

Strategic Banking Credit Policy for Organizational Sustainability: The Mediating Role of Financial Resilience and ESG Performance

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Abstract

Banks are increasingly asked to act as agents of sustainability transition, yet how their credit policy actually reaches the firms they lend to remains poorly understood. This study treats strategic banking credit policy as a resource-dependence pressure exerted on borrowers and asks through which organizational channel that pressure travels. Drawing on resource dependence theory and institutional theory, we model credit policy as a formative construct combining sustainability-linked conditionality, relational credit support and credit governance requirements, and test whether it reaches organizational sustainability through the borrower's financial resilience and ESG performance. Survey data from 700 Indian firms borrowing from public sector, private sector and small finance banks are analysed by partial least squares structural equation modelling with a reflective–formative second-order specification. Credit policy raises organizational sustainability directly ($\beta = .161$) and, more substantially, indirectly ($\beta = .289$) through financial resilience, ESG performance, and a serial path running from resilience to ESG. Financial resilience and ESG performance together carry 64% of the total effect. Multigroup analysis shows the two channels are not interchangeable across lender types: public sector banks transmit their influence mainly by strengthening borrower resilience, whereas private sector banks operate mainly through ESG conditionality. Measurement invariance is established before comparison, and organizational sustainability is shown to be empirically distinct from ESG performance rather than a relabelling of it. The findings identify the borrowing relationship as a transmission mechanism for sustainability and show that its effectiveness depends on the ownership form of the lender, which matters directly for how climate-related credit regulation should be designed.

Keywords: Banking credit policy; Organizational sustainability; Financial resilience; ESG performance; Resource dependence theory; Sustainable finance; PLS-SEM; Multigroup analysis

Highlights

- Models bank credit policy as a resource-dependence pressure transmitted to borrowing firms.
- Financial resilience and ESG performance jointly carry most of the effect on sustainability.
- A serial path runs from credit policy through resilience to ESG performance.
- Public sector banks transmit through resilience; private banks through ESG conditionality.
- Organizational sustainability is shown to be empirically distinct from ESG performance.

1. Introduction

Regulators across several jurisdictions now expect banks to do more than price risk. They are asked to screen the environmental conduct of the firms they finance, to demand disclosure from them, and to steer credit away from activities judged incompatible with a low-carbon transition. India moved decisively in this direction when the Reserve Bank of India issued its Climate Finance and Management of Climate Change Risks Directions in November 2025, with separate instruments for commercial banks and for small finance banks, obliging lenders to validate borrower information, monitor the end use of funds and publish impact assessments (Reserve Bank of India, 2025).

The premise behind such rules is that credit is a lever. Banks decide who receives capital and on what conditions, so their lending policy should be able to reshape the conduct of borrowers. That premise is plausible, and it underpins a rapidly growing literature on sustainable finance. What it lacks is a demonstrated mechanism. Studies show that firms with stronger environmental profiles borrow more cheaply (Chava, 2014; Goss & Roberts, 2011) and that ESG considerations enter banks' credit assessments (Weber, 2012; Houston & Shan, 2022). These are findings about pricing and screening. They tell us that banks respond to what firms already are. They do not tell us whether, and by what route, a bank's credit policy changes what a firm becomes.

This paper takes the borrower's side of that relationship as its unit of analysis and asks a question that the pricing literature cannot answer: when a bank imposes a particular credit regime, what happens inside the firm that receives it, and does anything reach the firm's capacity to endure? We argue that two organizational states stand between credit policy and organizational sustainability, and that they are of quite different kinds. The first is financial resilience, the firm's capacity to absorb shocks and recover from them. The second is ESG performance, the firm's environmental, social and governance conduct. A bank can strengthen the first by lending patiently through difficulty, and the second by making credit conditional on environmental and social criteria. Which of these a bank actually does is a strategic choice, and we expect the choice to depend on what kind of bank it is.

Resource dependence theory provides the reason to expect any influence at all (Pfeffer & Salancik, 1978). Firms that depend on an external party for a critical resource become subject to that party's demands, and few resources are more critical to a mid-sized firm than credit. Institutional theory supplies the form the influence takes, since a lender able to withhold capital exercises exactly the coercive pressure DiMaggio and Powell (1983) identified as a driver of organizational convergence. Together the two perspectives predict that credit policy will reach borrower conduct, but neither specifies the channel. Identifying the channel is the contribution we attempt.

The empirical setting is India, and the sampling design exploits a feature of its banking system that few countries share. Indian firms borrow from three institutionally distinct kinds of lender: public sector banks carrying a development mandate, private sector banks operating on commercial logic, and small finance banks created to serve the underbanked. The three face different incentives, different ownership structures and, since November 2025, partly different regulatory instruments. If the transmission of credit policy into borrower sustainability is shaped by the lender's institutional character, these three groups should differ, and the difference should be visible in which channel carries the effect rather than in whether an effect exists at all.

We also confront a conceptual problem that this literature has largely avoided. ESG performance and organizational sustainability are routinely used as though they were the same thing, with the result that studies risk reporting a construct's correlation with itself. We separate them explicitly. ESG performance is what a firm does across environmental, social

and governance domains, and it is externally assessable. Organizational sustainability is the firm's capacity to endure: to remain viable, renew its resource base and retain the legitimacy on which it depends (Dyllick & Hockerts, 2002; Bansal & DesJardine, 2014). A firm can perform well on ESG and still be fragile. We test the distinction rather than assert it.

The paper contributes in three ways. It identifies and quantifies the organizational channels through which bank credit policy reaches borrower sustainability, showing that most of the effect is indirect and that a serial path runs from resilience through ESG. It shows that the channel depends on lender ownership, which reframes bank heterogeneity as something more interesting than a control variable. And it establishes empirically that organizational sustainability is separable from ESG performance, which is a precondition for the literature to make claims about either.

2. Theory and hypotheses

2.1. Banks as sources of resource dependence and coercive pressure

Resource dependence theory begins from the observation that organizations cannot generate everything they need and must therefore transact with parties who control what they lack (Pfeffer & Salancik, 1978). Dependence creates leverage. The party controlling a critical, scarce and non-substitutable resource acquires influence over the organization that needs it, and can convert that influence into demands about how the dependent organization behaves.

Bank credit fits the definition closely for the firms studied here. It is critical, because working capital and investment finance determine what a mid-sized firm can attempt. It is scarce, because credit is rationed rather than cleared by price when lenders cannot verify borrower prospects (Stiglitz & Weiss, 1981). And it is imperfectly substitutable, because switching lenders destroys accumulated relationship-specific information and is costly for exactly the firms with the least access to public markets (Petersen & Rajan, 1994; Boot, 2000). A bank that can withhold or reprice credit therefore holds real power over borrower conduct.

Institutional theory describes what that power looks like in practice. DiMaggio and Powell (1983) distinguished coercive pressure, arising from dependence on organizations that impose expectations, from mimetic and normative pressures. A lender that conditions credit on environmental compliance is a textbook source of coercive pressure, and the resulting

change in borrower behaviour is organizational conformity rather than conversion. This matters for interpretation. Firms complying with bank-imposed sustainability requirements need not have internalised sustainability values, and the resulting practices may be shallower than voluntary adoption would produce. Whether shallow compliance nonetheless improves the firm's capacity to endure is an empirical question, and one this study is designed to answer.

