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CSR Orientation of Indian Banks and Stakeholder Relationship Marketing Orientation: An Empirical Investigation

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Abstract

We address the research questions, (1) Are business metrics of Indian banks associated with its CSR orientation? and (2) Is the CSR orientation of banks focused on areas which is driven by nature of its target markets, such that there is an alignment between CSR orientation and benefits accrued to its stakeholder segments, directly or indirectly? We analyze 49 Indian banks (25 public sector, 15 private sector and 9 foreign banks) operating in India based on data available from the bank websites, its annual reports, and sustainability /CSR reports (if available). From content analysis, we coded the data into seven categories - *Education, Health, Community Welfare*, *Entrepreneurship Development*, *Environment*, *Market Place*, and *Rural Development*. Our results indicate that CSR orientation of Indian Banks differ only based on ownership, number of employees, and date of its incorporation in the areas of Environment & Rural development (for ownership), Community Welfare, Environment, and Rural development (for number of employees), and Environment, and market place (for date of its incorporation). The findings of this study should be confirmed in future studies since our study is based on qualitative analysis of information shared by banks on its CSR activities and programs. Bank managers need to identify and focus on areas on which CSR orientation can give them more strategic advantage in building relationship with its stakeholders. Doing so would help in meeting the expectations of the stakeholder expectations successfully. Our paper contributes to literature in many ways. We add to the nascent body of knowledge on CSR orientation as an alternate relationship marketing strategy, which merits more attention from researchers.

Keywords: corporate social responsibility, sustainability, banks, relationship marketing.

"There is one and only social responsibility of business – to use its resources and engage in activities designed to increase its profits so as it stays within the rules of the game, which is to say, engages in open and free competition, without deception or fraud"

--Milton Friedman 1962 in *Capitalism and Freedom* (p. 133).

Introduction

Banking is a specialized business. Banks have large number of creditors and failure of one bank can lead to the failure of many other banks as the customers lose faith that can cripple the entire economy of a nation. The recent global financial meltdown has created a negative and gloomy sentiment in all the stakeholders in the entire banking industry, including in India since financial markets in India even if loosely, but are connected to global financial markets. However, prior to this meltdown, customers, and other stakeholders held positive expectations about their banks' performance. If banks can leverage this social capital in times of distress, it can help to negate or reduce the potential negative influence on their performance (Dawar and Pillutla, 2000). Corporate social responsibility (CSR) orientation of banks can be a useful tool for them to tide over such crises in future, if banks maintain their relationships with stakeholders in making their businesses more sustainability.CSR, among other things, is a key stakeholder relationship building activity (Waddock and Smith, 2000). Du, et. al. (2007) also found that the CSR brand does reap more relationship benefits from its social initiatives than do its competitors indicating the competitive positioning and relationship benefits of the brands associated with CSR.

It is therefore not without reason that worldwide, most retail banks spend millions of dollars on CSR initiatives every year to strengthen their reputations, and relationships with stakeholders, especially, customers (McDonald and Rundle-Thiele, 2008). In the Indian context too, previous studies have shown that Indian banks concentrate its CSR activities more on areas such as, education, balanced growth, health, and environmental marketing, and incorporate customer satisfaction as a CSR activity (Narwal, 2007). Given this evidence, can we expect that banks in India consider CSR orientation and stakeholder relationship marketing orientation as flip sides of the same coin?

In 2011, a debate was triggered on increasing the social responsibility of India's corporates (corporate social responsibility or CSR in short), as the government of India was mulling over the idea of a mandatory spend of 2 % of profits on social responsibility programmes by all Indian companies. With the implementation of this step, the collective spending on CSR initiatives would be approximately $ 2 billion a year (almost Rs 80,000 million) (Source: www.banknetindia.com/ banking/ 110714.htm). Even if CSR spends are not mandated by the government, even then it has initiated an awareness among Indian corporates to spend more on building healthy social relationships with their customers and other stakeholder. Indian Banks were not to be left behind. In August 2011, the largest bank in India, State Bank of India (government of India is a majority stakeholder) announced that it would spend $ 2 million (almost Rs 800 million) on CSR initiatives, such as by donating fans to schools in the vicinity of all its 13,000 bank branches. (Source: www.indiacsr.in/en/?p=1698). This announcement by the largest bank in India, signals the increasing pace with which Indian banks may try to catch up with their peers using CSR initiatives in building relationships with its stakeholders.

Therefore, it can be hypothesized that banks chose their CSR activities strategically such that their CSR orientation reflects relationship-marketing objectives with stakeholder, and not just customers. At the same time, CSR orientation of banks may signal the possible linkages between key financial and business metrics of the banks with its potential role in exhibiting CSR orientation. While on one hand, larger and more profitable banks may exhibit higher CSR orientation to signal better market performance, on the other hand, relatively less profitable or smaller banks may want to increase CSR orientation to build stronger relationships with its stakeholders. Nevertheless, this leads us to ask an interesting research question, which we answer in this paper: Are business metrics of Indian banks associated with its CSR orientation? If this is the case, then larger and more profitable banks should have higher CSR orientation, since it has more stakeholders. It can also be hypothesized that CSR orientation of banks would be such that the areas in which CSR is focused may be driven by nature of its target markets, such that benefits of its CSR programs are more likely to benefit its customer segments, directly or indirectly. However, these questions require empirical evidence to find an answer.

