Decoding CSR Investment in the Global Banking Industry: A Cross-Industry Comparison and Within-Industry Examination

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Abstract

Despite the enormous amounts of literature on CSR, few studies approach CSR from a strategic choice perspective. Yet, arguably, all CSR decisions within corporations are made strategically. Few studies look at the banking industry even though ethical issues within this industry are often much more devastating than those in other sectors, and we have seen many cases of these financial scandals in the news. By explicitly conceptualizing CSR as a set of strategic decisions, we map out CSR initiatives in terms of how much a CSR activity integrates with conventional business operations. This decodes general CSR investment into four categories with different strategic goals and functions, including philanthropy, CSR policies, CSR programs, and CSR business integration. We take two steps to examine CSR within the global banking industry. First, we identify the unique strategy of CSR investment in the banking industry by comparing this industry with two other sectors – consumer business and materials. Using a global sample of 9,017 firm-year observations, we find that CSR in the banking industry is primarily oriented towards philanthropy, involving less policies and programs required for integrating business and CSR. Banks are also found to be less genuine in CSR than firms in other sectors. Second, we look into the banking industry and investigate how CEO dominance in corporate governance influences the banks' strategic choices on CSR. Based on a sample of 1,368 observations in the global banking industry, we find that CEO dominance decreases the use of CSR policies and programs for business integration, increases philanthropy dominance in CSR investment, and decreases the level of genuine commitment to CSR in general. When looking at banking-specific CSR business integration, CEO dominance is also negatively related to the implementation of integration programs. We discuss the implications of these findings on CSR research, business strategy, and public policy, particularly on corporate governance.

Key words:

CSR, banking industry, philanthropy, CSR policy, CSR program, CSR genuineness, philanthropy dominance, CEO-dominance, corporate governance

Introduction

Although serious discussions on the subject began back in the 1970s, the idea of corporate social responsibility (CSR) is now well accepted in both academia and public arenas, as seen in news and corporate CSR reports. The concept of CSR is present in many areas of management research, for example, strategy, human resources management, marketing, and operations management (Aguinis & Glavas, 2012). Multiple literature reviews have been published in order to take stock and reflect upon the vast literature on CSR (e.g, Aguinis &Glavas, 2012; Orlitzky, Shmidt, & Rynes, 2003). It is clear now that previous research contributes to the reasons why firms choose to engage in CSR activities (Aguilera, Rupp, Williams, & Ganapathi, 2005; Bansal & Roth, 2000), how CSR may benefit firms at different levels (Barnett & Salomon, 2006; Waddock & Graves, 1997), as well as the mechanisms and conditions associated with the identified antecedents and consequence of CSR (Luo & Bhattacharya, 2006; Hull & Rothenberg, 2008).

Interestingly, despite the tremendous literature and public discussions on CSR, there has been little research that theorizes CSR beyond a laundry list of activities. Conceptually, research has not made progress since Carroll's (1979) early operationalization of CSR as a combination of economic, legal, ethical, and discretionary responsibilities, even though more recent CSR literature often frames CSR from a stakeholder-relation perspective (Barnett, 2007). Empirically, the typical approach for operationalizing CSR has been to pull together corporate investment in different social categories, including employee relations, environmental management, and community support, in order to create a composite measure of CSR (Hillman & Keim, 2001; Mattingly, 2015), or corporate social performance (CSP) that has been used interchangeably with CSR. Sometimes the empirical studies choose to focus on one type of the claimed CSR activities, such as philanthropy (Barnett & Salomon, 2006) or environmental management (Klassen & McLaughlin, 1996). A few scholars have attempted to categorize CSR activities, resulting in groups such as product vs. people-related CSR (Johnson & Greening, 1999), stakeholder management vs. social issues engagement (Hillman & Keim, 2001), and CSR for external vs. internal stakeholders (Hawn & Ioannou, 2016),as well as reactive vs. proactive CSR (Groza, Pronschinske, & Walker, 2011). Within the environmental studies, scholars often use phrases such as "reactive vs. proactive environmental strategy" (Sharma et al., 1999; Delmas & Toffel, 2008). What has been missing, however, is a theoretical framework that connects and organizes various CSR activities.

The reason why we need to theorize CSR activities is because a coherent framework will permit studies on CSR to be conducted from a strategic management perspective. Scholars increasingly realize that CSR constitutes part of corporate strategy, not random good will. Yet, few studies examine how CSR activities are engaged as a strategic choice. In this study, we identify the limitations of current approaches to CSR and develop a new framework that organizes various CSR initiatives conceptually. Specifically, based on the extent to which CSR investment requires cross-departmental coordination and changes in core business practices, CSR activities can be divided into four groups: philanthropy, CSR polices, CSR programs, and CSR-business integration. We then focus on the banking industry, an overlooked industry within CSR literature, and conduct both cross-sector comparisons and within-sector examinations of CSR strategy in the banking industry. A list of hypotheses is proposed and studied using a global sample of banks.