Existing work on banks and sustainability has concentrated on the lender's side of the exchange. Scholtens (2006) argued that finance can drive corporate social responsibility; Weber (2012) documented environmental credit risk management inside banks; Goss and Roberts (2011) and Chava (2014) showed that environmental and social profiles affect the cost of debt; Houston and Shan (2022) found that firms tend to borrow from banks with similar ESG profiles. What this literature establishes is that banks notice sustainability and price it. What it leaves open is whether bank behaviour alters borrower behaviour, and if so, through what. Because the studies are conducted with bank or loan-level data, the organizational processes inside the borrower are invisible to them. Approaching the relationship from the borrower's side is what makes those processes observable.

Approaching the question from the borrower's side also changes what can be measured. Lender-side data record the terms of a contract; they cannot record whether a firm subsequently built the reporting discipline the contract demanded, or whether it survived a downturn because its bank held its nerve. Those are organizational outcomes, observable only from inside the firm. The cost of this vantage point is that credit policy must be measured as the borrower experiences it rather than as the bank documents it, and we return to that limitation later. The benefit is that the intervening states become visible at all, which is the precondition for identifying a mechanism rather than an association.

2.2. Strategic banking credit policy

We define strategic banking credit policy as the configuration of conditions, support and obligations that a bank attaches to the credit it extends, as experienced by the borrowing firm. Three components make up that configuration, and each corresponds to a distinct kind of influence.

Sustainability-linked credit conditionality is the extent to which the availability, pricing or continuation of credit depends on the borrower's environmental and social conduct. This is coercive pressure in its purest form, and it is the component that recent regulation most directly encourages.

Relational credit support is the degree to which the bank sustains a durable, advisory lending relationship that absorbs shocks rather than transacting loan by loan. Relationship lending reduces information asymmetry over time and allows the lender to continue supporting a borrower through difficulty (Petersen & Rajan, 1994; Berger & Udell, 2002). This is resource provision rather than coercion, and it should work through a different channel.

Credit governance and monitoring requirements are the reporting, verification and internal-control obligations that the bank imposes as a condition of lending. These reduce the information asymmetry that causes rationing and, in doing so, build capability inside the borrower that outlasts any particular loan.

These three components are not manifestations of a single underlying orientation, and treating them as interchangeable would misrepresent the construct. A bank may impose heavy monitoring while offering no relational patience, or lend patiently while ignoring environmental conduct entirely. Removing any component changes what strategic credit policy means rather than merely lowering its level. Following the decision rules of Jarvis et al. (2003), we therefore specify credit policy as a formative second-order construct whose dimensions are each measured reflectively.

Table 1. Constructs, definitions and theoretical anchoring.

Construct	Definition	Theoretical anchoring
Sustainability-Linked Credit Conditionality (SLC)	The extent to which the bank makes the availability, pricing or continuation of credit conditional on the borrower's environmental and social conduct.	Coercive isomorphism (DiMaggio & Powell, 1983); resource dependence (Pfeffer & Salancik, 1978)
Relational Credit Support (RCS)	The degree to which the bank sustains a durable, advisory lending relationship that absorbs shocks rather than transacting loan by loan.	Relationship lending (Boot, 2000; Petersen & Rajan, 1994)
Credit Governance and Monitoring Requirements (CGM)	The intensity of the reporting, verification and internal-control obligations the bank imposes on the borrower as a condition of credit.	Monitoring and information asymmetry reduction (Stiglitz & Weiss, 1981)
Financial Resilience (FRS)	The firm's capacity to absorb financial shocks, continue operating under stress, and recover its financial position afterwards.	Organizational resilience (Linnenluecke, 2017; DesJardine et al., 2019)
Environmental Performance (ENV)	Improvement in the firm's environmental footprint and in the environmental content of its operating choices.	Natural-resource-based view (Hart, 1995)
Social Performance (SOC)	The firm's conduct towards its workforce and the	Stakeholder theory (Freeman, 1984)

Construct	Definition	Theoretical anchoring
	communities in which it operates.	
Governance Performance (GOV)	The transparency, accountability and ethical control structures through which the firm is directed.	Legitimacy and accountability (Suchman, 1995)
Organizational Sustainability (OSU)	The firm's capacity to endure: to remain viable, renew its resource base and retain the legitimacy it needs from the stakeholders it depends on.	Corporate sustainability as endurance (Dyllick & Hockerts, 2002; Bansal & DesJardine, 2014)

Note. Strategic banking credit policy is formed by SLC, RCS and CGM; ESG performance is formed by ENV, SOC and GOV. Both are modelled as reflective–formative second-order constructs.

2.3. Financial resilience as a transmission channel

Financial resilience is the firm's capacity to absorb financial shocks, continue operating under stress and recover afterwards (Linnenluecke, 2017; DesJardine et al., 2019). It is the more immediate of the two channels, because credit policy operates directly on the firm's financial position.

A bank shapes borrower resilience in several ways at once. Relational support supplies the patient capital that lets a firm survive a downturn without liquidating productive assets. Monitoring requirements force the firm to maintain the reporting discipline and internal controls that make its own financial position visible to itself, which is a precondition for managing it. Even conditionality contributes, since a borrower that must satisfy environmental and compliance criteria is compelled to identify exposures it might otherwise have carried unexamined.

Resilience should in turn support the firm's capacity to endure. Ortiz-de-Mandojana and Bansal (2016) show that resilient firms exhibit greater long-term survival and growth, and the mechanism is straightforward: a firm that can absorb shocks is not forced into the value-destroying decisions that shocks otherwise compel. Financial resilience therefore mediates between credit policy and organizational sustainability.

H1. Strategic banking credit policy is positively associated with organizational sustainability.

H2. Strategic banking credit policy is positively associated with the borrower's financial resilience.

H3. Financial resilience is positively associated with organizational sustainability.

H4. Financial resilience mediates the relationship between credit policy and organizational sustainability.

2.4. ESG performance as a transmission channel

The second channel runs through the borrower's ESG performance. Here the mechanism is conformity to lender expectations rather than financial stabilisation. When credit depends on environmental compliance, when funds are monitored for their declared use, and when the bank raises the standard of reporting it requires, the borrower has a direct economic incentive to improve conduct that the bank observes.

ESG performance should then support organizational sustainability through the resource-based and legitimacy mechanisms that this literature has established. Environmental improvement reduces resource intensity and regulatory exposure (Hart, 1995). Social investment secures the workforce and community relations that operations depend upon (Freeman, 1984). Governance improvement strengthens the accountability and transparency that make a firm credible to those whose support it needs (Suchman, 1995). Each contributes to the firm's ability to persist.

We also expect the two channels to be connected rather than parallel. ESG investment costs money and pays back slowly, so a firm without financial slack cannot make it. Financially resilient firms possess the reserves and the borrowing capacity that discretionary sustainability investment requires, which implies a serial path: credit policy strengthens resilience, resilience enables ESG improvement, and ESG improvement supports endurance. This ordering is theoretically important because it suggests that lenders wanting ESG improvement from fragile borrowers may need to build their financial capacity first.

