

**IMPACT OF CORPORATE SOCIAL RESPONSIBILITY ON
FINANCIAL PERFORMANCE OF NEPALESE COMMERCIAL
BANKS**

A Dissertation submitted to the Office of the Dean, Faculty of Management,
in partial fulfilment of the requirements for the Degree of
Masters of Business Studies

by

Aayush Sthapit

Symbol No.: 15702/19

T.U. Registration No.: 7-2-0271-0377-2013

People's Campus

Roll No: 12/075

Kathmandu

January, 2023

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Certificate of Authorship

I hereby corroborate that I have researched and submitted the final draft of dissertation entitled “Impact of Corporate Social Responsibility on Financial Performance of Nepalese Commercial Banks”. The work of this dissertation has not been submitted previously for the purpose of any degree nor it has been proposed and presented as part of requirements for any other academic purposes.

The assistance and guidance that I have received to execute this research work have been acknowledged. In addition, I declare that all information sources and literature used are cited in the reference section of this dissertation.

Aayush Sthapit

02-01-2023

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Report of Research Committee

Mr. Aayush Sthapit has defended the research proposal entitled “Impact of Corporate Social Responsibility on Financial Performance of Nepalese Commercial Banks” successfully. The research committee has registered the dissertation for further progress. It is recommended to carry out the work as per and submit the thesis for evaluation.

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Dissertation Submitted Date: 02-01-2023

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We have examined the dissertation entitled “Impact of Corporate Social Responsibility on Financial Performance of Nepalese Commercial Banks” presented by Mr. Aayush Sthapit for the degree of Masters of Business Studies. We hereby certify that the dissertation is acceptable for the award of degree.

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Chairperson Research Committee

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This study entitled “Impact of Corporate Social Responsibility on Financial Performance of Nepalese Commercial Banks” has been prepared for the partial fulfillment of the degree Masters of Business Studies. It is directed towards investigating the impact of CSR on financial performance of commercial banks in Nepal to provide evidence for the firms to structure CSR initiatives and investments to increase the financial performance and ensure a win-win situation.

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Abbreviations

ADBL	:	Agricultural Development Bank Limited
BFI	:	Bank and Financial Institution
CBIL	:	Citizen Bank International Limited
CBL	:	Civil Bank Limited
CEO	:	Chief Executive Officer
CFP	:	Corporate Financial Performance
CMIE	:	Centre for Monitoring Indian Economy
CSR	:	Corporate Social Responsibility
CV	:	Coefficient of Variance
DE	:	Debt to Equity
EPS	:	Earnings Per Share
FY	:	Fiscal Year
GIME	:	Global IME Bank Limited
HBL	:	Himalayan Bank Limited
KBL	:	Kumari Bank Limited
KEJI	:	Korean Economic Justice Institute
KLD	:	Kinder, Lydenberg, and Domini's Database
LBL	:	Laxmi Bank Limited
MBL	:	Machhapuchchhre Bank Limited
NIBL	:	Nepal Investment Bank Limited
NMB	:	Nepal Merchant Banking and Finance Limited
NI	:	Net Income
NPM	:	Net Profit Margin
NRB	:	Nepal Rastra Bank
NP	:	Net Profit
NS	:	Net Sales
NSE	:	National Stock Exchange of India Ltd.
NSBI	:	Nepal SBI Bank Limited

OLS	:	Ordinary Least Squares
OP	:	Operating Profit
PE	:	Price to Earnings
RBBL	:	Rastriya Banijya Bank Limited
ROA	:	Return on Assets
ROE	:	Return on Equity
SBL	:	Sanima Bank Limited
SCBL	:	Standard Chartered Bank Limited
SiBL	:	Siddhartha Bank Limited
SME	:	Small to medium-sized enterprises
SPR	:	Stock Price Return
SRBL	:	Sunrise Bank Limited
STD	:	Standard Deviation
TBL	:	Triple Bottom Line
TPA	:	Third Party Association
TSE	:	Tehran Stock Exchange

Abstract

The role of businesses has evolved from a traditional point of view of businesses' main focus of profit maximization to a more contemporary view of social responsibility and responsiveness over the last few decades where the importance of CSR is gradually increasing and is becoming ever more significant. This study aims to examine the impact of CSR on financial performance of Nepalese commercial banks. CSR expenses has been used as a proxy for the independent variable CSR while ROA, ROE and EPS have been used as proxies for the dependent variable financial performance. The sample includes 16 out of 27 commercial banks of Nepal with a study period of five years from the fiscal year 2016/17 till 2020/21 making observations of 80 cases. The study is based on secondary data collected from the annual reports of the sample banks as NRB directives from 2016/17 mandated BFIs to allot a percent from net profit for CSR funds for the following year and disclose CSR initiatives in the reports. This study employs a causal comparative research design and uses mean, standard deviation, coefficient of variance, correlation and regression to draw conclusions. The research findings conclude that there is a negative and significant relationship and impact of CSR on ROA, while there are no significant relationships between CSR and the dependent variables ROE and EPS.

Key Words: Corporate social responsibility, financial performance, return on assets, return on equity, earnings per share.

CHAPTER I

INTRODUCTION

1.1 Background of the study

The research paper is entitled as “Impact of Corporate Social Responsibility on Financial Performance of Nepalese Commercial Banks”. Corporate Social Responsibility or CSR is concept whereby companies incorporate communal, societal, environmental, or humanitarian concerns into business operations. It is basically companies giving back to the society, being socially responsible whilst conducting profit generating activities. In spite of having certain definitions, CSR is both complex and difficult to define. It is difficult because of the type and context of the problems. The ecosystem, society, and economic system are all very vastly complex systems in which CSR is deeply involved. The role of businesses has evolved from a traditional point of view of businesses’ main focus of profit maximization to a more contemporary view of social responsibility and responsiveness over the last few decades. The importance of CSR is gradually increasing and is becoming ever more significant. Society now expects businesses to not only be the producers of goods and services but also play a bigger and more desirable role in society, rather than being limited to their traditional role (Cho, Chung, and Young, 2019).

Over the last few decades, the role of business has shifted from a classical concept of profit maximization to a contemporary understanding of social responsibility. Corporate social responsibility has garnered a lot of attention in the corporate world and has become an essential aspect of doing business. With the development of the banking sector along with other financial corporations over the past few decades, Corporate Social Responsibility has become a well-known issue among the businesses in Nepal. Though there are a number of companies that practice CSR activities with a notion of ‘bare minimum’ stamped in the back of their minds by complying with the moral and ethical standards and rarely going beyond the mere compliance with regulations, there are also companies that advocate on being a good corporate citizen and take proactive measures to address the societal, environmental and humanitarian issues. These are the companies that proactively attempt to go beyond when it comes to social responsibilities and embed giving back to the society in the company’s mission statement.

Various authors, analysts, and practitioners argue that it is not practicable nor reasonable for every organization to implement the same type of CSR. CSR operations are found to be driven by a variety of variables, including industries and markets, stakeholder motivation, and the business environment in which the corporation exists and operates. The potential advantages of implementing CSR imperatives can cover the expenditures, while philanthropy can decrease compliance and hazards. As a result, whether it is a cost, a charity act, a restraint, or a source of competitive advantage and opportunity, Corporate Social Responsibility must be voluntary, not forced, and go beyond regulatory compliances. Corporate Social Responsibility must be implemented strategically and integrated into the fundamental strategy of the organization. Furthermore, the effects of CSR on a corporation can be both good and varied.

Many environmental, social, and ethical challenges have surfaced in the previous two decades, including climate change, natural resource depletion, corporate scandals, and poor working conditions (Lombardi, Schimperna, Paoloni, and Galeotti, 2021). Many stakeholders are increasingly calling for the growth and strengthening of CSR practices over a wide array of nations. With the paradigm shift of companies from being heavily focused on profit earning to adopting CSR activities with the motive of doing right by the society, environment and humanity, various laws and directives are put into place by different countries. In the same way, Nepal Rastra Bank first introduced CSR directives in the FY 2016/17. As of now, banks and financial institutes are mandated to create a CSR fund with a minimum contribution of one percent of net profit in specified CSR domains in the following fiscal year. These institutions are also mandated to disclose information relating to CSR expenses on different sectors in their published annual reports.

In the context of Nepal, few corporate companies have dedicated their fortune to the construction of educational institutions, temples, and dharamsalas throughout the last century (Wagle and Gupta, 2021). Hundreds of acres of Guthi land have been donated in the name of Gods and Goddesses by some landowners. This historical proof of the corporate community's engagement is more altruistic in nature. After the First World War, Nepal began sophisticated manufacturing sectors, and businesses became more obligated to pay fair taxes to the government, which were utilized for social welfare and development. Some Nepalese corporations have been engaging in CSR efforts year after year since their consistently. Companies such as the Ncell, Nepal Telecom,

Panchakanya Group, and several commercial banks selectively earn prominence in Nepal's CSR arena. Also, the corporations adopt different measures of CSR practices, for instance, Ncell building a public park right in front of their premises catering toilets, a football pitch, badminton area and more have earned them prominence.

The Nepalese business sector is still unaware that Corporate Social Responsibility may be implemented without a significant expenditure. Still in many instances in Nepal, CSR is viewed as only a charitable deed or a cost and compliance. What businesses need to understand is that CSR are not expenses, rather they are the investments to the society and the long-run image of the company. According to the findings of Rai (2019), financial institutions in Nepal do not actively engage in corporate social responsibility since it has little influence on their financial accounts. Despite the fact that the central bank of Nepal (Nepal Rastra Bank) has stated in the Monetary Policy for the Fiscal Year 2016/17 that banks and financial institutions (BFIs) are obligated to spend at least one percent of their profits on CSR activities and that CSR should be viewed as an investment and reported as such in financial statements of financial institutions. Furthermore, CSR has gained traction in Nepal, particularly after natural catastrophes (Khanal, 2019). While one side of the tale depicts significant sums being invested in relief for the victims, the other depicts the same firms' misunderstanding of their obligation to its own employees and workers. As a result, CSR is more than just a charitable deed; it is a strategic component of a corporation.

Organizations encounter several hurdles in today's competitive global marketplace in order to function and prosper. People are more knowledgeable about organizations, their goods and services, and how firms conduct business. People are more aware of organizations' contributions to the success of society as well as the environment in which they operate and profit (Rai, 2019). If a bank prioritizes social duties, it may increase revenues through improved risk management, staff loyalty, and a stronger reputation. Scholars have debated the existence of a relationship between CSR and financial performance for decades without reaching an accord. Prior research has been mostly concentrated on developed countries. There has been few research on assessing the impact of corporate social responsibility, and as a result, corporate social responsibility has received little attention. A number of studies have also been undertaken in countries such as Kenya, Iran, Indonesia, Pakistan, Sri Lanka, Egypt, and India. To address this gap, the purpose of this study was to look into the influence of

corporate social responsibility on financial performance in Nepalese commercial banks. Furthermore, a number of researches conducted in different countries or even in Nepal have yielded contradictory results on deriving relationships between CSR and firm's financial performance. Similarly, the primary purpose of this study is to determine the link between CSR and financial performance in commercial banks.

1.2 Problem statement

Financial performance is a mix of the financial situation along with a firm's capacity to meet its business policy mandates and commitments (Weber, 2008). People vest their trust and support in the businesses that actively involve in CSR activities. The relationship between CSR activities and financial performance in the commercial banking sector has not been investigated amply while the empirical studies on the impact of CSR on a firm's financial performance has yielded mixed results here and there. Rai (2019) found that financial institutions in Nepal do not actively engage in CSR activities as it does not have a significant impact on their financial performance. Wagle (2020) concluded that there is a positive relationship between CSR and Net Income and CSR on ROE. There are several empirical studies relevant to the link between CSR and financial success in the banking industry in developed nations, but there are only a few from relatively less developed countries. This research basically attempts to answer the questions such as:

1. Is there a relationship between CSR expenditure and the financial performance of commercial banks in Nepal?
2. How does CSR expenses of commercial banks have an impact on financial performance?

1.3 Objectives of the study

CSR practices have evolved over the due course of time, organizations all over the world have been actively involving in different forms of CSR activities. Similarly, in many countries all over the world, there have been placed certain standards and directives on CSR practices that govern firms' CSR practices by introducing mandatory CSR requirements and standards. Likewise, there have been numerous amounts of researches conducted in different countries to examine the linkage between CSR and firm's financial performance. The results from the previous studies have yielded

different results in different contexts. Similarly, for any research work to be conducted there has to be some objectives which can highlight the purpose of carrying out the research work. In this context, the major goal of this research is to study the impact of CSR on financial performance of Nepalese commercial banks. Likewise, this study aims to meet the following objectives:

1. To comprehend the relationship between CSR expenses and the Return on Assets (ROA).
2. To understand the linkage between CSR expenses and the Return on Equity (ROE)
3. To examine the relationship between CSR expenses and Earnings per Share (EPS).
4. To analyze the impact of CSR expenses on ROA.
5. To identify the impact of CSR expenses on ROE.
6. To evaluate the impact of CSR expenses on EPS.

1.4 Hypotheses of the study

Referring to the previous literatures, the researchers have come up with different hypothesis to study the impact of CSR on financial performance. Oware and Mallikarjunappa (2019) theorized there being a positive association between CSR and financial performance as proxied by ROA and ROE of listed firms in India. Here the variable CSR was proxied by CSR investment as well. Salehi, DashtBayaz and Khorashadizadeh (2018) research hypothesis was that there is a significant association between the investment in CSR and firm's financial performance in the context of Iranian listed companies. Similarly, Malik, Al Mamun and Amin (2018) conducted a study in banking sector of Bangladesh where they theorized bank's CSR spendings positively explaining the current and the future financial performance. Garg and Gupta (2020) theorized that private and public firms that fulfill the mandatory CSR investment requirements would have a higher financial performance. Rai (2019) theorized significant relationships between CSR and ROA, CSR and ROE and CSR and EPS. By reviewing previous literatures as such, this research bases its study by drawing up some hypotheses deriving analogies from the previous studies.

This research was conducted on the basis of certain hypotheses. The null hypothesis in this research is denoted as H_0 . With the help of these hypotheses, the study is able to determine the impact of CSR on financial performance of Nepalese commercial banks. This study is undertaken with the use of independent variable, CSR investment and

dependent variables, ROA, ROE and EPS to identify any linkage between CSR investment and return on assets likewise the relationship between CSR investment and return on equity and the relationship between CSR expenses and earnings per share. The hypotheses of the study are as follows:

H₀₁: There is no significant relationship between CSR budget/ expenses and ROA.

H₀₂: There is no significant impact of CSR investment on ROA.

H₀₃: There is no significant relationship between CSR investment and ROE.