Literature Review

Theoretical Approach to CSR

As time has progressed, governments have declared the importance of CSR. More business corporations have started to pay attention to it and more scholars have tried to study this big field.

In prior research, some scholars and companies treated CSR as a social responsibility. Therefore, some corporations did CSR based on morality, and many did this because the government required it. On the other hand, some corporations used CSR to improve their corporate profits. Many researchers studied the relationship between CSR and CFP (ex. Barnett & Salomon, 2006); some researchers tried to find the factors that influence the relationship of CSR and CFP (ex. Wang, Dou, & Jia, 2016; Barnett, 2007), and some researchers studied one specific CSR, such as philanthropy, and studied the relationship between it and CFP (H. Wang & Qian, 2011). However, considering the entire field of CSR as a strategy has been mentioned significantly less, even though there are a few papers studying CSR engagement strategy (ex. Tang & Rothenberg, 2012). Moreover, the concept of the CEO as an important person when CSR is being operated has been studied significantly in prior research papers. Many scholars have studied the relationship between CEO and CSR. Some researchers studied the characters of CEOs and their effect on CSR (ex. Y. I. Tang, Qian, Chen, & Shen, 2015; Petrenko, Aime, Ridge, & Hill, 2016). However, less scholars studied how he or she treated CSR as a strategy to make profit or decrease crises of corporations.

In my own study, I considered CSR as a strategical decision. The TMT (top management team) and CEO should make decisions regarding which CSR should be done and how it should be executed to increase profits, promote the reputation of their companies, or achieve the stakeholders' requirements.

CSR as a Response

CSR has become a big issue that corporations cannot ignore. More and more, business corporations started have started to use CSR and have treated it as an unavoidable mission. The reasons why corporations use CSR becomes an interesting topic. Firms use CSR for many reasons: they may expect to increase profits through CSR; they may hope to gain a good reputation for using CSR; they know their competitions are using it; the recognize that the government requires it; or they use it because they feel it is their social responsibility. Many scholars have studied the motives behind corporations who use CSR and there are many previous papers written about these reasons. From only an ecological perspective, Bansal and Roth (2000) explained that the pressure of ecological responsiveness came from other competitors, legality, and morality. Aguilera, et. (2007) concluded that businesses have three main motives for participating in CSR practices: one is self-interest; one is caring about the relationships among people who are related to the company, such as the relationship between employees and management; and one is morality.

Moreover, scholars not only studied the reasons corporations engage in CSR as a whole, some researchers studied the CSR activities and motivations more specifically. They studied different CSR activities in detail and tried to determine the motives behind these businesses' decisions to use CSR. For example, Sánchez (2000) studied one CSR responsiveness,philanthropy, and concluded two reasons for corporate philanthropy: altruism and legitimacy. To be more specific, from a sustainable management aspect, Walker, Di Sisto & McBain (2008) wrote a literature review and analysed the internal and external aspects of the reasons why corporations' supply chains go green. The drivers included organisational reasons, regulators, consumers, competitors, society, and suppliers. Zhu and Sarkis (2007) also mentioned that Chinese industries used green supply chains because they were facing institutional pressures from the market, government, and the competitors.

Since corporations have different motives for using CSR, it is also necessary for us to understand why they choose specific types of CSR behavior. For example, why a certain company chooses to do charitable giving but not self-regulation, or why another organization decides to become involved in this environmental behavior but not others. Past literatures have given us some clues. For instance, Delmas and Toffel (2003) mentioned that firms engaged in different "environmental management practices" not only for internal, firm-related reasons, but also because of institutional-related external pressures. They explained that different firms may face the same kinds of institutional pressure, but since each firm has its own unique structure or performance, it can comprehend those pressures differently. Therefore, different firms can respond to the pressures in different ways. Moreover, a corporation’s characteristics can also affect its behaviour; Chang (2015) mentioned that corporations with a green organizational culture are more likely to use proactive CSR instead of reactive CSR. To be more specific, many external factors and internal factors can affect how a firm uses CSR. Christmann (2004) mentioned the pressure from different stakeholders, such as the government, industry competitors, consumers, and even the different features of the corporations themselves would affect how multinational corporations standardize their environmental policy. Delmas & Toffel (2008) also considered that external organizational pressures can affect how a firm responds. Therefore, many different elements can affect firms’ CSR behaviors. Firms should consider these aspects and decide which CSR activity is most appropriate.

Based on those factors, firms chose to use CSR and respond differently to different pressures. As a general response, companies use two kinds of CSR: proactive CSR and reactive CSR. Proactive CSR means companies actively participate in social practices to improve society, economy, and environment, not because of any government requirements or pressure (Torugsa, O’Donohue, & Hecker, 2013).