This stream of research has several implications for managers and the stakeholders of the banks. On one hand, if size & business performance, and CSR orientation of banks are associated then it is a signaling mechanism for banks such that higher profitability, and bigger business turnover implies more social responsibility. Although some research on impact of CSR orientation on business performance suggests that CSR orientation positively affects several customer related outcomes (Bhattacharya and Sen, 2004), yet the overall empirical evidence between CSR orientation and business performance is mixed (Margolis, et. al., 2007). At best, we know that the CSR-stakeholder relationship linkage may precede CSR-business performance linkage (Bhattacharya, et. al., 2009). At the same time, few previous studies have also shown that CSR's impact on consumers is moderated by culture (Williams and Zinkin, 2006). This implies that in a collectivist nation like India, firms would need to consider responsiveness to the needs of others (stakeholders) as a moral obligation compared to individualist nations (Miller, et.al., 1990). Therefore, the CSR orientation of banks may manifest itself more from this responsiveness, and duty-based moral code (Miller, 1994), and less by profit objectives.

While a lot of research has already been done on CSR in western markets, it remains a relatively under researched area in Asia (Chapple and Moon, 2007), specially CSR in Asian countries particularly India (Chapple and Moon, 2005;Sahay,2004; Mohan,2001). This paper intends to fill this gap in literature and look at a fresh perspective of CSR, from a stakeholder relationship marketing perspective. This need for focused CSR research in developing economies is critical since current approaches to CSR, with their origin in developed countries, may be constrained in responding to situations in emerging markets like India. Most often, emerging markets are different from western economies, in terms of cultural and social values, as well as the norms and priorities that form the bedrock of CSR philosophy in 'western' nations (Blowfield and Frynas, 2005; Jamali and Mirshak, 2007). Moreover, it is equally plausible that the CSR philosophy continues to ''legitimize and reproduce values and perspectives that are not in the interests of developing economies or the poor and marginalized'' (Blowfield and Frynas, 2005, p. 510).

The position that we take in this paper is that CSR orientation of banks may not be driven solely by profit objectives, but on the contrary, performance and size of the banks may drive CSR orientation to sustain healthy stakeholder relationships, as an alternate relationship marketing strategy. We analyze 49 Indian banks (25 public sector, 15 private sector and 9 foreign banks) operating in India. We analyzed the data available from the bank websites, its annual reports, sustainability /CSR reports (if available) for all the banks in our sample. We also scanned the websites for both explicit and implicit references to their responsibilities as a company to its stated stakeholders. From content analysis, we coded the data into seven categories in which banks undertake CSR, namely, *Education, Health, Community Welfare, Entrepreneurship Development, Environment, Market Place,* and *Rural Development*. Our results indicate that CSR orientation of Indian Banks differ only based on ownership, number of employees, and date of its incorporation. The results are however mixed. The differences found between different Indian banks on these three criteria were found only in the areas of Environment & Rural development (for ownership), Community Welfare, Environment, and Rural development (for number of employees), and Environment, and market place (for date of its incorporation). We found no difference on financial metrics such as NPA/ gross advances ratio and profits. We can therefore conclude that vintage of the bank, its ownership, and its employee size are associated with CSR orientation, and financial metrics may make little difference.

Our paper contributes to literature in many ways. We add to the nascent body of knowledge on CSR orientation as an alternate relationship marketing strategy, which merits more attention from researchers. Firms generally intend to build long lasting relationships with customers and create “velvet handcuffs” that bond the customer to the firm (Dowling and Uncles 1997). Such customer loyalty programs are seen to be instrumental in achieving relationship marketing’s goal of increased customer loyalty (Wendlandt and Schrader 2007). However, recent research has expressed concerns about the value of such loyalty programs to firms (e.g., Dowling and Uncles 1997; Shugan 2005). In such a context, where building and sustaining customer loyalty through relationship marketing strategies are becoming less effective, the role of CSR orientation as alternate relationship marketing strategy needs further investigation. This research is aimed towards this objective. Moreover, the recent global financial meltdown has created a negative sentiment in consumers across the world, including in India. In this context, prior positive expectations held by consumers can weaken the negative effect of an inappropriate coping response on brand equity of the banks (Dawar and Pillutla, 2000), provided banks keep a good record in social responsibility. In addition, banks can rebound faster from such future shocks, and regain its reputation by investing on social responsible activities (Klein and Dawar, 2004). Finally, our study suggests that Indian banks have only just begun to align their CSR orientation with their stakeholder orientation, by choosing to focus on few selected areas for CSR activities.