H5. Strategic banking credit policy is positively associated with the borrower's ESG performance.

H6. ESG performance is positively associated with organizational sustainability.

H7. ESG performance mediates the relationship between credit policy and organizational sustainability.

H8. Financial resilience is positively associated with ESG performance.

H9. Credit policy influences organizational sustainability serially through financial resilience and then ESG performance.

2.5. Distinguishing ESG performance from organizational sustainability

A study relating ESG performance to organizational sustainability must first show that these are different things, since the terms are frequently used as synonyms. We treat them as conceptually distinct in kind rather than degree.

ESG performance is a *practice and conduct* construct. It describes what a firm does across environmental, social and governance domains, it is assessable by outsiders, and it is the object of ratings and disclosure regimes. Organizational sustainability is a *viability* construct. It describes the firm's capacity to endure: to remain economically viable over a long horizon, to renew its resources and capabilities as conditions change, and to retain the legitimacy that the stakeholders it depends on confer (Dyllick & Hockerts, 2002; Bansal & DesJardine, 2014).

The distinction is not merely definitional, because the two can diverge in both directions. A firm may score highly on ESG practice while remaining financially fragile, over-dependent on a single customer and unable to survive a downturn. A long-established firm may endure comfortably while doing little that an ESG rater would reward. If the two constructs were the same, the second channel of our model would be a tautology. We therefore test their separability directly through discriminant validity assessment and through comparison against a measurement model in which they are merged.

2.6. Bank ownership and the Indian institutional setting

The final question is whether the transmission works the same way regardless of who is lending. We expect not, and the Indian banking system provides an unusually clean setting in which to test it.

Public sector banks hold a majority of Indian banking assets and operate under a development mandate that includes priority-sector lending obligations. Their incentives favour continuity of relationship and the stabilisation of borrowers over the enforcement of environmental conditions, and their scale and government ownership make them able to absorb borrower difficulty. We therefore expect their influence to run mainly through financial resilience.

Private sector banks operate on commercial logic, face closer scrutiny from international investors and correspondent institutions, and have moved earlier on ESG-linked products. Their incentives favour explicit conditionality, and their willingness to exit unprofitable

relationships makes conditionality credible. We expect their influence to run mainly through ESG performance.

Small finance banks were licensed to serve underbanked segments and lend to smaller and less formal borrowers. Their capacity to impose either patient support or elaborate environmental conditions is limited by their own balance sheets, and the Reserve Bank of India issued them a separate set of climate directions in recognition of that difference. We expect weaker transmission through both channels.

The regulatory setting sharpens the comparison. The Reserve Bank of India's Climate Finance Directions, issued in November 2025 and effective immediately, require banks raising green deposits to adopt board-approved financing frameworks, validate borrower information, monitor the end use of funds, obtain external verification of allocation and publish annual impact assessments, with an explicit prohibition on greenwashing (Reserve Bank of India, 2025). Two features matter here. The obligations run through to the borrower, since banks discharge them by demanding information and imposing conditions on the firms they finance, which is precisely the transmission we model. And the Reserve Bank issued a separate instrument for small finance banks, implicitly recognising that lenders of different institutional character cannot be expected to transmit the same obligations with the same force. That recognition is a regulatory intuition. Whether it is empirically warranted, and where the differences actually lie, is what H10 tests.

H10. The strength of the paths from strategic banking credit policy to financial resilience and to ESG performance differs across public sector, private sector and small finance banks.

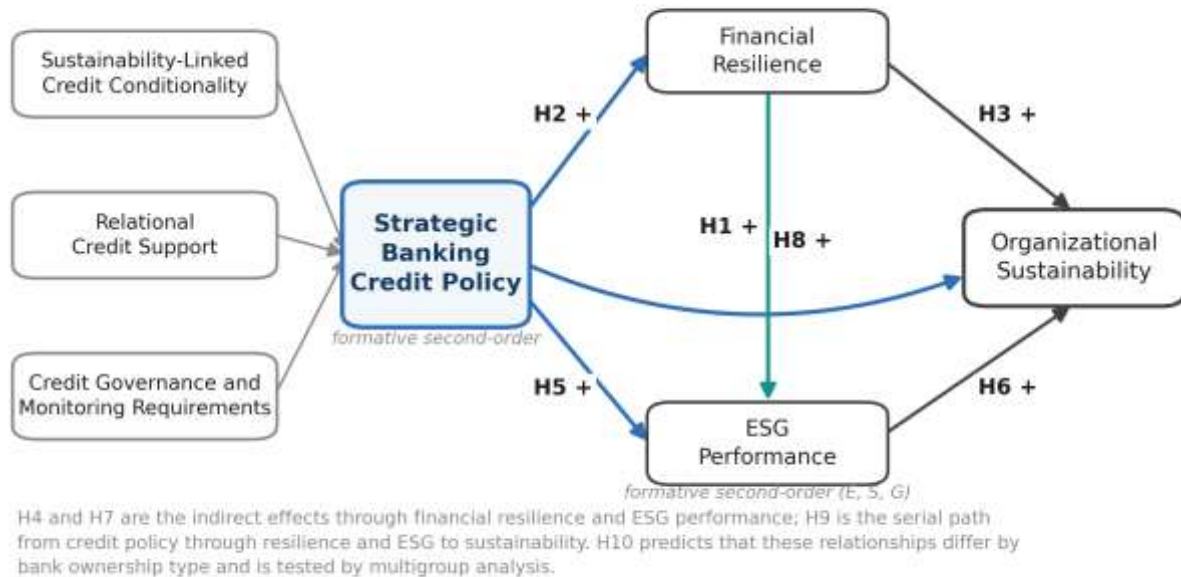


Fig. 1. Research model.

3. Method

3.1. Context, sample and administration

Data were collected by structured survey from firms borrowing from Indian banks. The sampling frame was drawn from industry association directories across manufacturing and services, and the target respondent in each firm was the person most knowledgeable about its banking relationships and financial management, in most cases the chief financial officer, finance head or owner-manager. Firms were asked to answer with reference to their principal lending bank, identified at the start of the questionnaire, and were classified by the ownership type of that bank.

Administration proceeded in two stages. An initial instrument was reviewed by four academics working on sustainable finance and by three practising bankers, whose comments led to the rewording of eleven items and the removal of three that reviewers found ambiguous about whether they described the bank or the firm. The revised instrument was piloted with 38 firms not included in the main sample. The pilot confirmed that respondents could identify a single principal lending bank and answer with reference to it, and produced no further

changes. Questionnaires were then distributed through industry associations with telephone follow-up. Firms that could not name a principal bank, or that reported borrowing roughly equally from more than one, were excluded at screening so that the credit-policy measure would refer to an identifiable lender.

The realised sample comprises 700 firms: 300 banking principally with public sector banks, 260 with private sector banks and 140 with small finance banks. 346 are manufacturers and 354 operate in services; 101 are listed and 599 unlisted. By employment, 169 employ fewer than 50 people, 329 between 50 and 249, 175 between 250 and 999, and 27 a thousand or more.