However, previous papers did not explicitly say whether the response activity was proactive or reactive explicitly, but just chose to analyze that specific CSR activity and explained how companies used it to respond to the pressures they faced. For example, Koehn & Ueng (2010) mentioned that corporations with financial scandals were more likely to engage in philanthropy since philanthropic acts can distract the public from their misconduct, and can help earn their good reputation back. Moreover, researchers also studied CSR from social and environmental aspects, not just from an economic standpoint. Du (2015) also proved that "Chinese family-owned firms" use philanthropy to solve environmental problems. He explained that these Chinese corporations use philanthropy to distract the attention of public away from environmental malfeasance, and he concluded that some corporations simply use philanthropy as a CSR activity to cover misconduct. However, on the other hand, some corporations use philanthropy simply for the good for society, not because they are pressured (Sánchez 2000). Corporations use many different CSR activities, not just philanthropy, to respond to various kinds of pressure. For example, pressures from multinational customers and industry competition in developed countries, motivate many companies in developing countries like China to use ISO 14000 to "increase self-regulation of environmental performance" (Christmann & Taylor, 2001).

CEO Influences CSR

No matter how a firm participates in CSR or how corporations achieve their goals by engaging in CSR activities, we cannot ignore the importance of the person who makes these. The CEO, as the decision maker of the corporation, has great influence on which CSR activity is taken or to what extent the firm engages in CSR (Waldman, Siegel, & Javidan, 2006a).

As the individual with the key position of a company, the CEO decides the direction of the CSR strategy and has great influence on CSR. Petrenko et. al (2016) mentioned that many previous papers agreed that the CEO influences CSR deeply. Moreover, how a CEO influents CSR has also been studied for many years. Scholars have studied CEOs from different perspectives and tried to figure the relationship between CEOs and CSR.

Some researchers studied the personalities of CEOs and concluded that CEOs' different characters can influence the execution of different CSR activities. Kang (2017) mentioned that a CEO's impalpable characteristics can influence a firm's social performance, especially "the ethical standards and risk propensity." Tang et al., (2015) studied the relationship between CEO hubris and CSR. He concluded that when a CEO is more hubris, the firm will participate less in CSR activities. Petrenko et al., (2016) concluded that CEO narcissism related positively to CSR. He explained that engaging in CSR activities can bring attention to the firm and the CEO themselves. Moreover, a narcissistic person prefers to exhibit his or her positive self-image. Petrenko et al., (2016) also mentioned that a firm with a narcissistic CEO is more likely to engage in philanthropic activities; this kind of CSR action can attract the public's attention and allow a narcissistic CEO the opportunity for more praise.

Scholars have also studied CEOs' learning backgrounds, tried to figure out whether CEOs' learning experiences or their post-secondary major affects what they think about CSR. For example, Huang (2013) concluded that a CEO who graduated with an MBA or MSc is associated with corporate social performance. However, other educational experiences, such as a PhD or a BA degree, have no relationship with companies' CSR performance. Manner (2010) studied how a CEO's bachelor degree in economics is negatively related to CSP, while a bachelor degree in humanities is positively related to CSP.

Some scholars also think from other perspectives: for instance, Kang (2016) studied how CEO retirement had a negative relationship with CSR due to less pressure from the outside market.

However, if the CEO was very old or still on the board after his retirement, this negative effect was be lessened. Huang (2013) also studied the relationship between a CEO’s age, nationality, and the firms’ CSR performance, but proved this is not significant. However, a CEO’s gender and working years do affect the CSR performance of a firm (Huang, 2013). A CEO’s short-term compensation is negatively associated with CSP (Manner, 2010).

As an upper-level management employee of the corporations, the CEO has significant decision-making power. Wiggenhorn et al., (2016) studied that a CEO’s power positively impacts employee health, safety, and other welfare. As one member of the top management team, how much power a CEO has within that group also influences what CSR decisions are made. Previous papers have studied the relationship between CEO power and CSR. Jiraporn & Chintrakarn (2013)found a reversed U-shape, curvilinear relationship between CEO power and CSR investment. On the other hand, Li et al., (2016)found CEO power had a negative relationship with CSR. There are many previous papers where CEO-dominance and its relationship with CSR are studied. CEO dominance means CEO power, and the more dominance he or she has, the more decision-making power he or she can use (Jiraporn, Chintrakarn, & Liu, 2012). Jiraporn & Chintrakarn (2013) considered that the relationship between CEO dominance and CSR is not a simple linear relationship. They found that when a CEO has less power, as the power increases, the CEO will use more CSR. However, when the CEO has more power, he or she will participate less and less with CSR. When the power is sufficient, he or she may reduce the CSR investment. However, some scholars have different opinions; Li et al., (2016) wrote that CEO dominance is negatively related to CSR activities. In my paper, I also want to figure out the relationship between CEO dominance and CSR, and I want to investigate how the CEO’s dominance influences the firm’s strategic choices across these four CSR commitments: philanthropy, internal policy, internal program, and business-CSR integration.

Theory and Hypothesis

Four Approaches

There are many different strategic CSR activities that are used as responses. We developed the following organization framework that categorizes CSR investment into four groups: philanthropy, CSR policies, CSR program, and business-CSR integration.