Theoretical Background

CSR and Stakeholder Relationship Marketing

According to World Business Council for Sustainable Development (WBCSD) (Source: www.wbcsd.org/):

“The essence of corporate social responsibility is to recognize the value of external stakeholder dialogue. Because of this, we place stakeholder engagement at the center of CSR activity. CSR means more than promulgating a company’s own values and principles. It also depends on understanding the values and principles of those who have a stake in its operations”

Scholars have also linked organizations’ CSR to its relationship with not only its customers or shareholders but also with other stakeholders as suppliers, local community, etc. for e.g. McIntosh et.al. defines CSR or Corporate citizenship as:

‘‘Corporate citizenship is concerned with the relationship between companies and society – both the local community, which surrounds a business and whose members interact with its employees, and the wider and increasingly worldwide community, which touches every business through its products, supply chain, dealer network, and its advertising, among other things’’ (McIntosh et al., 1998, p. 20,as cited in Lindgreen et. al. 2009)

Upon reviewing CSR literature, we have found that there is no single, commonly accepted definition of "Corporate Social Responsibility" (CSR). There are different perceptions of the concept among the private sector, governments and civil society organizations. Depending on the perspective, CSR may also cover:

a) a company which maintains its relationship to internal stakeholders (shareholders, employees, customers and suppliers, while operating responsibly;

b) operating as a responsible member of the society in which it operates and the global community

c) the role of business in relationship to the state, locally and nationally, as well as to inter-state institutions or standards.

However there may be many dimensions of CSR , the stakeholder engagement must be at the core (Smith,2003) ,hence the fundamental idea of CSR is that business corporations have an obligation to work towards meeting the needs of a wider array of stakeholders (Clarkson, 1995). More generally, CSR can be defined as set of management practices that ensures the company maximizes the positive impacts of its operations on society or ‘‘operating in a manner that meets and even exceeds the legal, ethical, commercial and public expectations that society has of business’’ (BSR, 2001, Source: http://www.bsr.org/bsrresources/WhitePapers_Issue-Area.cfm.).

The modern view of CSR proposed by Quazi and Brein (2000) points towards business, and maintaining relationship with the broader matrix of society, where there are net benefits flowing from socially responsible action in the long run, as well as in the short term. Something similar is found in the relationship marketing literature. Morgan and Hunt (1994) have defined relationship marketing as, ‘‘all marketing activities directed toward establishing, developing, and maintaining successful relational exchanges." Relationship marketing promises companies a management tool to build economically profitable relationships, networks, and interactions with different, but equally important stakeholder markets (Morgan and Hunt, 1994). In the same vein, Lindgreen and Swain (2005) also proposed that companies seeking to implement good corporate citizenship would benefit from employing relationship-marketing tool. Therefore, upon review of literature on CSR, we find a conceptual overlap in CSR orientation of firms and its relationship marketing efforts vis-à-vis its stakeholders.

CSR practice in India

CSR has a special relevance for India as India has a rich and living spiritual heritage to complement the "analytical ethics" from the West with her "intuitive" or "being" or "consciousness" ethics (Enderle, 1997), on the regulatory front, Indian government has proposed to implement a bill which will make it mandatory for Indian corporates either with a turn over of INR 10 Billion or net profit of INR 50 million to spend 2% of the preceding three years profit on CSR (Sidhartha , 2011) For instance, in case of POSCO the environmental ministry of the government of India has asked the Korean Multinational to spend 2% of its annual profits for Corporate Social Responsibility programs in the region where its project is located (Sidhartha,2011)

Reserve Bank of India (RBI), which is the central bank of the country and the regulator for banks in India, has asked the banks to pay special attention towards integration of social and environmental concerns in their business operations. (Source : http://rbidocs.rbi.org.in/rdocs/notification/PDFs/82186.pdf)

Hypothesis Development

CSR and ownership of the Bank

Prior research suggests that ownership and capital structure of the firm is associated to corporate social responsibility (CSR) in developed countries. Indian banks can broadly be divided into nationalized banks or public sector banks, private sector banks and foreign banks based on their ownership patterns. The public sector banks are majorly owned and controlled by state while the private sector firms are controlled privately . In previous studies, Graves and Waddock (1994) and Johnson and Greening (1999) document a relationship between firm ownership structure and CSR Keim (1978), Ullmann (1985), and Roberts (1992) all document a positive relationship between dispersed corporate ownership and CSR disclosure in the context of developed countries. A recent study by Li and Zhang, (2010), in China, found difference in behavior of the firms controlled by state towards CSR when compared with the non state firms, to the best of our knowledge this is the first study to test the behavior of the banks towards CSR on the basis of their controlling ownership, i.e. Whether they are owned by state or privately owned. We therefore expect difference in CSR orientation of banks in India based on their ownership and hence posit:

Hypothesis 1 : *The CSR orientation of Indian banks depend on their ownership i.e. the public sector banks (state owned) have distinct behavior to those of private sector banks in India.*

In our sample of 49 banks, there are 25 publicly owned and 24 privately owned banks including foreign banks.