Respondents were assured of anonymity, told that there were no right answers, and presented with items in randomised order, following the procedural remedies recommended by Podsakoff et al. (2003). Non-response bias was assessed by comparing early and late respondents across all eight constructs; the smallest unadjusted *p* value was .349 and no comparison survived Holm correction.

3.2. Measures

All constructs were measured with multi-item seven-point agreement scales, developed from the theoretical definitions and refined through expert review and pilot testing. Table 1 states each construct with its definition and theoretical anchoring, and the full instrument appears in Appendix A.

Strategic banking credit policy was measured through its three dimensions, each with four items describing what the firm's principal bank does. Financial resilience used five items on shock absorption, operating continuity, funding access and recovery, adapted from the organizational resilience literature. ESG performance used four items for each of the environmental, social and governance dimensions, asked as three-year improvements so that the measure captures change in conduct rather than a static profile. Organizational sustainability used five items on long-term viability, resource renewal, stakeholder confidence and legitimacy, deliberately worded to avoid any reference to environmental or social practice so that the construct could not overlap with ESG performance by construction.

Six control variables were included in the model predicting organizational sustainability: firm size as the natural logarithm of employees, firm age as the natural logarithm of years since

founding, leverage, the length of the relationship with the principal bank, sector and listing status. A three-item marker construct concerning the physical attractiveness of the firm's premises, theoretically unrelated to any study variable, was included for the assessment of method bias.

3.3. Analytical approach

The model was estimated by partial least squares structural equation modelling. PLS was chosen because two of the four constructs are formatively specified at the second order, a case in which covariance-based estimation requires additional identifying constraints that impose substantive assumptions we prefer not to make (Hair et al., 2022). Both higher-order constructs were estimated through the two-stage approach: latent variable scores for the eight first-order constructs were obtained from a Mode A measurement model, then used as Mode B formative indicators of strategic banking credit policy and ESG performance (Becker et al., 2012; Sarstedt et al., 2019).

Structural parameters and indirect effects were assessed by bootstrapping with 10,000 resamples and percentile confidence intervals. Because a covariance-based measurement model provides evidence on dimensionality that PLS alone cannot, we additionally estimated the eight-factor measurement model by maximum likelihood and compared it against three constrained alternatives. Predictive relevance was evaluated by PLSpredict with ten-fold cross-validation repeated ten times, benchmarked against a linear model (Shmueli et al., 2019). Before comparing groups we tested measurement invariance using the MICOM procedure (Henseler et al., 2016), and group differences were then assessed by permutation, using an omnibus test across the three groups followed by Šidák-corrected pairwise comparisons as recommended for designs with more than two groups (Cheah et al., 2023).

4. Results

4.1. Measurement model

The eight-factor measurement model fits well: $\chi^2(499) = 928.85$, $\chi^2/df = 1.86$, CFI = .966, TLI = .962, RMSEA = .035 (90% CI [.033, .037]), SRMR = .027, satisfying the criteria of Hu and Bentler (1999).

Table 2 reports the measurement properties. All 34 outer loadings are significant and fall between .785 and .881. Cronbach's alpha ranges from .845 to .885, Dijkstra–Henseler ρ_a from .845 to .885 and composite reliability from .896 to .916, all above the .70 threshold. Average variance extracted ranges from .673 to .718, so every construct explains more variance in its indicators than remains as error. Re-administering the instrument to 90 firms after four weeks produced intraclass correlations between .728 and .876.

Table 2. Measurement model: items, loadings and reliability.

Construct	Item	M	SD	λ	α	ρ_a	CR	AVE	ICC
Sustainability-Linked Credit Conditionality	SLC1	4.35	1.15	.859	.863	.863	.907	.710	.728
	SLC2	4.68	1.12	.863					
	SLC3	4.79	1.10	.843					
	SLC4	4.27	1.16	.803					
Relational Credit Support	RCS1	4.33	1.18	.858	.854	.854	.901	.696	.771
	RCS2	5.09	1.14	.831					
	RCS3	4.22	1.15	.804					
	RCS4	4.32	1.10	.843					
Credit Governance and Monitoring Requirements	CGM1	5.13	1.14	.819	.852	.852	.900	.692	.813
	CGM2	4.74	1.20	.881					
	CGM3	4.57	1.21	.820					
	CGM4	4.70	1.16	.806					
Financial Resilience	FRS1	4.82	1.13	.844	.878	.878	.911	.673	.848
	FRS2	4.46	1.13	.828					
	FRS3	4.28	1.17	.817					
	FRS4	4.98	1.16	.785					
	FRS5	4.82	1.14	.828					
Environmental Performance	ENV1	4.73	1.15	.866	.861	.861	.905	.705	.785
	ENV2	5.01	1.11	.819					
	ENV3	4.73	1.13	.849					
	ENV4	5.11	1.17	.825					
Social Performance	SOC1	4.37	1.17	.822	.845	.845	.896	.683	.820
	SOC2	4.77	1.18	.831					
	SOC3	4.67	1.15	.844					
	SOC4	4.53	1.17	.808					
Governance Performance	GOV1	4.77	1.18	.878	.869	.869	.910	.718	.778
	GOV2	4.45	1.17	.836					
	GOV3	4.99	1.15	.840					

Construct	Item	M	SD	λ	α	ρ_a	CR	AVE	ICC
	GOV4	5.02	1.16	.833					
Organizational Sustainability	OSU1	4.30	1.19	.853	.885	.885	.916	.685	.876
	OSU2	4.69	1.14	.799					
	OSU3	4.48	1.14	.855					
	OSU4	4.24	1.17	.800					
	OSU5	5.13	1.14	.831					

Note. $n = 700$. All outer loadings significant at $p < .001$. ρ_a = Dijkstra–Henseler reliability; ICC = intraclass correlation from the four-week retest subsample ($n = 90$).

4.2. Discriminant validity and the distinctness of organizational sustainability

Discriminant validity was assessed by the Fornell–Larcker criterion and by the heterotrait–monotrait ratio, the latter being the more sensitive procedure (Henseler et al., 2015). Table 3 reports both. The square root of AVE exceeds every corresponding construct correlation, and the largest HTMT value across all 28 construct pairs is .646, comfortably below the conservative .85 threshold.

The distinction between ESG performance and organizational sustainability deserves separate attention, since the credibility of the second channel depends on it. HTMT ratios between the three ESG dimensions and organizational sustainability range from .475 to .560, well inside the range that indicates distinct constructs. Table 4 provides the stronger test. A model in which the three ESG dimensions and organizational sustainability are merged into a single factor fits far worse than the hypothesised structure ($CFI = .810$ against .966; $RMSEA = .082$ against .035), as does a model collapsing the three credit-policy dimensions and a single-factor model. Organizational sustainability is therefore not a relabelling of ESG performance, and the mediation we test is not a tautology.

Table 3. Discriminant validity: Fornell–Larcker criterion and HTMT ratios.