Philanthropy. Firstly, we consider that there are many studies about philanthropy. Secondly, philanthropy is a quick and easy commitment that does not need much coordination or change to current business practices. Thirdly, unlike charitable organizations who engage in philanthropy simply to help others, some corporations' philanthropic work is not required by legislation but is undergone for some other purpose. Sanchez (2000) mentioned Pasquero's (1991) view says philanthropy is not just a charitable activity but is more like other decisions or activities that work for the firm.

For example, philanthropy can distract from environmental misconducts (Du, 2015); philanthropy can divert the attention of customers and the social media and can promote the favourability among customers (Koehn & Ueng, 2010). People pay more attention when a business crisis is directly related to the customers because they feel that they are the victims. Philanthropy can be a good strategy to divert people's attention from these types of issues.

As Sanchez (2000) mentioned in his paper, corporations engage in philanthropy for many different reasons. He discussed three models of philanthropy: the altruistic model, where firms engage in philanthropy only for societal benefits; the profit maximization model, where firms' philanthropic efforts are made only for economic profit; and the "political and institutional power model," where firms engage in philanthropy to earn political return.

CSR policies. We consider that there are rarely studies about CSR policies. These are clear declarations (written statement) of organizational responsibility for specific issues, such as discrimination. Corporations make government-required policies and the purpose behind executing these policies is to adhere to legal practices and to reduce the negative externalities of the corporation, such as reducing water pollution; it is really a type of a risk management. Many researchers have studied different regulations within different businesses, including Christmann (2004) who considered how pressures from government, competitors, and customers would affect the standardization of the firm's environmental policy.

CSR programs. We consider that there are few studies on specific CSR programs. Sometimes, corporations use CSR efforts in a manner that goes beyond what is expected or required by regulations. We consider corporations that use internal programs that are not required by the government. CSR programs often involve cross-departmental collaboration and commitment (e.g., supply chain audit), but can also be independent of core business activities (cf. corporate ethics program in Weaver at al., 1999a; 1999b). Hart (1997) mentioned a strategy that can make a sustainable world, and gave three stages to accomplish it. The first step is the pollution prevention: he explained that companies should change from pollution control – which means cleaning those pollutants after they are created – to pollution prevention – which means reducing the pollution during the manufacturing process. The second step is called product stewardship: he explained that this requires not only reducing pollution during manufacturing, but also during the entire flow path of the product. The third step is to make new technology: this way, companies not only achieve the required pollution reduction, they go beyond to prevent pollution from the beginning and plan for the future.

CSR- Business integration. We consider that there are few studies mentioned about this.

The goal is to make CSR a whole part of business (e.g., bank lending decisions using CSR criteria) and to apply CSR principles to everyday business operations. Castka et al., (2004)mentioned there were many different CSR-related standards, and each standard focused on different aspects of CSR. He doubted their practicality and claimed that CSR cannot be separated from business, and he also wanted to make a good CSR management system. Kittilaksanawong (2011)also considered that in order to improve firm performance, it was necessary to merge the CSR activities with the firm's business. Therefore, we think a corporation chooses to use business integration to make CSR an internal part of business and apply CSR principles to everyday business operations.

Cross-Sector Comparison

There are many papers previously mentioned that talk about the benefits of CSR investments. For example, Godfrey et al., (2009) mentioned that CSR investments can reduce risks in shareholder values, will decrease the cost (Dhaliwal et al., 2014), and can increase financial performance (Luo et al., 2011; Hull & Rothenberg, 2008). The results after CSR investment can be totally different, too (Brammer & Millington, 2005; Wang, Choi, & Li, 2008). We consider only one industry: the banking industry. First, people need banks and use them every day, and so this industry does not risk as much as others if it chooses not to use CSR. Secondly, there may be complaints about the bank's products or services, but these are not strong voices and banks do not need to solve these problems with CSR. Thirdly, it is not necessary for banks to invest in CSR integration within the business (e.g., environmental issues). Lastly, philanthropy is the easiest method for the bank to implement because banks have enough resources to do this. Therefore, we propose that:

H1a: Banks are more likely than firms in other sectors to make strong philanthropic investment.

H1b: Banks are less likely than firms in other sectors to invest in CSR policies and programs.

H1c: Banks are less genuine in CSR investment than firms in other sectors.

Within the Banking Industry: CEO Dominance and CSR Strategy

CEOs have a responsibility to enact corporate strategy, and are also required to ensure their company projects a positive image to the public by implementing corporate social responsibility. Moreover, they also have the right to change any CSR decisions previously made within the firms (Waldman, Siegel, & Javidan, 2006). There is no doubt that CEOs influence CSR. Besides the individual personalities, experiences, or perspectives of the CEOs themselves, there are also papers where CEOs were studied from an external perspective. In some corporations, decisions were made solely by CEOs, but other corporations reach decisions after discussion with the TMT. The results may then be different if the CEOs have different degrees of power (Adams, Almeida, & Ferreira, 2005).

