimension of owners/shareholders have to prepare quality financial reports periodically (outer coefficient is 0.72) contributing much to CSR implementation.

Share ownership of the industry as a dimension of the employees is also contributing little to the overall CSR implementation i.e., the outer coefficient is 0.47. Besides, as shown in the outer coefficient is 0.76, an industry has safe and secure working conditions for employees. And also industries gave training and education opportunities for employees, as indicated the outer coefficient is 0.69.

The nature of activities is likely to affect air quality at the workplace on the site and/or in the surrounding area of industry as a dimension of the environment is lower contributing to CSR (outer coefficient is 0.28). On the other hand, the companies had an environmental permit, environmental policy, environmental management system and sustainability of the environmental protection on the dimension of the environment; their outer coefficients are 0.82, 0.84, 0.73 and 0.76 respectively.

The industries offer little training opportunities for local communities for the dimension of community, as shown by the outer coefficient of 0.65. On contrary, industries were sponsoring the sport, maintaining parks and roads, support for the arts and culture, supporting services for elders, children and disabled persons and support for public health of local communities; their outer coefficients are 0.85, 0.8, 0.78, 0.73 and 0.73 respectively.

The outer coefficient of 0.82 confirmed that the industries have a strong position in providing goods and services according to the needs, tastes, and preferences of different classes of customers. Also, industries are provided information about its products and services, respect the right of customers, and avoid unhealthy trade practice, rising customer satisfaction and supply goods of the right quality, quantity at the right place and time at reasonable prices with their outer coefficient 0.82, 0.75, 0.75, 0.77 and 0.69 respectively.

The outer coefficient or weight of 0.91, 0.87, 0.87 and 0.7; indicates that there was a proper way that a company/industry applies the laws governing regulation of business, follows a fair trade policy and refrains from unhealthy practices, pays taxes regularly and correctly and contribute to the socio-economic growth and goals of the nation respectively. In general, it was contributing much to the government dimension of CSR implementation.

**Inner or path coefficients** are indications of the relationship between the independent and the dependent latent variables of the structural or inner model. Estimated path coefficients are analogous to regression coefficients. These path coefficients can be interpreted similarly to standardized beta coefficients in a regression analysis. In this study, we have used the maximum likelihood method which means that we fit the SEM model; provided a measure of the strength of the causal connection (inner coefficients) between the model's constructs (factors) (Hair, Anderson, Tatham, & Black, 1998).

According to Hair et al. (2014), the coefficient of determination can be used to evaluate the accuracy of a structural model. The strength of the relationship is a proportion of the regression sum of squares corresponding to latent constructs. Below table indicated that the values for the coefficient of determination for the paths leading to corporate social responsibility. The higher the value of the coefficient of determination, the better the model fits the data. The values of coefficient of determination resulted for latent; OWN (0.69), EMP (0.64), ENV (0.83), COM (0.65), CUS (0.77), and GOV (0.65). The minimum value of at least 0.65 was considered a reasonably high indication of predictive model accuracy. In this study result, all coefficients of determination values were greater than 0.65 except one, meaning that the variations in the model explained more than 65% of the variance.