Construct	1	2	3	4	5	6	7	8
1. Sustainability-Linked Credit Conditionality	.842	.447	.449	.393	.313	.323	.322	.394
2. Relational Credit Support	.449	.834	.371	.365	.326	.341	.377	.393
3. Credit Governance and Monitoring Requirements	.449	.372	.832	.417	.333	.309	.365	.380
4. Financial Resilience	.397	.365	.425	.821	.392	.365	.456	.571
5. Environmental Performance	.312	.326	.342	.391	.840	.623	.642	.475
6. Social Performance	.324	.339	.312	.360	.624	.826	.646	.522
7. Governance Performance	.316	.373	.376	.453	.641	.645	.847	.560
8. Organizational Sustainability	.390	.393	.389	.568	.477	.523	.559	.828

Note. $n = 700$. Below the diagonal: latent correlations. Diagonal (bold): square root of AVE. Above the diagonal: HTMT ratios. The largest HTMT value is 0.646. HTMT between the three ESG dimensions and organizational sustainability ranges from 0.475 to 0.560.

Table 4. Comparison of competing measurement models.

Measurement model	χ^2	df	χ^2/df	CFI	TLI	RMSEA	SRMR
Hypothesised (8 factors)	928.85	499	1.86	.966	.962	.035	.027
ESG and sustainability merged	2932.00	517	5.67	.810	.794	.082	.063
Single factor	6786.54	527	12.88	.508	.476	.130	.111
Credit policy collapsed	2613.96	512	5.11	.835	.819	.077	.060

Note. Estimated by maximum likelihood on the covariance matrix. The merged model combines the three ESG dimensions with organizational sustainability into a single factor; the collapsed model combines the three credit-policy dimensions.

Table 5. Descriptive statistics and construct correlations.

Construct	M	SD	1	2	3	4	5	6	7	8
1. Sustainability-Linked Credit Conditionality	4.52	0.95	—							
2. Relational Credit Support	4.49	0.95	.385	—						
3. Credit Governance and Monitoring Requirements	4.79	0.98	.385	.317	—					
4. Financial Resilience	4.67	0.94	.343	.317	.361	—				
5. Environmental Performance	4.89	0.96	.269	.280	.286	.342	—			
6. Social Performance	4.58	0.97	.275	.289	.262	.314	.531	—		
7. Governance Performance	4.81	0.99	.279	.325	.314	.398	.555	.553	—	
8. Organizational Sustainability	4.57	0.96	.344	.342	.330	.503	.414	.451	.491	—

Note. $n = 700$. All reported correlations are significant at $p < .01$.

4.3. Common method variance and endogeneity

Three tests of common method variance were conducted. Harman's single-factor test attributed 31.47% of variance to the first unrotated factor, below the 50% threshold. Correlations between the marker construct and the substantive constructs never exceeded .101 in absolute value (Lindell & Whitney, 2001). The full collinearity assessment of Kock (2015) produced a maximum variance inflation factor of 1.85, below the 3.3 threshold. Method bias is therefore unlikely to account for the findings, though Harman's test in particular is a weak diagnostic and is reported for completeness.

Endogeneity was examined using the Gaussian copula approach (Park & Gupta, 2012). Copula terms were constructed for credit policy, financial resilience and ESG performance and entered alongside the original regressors in the equation predicting organizational sustainability. None of the three copula terms was significant, which indicates no detectable

endogeneity bias. One qualification should be recorded: the method requires the suspect regressor to depart from normality, and while financial resilience does so (Shapiro–Wilk $p = .002$), normality could not be rejected for credit policy or ESG performance, so the test is weakly identified for those two.

4.4. Structural model, mediation and serial mediation

Table 6 reports the formative weights of the two higher-order constructs and Table 7 the structural results, which are also shown in Fig. 2. All six weights are positive and significant, so no dimension of either construct is redundant, and the maximum variance inflation factor among them is 1.76.

Strategic banking credit policy is positively associated with organizational sustainability ($\beta = .161$, $t = 4.76$, $p < .001$), supporting H1. It is associated with financial resilience ($\beta = .453$, $p < .001$, $R^2 = .205$) and financial resilience with organizational sustainability ($\beta = .280$, $p < .001$), supporting H2 and H3; the indirect effect through resilience is significant with a bootstrap interval excluding zero ($\beta = .127$, 95% CI [.094, .162]), supporting H4.

The ESG channel behaves in parallel. Credit policy is associated with ESG performance ($\beta = .333$, $p < .001$, $R^2 = .271$) and ESG performance with organizational sustainability ($\beta = .354$, $p < .001$), supporting H5 and H6, with a significant indirect effect ($\beta = .118$, 95% CI [.087, .153]) supporting H7. Financial resilience is itself associated with ESG performance ($\beta = .277$, $p < .001$), supporting H8, and the serial indirect effect running from credit policy through resilience to ESG and then to sustainability is significant ($\beta = .044$, 95% CI [.030, .060]), supporting H9.

The balance between direct and indirect influence is the most consequential result in the table. The total effect of credit policy on organizational sustainability is .449, of which .289, or 64%, is indirect. Credit policy reaches borrower sustainability mainly by changing the borrower rather than by acting on sustainability directly, and the mediation is complementary and partial in the terms of Zhao et al. (2010). The model explains 40.7% of variance in organizational sustainability. Effect sizes range from $f^2 = .031$ to .258. Including the six controls leaves the three substantive coefficients essentially unchanged. Only one control is significant: more leveraged firms report lower organizational sustainability ($\beta = -.075$, $p = .010$), while firm size, firm age, banking-relationship length, sector and listing status are not.

The pattern among the controls is worth a comment. Larger and older firms might have been expected to score higher on organizational sustainability, and in bivariate terms they do; once credit policy, resilience and ESG performance enter the model neither retains an independent association. The most economical reading is that these structural characteristics operate on endurance through the organizational states we model rather than alongside them, which is consistent with the mediation logic of the paper. It also indicates that the estimated transmission is not an artefact of larger firms both attracting more demanding lenders and enduring better for unrelated reasons. Leverage is the exception, retaining a negative and significant association. That is what the resilience argument would predict, since indebtedness is precisely the condition that narrows a firm's capacity to absorb a shock, and it suggests the controls are behaving substantively rather than merely soaking up variance.

Table 6. Formative weights of the second-order constructs.

Higher-order construct	Dimension	Weight	SE	t	p	95% CI
Strategic Banking Credit Policy	Sustainability-Linked Credit Conditionality	0.506	0.090	5.65	< .001	[0.324, 0.670]
	Relational Credit Support	0.585	0.079	7.36	< .001	[0.414, 0.724]
	Credit Governance and Monitoring Requirements	0.634	0.070	9.01	< .001	[0.484, 0.758]
ESG Performance	Environmental Performance	0.415	0.091	4.54	< .001	[0.233, 0.589]
	Social Performance	0.474	0.088	5.39	< .001	[0.291, 0.635]
	Governance Performance	0.776	0.066	11.82	< .001	[0.625, 0.880]

Note. Two-stage estimation; 10,000 bootstrap resamples with percentile intervals. The maximum variance inflation factor among the formative dimensions is 1.76, far below the 3.3 threshold.