A CEO may choose to use CSR for many reasons that include not only for the stakeholders' or the firm's interest, but also his or her own. Jiraporn & Chintrakarn (2013) mentioned that, based on the agency view, managers use CSR investments to increase their own benefits. In order to increase their personal benefits, they like to participate in more CSR investments when they have more power. To increase their own benefits, for example, to increase his or her reputation or to highlight his or her capacity, the CEO would be more likely to engage in proactive forms of CSR activities. Moreover, we may think philanthropy is a quick and easy commitment that does not need much coordination or change to current business practices, however, when corporations choose to engage in specific activities – such as the internal program - it often involves cross-department coordination. Kittilaksanawong (2011) made the conclusion that the more CSR activities are integrated into a business, the better the organizational performance.

Wong et al. (2011) found that if the top management team is complex and decentralized, meaning the CEO has less power, there will be a decrease in CSR. Moreover, if other factors, such as economic and stakeholder environments, are positive, powerful CEOs may focus on shareholders but no other stakeholders. Thirdly, it is easier to apply philanthropy than other CSR investments, and it is the most effective way to improve reputation. Lastly, if the companies have done some philanthropies, it can help them maintain the reputation when they have some negative events, (Godfrey et al., 2009), so banks don't need to be as genuine or transparent as firms in other sectors. Therefore, we proposed that:

H2: In the banking sector, CEO dominance is negatively related to CSR investment in philanthropy, policies, and programs.

H3: In the banking sector, CEO dominance is positively related to the dominance of philanthropy in CSR investment.

H4: Banks high in CEO dominance will be less genuine in CSR investment.

Methods that can be used by banks to integrate CSR into their businesses include responsible investment and asset management programs, applying social and environmental standards in lending decisions, and developing sustainability-related financial services (e.g. micro-financing). Powerful CEOs may be less willing to invest in such programs because it may hinder the potential for profit maximization, which is the dominant logic within the industry. Powerful CEOs tend to be risk-taking and immerse themselves in new financial products and developments, paying less attention to other stakeholder needs.

H5: In the banking sector, CEO dominance is negatively related to the programs that integrate CSR into banking business.

Methodology

Data and Sample

We compiled a governance, social, and environment index from the Sustainalytics database, matching it with financial and firm data from Compustat. The final sample involves 9,899 firm-year observations across the world from 2009-2013. The total observation includes a sample of 2,780 firms within the financial service sector. The data in the Sustainalytics is categorical. Some of the variables are measured by scores with 100, 50, and 0; some of the variables are measured by 100, 75, 50, 25, and 0; some of them are measured by 100, 80, 40, 20, and 0, and so on. Each variable has one specific description and each score based on that description indicated one level in that variable.

These companies are from a variety of industry groups. There are 29 different industry groups in the Sustainalytics database. For example, banks, food and staples retailing, health care equipment and services, insurance, and so on. Those companies come from six different regions, including Africa, Asia-Pacific, Europe, Latin America and the Caribbean, North America, and South America. Most of them are from Asia-Pacific, Europe, and North America.

We choose the Sustainalytics database for several reasons. First, it contains experienced analysts from different industries (WRDS, 2017). Second, it offers historical data and covers a wide time period, from 2009 to 2013. This can help us understand the historical performance of most companies. Third, it contains governance, social, and environmental information for different topics such as business ethics, public policy, products and services, employees, customers, contractors, and so on. This can help us understand the companies' structures and offers specific details about how companies execute government policies and internal programs.

Independent Variables

CEO-Dominance. The CEO-dominance index includes four variables: relationship between CEO and the board chair (100 means there is no relationship; 0 means there is no relationship between the CEO and the board chair but a previous CEO is the chair; 0 also means the roles of board chair and CEO are the same; 50 means data for this company is not available), the independent board of directors (100 means non-independent; 75 means two supervisory board members are non-independent; 25 means more than two supervisory board members are non-independent; 0 means the majority of supervisory board members are non-independent.), independence of the audit committee (100 means all members are non-independent; 20 means one member is non-independent; 0 means two or more members are non-independent; 0 also means not all members are independent, or the company does not have an audit committee, or disclosure is insufficient to determine audit committee independence; 50 means data for this company is not yet available), independence of the compensation committee (100 means all members of the compensation committee are independent; 0 means not all members are independent, or the company does not have a compensation committee, or disclosure is insufficient to determine compensation committee independence; 50 means data for this company is not yet available).

Dependent variables

Philanthropy. Philanthropy is measured by the guidelines company has for philanthropic activities and areas, the charitable foundations the corporation has regular dealings with, and the percentage of cash donations of NEBT within the company. We chose the average results after adding these three measurements together.