H₀₄: There is no significant impact of CSR budget/ expenses and ROE of Nepalese commercial banks.

H₀₅: There is no significant relationship between CSR expenses and EPS.

H₀₆: There is no significant impact of CSR budget/ expenses and EPS of Nepalese commercial banks.

1.5 Rationale of the study

The study attempts to assess the impact of corporate social responsibility on financial performance of commercial banks in Nepal. The research findings from this study may prove to be of use to banking institutions and companies that involve in CSR activities or are on fence about whether to involve in CSR activities. The Nepalese business community is still ignorant that Corporate Social Responsibility may be done without incurring large costs. In many cases, CSR is still considered as only a philanthropic act or a cost and compliance to the NRB directive. Hence, there are numerous corporations that tend to only invest the bare minimum in CSR activities. This study if were to prove the relationship between CSR and firm's financial performance, might be able to redirect people perception to investing in CSR activities.

The study may provide evidence on the impact of CSR on financial performance which can aid management to make decisions and strategies to adopt CSR programs that may result in enhancing the financial performance in the long run. This research can also aid future researchers especially in the context of Nepal to use the research findings as a reference. This study adds to the existing body of knowledge regarding the study matter as well. The research conducted previously on this subject matter, be it researches

conducted in the context of Nepal or in other countries, have presented inconsistent findings regarding the associations between and the impact of CSR on financial performance. Hence, this research might be able to add evidence to establish concrete findings regarding the subject matter.

1.6 Limitations of the study

Every study has some limitations that can be identified in some ways. The limitations of the study are those aspects of research methodology that may influence the interpretation of the research findings. They are the limitations of the findings' generalizability, applicability, or utility. The following are the limitations of the study that deserve some considerations:

1. The research is heavily based on secondary data. Likewise, the data is quantitative in nature, hence the subjective or qualitative aspects of the variables have been excluded.
2. Only three variables have been used to proxy the dependent variable, financial performance. They are return on asset, return on equity and earnings per share. Similarly, only one variable has been used to proxy the independent variable, CSR, which is represented by CSR expenditure.
3. This research does not explore other CSR aspects that may or may not be responsible for impacting corporate financial performances.
4. Unlike studies conducted in various other countries, especially more financially developed countries, the CSR has been represented through various CSR indexes. However, in the context of Nepal, no such relevant CSR indexes have been documented to represent and measure CSR.
5. The research is conducted using commercial banks as the sample of the study. Hence, the generalizability from this research findings may not be applicable to other industries or domains.

1.7 Chapter plan

This study has been organized into five chapters. The first chapter is the introductory chapter and provides general background of the study, the problem statement, objectives of the study, hypotheses of the study, the rationale for the research, limitations of the study and the chapter plan. The second chapter comprises of the

theoretical review and includes reviews of theories that are applicable to the subject matter of the study and empirical reviews of various previous studies conducted in the relevant field. The third chapter explains the research methodology employed in this study. It includes brief information of the research framework, defines the variables used in this study, the research design, population and sample of the study, the sampling methodology employed in the study, the nature and sources of data, the instruments of data collection and tools and methods used for data analysis. The fourth chapter is the analysis of data and discussion regarding the results that provides an in-depth briefing of the results whereby the findings of the study are presented and analyzed. It includes tables, graphs, figures and concluding remarks. Finally, the fifth chapter presents summary, conclusion and implications drawn from the research findings.

CHAPTER II

LITERATURE REVIEW

Literature reviews are the foundation for practically every academic field's study. The goal of a literature review is to help get a better grasp of existing research and discussions in a certain field of study. This further aids in identifying gaps in the existing body of knowledge which in turn can be used to conduct new studies to bridge those gaps. The findings from the previous researches help build a base for any new study. This chapter is divided into two parts, namely, a theoretical review which explains theories related to the study and empirical reviews of previous studies that are relevant to this study.

2.1 Theoretical review

The theories relevant to this study that are reviewed to grasp certain ideas of the variables are the Carroll's Corporate Social Responsibility Pyramid, the Triple Bottom Line Theory and the Stakeholder Theory.

2.1.1 Carroll's corporate social responsibility pyramid

The CSR pyramid model was developed by Archie B. Carroll in 1991 which paved the path for organizational leaders to focus on each level while addressing all the layers of CSR. The essence of this theory revolves around the timeliness of corporate social responsibilities and ethics. This concept of CSR is a stakeholder model whereby various stakeholder groups each transmit the expectations to management about what they expect the organization to do under the area of profit, law, ethics and philanthropy. This theory is also a contingency model which states that society's perceptions or expectations of company performance vary and grow through time. According to this pyramid, there are four layers or types of CSR of organizations, namely, they are economic responsibility, legal responsibility, ethical responsibility and philanthropic responsibility. CSR can be represented as a pyramid by these four categories or components. All of these sorts of responsibilities have always existed to some level, but ethical and philanthropic responsibilities have just recently gained prominence (Carroll, 1991).

Business organizations were originally founded as economic entities to deliver goods and services to members of society. Profit was identified as the primary reason for

starting a firm. Under the framework of economic responsibilities, all other business responsibilities are reliant on the firm's financial responsibility, because without it, the others are meaningless. Hence, the focus of businesses revolves on maximizing earnings, being committed to being consistently as profitable as possible, maintaining a strong competitive position and a high level of operating efficiency.

Under the framework of legal responsibilities, a company is expected to comply with federal, state, and municipal rules and regulations. Firms are supposed to pursue their economic goals within the confines of the law as part of the relation between industry and society. In the extent that they incorporate core conceptions of fair operations as set by the legislators, legal responsibilities reflect a vision of ethics. Under this concept, businesses behave in accordance with government and legal expectations, portray being a law-abiding corporate citizen, fulfill its legal obligations, and supplies goods and services that at the very least meet the bare minimum of legal criteria.

Although economic and legal duties reflect ethical principles concerning fairness and justice, ethical responsibilities encompass those behaviors and practices that people demand or forbid, even if they are not defined in law. The norms, standards, or expectations that reflect a care for what customers, employees, shareholders, and the community regard to be fair, just, or compatible with the respect or protection of stakeholders' moral rights are characterized as ethical obligations. Under this idea, businesses conduct the operations in accordance with society conventions and ethical norms, avoid compromising ethical standards in order to attain corporate objectives, and the business integrity and ethical behavior extend beyond just adherence to rules and regulations.

Philanthropy refers to corporate initiatives taken in response to society's expectation that firms be decent corporate citizens. This involves actively participating in activities or initiatives aimed at promoting human welfare or benevolence. Financial contributions to different social institutions, contributions to the arts, education, or the community, are some examples of philanthropy. Philanthropy is more discretionary or optional on the side of enterprises, despite the social expectation that it be provided. Under this, businesses go above and beyond to be good corporate citizens, take a step further and go beyond what it is ethically and charitably expected from them, and continuously strive to enhance a community's the quality.

2.1.2 The triple bottom line theory

John Elkington introduced the Triple Bottom Line theory (TBL) in his book "Cannibals with Forks: The Triple Bottom Line of 21st Century Business." in year 1994. The triple bottom line is a type of corporate social responsibility that requires business executives to track bottom-line performance not just in economic terms (costs against revenue), but also in terms of firm consequences in the social and environmental realms. There are two fundamental components to this concept. First, the three responsibility columns must be maintained distinct, with outcomes presented separately for each. Second, the firm should achieve long-term success in all three of these areas. Triple bottom line may be viewed as a CSR framework with three performance dimensions: economic, social, and environmental. According to John Elkington, the three dimensions must provide long-term outcomes. This concept's primary goal is sustainability. Companies must use this approach in order to accomplish long-term earnings and social and environmental projects. To carry out CSR initiatives, several enterprises and charitable groups have embraced the TBL sustainability framework.

Under economic bottom line, the bottom line of a firm is the profit figure that is utilized as the profits figure in the earnings-per-share statement, which is conventional accounting practice (Elkington, 1997). Accountants collect, record, and evaluate a wide range of numerical data in order to assess a company's traditional bottom-line performance. This method is frequently regarded as a model for environmental and social accounting. Economic sustainability prioritizes long-term financial stability over more volatile, short-term gains, regardless of how large they are. According to the triple-bottom-line model, major firms are responsible for developing business strategies that allow for steady and long-term activity. Key variables for economic sustainability might include a company's long-term cost sustainability, demand for its products or services, pricing and profit margins, innovation initiatives, and business ecology. Many businesses' objectives have previously terminated at profit generation. Purpose-driven executives are recognizing that they have the ability to leverage their enterprises to influence meaningful change in the world while maintaining financial performance. Adopting sustainability measures has shown to generate company success in numerous circumstances. The measures of economic sustainability are social income, employment distribution by sector, establishment churn, cost of underemployment, percentage of firms in each sector, and so on.

Under environmental bottom line approach, environmental sustainability begins with the recognition that natural resources are finite, particularly the oil that powers our motors, the clean air we breathe, and the water we drink. If such conditions worsen enough, upcoming generations will not be able to enjoy the same standard of living that the majority of us do. Thus, resource conservation becomes critical, as does the discovery of new energy sources that might replace those we now use. Large firms have contributed a stunning amount of pollution to the environment since the beginning of the Industrial Revolution, which has been a primary cause of climate change. While corporations have traditionally been the most responsible for climate change, they also possess the key to promoting good change. Many company executives are increasingly aware of their need to do so. This effort does not fall simply on the shoulders of the world's greatest corporations—virtually every organization has the potential to adopt adjustments to lower their carbon footprint. Finally, on the environmental front, sustainability implies that efforts must be made to enable the rejuvenation of our natural world. Adjustments such as choosing ethically sourced materials, reducing energy use, and simplifying shipping methods are all positive moves. All of these are measures that firms must support, not because they are legally compelled to, but because maintaining a habitable world is a direct commitment under the triple-bottom-line concept of business responsibility. The measures of environmental sustainability could be electricity consumption, fossil fuel consumption, solid waste management, hazard waste management, and the likes.

The social component of the triple bottom line emphasizes a company's societal influence or commitment to people. Social sustainability prioritizes balance in people's lives and the way we live. A world in which a few Fortune 500 CEOs make millions of dollars each year while millions of people throughout the world live on pennies per day cannot last indefinitely. As the disparities expand, as the affluent become richer and the poor become poorer and more numerous, the odds of society collapsing in rage and revolt increase. Businesses have always prioritized shareholder value as a measure of success, which means they try to produce value for people who own stock in the company. As businesses have embraced sustainability, their attention has turned to producing value for all stakeholders touched by their actions, including customers, workers, and community members. Simple methods for businesses to assist society include establishing equitable employment processes and promoting employee

involvement. Fair trade practices, ensuring that suppliers in impoverished countries receive reasonable fee for their goods and services even when the economic laws of supply and demand do not mandate it, and incorporating human respect into business operations can all be steps toward social sustainability. Social sustainability necessitates that corporations, as citizens of a particular group of people, maintain a positive connection with those people. They can also reach beyond the organization to affect change on a bigger scale. Many corporations, for example, have developed effective strategic alliances with nonprofit groups that have a same purpose-driven aim. The measures of social sustainability could be unemployment rate, female work force participation rate, poverty rate, average commute time and so on.

These three concepts of sustainability—economic, social, and environmental—guide corporations toward activities that are consistent with the concept of the corporation as an active citizen in the community, rather than merely a money machine. The triple bottom line idea holds that businesses should prioritize social and environmental problems alongside earnings. The triple bottom line attempts to measure the financial, social, and environmental performance of a corporation through time. According to TBL theory, a company cannot account for the complete cost of conducting business if it simply considers profits while disregarding people and the environment.

2.1.3 Stakeholder theory

Stakeholder theory was propounded by Dr. F. Edward Freeman in the year 1984, in his seminal work, "Strategic Management: A Stakeholder Approach." Rather than beginning with a firm and then looking out into the world to identify what ethical commitments exist, stakeholder theory begins in the world. It names and defines the persons and groups that will be impacted by the company's actions and asks what their valid claims on the business are, what their rights in relation to the company's actions are and what type of responsibilities and obligations may they legitimately place on a certain business. In a nutshell, stakeholder theory states that individuals whose lives are impacted by a company have the right and duty to participate in its direction.

There are shareholders in the corporation, and their opinions must be heard in corporate decisions. They may not own any shares, but they have a moral right to participate in decision-making. This is a critical point as those who are impacted by a company's actions, at least theoretically, become shareholders and owners. They have a right to

participate in the management of a firm since the firm's activities have an impact on them. In an abstract sense, everyone on the planet is probably a stakeholder in any serious factory because we all breathe the same air and because the global economy is so intertwined that decisions made in a boardroom in a one part of the world can end up costing someone in a totally different part of the world, and the effects continue to reverberate from there. In practice, however, a rigid stakeholder theory—one that insists on bestowing the ability to make ethical claims on anybody harmed by a company's actions—would be ineffective. There would be no end to determining whose rights needed to be accounted for. In practice, stakeholders should be defined as those who are directly affected by a company's actions. There should be an uninterrupted thread connecting a business choice to an individual's life.

As per the Freeman's stakeholder theory, the stakeholder map of a large organization may include activist groups, competitors, customers, customer advocate groups, employees, financial community, government, owners, political groups, suppliers, trade associations and unions. According to the main ideas of stakeholder theory, the organization must work in the interests of all stakeholders, not just the shareholders and a few of them. Other than its owners, the company has obligations to other persons and groups. It has an influence on the lives of those who rely on the company, such as consumers and workers. It also has an influence on groups such as governmental bodies, which in turn has an impact on the country and its residents. Major corporations have a huge impact on the economies of several countries. This has an impact on the lives of people who have no other connection to the company. It would be immoral for a company to consider its owners' monetary gain to be its primary obligation since the company is part of a community and actions made by the company without addressing the needs of the community have the potential to harm the community (Bhasin, 2020).

2.2 Empirical review

The research aims to investigate the effects of corporate social responsibility on the financial performance of Nepalese commercial banks. This research study analyzed some of the literature on the issue in order to address the position of CSR in relation to financial performance. Table 1 provides a summary of the primary literature on this issue.