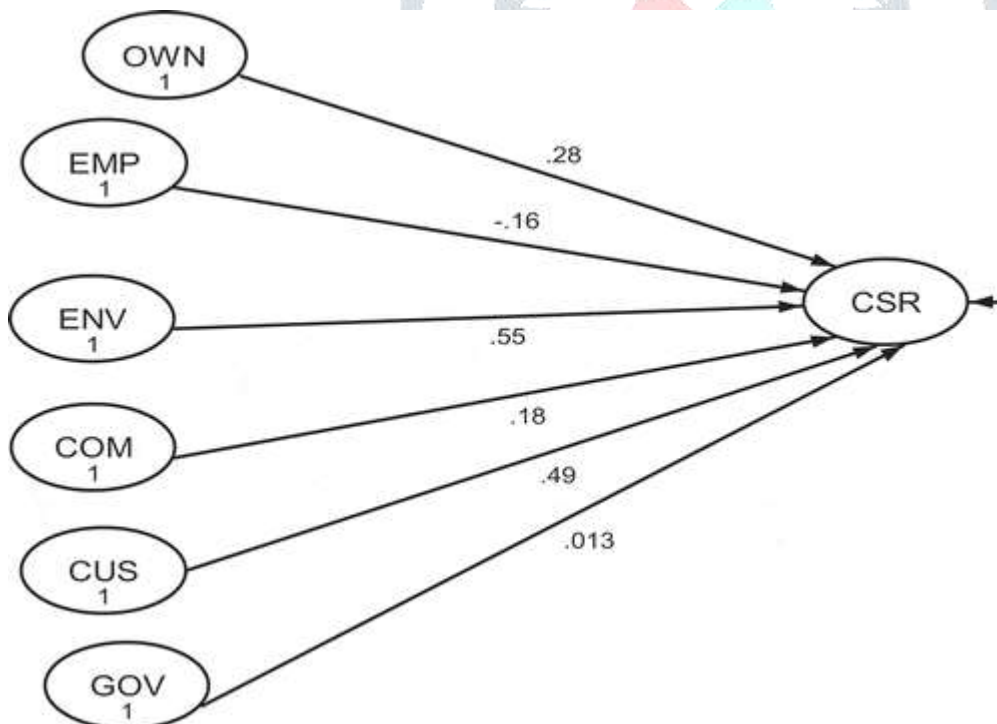
Path variables	Inner R squares
OWN	0.69
EMP	0.64
ENV	0.83
COM	0.65



Path variables	Inner R squares
CUS	0.77
GOV	0.65
CSR	0.97

The measurement model was converted into a structural model by drawing a path diagram between each latent construct and CSR implementation to test all hypotheses. The constructed structural model is presented in Figure 1. All estimates were standardized in the model to aid interpretation. The coefficient of determination of the model is 97 percent which indicates that the six factors collectively accounted for a majority of the variances in CSR implementation in the (city name). Regression coefficient estimates of the structural model are summarized. The company will know how each criterion impacts on the overall corporate social responsibility implementation (structural or path coefficients) and where improvement efforts are more likely to have a greater impact. The structural paths that bring from the factors; OWN, ENV, COM and CUS to CSR implementation are all significant ( $p$ -value  $< 0.01$ ) and all positive. While the employee hurts CSR implementation. Effect of factors from large to small on CSR implementation are; ENV, CUS, OWN, COM, and EMP. Their standardized estimates are 0.55, 0.49, 0.28, 0.18 and  $-0.16$  respectively.

Figure 1. SEM Path Diagram of Stakeholders' Effect on CSR Implementation in Leather footwear (Textile, Leather) Industries.



## 5. Discussions

This study examined the relationship between owner/shareholders, employees, environment, community, customer and government activities with CSR practice with empirical data. About Helmig et al. (2016), stakeholder pressure from employees, customers, investors, and the government encourages companies to implement CSR activities. The stakeholders model (Freeman, 1984) and claims that a firm is responsible not only to its shareholders (owners) but to all stakeholders (consumers, employees, creditors, etc.) whose contribution is necessary for a firm's success. Thus, CSR means that a corporation should be held accountable for any of its actions that affect people, communities and the environment in which those people or communities live (Frederick et al., 1992). The empirical results of this study suggest the

following main conclusions. In particular, we confirmed that environment is one of the greatest direct influencing factors on CSR implementation for large industries in the India. Industries should give more emphasis on environment protection and sustainability for CSR implementation. From the survey, industries had an environmental permit, policy, and environmental management system and sustainability of the environmental protection on the dimension of the environment. This study contributes that environmental factors lead to stronger CSR implementation. This finding consistent with Alemayehu (2017), the preservation and protection of the natural environment component of CSR, the research result indicated that the company's CSR activities related to environmental protection is more of compliance to the rules and regulations stipulated by the Government of FDRE related to environmental protection and pollution control. These rule compliance environmental-related activities involve waste management system, proper resource utilization and planting trees in its premises and the vicinity.