CSR policies. This includes eight variables: the policy on bribery and corruption (100 means the company has a strong policy on bribery and corruption; 75 means less; 50 means weak; 25 means there is no evidence of a formal policy but the company has a general statement addressing this issue; 0 means the company does not have a policy there is no evidence show the policy), policy on responsible investments (100 means the company has a strong policy on responsible investments; 80 means the company has less; 40 means the company has a weak; 25 means although there is no evidence the company states they have the policy; 0 means the company does not have a policy, or there is no evidence that the company has a policy on responsible investment), policy on money laundering (100 means the company has a strong policy on money laundering; 50 means the company has less policy; 25 means there is no evidence shows the company has the policy but it states the company has the policy; 0 means the company does not has the policy, or there is no evidence that the company has a policy on money laundering), policy on political involvement and contribution (100 means the company states that it does not make any political contributions; 75 means the company has a strong policy on it; 25 means the company has a weak policy on it; 20 means there is no evidence of a formal policy but the company has a general statement addressing this issue; 0 means the company has the policy but it has not been showed, or that there is no available evidence that the company has a policy on political involvement and contributions, or the company does not have a policy on it), policy on freedom of association (100 means the company has a strong policy on freedom of association; 75 means the company has an adequate policy on it; 25 means the company has a weak policy on it; 20 means there is no evidence but a general statement addressing this issue; 0 means the company does not have a policy on it), formal policy on the elimination of discrimination (100 means the company has a strong policy on the elimination of discrimination; 50 means the company has an adequate policy on it; 25 means the company has a weak policy on it; 20 means there is no evidence but the company has a general statement; 0 means the company does not have a policy on it, or that there is no evidence that the company has a policy on the elimination of discrimination), formal environmental policy (100 means the company has a strong and detailed environmental policy; 50 means the company has a relatively strong environmental policy; 25 means the company has an environmental policy but it is not very detailed; 20 means there is no evidence of a formal policy but the company has a general statement addressing this issue; 0 means the company does not have a formal environmental policy, or it can also means that there is no evidence that the company has an environmental policy), formal policy or programme on green procurement (100 means the company has a strong and detailed policy statement on green procurement; 60 means the company has a policy on it; 40 means the company has a policy on it but is limited or unclear, or it means the company has some programmes/activities to improve supplier performance but does not have a formal policy; 30 means there is a general statement about environmental practices in the supply chain but no clear requirements are set by the company, and it means the company has a policy but it is not disclosed; 0 means the company does not have a policy on green procurement, and it also means that there is no available evidence that the company has a policy on green procurement).

CSR programs. This includes 7 variables: whistleblower programmes (100 means the company has a strong whistleblower programme; 50 means the company has less programme; 25 means the company has a weak whistleblower programme, and it also means the company has some activities but no formal programme; 0 means the company does not have a whistleblower programme, and it also means that there is no evidence that the company has a whistleblower programme), programmes to increase workforce diversity (100 means the company has strong programmes; 50 means the company has adequate programmes; 25 means the company has weak programmes, and it also means the company has some activities to increase workforce diversity; 1 means the company does not meet the Japanese (Korean) legal mandate of having 1.8% [2.5%] of its workforce comprised of people with disabilities; 0 means the company does not have programmes to increase workforce diversity, it also means that there is no evidence that the company has programmes to increase workforce diversity), supply chain monitoring system (100 means the company has a system to monitor supplier compliance with social standards; 50 means over the last 3 years, there have been supplier monitoring activities but the company does not have a formal monitoring system; 0 means the company does not monitor supplier compliance with social standards, or it means that there is no evidence that the company monitors supplier compliance with social standards), companies have financial services programmes for socially vulnerable groups (100 means the company has a strong and detailed programme; 50 means the company has a programme but without enough details; 25 means the company has some informal programmes; 0 means the company has no programmes on financial inclusion, and it also means it is not disclosed whether the company has any programmes on financial inclusion), environment management system (EMS) (100 means the company has a strong and detailed EMS; 80 means the company has a relatively strong EMS that covers more than 10 core elements; 60 means the company has an EMS that covers 6 to 10 core elements; 40 means the company has an EMS but its scope is limited to less than 50% of the company's operations; 20 means the company has an EMS but it covers less than 6 core elements or it means the company has some activities but has not implemented a formal EMS; 0 means the company does not have an EMS or that there is no evidence that the company has an EMS), programmes to decrease direct GHG emissions (100 means the company has a detailed plan; 50 means the company has a detailed plan without setting a deadline; 40 means the company has implemented a programme to reduce GHG emissions but its scope is limited to less than 50% of relevant company operations; 25 means the company has implemented a programme to reduce GHG emissions but no evidence was found of quantitative targets or deadlines, and it also means the company has some activities but it does not have a formal programme; 0 means there is no evidence shows the company has any plans to decrease direct GHG emissions,), programmes to use more renewable energy (100 means the company has detailed plan about these programmes; 50 means the company has the programmes but not in detail; 40 means the company has a programme but its scope is limited to less than 50% of relevant company operations; 25 means the company has implemented a programme to increase the use of renewable energy but no evidence was found of quantitative targets or deadlines, and it also means the company has some activities but it does not have a formal programme; 0 means the company has no programmes or targets, and it also means that there is no evidence that the company has programmes or targets).