Table 1
Review of empirical studies

Study	Major findings
Crisostomo, Freire and de Vasconcellos (2011)	<ul style="list-style-type: none"> Implied that CSR is destroying value in Brazil, as significant negative relationship between CSR and business value was discovered while the mutual effect of CSR and financial performance is characterized by an insignificant relationship.
Sun (2012)	<ul style="list-style-type: none"> Identified a positive and statistically significant relationship between CSR and financial performance based on ROA and a significantly positive relationship between CSR and firm size, and the age of long-term assets, and a significantly negative relationship between CSR and risk.
Basuony, Elseidi, and Mohamed (2014)	<ul style="list-style-type: none"> Discovered that CSR has a positive and significant influence on firm performance, and that all CSR dimensions have a meaningful association with firm financial performance.
Daniel (2013)	<ul style="list-style-type: none"> Presented that the expenses for social courses have an impact on the financial performance (net profit before tax) of Kenyan commercial banks.
Iqbal, Ahmad, Hamad, Bashir, and Sattar (2014)	<ul style="list-style-type: none"> Concluded a positive association between a company's disclosure of CSR donations and its success in terms of net profit margin and EPS.
Kamatra and Kartikaningdyah (2015)	<ul style="list-style-type: none"> Found that simultaneous CSR and control variables of leverage and size had an influence on ROA, ROE, NPM, and EPS whereas CSR had a partially significant influence on ROA and NPM, but had no effect on EPS or ROE.
Choongo (2017)	<ul style="list-style-type: none"> Indicated a substantial relationship between CSR and financial performance and the relationship between CSR and the two measures of company success (business reputation and staff commitment) were only marginally significant.
Malik, Al Mamun and Amin (2018)	<ul style="list-style-type: none"> Showed a bank's CSR expenditure rises in tandem with that of its peer banks and a bank's CSR expenditure boosts not only its current but also its future profits.
Salehi, DashtBayaz and Khorashadzadeh (2018)	<ul style="list-style-type: none"> Revealed a positive and substantial relationship between CSR spending and company financial success as measured by future changes in return on assets and future changes in operational cash flows scaled by total assets.
Cho, Chung and Young (2019)	<ul style="list-style-type: none"> Confirmed a positive but partial relationship between CSR and profitability (ROA) on social contribution while a significant relationship between CSR and growth rate in terms of social contribution and soundness and a positive relationship between CSR and Tobin's Q.
Oware and Mallikarjunappa (2019)	<ul style="list-style-type: none"> Confirmed a favorable relationship between CSR and financial performance (ROA and ROE), indicated that third party associations have a negative relationship with financial performance and acted as a negative mediator between CSR and financial success.
Rai (2019)	<ul style="list-style-type: none"> Determined that CSR has a favorable influence on the financial performance of financial institutions; nevertheless, financial institutions in Nepal do not actively engage in corporate social responsibility since it has little impact on their financial statements.
Bag and Omrane (2020)	<ul style="list-style-type: none"> Reported that by participating in CSR initiatives, Indian corporations improve their financial performance (Net Sales, Net Profit, ROE, EPS and Operating Profit)

Bhattacharyya and Rahman (2020)	<ul style="list-style-type: none"> • Documented that mandatory CSR spending has a detrimental influence on company stock returns and the influence of CSR expenditure on stock returns is determined by whether enterprises merely comply with the rule or deliberately choose an amount of CSR expenditure over the authorized level.
Garg and Gupta (2020)	<ul style="list-style-type: none"> • Reflected that firm performance is poorer in the public sector enterprises that meet the mandated CSR expenditure requirement whereas the private sector enterprises that meet the mandated CSR expenditure requirement do not do considerably better than private sector firms that do not meet this condition.
Oware and Mallikarjunappa (2020)	<ul style="list-style-type: none"> • Suggested a favorable and statistically significant relationship between CSR spending and financial success i.e., ROA while the mandated CSR reporting increased CSR expenditure, and the analysis demonstrates that obligatory CSR reporting moderated the relationship between CSR expenditure and stock price performance.
Wagle (2020)	<ul style="list-style-type: none"> • Found CSR contribution on ROA to be substantially acceptable with a negative association between them while relationship between CSR contribution and ROE and CSR contribution and NI are both insignificant.
Adhikari (2021)	<ul style="list-style-type: none"> • Demonstrated a positive relationship between CSR and EPS in the cases of government-owned banks and private banks, and on the contrary, indicated a negative influence on financial performance in joint venture banks, implying that the relationship between CSR and company financial performance varies across Nepalese commercial banks.
Wagle and Gupta (2021)	<ul style="list-style-type: none"> • Discovered that the relationship between CSR and NI, as well as the relationship between CSR and ROA, were significantly accepted with a positive and negative relationship respectively, whereas the relationship between CSR and EPS had a negative relationship but were statistically insignificant.
Van Nguyen, Bui and Le (2022)	<ul style="list-style-type: none"> • Using a sample of Vietnamese commercial banks concluded a positive impact of CSR expenditure and CSR disclosure on the firm's financial performance while demonstrating a positive impact of CSR on environmental and employee responsibility and insignificant impact of CSR on community responsibility.

The abstract of the study entitled corporate social responsibility, firm value, and financial performance in Brazil by Criso'stomo, Freire, and de Vasconcellos (2011) is to investigate the relationship between CSR and firm performance, taking firm value and financial accounting performance into account, in an emerging market of Brazil. The topic of corporate social responsibility (CSR) is linked to a wide range of relationships between corporations and their numerous stakeholders, as well as the environment. Firm relationships with different stakeholders, clients, and society in general, as well as shareholders, are all part of the CSR scope (Criso'stomo, Freire, and de Vasconcellos, 2011). Using a three-dimensional CSR metric, this paper tries to explore the relationship between CSR and Corporate Financial Performance (CFP), taking into account value creation and financial accounting measurements.

This study employs a CSR index based on the amount of money spent on social action. The CSR index used in this study is based on IBase data, which includes information about the three corporate social action segments: connection with external social activity, employees, and environmental action. Return on assets (ROA) and return on equity (ROE) are used as financial accounting performance measurements in this study. The control variables used in this study are company size, company's leverage and sector dummy variables. The sample is made up of data published by firms and collated by IBase, and it spans the years 2001-2006, yielding 296 firm year observations from 78 corporations, with one to six observations per year. Through the use of regression analysis, the researchers try to examine the relationship between CSR and performance. The results imply that CSR is destroying value in Brazil, as significant negative relationship between CSR and business value was discovered while the mutual effect of CSR and financial performance is characterized by an insignificant relationship.

Sun (2012) examines the association between corporate social responsibility and firms' financial performance using KLD index score retrieved from Kinder, Lydenberg, and Domini's database as a measure to CSR while relying on ROA as the measure of financial performance whilst incorporating additional control variables such as size represented by total assets, risk represented by leverage ratio, industry category and age of long-term assets. The data spans from the year 1999 to 2009 depicting a decade long information on the aforementioned variables. The KLD sample contains 24,283 firm-year observations, whereas the financial data is gathered via Compustat, resulting in a final sample of 11,432 firm-year observations with full data. Using regression analysis, this research tries to test the association between CSR and financial performance. Two key findings are documented in this study. First, the regression analysis shows that there is a strong and favorable relationship between CSR and financial performance after controlling for risk, size, industry, and the age of long-term assets. This research, which is consistent with many previous studies, demonstrates that companies can benefit from CSR. Second, long-term asset age is substantially connected with CSR. This shows that corporations with younger assets outperform organizations with older assets in terms of CSR performance. The study further indicates that firms with lower leverage ratios outperform firms with greater leverage ratios in terms of CSR performance.

Basuony, Elseidi, and Mohamed (2014) studied the impact of corporate social responsibility (CSR) on organizational performance making use of cross-sectional data

from non-financial enterprises in Egypt gathered from the Kompas Egypt data repository. The purpose of this research is to investigate experimentally the extent to which CSR contributes to the financial success of non-financial enterprises in Egypt. The corporate social responsibility is studied under economic variables, legal variables, ethical variables and discretionary variables, while the financial performance of the firms is measured using return on asset, return on sales, return on equity, competitive position and sales growth, with control variables as firm size, firm age and type of industry.

The relationship between CSR and firm performance was examined using the data acquired from a survey of 400 Egyptian enterprises, which were taken from the Kompas Egypt database based on the number of workers. The researcher employed mixed-mode questionnaires to carry out the research and gather the data. For data gathering, the researcher used a combination of mail questionnaires and e-mail questionnaires. Correlation analysis was adopted to test the relationship between CSR and firm performance, the relationship between economic dimension of CSR and firm performance, the relationship between legal dimension of CSR and firm performance, the association between ethical dimension of CSR and firm performance and the association between the discretionary dimension of CSR and firm performance. Similarly, independent sample t-test was adopted to test relationship between firm size, firm age, type of industry and CSR. Likewise, multiple regressions were used to study the impact of CSR, firm size, firm age, and type of industry on the firm performance.

This study discovered that CSR has a favorable and substantial influence on business performance. Moreover, all CSR dimensions show a strong association with corporate financial performance. Furthermore, the study suggests that larger and older organizations have a beneficial influence on financial performance i.e., profitability, leading to increased employment of better CSR practices. It only goes to show that the control variables namely, firm size, firm age and industry type, can be considered to influence CSR indirectly through financial performance.

The study conducted by Daniel (2013) sought to ascertain the impact of corporate social responsibility on the financial performance of Kenyan commercial banks. Net profits before taxes from audited accounts of comprehensive income were used to gauge financial performance. Net earnings before taxes were used for consistency since some

commercial banks recognized CSR costs as tax free while others did not. Loans to clients (save other banks and businesses), investment in treasury bonds and government securities, investment in trading shares, and investment in subsidiaries were all considered investments. Funds solely spent on social activities was used to measure CSR investment. The data was gathered from audited financial accounts of commercial banks, publications, websites and annual reports. Commercial institutions that did not participate in CSR initiatives or did not maintain CSR data were omitted in this study, hence a non-probabilistic sampling method was used to generate the sample size. For measuring the impact of CSR initiatives on financial performance of Kenyan commercial banks, the researcher in the analysis, relied on the five-year secondary data of eight commercial banks out of 44 Kenyan commercial banks from 2009 to 2013. The study examined for a linear association between financial success and corporate social responsibility using a descriptive research approach. The study examined the influence of company social activity on financial success using multiple regression analysis and five years of secondary data.

In the multi linear regression, net profit before taxes was the proxy for the financial performance of the banks, which was the dependent variable, while CSR investments was the independent variable. The covariance correlation coefficient was used to assess the strength of the association between CSR and performance. At a 5% level of significance, regression analysis was applied to examine the association between CSR and corporate financial performance. According to the research, not all commercial banks register their CSR engagement. As per the research findings, the investment on CSR activities has an impact on the financial performance of the Kenyan commercial banks.

Iqbal, Ahmad, Hamad, Bashir, and Sattar (2014) studied the impact of corporate social responsibility on firm's financial performance in the banking sector of Pakistan. According to Iqbal et. al (2014), there have been numerous studies in the past to test the relationship between CSR and firm's financial performance in the context of a developed country but only a few literatures have been conducted in the context of a much rather developing country like Pakistan. This study tries to fill the gaps in this body of knowledge. This research revolves around the efforts to identify the impact of CSR disclosure on firm's profit margin and firm's EPS.

Donation is vital for the growth of society, which leads to a greater return for the firm (Net Profit) as well as the investor (EPS). Here, the researchers use banks' profit margin and EPS as the proxy for their financial performance while using the amount spent on social benefit i.e., donations as the proxy for CSR disclosures. The donations are the independent variable while the EPS and profit margin of the firm are the dependent variables. The research is based on the secondary data retrieved from the annual reports of the United Bank Limited. The study is based on a seven-year data analysis of United Bank Limited spanning from 2005 till 2011. The study concludes that firm's disclosure of corporate social responsibility and its performance in terms of net profit margin and earnings per share have a favorable connection. When a company spends money on the community, the community benefits, it does not just end there, this does not mean that the community will not pay the company back. Society also compensates the enterprise in the form of goodwill, reputation, or a positive picture of the company back in the minds of consumers and investors. As can be seen, the contribution boosts the profit margin and earnings per share. As a result of the bank's positive response to their societies and assistance to the society by contributing as a result, the bank's net earnings and EPS rise.

With the notion that companies can implement corporate social responsibility through CSR disclosures disclosed to the public in the annual reports and the firm performance can be assessed through financial performance, Kamatra and Kartikaningdyah (2015) conducted a study to test the effects of corporate social responsibility on financial performance. The purpose of this study was to investigate the impact of CSR on financial performance as assessed by profitability measures such as return on assets, return on equity, net profit margin, and earnings per share while the control variables were leverage and size.

The population of this study comprised of the mining and basic industry chemicals companies listed in the Indonesian stock exchange, and through the adoption of purposive sampling method, the sample selection comprised of 24 companies in the aforementioned industry. The study relies on the secondary data of the 24 companies from the years 2009 till 2012, making this a four-year data analysis. The secondary data was gathered from the mining and chemical industrial base's annual report and from the stock exchange's website. A multiple linear regression analysis was performed to analyze the data in this study and draw meaningful conclusions. According to the

findings of the study and analysis, the CSR has a significant influence on the financial performance determined by return on asset and net profit margin. The findings of this study reveal that concurrent CSR and control factors such as leverage and size have a significant influence on return on asset, return on equity, net profit margin, and earnings per share. CSR has a marginally significant influence on return on asset and net profit margin, but no significant effect on return on equity and earnings per share in mining sector businesses and industrial sectors as listed on the Indonesian stock exchange.

Choongo (2017) used a longitudinal design in small and medium-sized firms to evaluate the influence of corporate social responsibility on company performance in SMEs in Zambia. With arrays of studies conducted in the developed nations and only a few studies being conducted in developing nations, this research was carried out in Zambia, a poor nation in Sub-Saharan Africa to add to the body of knowledge on the subject matter of CSR and company performances. CSR researches in Zambia have mostly been focused on mining firms, rather than SMEs, and have not connected CSR to company performance.

This study focuses on evaluating the impact of CSR on firm's performance which is cascaded into financial performance, firm's reputation and employee commitment. Hence, the CSR is the independent variable making the financial performance, firm's reputation and employee commitment the dependent variables. The control variables used in this study were firm size, firm age, entrepreneur's age and gender. The natural logarithm of the number of employees was used to calculate firm size. Based on the second wave of data collection, firm age was calculated as the natural logarithm of the number of years the business has been in operation, i.e., 2014. To prevent skewed distributions, the natural logarithm was employed for both company size and firm age. Data from 153 entrepreneurs were collected in two surveys, and changes in CSR and company performance variables were examined over a 12-month period using SmartPLS structural equation modeling.