**Customer** is the second major factor affecting CSR implementation. The survey respondents felt that the industries provide information about its products, respect the right of customers, supply products of the right quality, right quantity at the right place and time at reasonable prices. There is also a good satisfaction with customers on company product. This finding consistent with Sen, Bhattacharya, and Korschun (2006); Helmig et al. (2016), the customers are primary stakeholders with the second-largest impact on CSR activities. It also showed that customers should be involved in the strategic prioritization of CSR activities. Also, Perez and Bosque (2015) showed that when customers perceive that companies have altruistic motivations for designing and implementing CSR initiatives, they are more credible and customers perceive more positive CSR images. In contrast, companies lose credibility when customers anticipate corporate intrinsic motivations for developing CSR initiatives. The loss of credibility contributes to the deterioration of the CSR image, which is an essential component of corporate image, can have direct on sequences for the company's reputation in the market as well as indirect effects in areas such as customer satisfaction, retention or identification with the company.

**Owner/shareholders** put as the third determinant factor of CSR implementation. From the survey, the companies have a vision, mission, and regulation on CSR and have an internal control system to monitor and enforce CSR. Hence, it was well contributed to CSR implementation. This result not confirmed with Fatma, Rahman, and Khan (2014); Brown and Dacin (1997) that identified the shareholder domain is least rated, as it has been demonstrated that the responsibilities towards the shareholders are the inherent activity of the organization and are not considered to be part of CSR.

**The community** is ranked fourth in terms of its effect on CSR implementation. According to the survey, an industry makes support for maintaining parks and roads, art and culture development, education, health, and sport. In other ways, industries were not contributed much to the creation of employment opportunities and support for elders, children, the disabled and displaced person of local communities. Fatma et al. (2014) suggested that the second-rated in implementing CSR activities is concerned with improving the general wellbeing of society.

**The employee** is the last and hurts the implementation of CSR. Survey respondents felt that companies gave training and further education opportunities for employees and also there were safe and secure working conditions and job satisfaction of employees. There was no way for employees to be a shareholder. While the important role of CSR perception of an employee in implementing CSR activities. Fatma et al. (2014) found that the most highly rated dimension is related to employee's safety at the workplace. Also, Helmig et al. (2016) revealed that pressure from primary stakeholders exerts a strong impact on CSR implementation. The stakeholders with the strongest influence on the pressure exerted by primary stakeholders are employees. Firm activities are always carefully observed by their employees. Therefore, acting in a socially responsible manner could be a source of competitive advantage concerning the role of employees in the firm (e.g., positive word of mouth, employee loyalty, and retention). This result not consistent with Alemayehu (2017) and indicated that the company is very considerate in undertaking CSR activities related to the safety, security, benefits, development and overall wellbeing of its employees.

## 6. Summary and conclusion

In this study, the determinant factors to the implementation of CSR practice in Leather footwear industries of Vellore District in Tamil Nadu have been identified, ranked, and discussed. After reviewing the previous literature, six factors of CSR practice were identified i.e., owner/shareholder, employee, environment, community, customer, and government. The sample survey was conducted and 891 full responses of employees of seven footwear industries. It was confirmed that five factors (environment, customer, owner/shareholder, community) have a significant positive effect on CSR implementation in large industries. It was also confirmed that an employee hurts CSR implementation.

This study is one of the few studies that assess the practical problems that large industries are facing in their business to CSR implementation in the context of Ethiopia. It also contributed to the theoretical and empirical literature of measure of CSR implementation based on empirical evidence from the developing country. Consider identified evidence of determinant factors, managers of footwear industries take actions to improve CSR implementation. Besides, policymakers should develop policies to improve the regulatory and institutional governance for CSR implementation of leather footwear industries. This research also recommended that managers of industries should make the main focus for the betterment of employees which in turn will increase the employee's commitment to facilitating and participating in strengthening CSR implementation of industries.

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