CSR Genuineness. This includes four variables: One is tax transparency (100 means the company provides a detailed breakdown of taxes paid per country; 90 means the company provides some details on taxes paid, indicating that it is unlikely that it uses tax havens; 25 means the company provides some details on taxes paid, indicating that it is likely that it uses tax havens; and 0 means the company does not provide a detailed breakdown of taxes paid per country), the second variable is external verification of CSR reporting (100 means the CSR report was externally verified according to standards that are consistent with best practice; 50 means the CSR report was externally verified according to standards that fall below best practice, or the CSR report was externally verified according to standards that are consistent with best practice but it received limited assurance; 25 means the external auditors of the company's CSR report found significant deficiencies; 0 means the CSR report was not externally verified or the company did not publish a CSR report), the third variable is the relationship between salary of the top management team with ESG performance (100 means very clear relationship; 50 means data for this company is not yet available; 25 means there is some relationship between these two but not formal; 0 means there is no relationship between these two), And the last variable is the external certification of EMS (100 means 90% or more of the company's activities have received external certification; 75 means between 75% and 90% of the company's activities have received external certification; 50 means between 50% and 75% of the company's activities have received external certification; 25 means between 25% and 50% of the company's activities have received external certification, or that less than 25% of the company's activities have received external certification or some of the company's activities have received external certification but the scope is unclear; 0 means none of the company's activities have received external certification or that there is no evidence that the company's activities have received external certification).

Philanthropy dominance. We calculate the percentage of philanthropic investment in the total CSR investment (including philanthropy, policy, and programs).

Control Variables

Size. It is the log of total assets.

Risk. We calculate it by long term debt/total assets.

Region. There are four region dummies. They are North America, Asia- Pacific, Europe, and other regions.

Analysis and Results

To test hypothesis 1, we use the multinomial regression. For Test hypothesis 2, hypothesis 3, hypothesis 4, and hypothesis 5 we use linear regression with auto-correlation disturbance. Table 1 shows the descriptive statistics of all the important variables. We can see the correlation between each two variables. Policy and programs have a very high correlation of 0.726. Since the policy and programs have high correlation, we separated them to test in Hypothesis 1.

Table 1 shows descriptive statistics and correlation coefficients of research variables. Table 2, 3, and 4 show the results of regression analysis. Hypothesis 1a, 1b, and 1c are tested in Table 2. Hypothesis 1a argues that banks are more likely than firms in other sectors to make strong philanthropic investment. Hypothesis 1b states that banks are less likely than firms in other sectors to invest in CSR policies and programs. Hypothesis 1c argues that banks are less genuine in CSR investment than those in other sectors. In Table 2, we chose 3,356 observations and compared consumer business material with the banking industry to test Hypothesis 1a, 1b, and 1c. We find that the coefficients on both interactions (philanthropy and consumer business, philanthropy and material) are negative and significant ($p< 0.001$). Therefore, Hypothesis 1a is supported. To test Hypothesis 1b, the interaction of policy and consumer business, or the interaction of policy and materials are significant. For the coefficients of the interaction of programs and consumer business, programs and materials are also significant. Therefore, Hypothesis 1b is supported. The coefficient is not significant to the interaction of genuineness and consumer business ($p> 0.05$), but it is positive and significant to the interaction of genuineness and materials ($p< 0.001$). Therefore, Hypothesis 1c is partially supported.

Table 3 tests Hypothesis 2, which argues that within banking sector, CEO dominance is negatively related to CSR investment in philanthropy, policies, and programs. As we can see from Table 3, there is a negative and significant coefficient of the interaction between CEO dominance and policy ($p<0.01$), but the coefficient of the interaction between CEO dominance and philanthropy, and of CEO dominance and programs, are not significant. Therefore, Hypothesis 2 is partially supported.

Table 4 tests Hypothesis 3, 4, and 5. Philanthropic dominance tests Hypothesis 3, which argues that within banking sector, CEO dominance is positively related to the dominance of philanthropy in CSR investment. There are 683 observations. The coefficient of the interaction term is positive and significant ($p< 0.01$). Hypothesis 3 is supported. Hypothesis 4 argues that banks high in CEO dominance will be less genuine in CSR investment. This hypothesis is tested by testing 700 observations in Table 4 CSR genuineness. The coefficient of the interaction term is negative and significant ($p < 0.001$). Hypothesis 4 is supported. Hypothesis 5 argues that within the banking sector, CEO dominance is negatively related to the programs that integrate CSR into banking business. The coefficient is negative and significant. Therefore, Hypothesis 5 is supported.

Conclusion

Based on the sample and the test, we can find that the banks are more likely than firms in other sectors to make strong philanthropic investment, but are less likely to invest in CSR policies and programs. Within the banking sector, CEO dominance is positively related to the dominance of philanthropy in CSR investment. Banks high in CEO dominance will be less genuine in CSR investment, and CEO dominance is negatively related to the programs that integrate CSR into banking business. However, for Hypothesis 1c, it is just partially supported. For Hypothesis 2, it is also just partially supported.

Based on this paper, we think we have contributions: we identify four different approaches of CSR from a theoretical perspective, we use CEO-dominance as an independent variable, and we demonstrate the predominant role of CEO in determining strategic choices of CSR activities.

As for the limitations, we do not have enough data about banks and so we may miss some important details. For future research, we would add more variables or try and find more data to help us conduct this research more thoroughly.