The first survey was conducted in 2013, and the second survey was conducted on the same sample post 12 months in 2014. The organizations were chosen based on their size: SMEs with between 10 and 250 employees. The sample was obtained from the databases of four significant mining companies in Zambia (Mopani Mine, Lumwana Mine, Konkola Mine, and Kansanshi Mine) and included 1200 registered local SMEs

that satisfied the selection criteria. The financial performance was measured using seven items, firm's reputation was measured using three items while the employee commitment was measured using three items all derived from five-point Likert scale questionnaires. A 16-item scale adapted from Masurel and Rens was used to assess the independent variable, corporate social responsibility. The data indicate that there is a considerable association between CSR and financial performance. Furthermore, over time, the relationship between CSR and the two metrics of company success, namely, business reputation and staff commitment, was only marginally significant.

Malik, Mamun and Amin (2018) investigate the impact of peer pressure on corporate social responsibility activities of banks and their long-term effects of the CSR investment on the firm's financial performance in the banking industry of Bangladesh. Using data from the Bangladesh banking industry, the effect of peer group pressure on CSR spending is studied, and that in turn, the impact of CSR spending on profitability is examined. This study adds to the current CSR research by recognizing peer pressure as a novel factor of CSR. Since previous banking CSR materials have been restricted to cross-country or cross-industry contexts, this study addressed the gap in the literature by demonstrating how banks communicate with other banks on CSR concerns within their surrounding area. Since most researches on the value-creating quality of CSR focuses on current performance, this study strived to provide proof of CSR's long-term advantages. The measure for peer pressure was derived from the peer banks based on their size and coverage, while CSR was measured through the CSR expenditures of the banks and the banks' profitability was evaluated through the variables net interest income, net income, total deposits, total assets, loans and advances, number of branches, number of employees, earnings per share and return on assets.

As per the Bangladesh banking industry, there were 56 scheduled banks, and among those banks, the researchers incorporate the data of the state-owned commercial banks, private commercial banks and Islamic Shariah-based commercial banks. Thirty of the 56 scheduled banks are traded on the Dhaka Stock Exchange and therefore, the sample set was limited to these institutions as their data were easily accessible and verifiable. Hence, the sample size consisted of 30 banks with a 10-year data ranging from the year 2002 to 2011 making a total of 300 observations in this study. Primarily, the data was derived from the secondary source, annual reports of the banks while the missing fields were filled out from the secondary data retrieved from the Dhaka Stock Exchange

database. Through correlation and regression analysis, the study tries to test the relationship and impact of peer banks' CSR activities on bank's CSR spending and in turn the relationship and impact of banks' CSR expenditure on bank's profitability.

The study suggests that there is a considerable positive association between banks' CSR expenditure and managerial expenses, net income, and the number of branches. A significant negative relationship was documented between bank CSR spending and overall deposits. This negative relationship shows that debt limits banks' CSR expenses. CSR spending and total staff count are both negatively and strongly related. The study concludes that CSR spending rises in tandem with that of its peer group, and that such rises positively explain present and future profitability. As a result, the findings provide the first evidence of peer pressure as a driver of CSR expenditure and its long-term impact on value creation in the banking sector.

Salehi, DashtBayaz and Khorashadizadeh (2018) analyzed the link between CSR expenditure and business financial performance based on the studies conducted from the data of Tehran Stock Exchange. This study investigated the link between CSR and corporate financial performance in a nation where, to the best of the authors' knowledge, such a relationship has not been studied empirically, as it has in most other emerging markets. Furthermore, the application of a three-dimensional measure of financial success, especially focusing on research conducted in a developing market, may be seen as a beneficial addition.

The independent variable CSR is represented by the CSR expenses and the CSR scores reported in the TSE library and its supplemental software which is also known as Rahavard Novin Pars portfolio Software Informer. This database's CSR scores solely include social and environmental concerns. The environmental component of CSR scores addresses issues related to resource efficiency and air pollution management. The social component of CSR ratings also addresses workforce concerns such as high-quality workforce health, workplace conditions, and safety, and workforce ongoing development and learning. To assess company performance, three representatives are used, namely changes in ROA, changes in operating cash flows and size-adjusted stock returns.

The primary sample comprises of 795 firm observations from 159 companies covering a six-year data from 2010 to 2015. The data is assessed using regression models to study

the impact of CSR on firms' financial performance. According to the findings, investment in CSR efforts is strongly and favorably related with corporate financial success as measured by changes in return on assets. Furthermore, the findings reveal a positive and substantial relationship between CSR investments and company financial success as measured by future changes in return on assets and future changes in operational cash flows scaled by total assets.

Cho, Chung and Young (2019) analyzed the association between CSR performance and corporate financial performance based on the data from 191 sample firms listed on the Korean Exchange. The Korea Economic Justice Institute (KEJI) index was used to assess CSR performance, while profitability and firm value were used as proxies to measure corporate financial performance. Tobin's Q served as an indicator of business value, and return on assets was used as a measure of profitability. As CSR variables, the six assessment questions recommended by KEJI were used: soundness, fairness, contribution to social service, consumer protection satisfaction, environmental protection satisfaction, and employee satisfaction (independent variable). Furthermore, the debt ratio and company size are employed as control variables, with the natural log value of assets used to assess firm size. Adopting correlation and regression analysis, the relationship between the independent and dependent variables under study was analyzed.

The findings reveal a partial positive link between CSR performance and profitability and business value. These findings are somewhat consistent with earlier research that found a favorable association between CSR and financial success of Korean enterprises using the KEJI index prior to 2011. Only social contribution produced a significant and favorable association between CSR performance and profitability (ROA). The correlation analysis of CSR performance and financial performance indicators indicated a favorable association between total asset growth rate and business soundness and social contribution. Tobin's Q, the proxy for the measure of company value, demonstrated a positive link with both soundness and social contribution.

Since the eighteenth century, corporate social responsibility has grown and is increasingly required for businesses. However, the relationship between CSR and financial performance is still shaky. With this Oware and Mallikarjunappa (2019) investigate the mediating effects of third-party assurance and moderating impacts of

financial leverage on firm's financial performance. Previous research has found a mixed relationship between corporate social responsibility and firm's financial performance. Nonetheless, some of the potential explanations for the mix connection have gotten little scientific attention. As a result, this research has come into play to study the function of third-party assurance's mediation impact and financial leverage's moderating effect in corporate social responsibility and financial interactions link between performance.

The dependent variable, financial performance has been studied based on ROA and ROE, while the independent variable, CSR has been proxied through CSR investment. The controlling variables here are TPA and financial leverage. The TPA reporting denotes assurance to stakeholders on sustainability reports. The TPA reporting is measured as a qualitative response variable with a value of one indicating the presence of an assurance report and 0 indicating the lack of an assurance report. The financial leverage calculates the ratio of total liabilities to total assets as shown on the audited financial statements at the end of each accounting period. This study used a panel of 29 businesses with a total of 232 firm-year observations from the year 2010 to 2017, making it an 8-year data analysis. Panel and hierarchical regression models are employed to analyze data from 29 Indian stock exchange businesses.

The computed ROA and ROE are based on separate yearly reports. CSR investment and TPA variables are derived from sustainability reports, while financial leverage is calculated using yearly financial accounts. The integrated financial statement contains the control variables. According to the findings, CSR has a favorable relationship with financial performance return on assets and return on equity of listed enterprises in India. The second study indicates that TPA has a negative relationship with financial performance represented by the proxies, ROA and ROE and acts as a negative mediator between CSR and financial success i.e., ROA and ROE. Furthermore, the data demonstrates that financial leverage has a negative relationship with ROA but no relationship with ROE and is unable to control the relationship between CSR and financial success. The research findings conclude that financial leverage has no significant relationship with TPA and is unable to control the relationship between CSR and TPA.

All the aforementioned empirical studies have been conducted abroad, but in the context of Nepal, Rai (2019) studied the impact of corporate social responsibility on the financial performance of Nepalese commercial banks. The primary goal of this research is to investigate the influence of CSR on the Return on Equity, Return on Assets and Earnings per Share in the context of commercial banks in Nepal. Corporate donations, culture, health care, education, sports, and social services were all used as stand-ins for the independent variable, corporate social responsibility, while the dependent variable, financial performance was proxied by returns on equity, returns on assets and earnings per share.

During the period of the study, there were 28 commercial banks in Nepal, and out of these banks, two of them, namely, Standard Chartered Bank Nepal and Nepal Investment Bank Limited were taken as sample based on the availability of data necessary for the study. Data were gathered from secondary sources, mostly the annual reports of the selected institutions from the sample period of 9 years spanning from the year 2010 to 2018. The data was based off of income statements, balance sheets and director's reports from the sections of the annual reports. A simple regression model was used in this study to examine the influence of corporate social responsibility on the financial performance of Nepalese commercial banks.

According to the research on Nepal Investment Bank, the strength of the association between ROA and CSR is quite weak. While the coefficient of regression reveals that a negative association exists between the variables of the research, this implies that CSR adoption has a negative impact on ROA in NIBL and vice versa. According to the data analysis of Standard Chartered Bank Nepal, the strength of the association between ROA and CSR is 29.9%. The coefficient of regression reveals that the link between the study's variables is positive, meaning that CSR adoption has a positive influence on ROA in Standard Chartered Bank Nepal and vice versa. According to the regression model, Nepal Investment Bank's and Standard Chartered Bank Nepal's ROA have no significant link with corporate social responsibility. The ROE of Nepal Investment Bank has a substantial association with CSR, however Standard Chartered Bank Nepal does not. It was revealed that the EPS of Nepal Investment Bank has a major association with CSR, whereas Standard Chartered Bank Nepal does not. The report suggested that financial institutions, specifically commercial banks, follow the directives given by the Central Bank in the Monetary Policy for the Fiscal Year 2016/17, in which banks and

financial institutions are mandated to invest at least one percent of their profits on CSR initiatives, and that CSR be perceived as an investment and disclosed as such in financial statements of the financial companies.

Motivated by the need for some thorough and strong empirical affirmation, Bag and Omrane (2020) intended to evaluate the statistical association between corporate social responsibility and corporate financial performance of the top 100 businesses listed on the National Stock Exchange of India. The dependent variable in the current study's model is corporate financial performance. On the basis of past researches, company profitability and market share return were taken as measures of CFP. Return on Equity (ROE), Net Sales (NS), Operating Profit (OP), and Net Profit (NP) were classed as company profitability indicators, whilst its Stock Return (SR) and price-to-earnings ratio (PE) were used to quantify its market share return. CSR was used as an independent variable in this study. A CSR instrument was used and built on the basis of existing literature to measure it.

Following a content analysis, the 32 CSR initiatives were divided into four groups: employees, environmental, community, and various other transformational investment activities. To signify the lack or existence of CSR activities in the company and determine the overall CSR score, a binary note (0/1) was employed. In this study, the control variables were business size, firm age, D/E ratio, and labor cost. In the current study, total assets-current liability was used to calculate the firm's size. The DE ratio (Total Debt/Total Equity) reflects management's attitude toward social involvement. This study is secondary data focused, using data obtained from 100 of India's top NSE listed firms. Data on CSR efforts was gathered from annual reports of publicly traded corporations. A content analysis was used to gain a comprehensive insight of the present state of CSR activities. CSR initiatives have been quantified by total sum invested by businesses under the CSR umbrella.

This study employs a four-year data analysis from 2015 to 2018 to study the overall impact of CSR on firms' financial performance in India. To get a conclusion about the CSR-CFP link, a factor analysis and a multivariate regression analysis were performed. The study revealed that even while CSR efforts have a considerable influence on financial success, there is a somewhat favorable connection between the variables in

question in that context. Based on the findings, it is advised that Indian business enterprises commit to CSR efforts in order to improve their financial performance.

Section 135 of the Indian Companies Act, 2013 compelled corporate social responsibility (CSR) expenditure, making India the first national jurisdiction to do so. The goal of research conducted by Bhattacharyya and Rahman (2020) is to investigate the influence of compulsory CSR spending on company stock returns using real CSR spending data, whereas earlier studies have largely focused on voluntary CSR proxied by CSR scores. This study adds to the body of knowledge by investigating the impact of compulsory CSR expenditure on stock throughout the postimplementation period, whereas prior literature focused on the effect of law on CSR in India.

This study's sample period is limited to the years 2015 and 2016. Because the Companies Act of 2013, mandating CSR expenditure, went into effect in 2014, actual CSR budget data for a large sample was available only from the year 2015. The information was gathered from the Prowess database, which is the largest platform for individual Indian enterprises' financial and non-financial data. The sample data comprises of 1286 firm observation over the period of two years with 579 firm observations in 2015 and 707 firm observations in 2016. The study relies on CSR as independent variable proxied by CSR expenditures during the year while the dependent variable is stock return while the control variables are firm size, leverage or the debt composition in the capital structure, asset turnover ratio and profit margin. The study uses the ordinary least squares (OLS) approach to assess their baseline regression.

While the baseline model linking CSR expenditure and stock returns is computed using the ordinary least squares technique, endogeneity and reverse causality biases are addressed using the two-stage least squares and extended method of moments methods. These techniques help to mitigate endogeneity bias as well as biases caused by unobserved heterogeneity and simultaneity. The results show that required CSR spending has a detrimental influence on company stock returns. After correcting for endogeneity bias and employing both conventional and robust test statistics, this finding remains robust. The study noted that this conclusion holds applicable for enterprises with actual CSR expenditure equal to or more than the mandated level, but not for businesses with actual CSR expenditure larger than the mandated amount. As a result, the investigators present evidence that the impact of CSR expenditure on stock returns

is dependent on whether businesses merely comply with the legislation or actively choose to spend more on CSR than is mandated.

Based on the instrumental method of stakeholder theory, Garg and Gupta (2020) evaluated the firm performance of public and private sector enterprises in India's mandatory corporate social responsibility expenditure framework. The report tries to explain why some businesses fail to achieve CSR spending requirements. It also suggests ways for regulators and other agencies to entice Indian enterprises to participate in CSR projects. The research also outlines how businesses may get the most out of their CSR investments. The study hypothesizes that businesses that meet the obligatory CSR expenditure requirement would have superior company performance and analyzes it using one-way ANOVA and a post-hoc test.

Firm performance is evaluated in terms of firm value and market performance. The study investigated firm performance in terms of firm value and market performance. Firm performance is measured using firm valuation and market performance. As proxies, enterprise value and cumulative stock returns are employed for measuring firm value and market performance respectively. Furthermore, the percentage CSR spending for the previous three years' net profit before tax has been taken into account. The research considers public and private sector enterprises listed on the NSE of India that fulfill the qualification (concerning required net worth or turnover or net profit before tax) to conform with the CSR regulations. The data for the three fiscal years 2015-16 to 2017-18 are incorporated in the study. The final comprehensive data set includes 131 public sector and 257 private sector enterprises listed on India's NSE. The necessary statistics were gathered from the Centre for Monitoring Indian Economy's Prowess database (CMIE).