Table 7. Structural model results and hypothesis tests.

Path	Hypothesis	β	SE	t	p	95% CI	Outcome
Credit policy → organizational sustainability	H1	0.161	0.034	4.76	< .001	[0.095, 0.228]	Supported
Credit policy → financial resilience	H2	0.453	0.030	14.96	< .001	[0.392, 0.511]	Supported
Financial resilience → organizational sustainability	H3	0.280	0.033	8.40	< .001	[0.213, 0.343]	Supported
Credit policy → financial resilience → sustainability	H4	0.127	0.017	7.30	< .001	[0.094, 0.162]	Supported
Credit policy → ESG performance	H5	0.333	0.036	9.21	< .001	[0.263, 0.404]	Supported
ESG performance → organizational sustainability	H6	0.354	0.033	10.91	< .001	[0.290, 0.417]	Supported

Path	Hypothesis	β	SE	t	p	95% CI	Outcome
Credit policy $\rightarrow$ ESG performance $\rightarrow$ sustainability	H7	0.118	0.017	6.98	< .001	[0.087, 0.153]	Supported
Financial resilience $\rightarrow$ ESG performance	H8	0.277	0.036	7.77	< .001	[0.206, 0.345]	Supported
Credit policy $\rightarrow$ resilience $\rightarrow$ ESG $\rightarrow$ sustainability	H9	0.044	0.008	5.80	< .001	[0.030, 0.060]	Supported
Total indirect effect	—	0.289	0.023	12.41	< .001	[0.244, 0.336]	Supported
Total effect of credit policy on sustainability	—	0.449	0.030	14.83	< .001	[0.390, 0.509]	Supported

Note. $n = 700$; 10,000 bootstrap resamples, percentile intervals. R^2 : financial resilience = 0.205, ESG performance = 0.271, organizational sustainability = 0.407. Firm size, age, leverage, banking-relationship length, sector and listing status were included as controls; only leverage was significant ($\beta = -0.075$, $p = 0.010$).

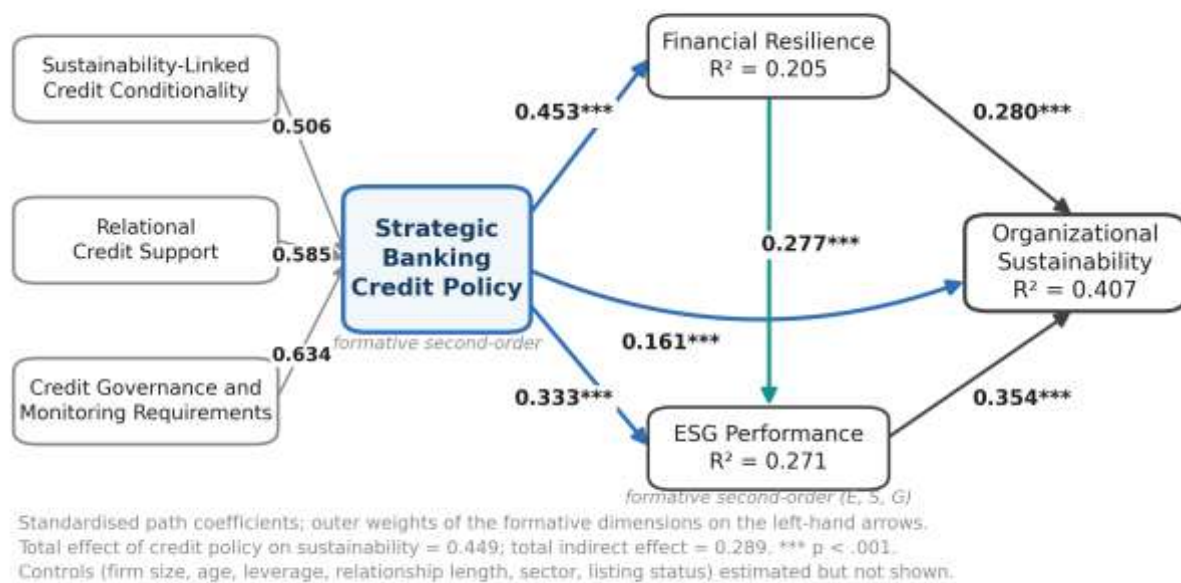


Fig. 2. Structural model results.

4.5. Measurement invariance and multigroup analysis

Comparing groups requires first establishing that the measures mean the same thing in each. The MICOM procedure was applied to all eight first-order constructs for each of the three pairwise comparisons (Table 8). Configural invariance follows from using identical indicators, data treatment and algorithm settings throughout. Compositional invariance was tested by permutation: composite correlations range from 0.9936 to 1.0000, and across the family of 24 tests 3 were significant before correction, close to the number expected by chance, and 0 after Holm correction. Composite means and variances were equal across every comparison, so full measurement invariance holds and the groups may be compared directly.

Table 9 and Fig. 3 report the multigroup results, and the pattern is selective in a way that supports the theoretical argument rather than a generic story about bank quality. Two paths differ significantly across lender types and four do not.

The path from credit policy to financial resilience differs (omnibus $p = .013$). It is strongest among firms borrowing from public sector banks ($\beta = .555$), weakest among those borrowing from private sector banks ($\beta = .359$), with small finance bank borrowers between the two ($\beta = .401$); the public–private difference survives Šidák correction ($p = .002$). The path from credit policy to ESG performance differs in the opposite direction (omnibus $p = .034$), being strongest for private sector bank borrowers ($\beta = .467$) and weaker for public sector ($\beta = .252$) and small finance bank borrowers ($\beta = .277$), with the public–private difference again surviving correction ($p = .010$).

The four remaining paths show no significant differences. Once resilience and ESG performance have been established inside the borrower, they support organizational sustainability at statistically indistinguishable rates whichever bank the firm borrows from. H10 is therefore supported for the transmission paths and not for the downstream ones, which is a more informative result than uniform moderation would have been: lender ownership determines which channel carries the influence, not how much the channel is worth once it exists.

Table 8. MICOM assessment of measurement invariance across bank ownership types.

Group comparison	Min c	Max c	Min Holm p	Compositional invariance	Equal means and variances	Invariance attained
Public sector bank vs Private sector bank	0.9969	1.0000	0.792	Established	8 of 8	Full
Public sector bank vs Small finance bank	0.9936	0.9998	0.138	Established	8 of 8	Full
Private sector bank vs Small finance bank	0.9947	1.0000	0.096	Established	8 of 8	Full

Note. Permutation-based MICOM (Henseler et al., 2016) with 500 permutations. Across the family of 24 compositional-invariance tests, 3 were significant before correction (approximately the number expected by chance) and 0 after Holm correction.

Table 9. Multigroup analysis across bank ownership types.