CSR and financial performance of the bank

One of the oldest questions in moral philosophy is whether it pays to be a morally good person (Flew, 1973; Gossling, 2003). Likewise, one of the oldest and most important questions in the

CSR context can be formulated as follows: ‘‘Social performance may be good for society, but does it pay?’’ (Brown, 1998, p. 271).Many scholars, in the past, have tried to find the relation of CSR spending with the bottom line of the company and majority of them have found positive relationship between them (Beurden and Gossling, 2008)**.** Roman et al. (1999) presented a more accurate picture of the relationship in research. The majority of the investigated studies showed a positive relation (33 studies), 14 studies did not find any relation, and only five studies found a negative result. Orlitzky et al. (2003) included 52 articles, only 18 of them where published in 1990 or later. They also find support for a positive relationship between Corporate Social Performance (CSP) and Corporate Financial Performance (CFP) link**.** Margolis and Walsh (2003), who described mixed evidence, support our findings. However, the majority of research included in their text analysis is positive. Goll and Rasheed (2004) also suggest a positive picture of the Corporate Social Performance and Corporate Financial Performance link**.**

We aim to investigate the difference in CSR orientation of the banks based on their difference in financial performances. We consider NPA ratio (Gross non-performing asset to gross total advances) and profitability as two financial indicators to investigate the difference in CSR of the banks. We found the difference in NPA ratios of the banks for the financial year 2008-09 and financial year 2009-10. The negative figure pointed towards decrease in quality of loans of the banks during the period of recession Both of these financial indicators are very critical during the times of recession as the economic turmoil in other sectors can lead to non repayment of loans and the loan getting into the risk of being labeled as NPA (Non-performing assets) or eventually converting to bad debt and negatively impacting the bottom line of the bank., to investigate this we propose following hypothesis. We check for the difference NPA ratio of the bank. We therefore posit:

Hypothesis 2: *There is difference in the CSR orientation of Indian banks based on their difference in their NPA ratio (Gross Non-Performing Assets to Gross total advances) of the financial year 2008-09 and 2009-10.*

Hypothesis 3: *The CSR orientation of Indian banks is dependent on their profits i.e. the banks with greater profits will have different CSR behavior than banks with lower profits.*

CSR and employees in the bank

Employees are one of the most important stakeholders of the firm. Attraction of talent, loyalty to a firm, and motivation has been used to explain why CSR can be a source of competitive advantage to a firm (Branco and Rodrigues, 2006). Previous studies have tried to identify the impact of CSR on employees in two broad categories, In the first category, scholars analyze how corporate social activities affect the prospective employee (Albinger and Freeman, 2000; Backhaus et al., 2002; Greening and Turban, 2000; Turban and Greening, 1996, Turker, 2009). These studies support the notion that CSR creates a good reputation for business and increases its attractiveness as an employer. According to one explanation, CSR increases the perceived trustworthiness of an organization for a job seeker who is lacking any previous interaction with the organization (Viswesvaran et al., 1998). However, Greening and Turban (2000) stated that a firm’s social performance sends signals to prospective job applicants about what it would be like to work for this firm.

In the second category, the scholars focus on the impact of corporate social activities on current employees (Maignan et al., 1999; Peterson, 2004). Maignan et al. (1999) indicated that market-oriented and humanistic cultures lead to proactive corporate citizenship, which in turn is associated with improved levels of employee commitment, customer loyalty, and business performance. The empirical survey of Peterson (2004) clearly showed a link between employee perceptions of corporate citizenship and organizational commitment.

Hypothesis 4: *The CSR orientation of Indian banks differs based on the number of their employees.*

CSR and incorporation period of the bank

CSR is a process driven by globalization, deregulation and privatization (Ite,2004).The current state of CSR is believed to have been developed in stages (Kolk(2000) qtd.in Yakovleva,2005) ,GDI,2007), which depends on socio economic development of the society in which the company functions . Lindgreen and Swain(2010) used the term “embryonic stages” to define this development of CSR. Based on the framework proposed by Kolk (2000) and GDI (2007) we segregate the Indian CSR development into four phases as depicted in Table 1.

---------------------Take in Table 1 about here------------------------

The first phase was predominantly determined by culture, religion, family tradition, and industrialization, merchants committed themselves to society by building temples and providing relief in times of crisis such as famine or epidemics. The corporations during this phase were responsible only to their owners and managers. The second phase (1910-1960) was largely influenced by Mahatma Gandhi’s theory of trusteeship, the aim of which was to consolidate and amplify social development, particularly to abolishing untouchablity and the corporations were responsible to their owners, managers and their employees. The third phase (1960-1980) was dominated by the paradigm of the “mixed economy” with the emergence of PSUs and ample legislation on labour and environmental standards. This period saw the emergence of non-family-owned businesses in 1960s and 1970s and also saw an increase in numbers of ‘trusts’ setup by businesses (Mohan, 2001) and the organizations also became responsible to the environment besides their owners, managers and their employees. GDI (2007), termed the fourth phase (1980-90 until the present) of Indian CSR as “Confused state” as the Indian companies which after globalization of Indian economy, were producing for the global market and faced a demand to comply with the international standards while on the other hand, the increased profitability of these Indian companies also increased business willingness as well as ability to give (Arora and Puranik, 2004).