According to the study's findings, the instrumental approach of the stakeholder theory is not backed by India's mandated CSR expenditure framework. Firm performance is poorer in the public sector enterprises that meet the mandated CSR expenditure requirement. Furthermore, private sector enterprises that meet the mandated CSR expenditure requirement do not do considerably better than private sector firms that do not meet this condition.

Oware and Mallikarjunappa (2020) look into how obligatory corporate social responsibility reporting affects CSR spending and financial performance of listed

enterprises in India. The link is explained using institutional theory. Several studies have looked at the relationship between obligatory CSR reporting and CSR disclosure or financial performance. However, this study extends the issue and adds a new wrinkle to the field of sustainability development research by investigating the moderating influence of required CSR reporting in the relationship between CSR expenses and financial performance.

This research requirements for a balanced panel survey encompassed 80 publicly traded businesses from the year 2010 to 2019 incorporating a 10-year data. The research focused on only major listed corporations with data on sustainability reporting from 2010, reducing the sample size to 80 listed large enterprises. The sample size of 80 businesses and 800 firm-year observations matched the criteria for major enterprises with a net value of 500 crores or more, a turnover of 1000 crores or more, or a net profit of 5 crores or more in any fiscal year. The proxies used for the measurement of dependent variable, financial performance include ROA, ROE, SPR (stock price return) and Tobin's q measure, while the proxy used for the measurement of the independent variable, CSR was CSR expenditure. To decrease the elements of outliers, the values of CSR expense were transformed into natural logarithms.

As a measurement of mandatory CSR reporting, the binary variable 0 was used to denote the reporting during the voluntary period while the binary variable 1 was used to denote the reporting during the mandatory period. The control variables employed in this study include financial leverage, third party assurance, firm size, board size, independent board of directors, CSR number of meetings and CSR committee membership. The study analyzed CSR expenditure, required CSR reporting, and financial performance using a panel regression and hierarchical regression model. The study discovered a statistically significant link between CSR spending and financial success [return on assets (ROA) and Tobin's q]. Furthermore, the study found a link between financial success (ROA and Tobin's q) and CSR spending. Furthermore, the study found that mandated CSR reporting increases CSR spending. Finally, the study found that mandated CSR reporting attenuated the relationship between CSR spending and financial performance (stock price returns). The researchers accounted for heteroscedasticity, serial correlation, and endogeneity effects.

Wagle (2020) conducted a study with a motive to determine the trend and link between Corporate Social Responsibility (CSR) activities and the financial performance of Nepalese commercial banks. The central bank of Nepal, Nepal Rastra Bank introduced a CSR directive in the fiscal year 2016/17 where the banks and financial institutions were mandated to create a CSR fund comprising of a minimum contribution of one percent of net profit to invest in obligated CSR headings in the upcoming fiscal year. The research tries to exact the relationship between CSR and financial performance whereby, the independent variable is CSR while the dependent variable is the financial performance proxied by net income (NI), return on assets (ROA) and return on equity (ROE).

Since this study was conducted in the context of Nepalese commercial banks, the population of the Nepalese commercial banks during that time was 27. Out of these 27 commercial banks, 3 banks were taken as sample on the basis of purposive sampling method. Citizens Bank International, Everest Bank and Nepal Bangladesh Bank were taken as the sample of the study. Those banks which clearly mentioned their CSR initiatives which includes expenses and activities disclosed in their annual reports were used the samples of the study. The study encompasses a 4-year data analysis from the fiscal year 2015/16 to 2018/19. To assess the degree of association between CSR and financial performance, a correlation regression study approach was used. The findings indicated that, of the three factors, only CSR activity on ROA is substantially acceptable, with a negative association between them. Furthermore, CSR activity on ROE and CSR activity on NI are both insignificant, with an insignificant connection.

With the purpose to determine the association between corporate social responsibility and financial performance, Adhikari (2021) conducted research in the context of Nepal covering the Nepalese commercial banks. The study strived to determine the link between CSR and the financial performance of Nepalese commercial banks and investigate the influence of CSR on financial performance in various categories of commercial banks. In this sense, the study employed both a descriptive and a causal comparative research approach. Only 6 commercial banks were chosen as the study's sample from a population of 28 using a purposive sampling approach. These 6 banks had disclosed CSR expenditures in their financial statements from the fiscal year 2016/2017 to 2018/2019. Due to data availability, data from the 2016/2017 to 2018/2019 fiscal years were used, and the 6 sample banks included 2 government-

owned, 2 joint venture, and 2 private commercial banks. Agriculture Development Bank and Rastriya Banijya Bank Limited represented the government owned commercial banks, Himalayan Bank Limited and Nepal SBI Bank Limited represented the joint-ventured banks while Bank of Kathmandu Limited and Global IME Bank Limited represented the private commercial banks. Data on CSR and financial performance were gathered through annual reports of banks, which served as secondary sources.

Earnings per share (EPS) was the accounting-based measure utilized in this study as an indicator of the dependent variable, i.e., bank's financial success while CSR expenses were used as a representation of the independent variable, i.e., CSR. For the examination of relevant data, both descriptive and inferential statistics were used. A linear regression model with dependent and independent variables were used to find the linear association between CSR and financial performance in the Nepalese banking industry. The findings demonstrate that CSR has a good influence on the financial performance of Nepalese government-owned banks and gives valuable insights for management in integrating CSR with the business's strategic goal. On the contrary, it demonstrated a detrimental influence on financial performance of joint venture banks. Furthermore, CSR has a negligible beneficial influence on financial success. The study revealed that the association between CSR and business financial performance varies throughout all Nepalese commercial bank categories.

Wagle and Gupta (2021) tried to investigate the impact of corporate social responsibility on financial performance of development banks in Nepal with the case based on Muktinath Bikash Bank Limited. Development banks are essential financial entities that assist countries in meeting their needs while developing and transforming the global economy. In Nepal, development banks are established to promote and develop certain developmental sectors such as agriculture, manufacturing, and other essential infrastructure-related undertakings. In Nepal, various research on commercial banks and financial performance have been conducted. However, no studies have been undertaken in Nepal that have focused just on the "B" class group, which includes development banks. This study has come into play to fill this gap in the body of knowledge.

This research used a descriptive approach. To assess the association between corporate social responsibility and financial performance, a regression/correlation study approach was used. In Nepal, development banks are classified into two types based on their functioning area, namely, national and regional. As of July 15, 2020, there were 20 development banks in existence. Eight of these development banks operate on a nationwide scale. Out of the 20 development banks as population of the study, Muktinath Bikash Bank Limited was chosen for the sole sample using the purposive sampling approach because it has the greatest paid-up capital during the study period. Furthermore, statistics from the previous five years (2015/2016 to 2019/2020) were used to identify the impact of CSR on financial performance. Secondary sources, mostly yearly reports, were used to obtain the data relevant to the study. Net income, return on assets and earnings per share were taken as proxies of the dependent variable while CSR expenses proxied the independent variable, CSR.

The findings of this study indicated that CSR activities in Nepali development banks are healthy and growing. However, the minimal CSR expenditure has not been met in every state. The relationship between CSR and NI, and the relationship between CSR and ROA are considerably accepted, with a positive and negative association. Furthermore, CSR and EPS show a negative association, but it is statistically negligible. Although CSR has had a substantial influence on the company's income and assets, it has not produced shareholder value; nonetheless, its present efforts have demonstrated the huge potential that will be observed in the near future as results indicate.

Van Nguyen, Bui and Le (2022) investigated the relationship between CSR and corporate financial performance based on the data of commercial banks in Vietnam. The study implores regression analysis between the independent variable and dependent variables to derive the effect of CSR expenses and CSR disclosure on the financial performance of the Vietnamese banks under study. The study is based off of 232 observations from the period of the year 2012 to 2019, derived from 29 out of 35 banks exclusive of joint venture banks and fully foreign capital invested banks.

The independent variable CSR was proxied by two components, namely CSR disclosure derived from a mix of qualitative and quantitative measure, and CSR expenditure on different dimensions. The dependent variable firm's financial performance was proxied by net income margin, ROE and ROA. The control variables

under study comprises of company specific variables, variables from the banking industry and macroeconomic variables. The controlling variables are bank size, capital adequacy ratio, loan-to-deposit ratio, management quality, asset quality, Herfindahl-Hirschman Index, growth rate of gross domestic product and generation rate. The findings from the regression analysis suggest that both corporate social responsibility expenditure and corporate social responsibility disclosure have a favorable impact on the bank's financial performance. The results indicate a positive impact of CSR expenditure and disclosure on ROA, ROE and Net Profit Margin. The findings also indicate the influence of the component CSR on the bank's financial performance, with environmental and employee responsibility having a favorable effect while, on the contrary, there is no evidence of the impact of Community responsibility. The research findings suggest that when commercial banks raise their expenditure and divulge information on their CSR activity, in general, corporate financial performance increases in particular when they are responsible to the environment, their workers, and the community. The study hints on the idea that banks can fulfill both their profit maximization goal and their sustainable development goals.

CHAPTER III

RESEARCH METHODOLOGY

The research methodology chapter outlines the steps undertaken to examine the research topic, as well as the justification for using certain processes and techniques in the study to comprehend and critically assess how the acquired data are evaluated to draw meaningful conclusions. This part contains material that may serve as a foundation for how the research objectives will be reached, as well as how the research challenges will be addressed. This topic has been divided into five sections. The first section deals with the brief description of research framework and describes different variables used in this study, while the second section describes the research design employed in the study. Section three explains the population, the sample and the sampling method used in the study. Similarly, nature and sources of data, and the instruments used in the data collection are explained in the section four and finally the fifth section deals with the methods of analysis.

3.1 Research framework and definition of variables

A research framework depicts the underlying structure of the research plan and presents the variables that shall be used in the study. In order to study the impact of corporate social responsibility on financial performance of Nepalese commercial banks, the independent variable CSR shall be proxied by CSR investment while the ROA, ROE and EPS are considered as the indicators of the dependent variable, financial performance. Figure 1 reflects the research framework used in this study.

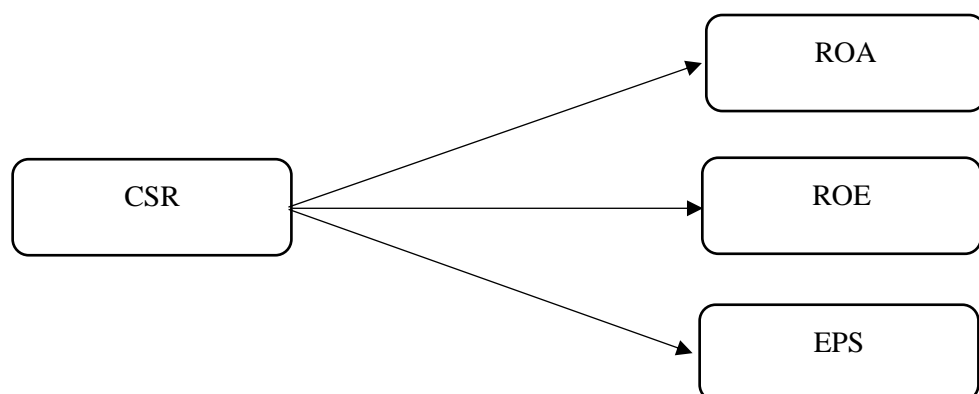


Figure 1. Research framework of the study

According to the research framework shown in figure 1, the study is aimed at determining the impact of corporate social responsibility on financial performance. The research framework shows CSR investment as the independent variable and ROA, ROE and EPS as the dependent variables in explaining the impact of CSR on financial performance of Nepalese commercial banks. The following are the definitions of each variable used in this study.

3.1.1 Corporate social responsibility

Corporate social responsibility is a type of self-regulation that reflects a company's accountability and commitment to making contributions to the overall well-being of people and society through numerous different societal and environmental measures (Reckmann, 2022). The concept of CSR focuses on the corporate duties; environmental and social practices. Corporate social responsibility implies that a business should be considered responsible for any of its actions that influence people, communities and the environment in any way (Wagle, 2020). Hereby, the dimension studied in this research would entail variable representing CSR as CSR investment.

CSR investments include any fund allocated to conduct any CSR activity; it also includes the expenses borne by the company for carrying out a CSR activity. Generally, companies spend the amounts allocated for CSR in different dimensions, namely; societal, environmental, economic dimensions and so on. Since fiscal year 2016/17, banks and financial institutions have been mandated to disclose information about the CSR fund and its expenditures in the annual financial statements, while a clause requiring disclosure of CSR spending in different heads and provinces was introduced in 2019. Currently, banks and financial institutions are required to establish a CSR fund with a minimum contribution of 1% of net profit in specified CSR domains in the following fiscal year.

3.1.2 Return on assets

The study focuses on studying the impact of CSR on financial performance where by one of the proxies for financial performance is return on assets. Return on Assets is the profitability ratio that indicates company's profitability in relation to its total assets. This profitability ratio is basically a measure of profit generated by a firm from its assets. In other words, ROA is a financial ratio that measures how much a company is

efficient in generating profit from their total assets. ROA is a good indicator for measuring the financial performance of businesses as it is inferred in percentage, which goes to show that higher the ROA, better the financial performance. The data of the ROA of Nepalese commercial banks can be extracted from the annual reports published by the said banks in relation to the directives from the central bank of the country. The net income is derived from the income statement while total assets is derived from the balance sheet. The formula for ROA is as follows:

$$\text{Return on Assets} = \text{Net Income} / \text{Total Assets}$$

3.1.3 Return on equity

Return on equity is a measure of financial performance of a company in relation to its shareholder's equity. ROE measures how effective a company is at generating returns on the capital invested by its shareholders. It essentially is a profitability ratio that measures the rate of return generated by a firm on each equity investment contributed by the company's shareholders. Like ROA, ROE is also an indicator of financial performance that is derived in percentage. The higher a company's ROE, the more efficient its management is at converting its equity financing into profits, hence indicating a better financial performance. The data on ROA can be extracted from the annual reports as mandated by the directives of Nepal Rastra Bank. The net income can be extracted from the income statement whereas the data on shareholder's equity can be derived from the balance sheet of the annual report. Mathematically, the ROE can be as follows:

$$\text{Return on Equity} = \text{Net Income} / \text{Shareholder's Equity}$$

3.1.4 Earnings per share

Earnings per share (EPS) is calculated by dividing a company's profit earned during a period by the number of outstanding shares of common stock. The resultant calculated value is used to calculate a company's profitability. It is typical for a corporation to announce earnings per share that have been adjusted for unusual items and probable share dilution. The greater a company's EPS, the more profitable it is thought to be. A higher EPS suggests more value since investors would pay more for a firm's shares if they think the company has larger earnings relative to its share price. EPS can be calculated in a number of ways, which includes omitting unusual items or ceased

activities, or on a diluted basis. EPS like other financial measures, is most meaningful when compared to rival metrics, firms in the same sector, or over time. EPS is calculated by dividing a company's net profit for a specific period of time by the number of outstanding common shares. Mathematically, the EPS can be calculated as follows:

$$\text{Earnings per share} = (\text{Net income} - \text{dividends}) / \text{Number of outstanding shares}$$

3.2 Research design

Since the research project is on the study of impact of corporate social responsibility on financial performance of Nepalese commercial banks, the most appropriate research design would be causal comparative research design. Considering the objective of the study and to attempt to answer the queries derived from the statement of the problem, causal comparative research design is adopted as it would help to determine the relationship between the independent variables and dependent variables and study the impact of independent variables on the dependent variables.