Path	Public	Private	Small finance	Omnibus p	p Pub–Pri	p Pub–Sma	p Pri–Sma
Credit policy → financial resilience	.555	.359	.401	.013	.002	.055	.611
Credit policy → ESG performance	.252	.467	.277	.034	.010	.815	.073
Financial resilience → ESG performance	.309	.296	.226	.694	.855	.409	.501
Credit policy → sustainability	.172	.137	.185	.864	.625	.863	.635

Path	Public	Private	Small finance	Omnibus p	p Pub–Pri	p Pub–Sma	p Pri–Sma
Financial resilience → sustainability	.259	.279	.303	.892	.800	.644	.795
ESG performance → sustainability	.360	.406	.241	.191	.522	.181	.075

Note. Group sizes: public sector 300, private sector 260, small finance 140. Permutation tests with 1000 permutations. The omnibus test is evaluated at $\alpha = .05$; pairwise comparisons use the Šidák-adjusted threshold $\alpha = 0.0170$.

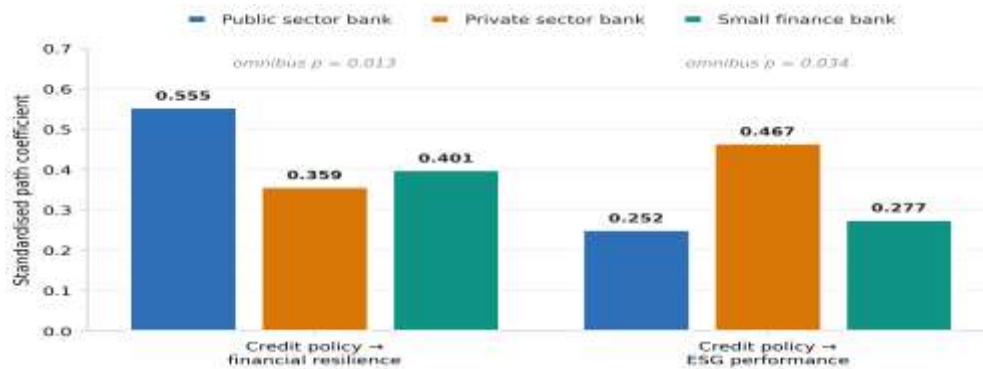


Fig. 3. Transmission paths by bank ownership type.

4.6. Predictive relevance

Predictive relevance was assessed by PLSpredict (Table 10). All five indicators of organizational sustainability return Q^2_{predict} values above zero, ranging from .115 to .164, and the model produces lower prediction errors than the linear benchmark for 4 of the five. On the criteria of Shmueli et al. (2019) this indicates medium to high predictive power, so the model forecasts out of sample rather than merely fitting in sample.

Table 10. Out-of-sample predictive relevance (PLSpredict).

Indicator	Q^2_{predict}	PLS-SEM RMSE	LM RMSE	PLS – LM
OSU1	.140	1.107	1.111	–0.004
OSU2	.115	1.074	1.076	–0.002
OSU3	.164	1.047	1.055	–0.008
OSU4	.125	1.095	1.101	–0.006
OSU5	.117	1.070	1.065	+0.005

Note. Ten-fold cross-validation repeated ten times (Shmueli et al., 2019). All Q^2_{predict} values exceed zero. A negative PLS – LM difference means the model predicts more accurately than the linear benchmark.

5. Discussion

5.1. Theoretical contributions

This study set out to identify the mechanism through which bank credit policy reaches the sustainability of the firms that borrow. Three contributions follow from what we found.

The first concerns the mechanism itself. Roughly two thirds of the total effect of credit policy on organizational sustainability is indirect, travelling through the borrower's financial resilience and ESG performance. Credit policy works, in other words, by changing what the firm is rather than by acting on its endurance directly, and a theory of sustainable finance that stops at the loan contract will therefore miss most of what is happening. The serial path adds a further ordering: resilience enables ESG improvement, not the reverse. Sustainability investment is discretionary and slow to repay, so a fragile firm cannot make it however firmly its lender insists. This has an implication that runs against the current direction of policy, which is that conditionality imposed on financially stressed borrowers may produce compliance documentation rather than changed conduct.

The second contribution is the demonstration that the transmission channel depends on the institutional character of the lender. Public sector banks reach borrower sustainability mainly by making borrowers more financially resilient; private sector banks mainly by conditioning credit on ESG conduct. Neither is simply better at transmission than the other, and the downstream paths from resilience and ESG to sustainability do not differ across lender types at all. Bank heterogeneity thus operates on the route rather than the destination. For resource dependence theory this is a useful refinement, since it shows that the form influence takes depends on what the resource provider is institutionally able and inclined to demand, not only on how dependent the recipient is. A development-mandated lender with the balance sheet to absorb borrower difficulty exercises its leverage through patience; a commercially disciplined lender exercises the same leverage through conditions.

The third contribution is conceptual. We separated ESG performance from organizational sustainability and showed the separation holds empirically: merging them degrades measurement model fit substantially, and HTMT ratios remain far below conventional thresholds. This matters beyond our model. A literature that uses the two interchangeably cannot make claims about the relationship between them, and studies reporting that ESG improves sustainability may in some cases be reporting a construct's correlation with itself. Treating endurance as the outcome and practice as the mechanism keeps the two claims separable.

The results also speak to the resilience literature, which has largely treated organizational resilience as something a firm builds from its own resources through slack, redundancy and adaptive routines. Our evidence suggests a substantial part of it is conferred from outside, through the conduct of the institution supplying the firm's capital. Resilience on this reading is partly relational, depending on whether the firm's principal creditor will hold its position when conditions deteriorate. That is an uncomfortable finding for the firm, since the resource is not under its control, and it suggests that studies measuring resilience purely as an internal property may attribute to firms something that belongs to their relationships. It also implies that the resilience of a banking system's borrowers and the behaviour of its lenders are less separable than stress-testing frameworks generally assume.

One result deserves emphasis because it was not hypothesised in this form. Credit governance and monitoring requirements carry the largest formative weight in the credit policy construct, ahead of sustainability-linked conditionality. The mundane obligations to report regularly, document controls and account for the use of funds appear to matter more for what credit policy does to borrowers than the environmental conditions that attract most regulatory attention. If this replicates, it suggests that the sustainability payoff to credit regulation may come substantially from the reporting discipline it imposes rather than from its environmental content.

A further implication concerns what institutional theory should expect from coercively induced change. DiMaggio and Powell (1983) anticipated that coercive pressure produces conformity rather than conviction, and our design cannot distinguish a borrower that has internalised sustainability from one that is satisfying its lender. What the results do show is that the conformity is not empty: firms whose banks impose demanding credit regimes report higher ESG performance, and that ESG performance is in turn associated with the capacity to endure. Compliance appears to leave organizational residue. Whether the residue persists once the pressure is removed, for instance when a firm repays its facilities or switches lenders, is a question our cross-sectional design cannot answer and a natural target for longitudinal work.

5.2. Implications for banks, regulators and borrowers

For banks, the results identify a strategic choice that is usually left implicit. A lender wanting to improve borrower sustainability can stabilise the borrower or impose conditions on it, and the two work through different organizational channels with similar downstream value. The choice should follow the borrower's financial condition rather than institutional habit. Conditionality applied to a fragile borrower asks it to fund discretionary improvement it cannot afford; patience applied to a robust borrower forgoes leverage that would have been effective.