Based on the review of literature, we decided to chose 1947, year of Indian independence, to segregate the banks into old and new, depending on their respective dates of incorporation. According to data provided by Center for Monitoring of Indian Economy (CMIE), prowess database, the first bank in India was established in the year 1865 i.e. Allahabad Bank and 33 banks, in our sample of 49 banks were established before 1947 while remaining 16 banks in our sample were established after 1947. Therefore, we expect changes in the CSR behavior of the firms depending on their periods of establishment, the firms established after 1947 are expected to follow global standards to be able to compete in the mixed economy and respond to the changing economic and social scenario in India after independence. We therefore posit:

Hypothesis 5: *The behavior of Indian banks towards CSR differ on their period of incorporation i.e. behavior of banks incorporated prior to 1947 differ from those incorporated after 1947 towards CSR.*

Research Methodology

Indian banks with average assets (financial year 2009 and 2010) of more than 100,000 million INR (1 USD= approx 45 INR) were chosen for the study. There were 51 banks which fall in this category out of which two banks, State Bank of Indore, and Bank of Rajasthan Ltd. ceased to exist as they were merged with State bank of India and ICICI bank respectively. This reduced our total sample size to 49 banks, which comprised of 25 public sector, 15 private sector and 9 foreign banks operating in India. In our sample of 49 banks, 44 banks reports of some form of the CSR practiced by them on their web pages while remaining 5 do not report any CSR on either their web pages or in any document like annual report etc.

We used content analysis to generate the underlying data for our research. It is a ‘‘technique for making inferences by objectively and systematically identifying specified characteristics of messages’’ (Holsti, 1969) Content analysis has been widely used in corporate social and environmental responsibility research (Gray et al., 1995). Examples of studies that use this methodology include Nieminen and Niskanen (2001), Maignan and Ralston (2002), Vuontisjärvi (2006). Castaldo et al.,(2010), Hinson et. al.(2010), Muthuri and Gilbert (2011)

Organizations increasingly use CSR activities to position their corporate brand in the eyes of consumers and other stakeholders, such as through their annual reports (Sweeney and Coughlan 2008) and websites (Maignan and Ralston 2002). In addition, according to Corporate Social Responsibility voluntary guidelines 2009 issued by ministry of corporate affairs, government of India, “The companies should disseminate information on CSR policy, activities, and progress in a structured manner to all their stakeholders and the public at large through their website, annual reports, and other communication media”. The public limited companies in India are also required to provide their shareholders, with annual report of the respective company at least once in every financial year. Hummels and Timmer (2004) mentions that some shareholders take Social, Ethical, and Environmental (SEE) information into account because of ethical principles they hold. If an investor does not want to get involved in human rights violations, corruption, unfair market practices, child labor or genetic modification – just to mention a few – the least he needs to do is obtain sound information on a corporation's SEE performance. The above-mentioned reasons make a confident case to analyze the annual Reports and websites as the companies are expected to deliver authentic and responsible information about their activities to their stakeholders.

Thus we analyzed the data available from the websites, annual reports, sustainability /CSR reports (if available) of all the banks in our sample. We followed this method for collecting data about the CSR orientation of the banks. All the 49 banks selected, had official websites, written in English. The data regarding CSR of banks from their websites and other documents was collected during February to May, 2011. The data for net profit, asset size of banks, gross NPA to gross asset ratio was retrieved from Reserve bank of India publications.(Source: www,rbi.org.in/scripts/publications.aspx). We scanned the websites for both explicit and implicit references to their responsibilities as a company to its stated stakeholders. Sentences and logical parts of the sentences were used as the unit of analysis in order to produce reliable and meaningful data as suggested by Milne and Adler(1999). To ensure reliability, a third person randomly spot-checked the coding of the websites that were found to be reliable. All the banks, taken in our sample had official websites in English, As suggested by Maignan and Ralston (2002), Basil and Erlandson (2008), we coded the data into 7 categories as depicted in Table 2. We used Z test of proportions (Malhotra and Birks, 2007) and Wilson confidence interval (Moore et. al, 2008) to test our hypothesis .Where the data violated the assumptions of these tests, descriptive statistics were used to analyze the data and report the findings as presented in the results section and depicted in table 3

---------------Take in Table 2 about here-------------------

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Results

We now discuss results for each hypothesis separately.

H1: When tested for difference between public and private sector banks, the Z test of proportions at $p < 0.05$, showed significant differences in the areas of environment and rural development with Z values of -3.02586 and 3.474203 respectively while no significant difference was found in other five areas i.e. education, health, community welfare, entrepreneurship development & marketplace. The Wilson test for confidence interval also confirmed the difference between public and private sector banks in the areas of environment and rural development with intervals lying between -0.637218095 and -0.149106691 for environment and 0.190052054 and 0.619064755 for rural development.

H2: The results of the Z test of proportions, when tested for difference in banks on the basis of their difference in gross NPA to gross advances ratio of the financial year 2008 - 09 and 2009-10, revealed no significant difference at $p<0.05$ across any area of CSR in the banks with negative and positive ratios. The Wilson test for confidence interval also revealed no significant difference across any area of CSR between the group of banks with negative and positive change in ratio during the above-mentioned years.