By observing existing consequences and searching for possible factors leading to the results, causal-comparative research investigates the possible causes affecting a specific situation. This type of research is also referred to as "ex post facto" or "after the fact" research (i.e., data are collected only after all the relevant events have occurred). This is due to the fact that both the effect and the alleged causes have already occurred. In other words, causal-comparative research begins with the observation of the dependent variable or variables after the independent variable or variables have already occurred. Then, in retrospect, examine the independent variables for possible relationships to and effects on the dependent variable or variables. This research design is chosen for the study to investigate the relationship between the dependent and independent variables.

3.3 Population and sample, and sampling design

The population considered in this research should be all the commercial banks of Nepal. As per the NRB directives, the class 'A' commercial banks are mandated to have a minimum capital of Rs. 8 billion. As of mid-January 2022, there are currently 27 commercial banks in Nepal with a total of 4,856 branches. Since, it is impossible to include the entire population for the study, certain sample shall be selected. Out of the population of 27 commercial banks in Nepal, 16 commercial banks are selected as sample of the study which is 59.26 per cent of the entire population. Since fiscal year

2016/17, the banks were mandated by NRB to allocate one percent of their net profits for CSR funds and disclose CSR activities, a 5-year data from the annual reports of these 16 commercial banks shall be derived making the study a 5-year data analysis starting FY 2016/17 making it a total of 80 observations.

Since the population of the study is large and also is the sample size, non-probability sampling has been employed in the selection of sample for the study. In order to account as the sample of the study, banks require to fulfill two criteria. Those commercial banks that have participated in CSR activities in the past five fiscal years and have disclosed the necessary CSR and financial performance data in the accounts of annual reports for the respective years have been considered as eligible samples of the study. The method of convenience and judgmental sampling have been employed in arriving at the 80 observations of the secondary data.

3.4 Nature and sources of data, and the instrument of data collection

Since the main objective of this study is to analyze the impact of CSR on financial performance of Nepalese commercial banks, the data for this study is qualitative in nature. The data used in this research is heavily based upon secondary data. The secondary data is obtained from the annual reports, various publications and financial reports of the concerned Nepalese commercial bank. These reports are accessed from the websites of the concerned banks as the banks are mandated to disclose their financial performances for the fiscal year. Also, as per the directives from the NRB, the commercial banks are mandated to disclose CSR related information in their annual reports. Relying on these disclosures, the data on the dependent and independent variables of the study can be extracted. The data on the independent variable, CSR spending can be extrapolated from the income statements whereas the data on the dependent variables ROA, ROE and EPS can be deduced from the income statements as well as the balance sheets of the annual reports.

3.5 Methods of analysis

Specific financial and statistical tools are used in this research to draw up conclusions from the obtained data. The analysis of data is conducted according to the pattern of the available data. The calculated results are to be tabulated under homogenous categories, and then are compared with each other to interpret results. The financial tools that are

used are the ratios related to return on asset and return on equity. Results are drawn by resorting to the use of statistical tools such as arithmetic mean, median, mode, standard deviation, coefficient of correlation, coefficient of determination and regression equation.

3.5.1 Mean

The mean is the average of all numbers, also known as the arithmetic mean. Mean can be calculated by adding together all of the numbers in a set and then dividing the sum by the total count of numbers. For example, in a data center, five servers consume 101 watts, 120 watts, 105 watts, 96 watts and 108 watts of power, respectively. The mean power use of that rack is calculated as $(101 + 120 + 105 + 96 + 108 \text{ W})/5 \text{ servers} =$ a calculated mean of 106 W per server. The mean of independent variable, CSR expenditure and dependent variables, ROA, ROE and EPS are calculated in this study.

$$\bar{X} = \frac{\sum X}{N}$$

Where, X= Value of each independent or dependent variables

N= Number of banks/years

3.5.2 Median

The number in the middle of a set of numbers is the median. For example, in the set of numbers {4, 8, 15}, the median is eight. However, the numbers must be in order for the median to be in the middle. If there is an even number of numbers, then the median is the average of the last two middle numbers. There are two ways to find the median of a set of numbers. One is by rewriting the numbers in order, and then finding the one in the middle. The second way is cross off the highest number and then the lowest number, then the highest and then the lowest and so on until only one number is left. That number will be the median. When dealing with a large number of numbers, the second method works best. The formula for median is as follows:

$$\text{Median (Md)} = (N + 1)/2 \text{ th term}$$

Where, N= Number of banks/years

3.5.3 Mode

The mode is the most common value in a set of data. A discrete probability distribution's mode is the value x at which its probability mass function gives the maximum. It is the most likely value to be sampled. The mode of a continuous probability distribution is the value x at which its probability density function has the greatest value, indicating that the mode is at the maximum. The mode, like the statistical mean and median, is a way of expressing vital information about either a random variable or a population in a single number. In a normal distribution, the numerical value of the mode is the same as the mean and median, but it can be significantly different in highly skewed distributions.

Because the probability mass function or probability density function could take the same highest value at several points x_1, x_2 , etc., the mode is not necessarily unique. In uniform distributions, where all values occur fairly frequently, the most extreme case occurs. When a probability density function has multiple local maxima, all of the local maxima are commonly referred to as modes of the distribution. This type of continuous distribution is known as multimodal distribution (as opposed to uni-modal distribution).

3.5.4 Standard deviation

The standard deviation (STD) is a statistic that quantifies the amount of variation or dispersion in a set of data values. It is represented by the Greek letter sigma or the Latin letters. A low standard deviation indicates that the data points are close to the set's mean (also known as the expected value), whereas a high standard deviation signifies that the values are spread out over a wider range of values. The square root of the variance of a random variable is its standard deviation. It is mathematically simpler, but less robust in practice, than the average absolute deviation. The standard deviation has the advantage of being expressed in the same units as the data, unlike the variance. Other measures of deviation from the norm, such as mean absolute deviation, have mathematical properties that differ from standard deviation.

$$\sigma = \sqrt{\frac{(X - \bar{X})^2}{N}}$$

Where, X = Value of each dependent or independent variable

\bar{X} = Mean value of each dependent or independent variable

N= Number of banks/years

3.5.5 Coefficient of variance

The coefficient of variance (CV) is a statistical measure of how far off data points in a series are from the mean. The coefficient of variance is the ratio of the standard deviation to the mean and is a significant statistic for assessing the degree of variation between data series, even if the means are radically different. In contrast to the standard deviation, which must always be considered in relation to the data's mean, the coefficient of variation provides a relatively simple and swift tool for comparing different data series. The coefficient of variance measures the degree of variability in data in a sample in proportion to the population mean. When selecting securities using the risk/reward ratio, the coefficient of variance is useful. The formula for deriving coefficient of variance is as follows:

$$CV = \text{Standard Deviation} / \text{Mean}$$

3.5.6 Correlation

Correlation is a statistical measure that indicates how much two or more variables fluctuate in tandem. Correlation is the study of the connection or relationship of two or more variables. A positive correlation indicates that those variables increase or decrease in tandem; a negative correlation indicates that one variable increase while the other decreases; and zero correlation indicates that there is no relationship between the variables. When the fluctuation of one variable consistently forecasts the fluctuation of another, there is a tendency to believe that the adjustment in one trigger the change in the other. Correlation, however, does not imply causation. There could be an unknown factor, for example, that influences both variables in the same way.

Correlation coefficient formulas are used to determine the strength of a relationship between two sets of data. The formulas return a value between -1 and 1, with 1 representing a strong positive relationship, -1 representing a strong negative relationship, and zero representing no relationship at all. A correlation coefficient of one indicates that for every one-point increase in one variable, one-point increase in the other. A correlation coefficient of -1 indicates that for every one-point increase in one variable, one-point decrease in the other. Zero means that there is no positive or negative increase for every increase. The two are simply unrelated. In this study, the

correlation between CSR and financial performance of Nepalese commercial banks are calculated to determine the relationship between these variables. Additionally, the correlation between the independent variable, CSR expenditure and dependent variables ROA, ROE and EPS are calculated in this study.

$$r = \frac{n \sum xy - \sum x \sum y}{\sqrt{n \sum x - (\sum x)^2} \sqrt{n \sum y - (\sum y)^2}}$$

Where, n= Number of responses

x= Value of independent variable

y= Value of dependent variable

3.5.7 Regression

Regression is a statistical test that aims to determine of the relationship between a dependent variable (usually denoted by Y) and a set of other changing variables (known as independent variables). When the focus is on the relationship between a dependent variable and one or more independent variables (or 'predictors,' it includes many techniques for modeling and analyzing several variables. As a result, it is used to analyze the impact of independent variables on dependent variables. Regression is frequently used to determine how many specific factors, such as commodity prices, interest rates, and specific industries or sectors, influence the price movement of an asset. The regression analysis is conducted to determine the effect of the independent variables, CSR expenditure on the dependent variables, ROA, ROE and EPS. The general form of the regression is:

$$Y = a + b_1X_1 + e$$

Where, a= constant

b_1 = Coefficient of independent variable

X_1 = Value of independent variable

e= Standard error

CHAPTER IV

RESULTS AND DISCUSSIONS

The purpose of this research is to explain the effect of corporate social responsibility on the financial performance of Nepalese commercial banks. This chapter contains a presentation and analysis of the data obtained. This chapter is all about the empirical investigation conducted during the study. It plans to evaluate data from annual reports and deliver the results of the analysis. It utilizes a variety of statistical tools and approaches to assess the influence of corporate social responsibility on Nepalese commercial banks' financial performance. It displays the findings and outcomes of the causality analysis.

4.1 Analysis of data

The empirical conclusions of this study are mostly based on the examination of secondary data derived from the annual reports of the Nepalese commercial banks. This section includes the empirical investigations conducted through the annual reports of 16 Nepalese commercial banks covering the data from the fiscal year 2016/17 to the fiscal year 2020/21. This makes the study a five-year data analysis of 16 commercial banks of Nepal totaling an observation of 80 cases. The data is presented in tabulated form to depict the summary or descriptive statistics regarding the banks such as summary of the sample banks and the data of the variables incorporated into the study. This part also includes the analysis and findings of correlation and regression analysis, which are employed to determine the link between the independent variable (corporate social responsibility expenses) and dependent variables (return on assets, return on equity and earnings per share) and to evaluate the influence of the independent variable on the dependent variables.

4.1.1 Profile of sample banks

Table 2 explains the profile of the sample banks on the basis of type of ownership of the banks and the category the sample banks fall into. As evident from the table, the sample banks are not uniformly divided as per the type of ownership of the banks. The study comprises of data from 16 commercial banks of Nepal, out of which two banks are government owned, five banks are joint venture banks while the remaining nine banks are privately owned banks. The result shows that the sample comprises of

majority of private ownership banks, followed by joint venture banks and followed by government owned banks.

Table 2

Profile of sample banks

Banks	Ownership	Frequency	Percentage	Cumulative %
Global IME Bank Ltd				
Sunrise Bank Ltd				
Citizen Bank International Ltd				
Laxmi Bank Ltd				
Machhapuchchhre Bank Ltd	Private Ownership	9	56.25%	56.25%
Sanima Bank Ltd				
Siddhartha Bank Ltd				
Civil Bank Ltd				
Kumari Bank Ltd				
Himalayan Bank Ltd				
NMB Bank Ltd				
Standard Chartered Bank Ltd	Joint Venture	5	31.25%	87.50%
Nepal SBI Bank Ltd				
Nepal Investment Bank Ltd				
Rastriya Banijya Bank Ltd	Government Ownership	2	12.50%	100.00%
Agricultural Development Bank Ltd				

From the above table, it is seen that a total of 16 commercial banks were used to create the profile of sample banks of this study. By analyzing this profile, it is safe to say that the majority of the sample were private banks (56.25 per cent) whereas 31.25 per cent were joint venture banks and the remaining 12.5 per cent were government owned banks. This study has attempted to cover all major types of banks categorized on the basis of their ownership structure.

4.1.2 Structure and pattern of the variables under study

The structure and pattern of variables on an individual bank basis for the whole year under consideration, as well as all banks in each year, are evaluated and collated. There are four variables under this study, CSR expenses being the independent variable while ROA, ROE and EPS being the dependent variables. The table 3 displays the banks and year-by-year mean, standard deviation, and coefficient of variation figures for the independent variable, CSR expenses. The actual CSR expenses values are converted in

natural logarithm values for better analysis with the data of other variables at play. From the table it can be observed that the mean value of the CSR expenses for the entire sample is 15.784, whereas the bank with the highest mean CSR expenses over the five years is Nepal Investment Bank Limited with mean value of 17.5 and the bank with the lowest mean CSR expenses is Standard Chartered Bank Limited with the mean value 11.17. Likewise, Agricultural Development Bank Limited has the highest CSR expense over the sample banks with the CSR expense of 18.144 for the fiscal year 2020/21 over the five years while Standard Chartered Bank Limited has the lowest CSR expense with the value as zero for the fiscal year 2017/18.