For regulators, the finding that transmission depends on lender ownership argues against uniform instruments. The Reserve Bank of India's decision to issue separate climate directions for commercial banks and small finance banks is consistent with our evidence, and the results suggest the differentiation could go further. Public sector banks are already effective at building borrower resilience and might be asked to do more of it explicitly; private sector banks transmit conditionality effectively and are the natural vehicle for ESG-linked instruments; small finance banks transmit weakly through both channels, and expecting them to enforce environmental conditions on very small borrowers may impose costs without producing change.

For borrowing firms, the practical reading is that the demands a bank makes are not purely a compliance burden. The reporting discipline that lenders impose builds internal financial visibility, and that visibility is associated with resilience and, through it, with the capacity to endure. Firms that treat monitoring requirements as an administrative cost to be minimised are discarding part of what the relationship offers.

The results also suggest something about what should be monitored. Supervisors and banks currently track the environmental content of lending, which is measurable and politically legible. Our evidence indicates that the reporting and control obligations attached to credit carry more formative weight than the environmental conditions do, and that borrower financial resilience is the channel through which much of the effect travels. A supervisory framework that recorded only the volume of green lending would therefore miss most of the mechanism it is trying to encourage. Indicators of borrower reporting quality and financial robustness would capture more of what actually changes, and both are already collected by lenders in the ordinary course of credit assessment.

5.3. Limitations and future research

Several limitations qualify these conclusions. The design is cross-sectional and rests on a single key informant per firm, so although method bias was tested procedurally and statistically and endogeneity was examined through the copula approach, causal direction cannot be established. Reverse causality is plausible and probably operates: banks may impose demanding credit policies on firms that are already resilient and well governed, which would inflate the estimated transmission. Panel data tracking firms through changes in their banking relationships, or designs exploiting the staggered implementation of the 2025 climate directions as an exogenous shock, would allow the causal question to be addressed properly. The latter is an attractive natural experiment and is the extension we would prioritise.

Credit policy is measured as the borrowing firm perceives it rather than as the bank documents it. This is deliberate, since what shapes borrower behaviour is what borrowers experience, but it means the study captures perceived rather than actual policy. Matching survey responses to lender-side credit files would test whether the two correspond, and any divergence would itself be an interesting finding about how policy is communicated.

ESG performance and organizational sustainability are both self-reported. We took care to separate them conceptually and demonstrated their empirical distinctness, but self-reported ESG is vulnerable to social desirability and to the greenwashing that the Reserve Bank's directions explicitly prohibit (Delmas & Burbano, 2011). Validating the measure against external ESG ratings for the subsample of listed firms would strengthen the evidence considerably.

The setting is a single country, and the three-way lender typology is specific to India. The underlying logic, that transmission depends on the institutional character of the lender, should generalise to systems with development banks, cooperative banks or state-owned lenders, but the particular pattern we observe may not. Cross-national replication is the obvious test.

Finally, the model treats the borrower as the site of change and the bank as an exogenous source of pressure. Real lending relationships are negotiated, and capable borrowers shape the terms they receive. Modelling the relationship as bidirectional, with borrower characteristics influencing the credit policy they attract, would be a more complete account than the one offered here.

6. Conclusion

Bank credit policy reaches the sustainability of borrowing firms, but it does so mostly at one remove. Around two thirds of its total effect travels through the borrower's financial resilience and ESG performance, and part of it runs serially, with resilience enabling the ESG investment that fragile firms cannot fund. The channel that carries the influence depends on who is lending: public sector banks work through resilience, private sector banks through conditionality, and small finance banks weakly through both.

The practical consequence is that credit policy is a sustainability instrument whose effect depends on the organizational state of the firm receiving it and on the institutional character of the bank applying it. Regulation written as though banks were interchangeable transmitters, or borrowers interchangeable recipients, will not produce uniform results.

Declaration of competing interest

We declare that they have no known competing financial interests or personal relationships that could have appeared to influence the work reported in this paper.

Data availability

The data and analysis code that support the findings of this study are available from the corresponding author on reasonable request.

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Appendix A. Survey instrument

All items are measured on a seven-point scale (1 = strongly disagree, 7 = strongly agree). Items are presented to respondents in randomised order and construct labels are not shown.

Respondents answer with reference to the principal lending bank they identify at the start of the questionnaire.

Sustainability-Linked Credit Conditionality (SLC)

Our principal lending bank ...

SLC1 takes our environmental practices into account when assessing our credit applications.

SLC2 has linked some of our credit terms or pricing to sustainability-related conditions.

SLC3 requires evidence of environmental and regulatory compliance before releasing funds.

SLC4 has restricted or declined financing for activities it regards as environmentally harmful.

Relational Credit Support (RCS)

Our principal lending bank ...

RCS1 maintains a long-term lending relationship with us rather than treating each loan as a separate transaction.

RCS2 has continued to support us financially through periods of difficulty.

RCS3 offers advice that helps us manage our finances better.

RCS4 adapts credit terms to the realities of our business cycle.

Credit Governance and Monitoring Requirements (CGM)

Our principal lending bank ...

CGM1 requires us to submit financial information regularly and on time.

CGM2 monitors how the funds it lends us are actually used.

CGM3 expects us to maintain documented internal financial controls.

CGM4 has raised the standard of financial reporting it expects from us in recent years.

Financial Resilience (FRS)

In our firm ...

FRS1 we hold enough financial reserves to absorb an unexpected shock.

FRS2 we could keep operating for several months if our main source of revenue were interrupted.

FRS3 we can raise funds quickly when circumstances require it.

FRS4 we recover financially from setbacks faster than comparable firms.

FRS5 our financial structure lets us adapt when trading conditions change.

Environmental Performance (ENV)

Over the past three years our firm has ...

ENV1 reduced the energy it consumes per unit of output.

ENV2 reduced the waste and emissions its operations generate.

ENV3 invested in cleaner processes, equipment or materials.

ENV4 applied environmental criteria when selecting suppliers.

Social Performance (SOC)

Over the past three years our firm has ...

SOC1 improved health and safety conditions for its workforce.

SOC2 invested in training and development for its employees.

SOC3 maintained fair labour practices across its operations.

SOC4 contributed to the communities in which it operates.

Governance Performance (GOV)

Over the past three years our firm has ...

GOV1 strengthened the transparency of its financial and non-financial reporting.

GOV2 established clear accountability for decisions taken at senior level.

GOV3 adopted formal policies on ethical conduct and anti-corruption.

GOV4 given the stakeholders it depends on a meaningful voice in how it is governed.

Organizational Sustainability (OSU)

Our firm ...

OSU1 is positioned to remain viable over the next ten years.

OSU2 can renew its resources and capabilities as its markets change.

OSU3 holds the confidence of the stakeholders it depends on.

OSU4 has a legitimate standing that protects it during difficult periods.

OSU5 can pursue long-term goals without being derailed by short-term pressure.

Control variables and marker construct

Firm size (natural logarithm of employees), firm age (natural logarithm of years since founding), leverage (self-reported debt-to-equity band), length of relationship with the principal bank (years), sector (manufacturing or services) and listing status. The marker construct comprises three items on the physical attractiveness of the firm's premises, theoretically unrelated to every study variable.