H3: For testing the difference in CSR orientation of the banks on the basis of their profit we collected the data of net profit of the banks for the financial year 2008-09, we then clustered the banks into two groups, one with net profit of greater than INR 50000 Lakhs and other with net profit less than INR 50000 Lakhs. The results of Z test of proportions revealed no significant difference across any area of CSR between these two groups of banks also the Wilson test for confidence interval found no significant difference between both these groups across any area of CSR

H4: For investigating the difference between banks on the basis of number of employees, we segregated the banks into two groups, one with employees greater than 10000 and other with employees less than 10000. The results of Z test of proportions depicted significant difference at $p<0.05$ between these groups of banks in the areas of community welfare, environment and rural development with Z values of 2.442407, -2.10381 & 2.01126 respectively while other four areas of CSR, education, health, entrepreneurship development and market place so no significant difference between the group of banks segregated on the basis of number of employees. These results of Z test were confirmed by Wilson test of interval which also found difference in the banks when segregated on the basis of number of employees in the areas of community welfare, environment and rural development with intervals lying between 0.068029188 and 0.577685097 for community welfare , -0.530923221 and -0.017648208 for environment and 0.001821558 and 0.463892728 for rural development.

H5: For testing the difference in CSR orientation of old and new banks in India we categorized the banks into two groups, one which were established before 1947 i.e. the year of Indian independence while other which were established after that,33 banks were found to be there in the former category while remaining 16 in our sample were in the later category. The Z test revealed significant differences in the area of environment and marketplace with Z values of -2.7702 and 1.989873 respectively while no significant difference was found in the remaining five areas of education, health, community welfare, entrepreneurship development and rural development. Wilson test for confidence interval found difference only in the area of environment with confidence interval lying between -0.645200674 and -0.116704088.

However, few of the results may not be statistically significant due to extremely small observation size but since both of the tests i.e. Z test for proportions ans Wilson Confidence interval estimates gave us similar results in all cases, we use these tests as predictive measures to test the hypothesis. A summary of the results is given in Table 4.

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Discussion

Our study highlights that Indian banks differ in its CSR orientation due to its ownership structure, number of employees, and date of its incorporation. This however may not indicate causality, but a pattern in CSR orientation among Indian banks, which require further investigation. Based on the 7 areas of CSR orientations that Indian banks were focused on we found interesting segmentation of these 7 areas of CSR. We found that collectively only four areas, namely, Environment ,Rural development, Community Welfare, and market place are practiced differently by different clusters of the banks. However, these areas of CSR orientation of banks differ based on the business metric and size of the bank. We found that in the area of Environment & Rural development, bank's ownership (public vs. private) makes a difference. While for the area of Community Welfare, Environment, and Rural development, the number of employees (few vs. several) in the bank is a decisive criterion. In the area of Environment, and market place, it is bank's date of its incorporation (old bank vs new bank). We found no difference on financial metrics such as NPA/ gross advances ratio and profits, which seemingly is counter-intuitive. Our study suggests that Indian banks have only just begun to align their CSR orientation with their stakeholder orientation, by choosing to focus on few selected areas for CSR activities. These areas reflect the CSR orientation for few banks are different from other banks based on certain business metrics as discussed above. These defining criteria chosen by banks for its CSR orientation is a function of its size (in terms of employee size), its age in the market, and its ownership structure.

Our study adds to the streams of previous research (e.g., Ager et.al., 2003, Bhattacharya et.al., 2009, Brown and Dacin, 1997, Luo and Bhattacharya, 2006, Sen and Bhattacharya,2001, Trudel and Cotte, 2009) which have investigated the impact of CSR practices of the firm on customers as stakeholders such as their buying behavior, customers' satisfaction, and customer's intentions to pay more for ethically produced goods, while also on shareholders as stakeholders such as on market value of firm, and firms' financial performance. These studies show that customers as stakeholder value firms' CSR orientation. Our paper extends this stream of research to show how CSR orientation of firms is associated with certain business metrics of the firm. We find that Indian banks' CSR orientation differs mainly due to ownership, its number of employees, and date of its incorporation (age of the bank in the market). Moreover, these variations in banks' CSR orientation is manifested not in all areas of CSR, but namely in the areas of Environment & Rural development (for bank ownership), Community Welfare, Environment, and Rural development (for banks' number of employees), and Environment, and market place (for date of its incorporation of the bank). We found no difference on financial performance of the bank on parameters such as NPA/ gross advances ratio, and profits. We do also note that while profits can help banks to invest more in their CSR programs and initiatives, but not necessarily. Therefore, the results of our study contradict the popular notion among few stakeholders in India, such as the federal government that CSR orientation should be linked with profitability of the firms, including for banks. Although higher PAT may make higher CSR orientation more feasible, and less prone to resistant by banks' stakeholders, yet currently the Indian banks samples in our study do not seem to follow that trend. Therefore, the results of our study validates the a priori position hypothesized in the paper that, the CSR orientation of banks may not be driven for profit objectives, but on the contrary, performance and size of the banks may drive CSR orientation to sustain healthy stakeholder relationships, as an alternate relationship marketing strategy. We contend here that the results of our study support our contention that CSR orientation of the banks may indeed be driven from stakeholder relationship marketing perspective than from a pure profit objective. Moreover, for the banks, like for any other firm, the customer is not the only stakeholder, and other stakeholders such as the government, society, shareholders, among others are important too. More importantly, recent research in emerging market context has shown that managing strong relationships with disparate stakeholders in these contexts, often requires the focal firm to "knit them together" in relationships (Singh, 2008, p. 488).