Table 3

Structure and pattern of CSR expenses in sample banks

Banks/Year	2016/17	2017/18	2018/19	2019/20	2020/21	Mean	STD	CV
SBL	16.384	15.917	15.991	17.33	16.955	16.515	0.614	0.037
HBL	14.525	16.536	15.487	17.68	16.655	16.177	1.206	0.075
CBIL	15.696	16.311	15.792	16.752	16.673	16.245	0.488	0.03
GIME	14.603	16.54	16.119	17.723	17.22	16.441	1.198	0.073
LBL	16.226	16.061	16.118	16.886	16.33	16.324	0.331	0.02
MBL	13.972	15.746	16.581	14.047	16.338	15.337	1.249	0.081
NSBI	15.577	16.07	16.574	17.598	16	16.364	0.775	0.047
NIBL	17.084	17.232	17.796	17.5	17.864	17.495	0.341	0.019
NMB	16.532	14.324	15.552	17.57	17.097	16.215	1.297	0.08
SCBL	17.486	0	13.124	16.73	8.512	11.17	7.184	0.643
SRBL	14.149	15.659	16.503	16.499	16.89	15.94	1.098	0.069
SiBL	13.455	15.62	15.849	16.867	17.69	15.896	1.597	0.1
KBL	13.103	14.006	16.391	16.906	11.513	14.384	2.259	0.157
RBBL	14.701	15.133	16.487	17.758	17.771	16.37	1.433	0.088
ADBL	14.221	13.765	16.901	17.287	18.144	16.064	1.95	0.121
CBL	16.463	15.684	13.585	16.502	15.709	15.589	1.187	0.076
Mean	15.26	14.66	15.93	16.98	16.09	15.784	-	-
STD	1.342	4.021	1.153	0.897	2.526	-	-	-
CV	0.088	0.274	0.072	0.053	0.157	-	-	-

The highest variability in CSR expenses is observed for Standard Chartered Bank Limited with the coefficient of variation of 0.643 and the least variability in CSR expenses is observed for Nepal Investment Bank Limited with the coefficient of variation of 0.019. The highest variability in CSR expenses is observed for the fiscal year 2017/18 with the coefficient of variation of 0.274 while the lowest variability in

CSR expenses is recorded for the fiscal year 2019/20 with the coefficient of variation as 0.053.

Table 4

Structure and pattern of ROA in sample banks

Banks/Year	2016/17	2017/18	2018/19	2019/20	2020/21	Mean	STD	CV
SBL	1.86	1.85	2.07	1.41	1.44	1.73	0.29	0.17
HBL	2.19	1.67	2.21	1.79	1.68	1.91	0.27	0.14
CBIL	1.80	1.72	1.62	1.19	1.29	1.52	0.27	0.18
GIME	1.75	1.67	1.82	1.06	1.21	1.50	0.34	0.23
LBL	1.52	1.55	1.66	1.20	1.12	1.41	0.24	0.17
MBL	1.89	1.47	1.61	1.02	1.02	1.40	0.38	0.27
NSBI	1.57	1.97	1.94	1.17	0.70	1.47	0.54	0.37
NIBL	2.06	2.13	1.79	1.19	1.56	1.75	0.39	0.22
NMB	1.82	1.80	1.83	1.09	1.32	1.57	0.35	0.22
SCBL	1.84	2.61	2.61	1.71	1.22	2.00	0.61	0.30
SRBL	1.65	1.78	1.80	1.17	1.05	1.49	0.35	0.24
SiBL	1.51	1.47	1.49	1.26	1.25	1.40	0.13	0.09
KBL	0.99	1.72	1.12	1.27	1.17	1.25	0.28	0.22
RBBL	1.60	1.42	2.23	1.64	1.10	1.60	0.41	0.26
ADBL	2.15	2.71	2.77	1.86	1.59	2.22	0.52	0.23
CBL	0.04	0.01	1.13	0.72	0.48	0.48	0.47	0.99
Mean	1.64	1.72	1.86	1.30	1.20	1.54	-	-
STD	0.52	0.59	0.45	0.31	0.31	-	-	-
CV	0.31	0.34	0.24	0.24	0.26	-	-	-

The table 4 shows the banks and year-by-year mean, standard deviation, and coefficient of variation figures for the dependent variable, ROA. According to the table it can be observed that the mean value of the ROA for the entire sample is 1.54, with Agricultural Development Bank Limited being the bank with the highest mean ROA over the five years of observation with the mean value of 2.22 and Civil Bank Limited being the bank with the lowest mean ROA over the five years of observation with the mean value of 0.48. Likewise, Agricultural Development Bank Limited has the highest ROA over the sample banks with the ROA of 2.77 for the fiscal year 2018/19 over the five years while Civil Bank Limited has the lowest ROA with the value as 0.01 for the fiscal year 2017/18.

Based on the table Civil Bank Limited has the largest variability in ROA, with a coefficient of variation of 0.99, while Siddhartha Bank Limited has the lowest variability, with a coefficient of variation of 0.09. The fiscal year 2017/18 has the most

variability in ROA, with a coefficient of variation of 0.34, while the fiscal years 2018/19 and 2019/20 have the lowest variability, with a coefficient of variation of 0.24.

Table 5

Structure and pattern of ROE in sample banks

Banks/Year	2016/17	2017/18	2018/19	2019/20	2020/21	Mean	STD	CV
SBL	14.39	18.67	23.20	16.09	18.54	18.18	3.33	0.18
HBL	21.58	14.17	18.34	15.40	14.89	16.88	3.07	0.18
CBIL	11.52	11.22	11.71	9.25	11.17	10.97	0.99	0.09
GIME	19.33	16.19	18.47	12.88	13.53	16.08	2.87	0.18
LBL	9.20	10.57	12.57	10.10	9.33	10.35	1.36	0.13
MBL	14.14	12.07	15.10	10.92	12.50	12.95	1.67	0.13
NSBI	14.85	15.81	16.20	10.44	6.26	12.71	4.28	0.34
NIBL	16.65	14.71	13.00	8.92	11.04	12.86	3.03	0.24
NMB	16.49	13.54	13.32	8.94	12.08	12.87	2.73	0.21
SCBL	11.98	18.66	19.49	15.15	9.44	14.94	4.29	0.29
SRBL	11.43	12.78	13.90	10.15	9.79	11.61	1.74	0.15
SiBL	14.89	15.34	15.71	13.81	15.68	15.09	0.79	0.05
KBL	11.12	18.11	8.67	9.93	10.50	11.67	3.71	0.32
RBBL	22.98	19.19	23.38	19.01	11.94	19.30	4.60	0.24
ADBL	12.60	13.01	14.78	11.70	11.20	12.66	1.39	0.11
CBL	21.59	6.39	6.97	5.46	4.94	9.07	7.04	0.78
Mean	15.30	14.40	15.30	11.76	11.43	13.64	-	-
STD	4.18	3.45	4.55	3.41	3.35	-	-	-
CV	0.27	0.24	0.30	0.29	0.29	-	-	-

Table 5 illustrates the structure and pattern of return on equity of the 16 sample banks over a period of five years starting FY 2016/17 and ending FY 2020/21 depicting yearly mean, standard deviation, and coefficient of variation figures for the dependent variable, ROE. According to the table, the overall mean ROE of all 16 sample banks over the period of five years is 13.64. It is clear that Rastriya Banijya Bank Limited has the highest mean ROE over the all the other sample banks with a mean ROE of 19.30, while Civil Bank Limited has the lowest mean ROE with a mean ROE of 9.07. The Rastriya Banijya Bank Limited is seen having the highest ROE over the five years of observation with a ROE value of 23.38 for the fiscal year 2018/19 and Civil Bank Limited has the lowest ROE over the five years of observation with a ROE value of 4.94 during the fiscal year 2020/21.

According to the table, Civil Bank Limited has the highest ROE variability with a coefficient of variation of 0.78, while Siddhartha Bank Limited has the lowest variability with a coefficient of variation of 0.05. ROE varies the greatest in fiscal year 2018/19, with a coefficient of variation of 0.30, while it varies the least in fiscal year 2017/18 with a coefficient of variation of 0.24.

Table 6

Structure and pattern of EPS in sample banks

Banks/Year	2016/17	2017/18	2018/19	2019/20	2020/21	Mean	STD	CV
SBL	26.31	21.22	28.22	20.18	23.94	23.97	3.37	0.14
HBL	35.15	23.11	32.44	27.60	28.07	29.27	4.66	0.16
CBIL	20.27	15.37	17.49	13.88	17.35	16.87	2.42	0.14
GIME	25.51	23.64	26.46	17.99	19.25	22.57	3.77	0.17
LBL	21.77	14.37	17.82	14.39	14.73	16.62	3.22	0.19
MBL	24.00	15.81	21.07	14.96	17.76	18.72	3.77	0.20
NSBI	30.61	25.16	27.13	17.32	10.15	22.07	8.26	0.37
NIBL	29.31	35.66	26.43	17.03	22.00	26.09	7.09	0.27
NMB	22.24	21.86	18.79	11.18	16.66	18.15	4.52	0.25
SCBL	35.49	27.33	30.39	24.81	16.32	26.87	7.11	0.27
SRBL	16.76	18.13	20.94	15.16	15.25	17.25	2.40	0.14
SiBL	26.60	26.45	23.07	19.55	26.04	24.34	3.04	0.13
KBL	13.29	14.54	14.81	12.08	14.20	13.78	1.11	0.08
RBBL	32.32	30.26	56.04	48.61	37.27	40.90	11.05	0.27
ADBL	31.59	36.91	42.88	31.45	29.13	34.39	5.54	0.16
CivBL	29.68	9.69	8.84	6.94	6.11	12.25	9.85	0.80
Mean	26.31	22.47	25.80	19.57	19.64	22.76	-	-
STD	6.36	7.74	11.32	9.92	7.80	-	-	-
CV	0.24	0.35	0.44	0.51	0.40	-	-	-

Table 6 depicts the structure and pattern of earnings per share for the 16 sample banks during a five-year period beginning in fiscal year 2016/17 and concluding in fiscal year 2020/21, with yearly mean, standard deviation, and coefficient of variation statistics for the dependent variable, EPS. The aggregate mean EPS of the 16 sample banks during a five-year period is 22.76, according to the data. Rastriya Banijya Bank Limited has the highest mean EPS from among the sample banks, with an EPS of 40.90, while Civil Bank Limited has the lowest mean EPS, with an EPS of 12.25. Rastriya Banijya Bank Limited has the highest EPS throughout the five years of observation, with an EPS value of 56.04 for the fiscal year 2018/19, while Civil Bank Limited has the lowest EPS

over the five years of observation, with an EPS value of 6.11 during the fiscal year 2020/21.

Civil Bank Limited has the highest EPS variability with a coefficient of variation of 0.80, while Kumari Bank Limited has the lowest variability with a coefficient of variation of 0.08, according to the tabulated data. EPS fluctuates the most in the fiscal year 2019/20, with a coefficient of variation of 0.51, and the least in fiscal year 2016/17, with a coefficient of variation of 0.24.

4.1.3 Descriptive statistics

Table 7 summarizes the result of the descriptive statistics of the variables under the study. Panel A of the table displays descriptive statistics such as minimum, maximum, mean, and standard deviation values for all variables under investigation across all sample banks. The descriptive data of government-owned banks, joint venture banks, and privately held banks are depicted in panels B, C, and D of the table.

Table 7

Summary of descriptive statistics

Panel A: All Samples					
Variables	Observation	Minimum	Maximum	Mean	Standard Deviation
CSR expenses	80	0	18.144	15.78	2.377
Return on assets	80	0.01	2.77	1.54	0.51
Return on equity	80	4.94	23.38	13.64	4.098
Earnings per share	80	6.11	56.04	22.758	9.06
Panel B: Government Owned Banks					
Variables	Observation	Minimum	Maximum	Mean	Standard Deviation
CSR expenses	10	13.765	18.144	16.217	1.621
Return on assets	10	1.1	2.77	1.907	0.549
Return on equity	10	11.2	23.38	15.979	4.742
Earnings per share	10	29.13	56.04	37.646	8.926
Panel C: Joint Venture Banks					
Variables	Observation	Minimum	Maximum	Mean	Standard Deviation
CSR expenses	25	0	17.864	15.484	3.786
Return on assets	25	0.7	2.61	1.739	0.455
Return on equity	25	6.26	21.58	14.054	3.639
Earnings per share	25	10.15	35.66	24.49	7.16
Panel D: Private Ownership Banks					
Variables	Observation	Minimum	Maximum	Mean	Standard Deviation
CSR expenses	45	11.513	17.723	15.852	1.299
Return on assets	45	0.01	2.07	1.353	0.443
Return on equity	45	4.94	23.2	12.885	4.051
Earnings per share	45	6.11	29.68	18.486	5.693

Table 7 summarizes the descriptive statistics for the total sample of 16 commercial banks of Nepal and different banks based on the type of ownership. The sample data includes 16 commercial banks out of which two of them are government owned, five of them are joint venture banks and nine of them are privately owned banks. The data covers the period of five years from the fiscal year 2016/17 (the year when the banks were mandated to allocate funds for CSR activities and disclose information regarding the same by the central bank of the country) to the fiscal year 2020/21 which includes a total of 80 observations. The descriptive data covers the independent variable CSR expenses and the dependent variables ROA, ROE and EPS.

The panel A of table 7 displays the descriptive statistics namely, mean, standard deviation, maximum and minimum values of all the variables of all samples considering a total of 80 observations of 16 Nepalese commercial banks for the period of five years from the fiscal year 2016/17 to 2020/21. It can be seen that the mean value of CSR expenses is 15.78, ranging from the minimum value of zero to the maximum value of 18.144 and has the standard deviation of 2.377. Similarly, the mean value of return on assets is depicted to be 1.54, the values ranging from 0.01 to 2.77 with a standard deviation of 0.51 during the observation period. The mean return on equity during the observation period is 13.64 with the minimum and maximum values ranging from 4.94 to 23.38 with the standard deviation of 4.098. The minimum earnings per share is recorded to be 6.11 and the maximum EPS is observed to be 56.04 with the mean value of EPS as 22.758 and the standard deviation as 9.06.

In terms of CSR expenses, government owned banks are found to have expended more, while the joint venture banks have expended least in terms of CSR, with a mean value of 15.484, which is lower than the overall sample mean which is 15.78. Government owned banks have expended ranging from 13.765 to 18.144 in CSR with a standard deviation of 1.621 while joint venture banks have expended from zero till 17.864 with a standard deviation of 3.786. In terms of return on assets, government owned banks have the highest mean value with values ranging from 1.1 to 2.77 with standard deviation of 0.549 while privately owned banks have the lowest mean return on assets at 1.353 which is below the overall sample mean which is 1.54. Privately owned banks are noticed to have ROA ranging from 0.01 to 2.07 with the standard deviation of 0.443.

In relation to return on equity, government owned banks have the highest mean value at 15.979 with the ROE values ranging from 11.2 to 23.38 with the standard deviation of 4.742. It can be noticed that privately owned banks have the least mean value in terms of return on equity which is 12.885 which is lower than the overall sample mean of 13.64. The ROE values of privately owned banks range from 4.94 to 23.2 with the standard deviation of 4.051. In relation to earnings per share, it is clear that the government owned banks register the highest mean earnings per share value at 37.646 while the privately owned banks have the least mean EPS at 18.486 which is lower than the overall sample average of 22.758. The government owned banks register EPS values ranging from 29.13 to 56.04 with the standard deviation of 9.06. The privately owned banks register the EPS values ranging from 6.11 to 29.68 with a standard deviation of 5.693. Meanwhile, it can be registered that the joint venture banks have mean ROA, ROE and EPS values higher than the overall sample mean values.