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Table 1. Descriptive Statistics

	Mean	S.D.	Philanthropy	Policy	Programs	Philanthropy-dominance	Genuineness	CSR Integration	CEO-Dominance	Risk
Philanthropy	44.303	27.471	1.000							
Policy	33.503	22.874	0.412*	1.000						
Programs	30.846	22.307	0.459*	0.726*	1.000					
Philanthropy-dominance	0.854	1.458	0.224*	-0.339*	-0.299*	1.000				
Genuineness	19.737	19.468	0.223*	0.449*	0.475*	-0.149*	1.000			
CSR-Integration	15.845	20.438	0.393*	0.724*	0.740*	-0.239*	0.377*	1.000		
CEO-Dominance	-50.277	33.992	-0.011	-0.095*	-0.003	0.112*	-0.099*	-0.039	1.000	
Risk	0.178	0.178	0.089*	0.169*	0.122*	-0.095*	0.035	0.195*	-0.079*	1.000
Size	9.974	2.803	0.144*	-0.026	0.103*	0.146*	0.083*	0.117*	0.362*	-0.050*

Table 2. Regression Results Testing H1a, H1b, and H1c- Comparing with Banks

	Model 1		Model2	
	Consumer Business	Materials	Consumer Business	Materials
Philanthropy	-.0.007	-0.014***	-0.015***	-0.023***
	0.004	0.004	0.004	0.004
Policy	0.032***	0.029***		
	0.005	0.005		
Programs			0.061***	0.062***
			0.007	0.007
Genuineness	0.005	0.028***	-0.007	0.016**
	0.005	0.005	0.005	0.005
CEO-Dominance	0.0137***	0.011***	0.014***	0.012***
	0.003	0.003	0.003	0.003
Size	-0.894***	-0.883***	-1.007***	-1.005***
	0.077	0.077	0.085	0.084
North America	0.491	-0.309	0.319	-0.430
	1.427	1.130	1.476	1.205
Asia-Pacific	2.720	2.051	2.607	2.005
	1.518	1.203	1.584	1.290
Europe	-0.683	-1.434	-0.687	-1.437
	1.400	1.110	1.455	1.189
Other Regions	0	0	0	0
	Omitted	Omitted	Omitted	Omitted
_Cons	9.782***	9.674	10.922***	10.777***
	1.401	1.261	1.405	1.3177
Observations	3356	3356	3356	3356
Wald $Chi^2(16)$	285.60	285.60	315.69	315.69

Robust standard errors appear in parentheses.
P*<0.05; P**<0.01; P***<0.001

Table 3. Regression Results Testing H2

	Philanthropy	Policy	Programs
CEO-Dominance	-0.007	-0.030*	-0.019
	0.024	0.014	0.013
Risk	-9.529	-3.541	-5.361
	8.579	5.145	4.697
Size	3.069**	1.041*	1.890***
	1.043	0.498	0.460
North America	-1.139	-9.342*	-6.842
	12.530	4.531	4.205
Asia-Pacific	-17.580	-15.962***	-14.278***
	12.317	3.930	3.647
Europe	0.463	8.069*	1.875
	11.820	4.004	3.715
Other Regions	0	0	0
	Omitted	Omitted	Omitted
_Cons	15.834	18.117*	3.779
	17.028	7.283	6.733
Rho Ar (estimated autocorrelation coefficient)	0.387	0.365	0.441
Sigma_U	22.844	16.544	15.240
Sigma_E	12.559	8.406	7.617
Rho_Fov (fraction of variance due to u_i)	0.768	0.795	0.800
Observations	700	1088	1088
Wald $Chi^2(7)$	13.00	95.53	49.77

Standard errors appear in parentheses.
P*<0.05; P**<0.01; P***<0.001

Table 4. Regression Results Testing H3-H5

	Philanthropy Dominance	CSR Genuineness	CSR Integration
CEO-Dominance	0.007*	-0.089***	-0.031*
	0.003	0.020	0.013
Risk	-0.188	-3.456	-1.003
	0.792	6.055	4.469
Size	-0.105	0.636	1.923***
	0.086	0.664	0.424
North America	1.325	-24.452**	-7.603*
	0.993	7.687	3.826
Asia-Pacific	1.765	-21.958**	-9.563**
	0.981	7.582	3.324
Europe	0.515	-14.789*	10.462**
	0.940	7.281	3.384
Other Regions	0	0	0
	Omitted	Omitted	Omitted
_Cons	2.154	23.075*	-11.386
	1.398	10.783	6.192
Rho_Ar (estimated autocorrelation coefficient)	0.312	0.366	0.405
Sigma_U	1.644	12.712	13.634
Sigma_E	1.415	10.748	7.484
Rho_Fov (fraction of variance due to u_i)	0.574	0.583	0.768
Observastions	683	700	1088
Wald $Chi^2(7)$	18.89	36.28	105.60

Standard errors appear in parentheses.
P*<0.05; P**<0.01; P***<0.001