This CSR philosophy is not new, and nor is it totally disconnected from profit objectives too. However, it follows the balancing act done by firms between meeting profit objectives and stakeholder objectives in general. Few studies (e.g., Sen and Bhattacharya, 2001), also suggest that CSR refers to the concept that business has broader societal interests to consider not just the financial interests of the organization. From that perspective, our study also finds support from Fifka (2009, p. 312) who suggests that the meaning of CSR has become ‘‘increasingly blurred’’ to include corporate citizenship, stakeholder management and business ethics. Our results also finds support from the stakeholder theory literature, which takes a managerial approach of the "stakeholder management philosophy" (Donaldson and Preston, 1995, p. 87), based on the assumption that good ethical behavior should maximize shareholder value (Orts and Strudler, 2002).

Managerial Implications & Conclusions

Our study has several managerial implications. Our study shows the bank managers where to focus their CSR orientations and why. For example, our results challenge the popular myth that banks with higher PAT or lower NPA/ gross advance ratios necessarily need to spend more on CSR. We therefore shatter the mythical association between profits and how banks plough these profits into expending their social responsibility. Moreover, our results also suggest that large banks (banks with more employees) need to probably indulge in CSR differently, probably to maintain their preferred employer status, and to appeal to employee stakeholders. Similarly, banks with state or federal governments as large shareholders need to also focus their attention on CSR areas differently, as they may need to show a more socialist image of their banks. Finally, our study also suggests that time spent by the bank also leads them to adopt a higher and different CSR orientation since expectations of stakeholders may probably increase as their firms spend more time in the market. So older banks may need to differentiate their CSR orientations vis-à-vis newer banks. From the academic research standpoint too, CSR orientations, relevance, and applicability of CSR ideas differ in emerging markets (Matten and Moon, 2008). Therefore any, “one size-fits all” formula for studying CSR orientation of firms is seemingly lop-sided idea. Companies across the world exhibit a variety of CSR principles, policies and practices (Baughn et al., 2007) with different levels of intensity (Maignan and Ralston, 2002).

Our study suggests that Indian banks have come a long way from treating their CSR orientation as mere compliance (in the olden days), to a more strategic level, by aligning their CSR orientation with their stakeholder orientation, by choosing to focus on few selected areas for CSR activities. Studies on corporate strategy also suggest that firms that focus on market-driven sustainability by integrating the customer (and other important stakeholders) into marketing strategy have greater competitive advantage (Barney, 1991; Wernerfelt, 1984). Stakeholders have now entered into the corporate boardrooms like never before, creating a new space for themselves in the form of “triple bottom-line” philosophy, going beyond the shareholder value driven philosophy prevalent so far. Indian banking in the current times has become highly proactive and dynamic(Roy and Shekhar, 2010), and the business of banks in the liberalized market economy of India has become so stakeholder-focused. Such elevation of its CSR orientation to a strategic level can indeed bring direct and sustainable competitive advantage to them (Hult, 2011), provided it is done without missing the customers, and other primary and secondary stakeholders (Clarkson 1995). Sustainability is now being increasingly viewed from the perspective of CSR and stakeholders, to the extent that a firm’s CSR orientation can create strong relationships with its stakeholders (Peloza and Shang, 2011). Hult (2011) even goes onto suggest the formula for firms’ market-focused sustainability as, market orientation plus multiple stakeholders plus corporate social responsibility. It seems that it is about time that Indian banks too integrate their CSR orientation with market orientation, by adopting market-focused approach to stakeholder relationship marketing.

Phase 1	Phase 2	Phase 3	Phase 4
1850-1914	**1910 -1960**	**1950-1990**	**Since 1980/1990**
Pure philanthropy and charity during industrialization, Corporation is responsible to owners and managers only	CSR as social development during the independence struggle, Corporation is for owners, managers and employees	CSR under the "mixed economy paradigm", Corporation is responsible to owners ,managers and other target environment	CSR in a globalized world in a confused state, Corporation is responsible to owners ,managers, other target environment and public at large

Table 1: Evolution of CSR Orientation

Activities	Explanation
Education	The bank working in the area of promoting education for e.g. Child education, girl education, providing scholarships , etc.
Health	The bank working in the area of health care for the needful for e.g. Rural health, preventing HIV/AIDS etc.
Community Welfare	The bank working for welfare of various sections of society for e.g. Philanthropic donations, promoting inclusive growth
Entrepreneurship Development	The banks working towards promotion of entrepreneurial activities or helping people to set up their own enterprises to earn their livelihood for e.g. Imparting technical know how, provision of start up capital, etc.
Environment	The company states a policy of minimizing negative environmental impact or positively benefiting the natural environment as a part of their business practices. For e.g. Not lending to industries depleting Ozone layer
Market Place	The banks working in issues related to its market having impact on its business. For e.g. Provisions of micro finance in villages etc.
Rural Development	The banks carrying out activities for the development of rural areas. For e.g. Carrying out agriculture development activities, provisioning of street lights in rural areas etc.

Table 2: Coding Categories

Hypotheses	Supported at p<0.05 in areas
H1	Environment & Rural development
H2	None
H3	None
H4	Community Welfare, Environment &Rural development
H5	Environment & Market Place

Table 3: Results of Hypotheses Testing

No. of companies (%)								
	n	**Education**	**Health**	**Community Welfare**	**Entrepreneurship .Dev.**	**Environment**	**Market Place**	**Rural Development**
Ownership (Public vs. Private)								
Public	25	11 (44.0%)	7 (28.0%)	14 (56.0.0%)	5 (20.0%)	5(20.0%)	3 (12.0%)	12 (48.0%)
Private	24	16 (66.7%)	9 (37.5%)	10 (41.7%)	5 (20.8%)	15 (62.5%)	4 (16.7%)	1 (4.2%)
Number of Employees								
> 10, 000	26	13 (50.0%)	9 (34.6%)	17 (65.4%)	5 (19.2%)	7 (26.9%)	3 (11.5%)	10 (38.5%)
< 10, 000	23	14 (60.9%)	7 (30.4%)	7 (30.4 %)	5 (21.7 %)	13 (56.5%)	4 (17.4%)	3 (13.0 %)
Vintage (Old- New)								
Established before 1947	33	17 (51.5%)	8 (24.2%)	15 (45.5%)	8 (24.2%)	9 (27.3%)	7 (21.2%)	9 (27.3%)
Established after 1947	16	10 (62.5%)	8 (50.0%)	9 (56.3%)	2 (12.5%)	11 (68.8%)	0 (0 %)	4 (25.0%)
Diff. in NPA/G.A. ratio (2008-09 compared to 2009-10)								
Ratio -ve	27	15 (55.6%)	8 (29.6%)	15 (55.6%)	4 (14.8%)	10 (37.0 %)	3 (11.1 %)	8 (29.6%)
Ratio +ve	22	12 (54.5%)	8 (36.4%)	9 (40.9 %)	6 (27.3 %)	10 (45.5 %)	4 (18.2 %)	5 (22.7%)
Profits								
Profit >Rs 50,000 Lakhs	26	10 (38.5 %)	7 (26.9 %)	20 (76.9%)	6 (23.1 %)	6 (23.1%)	4 (15.4%)	5 (19.2%)
Profit <Rs 50,000 Lakhs	23	8 (34.8 %)	7 (30.4 %)	14 (60.9 %)	3 (13.0 %)	11 (47.8 %)	2 (8.7 %)	6 (26.1%)

Table 4: Summary of Results

Appendix 1: List of banks included for study

S.No.	Bank	Ownership	S.No.	Bank	Ownership
1	Allahabad Bank	G	26	Bank of America	F
2	Andhra Bank	G	27	Barclays Bank	F
3	Bank of Baroda	G	28	Citibank	F
4	Bank of India	G	29	DBS Bank	F
5	Bank of Maharashtra	G	30	Deutsche Bank	F
6	Canara Bank	G	31	HSBC	F
7	Central Bank of India	G	32	J.P.Morgan Chase Bank	F
8	Corporation Bank	G	33	Royal Bank of Scotland	F
9	Dena Bank	G	34	Standard Chartered Bank	F
10	Indian Bank	G	35	Axis Bank Ltd.	P
11	Indian Overseas Bank	G	36	City Union Bank	P
12	Oriental Bank of Commerce	G	37	Federal Bank Ltd.	P
13	Punjab & Sind Bank	G	38	HDFC Bank Ltd.	P
14	Punjab National Bank	G	39	ICICI Bank Ltd.	P
15	State Bank of Bikaner & Jaipur	G	40	IDBI Bank Ltd.[1]	P
16	State Bank of Hyderabad	G	41	IndusInd Bank Ltd.	P
17	State Bank of India	G	42	ING Vysya Bank	P
18	State Bank of Mysore	G	43	Jammu & Kashmir Bank	P
19	State Bank of Patiala	G	44	Karnataka Bank	P
20	State Bank of Travancore	G	45	Karur Vysya Bank	P
21	Syndicate Bank	G	46	Kotak Mahindra Bank Ltd.	P
22	UCO Bank	G	47	South Indian Bank	P
23	Union Bank of India	G	48	Tamilnad Mercantile Bank	P
24	United Bank of India	G	49	YES Bank Ltd.	P
25	Vijaya Bank	G			

G= Government owned; P=Private Owned; F=Foreign Banks

[1] IDBI bank is considered as Private Bank for the purpose of our study

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