4.1.4 Correlation analysis among the variable under study

The table 8 depicts the correlation analysis of all the variables under study. The sample data comprises of 80 observations among 16 commercial banks in Nepal for the period of five years from the fiscal year 2016/17 till 2020/21. Correlation analysis aids in determining the link between the variables under consideration. Correlation analysis is performed in this study between CSR expenses and financial performance proxies such as ROA, ROE, and EPS to assess the link between CSR expenses and financial performance of Nepalese commercial banks.

Table 8

Pearson's correlation coefficients for all sample banks

Variables		CSR expenses	ROA	ROE	EPS
CSR expenses	Pearson Correlation	1			
	Sig. (2-tailed)				
ROA	Pearson Correlation	-.223*	1		
	Sig. (2-tailed)	(0.047)			
ROE	Pearson Correlation	-0.110	.531**	1	
	Sig. (2-tailed)	(0.331)	(0.000)		
EPS	Pearson Correlation	0.052	.624**	.697**	1
	Sig. (2-tailed)	(0.649)	(0.000)	(0.000)	

*. Correlation is significant at the 0.05 level (2-tailed). **. Correlation is significant at the 0.01 level (2-tailed).

Table 8 illustrates the correlation analysis of all variables under investigation for the entire sample. The link between CSR expenses and ROA is revealed in the table to be negative and significant at the 95 percent confidence level, with a correlation coefficient of 0.223. This means that as CSR expenses increase, ROA decreases or as ROA increases the CSR expenses for the commercial banks decline. It can also be seen that there is no significant relationship between CSR expenses and ROE and no significant association between CSR expenses and EPS in Nepalese commercial banks. However, it can be observed from the table that there is a significant and positive association between all the dependent variables in 99 percent confidence level. Since the null hypothesis H_{01} assumes that there is no significant relation between CSR expenses and ROA, the null hypothesis is rejected. The null hypotheses H_{03} and H_{05} assuming no significant relationship between CSR expenses and ROE and relationship between CSR expenses and EPS are accepted.

4.1.5 Regression analysis

Regression analysis is undertaken to determine the impact of independent variables on the dependent variables. Under this study, regression analysis is employed for the whole sample to determine the impact of CSR expenses on financial performance as proxied by ROA, ROE and EPS in the context of Nepalese commercial banks. The sample includes all 80 observations from 16 banks for a period of five years. Table 9, 10 and 11 illustrate the regression analysis between the independent variable and the dependent variables.

Table 9

Regression analysis of CSR and ROA

Coefficients	Unstandardized Coefficients		Standardized Coefficients	t	Sig.	F	Sig.	Adjusted R ²
	B	Std. Error	Beta					
(Constant)	2.293	0.375		6.116	0.000			
CSR expenses	-0.048*	0.023	-0.223	-2.023	0.047	4.092	0.047	0.038

a. Dependent Variable: ROA

* Regression is significant at the 0.05 level (2-tailed).

As illustrated in Table 9, CSR expenses is used an independent variable and the impact of CSR expenses is measured against the dependent variable, ROA. Table 9 represents

the regression analysis between CSR expenses and return on assets. After introducing the two variables under study, the impact of CSR expenses is found to be negative and significant at 95 percent confidence level. The coefficient of -0.048 of CSR expenses shows the increase in CSR expenses causes decrease in ROA of Nepalese commercial banks.

Table 10

Regression analysis of CSR and ROE

Coefficients	Unstandardized Coefficients		Standardized Coefficients	t	Sig.	F	Sig.	Adjusted R2
	B	Std. Error	Beta					
(Constant)	16.635	3.096		5.372	0.000			
CSR expenses	-0.190	0.194	-0.110	-0.979	0.331	0.958	0.331	-0.001

a. Dependent Variable: ROE

It can be seen from Table 10 that CSR expenses is used an independent variable and the impact of CSR expenses is measured against the dependent variable, ROE. Table 10 illustrates the regression analysis between CSR expenses and return on equity. After introducing the two variables under consideration, it can be seen that there is no significant impact of CSR expense on ROE in Nepalese commercial banks. The table shows that the significance value for this association is 0.331 which is higher than 0.05 or 0.01, which means that there is no significant impact of CSR on ROE.

Table 11

Regression analysis of CSR and EPS

Coefficients	Unstandardized Coefficients		Standardized Coefficients	t	Sig.	F	Sig.	Adjusted R2
	B	Std. Error	Beta					
(Constant)	19.645	6.879		2.856	0.005			
CSR expenses	0.197	0.431	0.052	0.458	0.649	0.209	0.649	-0.010

a. Dependent Variable: EPS

As illustrated in Table 11, CSR expenses is used an independent variable and the impact of CSR expenses is measured against the dependent variable, EPS. Table 11 represents the regression analysis between CSR expenses and earnings per share. This table shows that the coefficient between the association is 0.197 and has the significance value of

0.649. The significance value for this association is greater than 0.05 or 0.01, therefore it can be derived from this results that there is no significant impact of CSR expenses on EPS in the context of Nepalese commercial banks.

4.2 Testing of hypotheses

The study employs certain analytical tools to access the hypotheses under study in order to draw meaning conclusions. This study is undertaken to study the impact of CSR on financial performance of Nepalese commercial banks. In order to do so, certain hypotheses are constructed and tested against the research data to derive results. Table 12 presents the hypotheses under study and the results generated from the analysis of the data.

Table 12

Testing of hypotheses under study

Hypothesis	Results	Tools	Sig. Level
H ₀₁ : There is no significant relationship between CSR budget/ expenses and ROA.	Rejected	Correlation	0.047
H ₀₂ : There is no significant impact of CSR investment on ROA.	Rejected	Regression	0.047
H ₀₃ : There is no significant relationship between CSR investment and ROE.	Accepted	Correlation	0.331
H ₀₄ : There is no significant impact of CSR expenses and ROE.	Accepted	Regression	0.331
H ₀₅ : There is no significant relationship between CSR expenses and EPS.	Accepted	Correlation	0.649
H ₀₆ : There is no significant impact of CSR expenses and EPS.	Accepted	Regression	0.649

Table 12 illustrates that there are six hypotheses under study. The hypotheses are developed to test the relationship between the independent and the dependent variables and to test the impact of independent variable on the dependent variables. The significance value for H₀₁ is 0.047 which is less than 0.05, hence the hypothesis is rejected as there is a significant relationship between CSR expenses and ROA at a confidence level of 95 percent. The significance value for H₀₂ is 0.047 which is less than 0.05 which denotes that the hypothesis is rejected as there is a significant impact of CSR expenses on ROA at a confidence level of 95 percent. In the same manner, the significance values for H₀₃ and H₀₄ are 0.331 which is greater than 0.05, hence the hypotheses H₀₃ and H₀₄ are accepted which denotes that there is no significant relationship between CSR expenses and ROE and no significant impact of CSR expenses on ROE. The table shows that the significance values for hypotheses H₀₅ and H₀₆ are 0.649, hence the two hypotheses are accepted as there is no significant

relationship between CSR expenses and EPS and no significant impact of CSR expenses and EPS.

4.3 Discussion

This research paper was set out to investigate the impact of CSR on financial performance of Nepalese commercial banks. With this view, the study was conducted with the onboarding of four different variables into the study, the independent variable being CSR expenses while the dependent variables under consideration were ROA, ROE and EPS which proxied for financial performance in Nepalese commercial banks. With the NRB directive issued in fiscal year 2016/17, the commercial banks were mandated to allot one percent of net profit to the CSR funds for the following year and disclose information in their reports regarding CSR initiatives. Hence, the data used in this study comprises of the data from the fiscal year 2016/17 to the fiscal year 2020/21 making this study a five-year data analysis.

Correlation and regression analysis were employed to study the relationship and impact of the independent variable CSR represented by CSR expenses on the dependent variable financial performance of commercial banks in Nepal represented by return on assets, return on equity, and earnings per share. The results obtained from the data analysis suggests that there is a significant and negative relationship between CSR expenses and ROA while the results from the regression analysis suggest that there is also a significant and negative impact of CSR expenses on ROA. The research findings conclude that there is no significant relationship between CSR expenses and ROE and no significant relationship between CSR expenses and EPS. The result is also consistent with the regression analysis which confirms that there is no significant impact of CSR expenses on ROE and no significant impact of CSR expenses on EPS.

There have been numerous studies in the past in different contexts to investigate the impact of CSR on financial performance This study found a significant but a negative relationship between CSR and ROA, while Sun (2012) found a positive and statistically significant relationship between CSR and financial performance based on ROA. The study by Criso'stomo, Freire and de Vasconcellos (2011) much like this study concluded that CSR is destroying value in Brazil, as significant negative relationship between CSR and business value was discovered while the mutual effect of CSR and financial performance is characterized by an insignificant relationship. The research

findings from Kamatra and Kartikaningdyah (2015) also yielded a similar result that portrayed a partially significant influence on ROA while concluding that CSR had no effect on EPS or ROE. The findings of the current research are consistent with the findings of Wagle (2020) who found CSR contributions on ROA to be substantially acceptable with a negative association between them while the relationship between CSR contribution and ROE was found to be insignificant. The research findings also support the research findings of Wagle and Gupta (2021) which discovered that the relationship between CSR and ROA is significantly accepted with a negative relationship. There is also a consistent result from the findings of Wagle and Gupta concluded that the relationship between CSR and EPS had a negative relationship and were statistically insignificant.

The research findings from this study are generally on par with the previous studies conducted in the context of Nepal, especially when it comes to commercial banks. On the contrary, the research findings conducted in the context of a more developed country or even any contexts besides Nepal yield a different story together. For instance, the research conducted in the context of Egypt by Basuony, Elseidi, and Mohamed (2014) discovered a positive and significant relationship between CSR and firm performance. Daniel (2013) presented evidence that the expenses on CSR initiatives have an impact on the financial performance as represented by net profit before tax of Kenyan commercial banks. The study conducted in the context of Pakistan by Iqbal, Ahmad, Hamad, Bashir, and Sattar (2014) concluded a positive association between a company's disclosure of CSR donations and its success in terms of net profit margin and EPS. Bag and Omrane (2020) conducted research in the context of India and reported that by participating in CSR initiatives, Indian corporations improve their financial performance proxied by net sales, net profit, ROE, EPS, and operating profit. Based on such contrasts, it can be seen that in the context of Nepal and Nepalese commercial banks, there is no significant relationship between CSR and financial performance and no significant impact between CSR and financial performance.

CHAPTER V

SUMMARY AND CONCLUSION

5.1 Summary

The study of CSR and financial performance of firms have been a rather prominent area of debate in national and international context with numerous researches conducted in different countries and basing study on different industries and firm yielding an array of results that are mostly inconsistent with researches conducted on a different plane. CSR is done in the favor of the community, its people and the components of the bigger picture, however there have been reports of numerous CSR initiatives that are mostly promotional of the firm's brand than actually giving out to the people.

With the roles of NRB in Nepal as a regulating body and other bodies in different countries regulating business practices of those lands, there have been directives regarding mandatory CSR expenditures to be made. In the context of Nepal, in the fiscal year 2016/17 NRB released a directive that banks and financial institutions (BFIs) are obligated to spend at least one percent of their profits on CSR activities and that CSR should be viewed as an investment and reported as such in financial statements of financial institutions. With similar directives issued by different regulating bodies in different countries, the firms are mandated to do the same. With this, CSR initiatives have risen which raises questions for firms and concerning bodies about whether the investments made in CSR initiatives affect the financial performance of the firm. With the purpose to answer this question, this study is conducted to study the impact of CSR on financial performance of Nepalese commercial banks. The study aims to examine the relationship and the impact between the independent variable of the study: CSR expenses and the dependent variables: ROA, ROE, and EPS. For this, a correlation and regression analysis are employed in the study. The data was collected through secondary sources, i.e., annual reports of the banks. A total of 16 commercial banks out of 27 commercial banks are taken into account as a sample of the study considering five-year data spanning from FY 2016/17 to 2020/22 making a total of 80 observations to arrive at conclusion. On the basis of the data analysis, the major findings of the study are as follows:

1. The relationship between CSR expenditure and ROA is negative and significant. The p-value for the association is 0.047 which is less than 0.05 which states that the

association between the two variables is significant at the 95 percent confidence level, while this association has the correlation value of 0.223. This indicates that as CSR expenditures rise, ROA falls, or as ROA rises, CSR expenses for commercial banks fall.

2. There is no significant relationship between CSR expenses and EPS in the context of Nepalese commercial banks. The association between the two variables have a correlation value of -0.110 and a p-value of 0.331 which is greater than 0.05 or 0.01, hence the relationship between the two variables is insignificant.
3. CSR expenses and EPS have no significant relationship based on the data of Nepalese commercial banks. The correlation analysis between the two variables reveals a correlation value of 0.052 while the p-value of the relation is 0.649 which is greater than 0.05 or 0.01, hence it concludes a non-existent relationship between CSR expenses and EPS.
4. The impact of CSR expenses on ROA is found to be negative and significant at 95 percent confidence level. The regression analysis between the two illustrates the significance value of 0.047 which is less than 0.05 and the coefficient is -0.048 which states that there is a negative and significant impact of CSR expenses on ROA. It means that with each unit increase of 0.047 of CSR expenses a single unit of ROA decreases and vice versa.
5. The significance value for the regression analysis between CSR expenses and ROE is 0.331 which is higher than 0.05 or 0.01 which concludes that there is no significant impact of CSR expenses on ROE in Nepalese commercial banks.
6. There is no significant impact of CSR expenses on EPS. The regression analysis between CSR expenses and EPS shows the coefficient of 0.197 and the significance value of 0.649 which is higher than 0.05 making the association insignificant.

5.2 Conclusion

With the motive to evaluate the impact of CSR on financial performance of Nepalese commercial banks, a causal research design has been employed and the secondary data from 16 banks for five years is used for the analysis and arrive to a conclusion. The data has been collected through the annual reports of the commercial banks of 16 sample banks from the fiscal year 2016/17 to 2020/21 making it a total of 80 observations. The data was based from the fiscal year 2016/17 as during this period the BFIs were mandated to allot one percent of net profit for funds for CSR initiatives for the following

year and disclose information regarding the investment in the CSR initiatives. In this study, the data was evaluated to reach conclusions by employing mean, standard deviation, coefficient of variance, correlation and regression analysis.

The correlation analysis indicates that the relationship between CSR expenses and ROA is negative and significant while the relationship between CSR and ROE, CSR and EPS are insignificant. In the similar manner, the regression analysis shows that there is significant and negative impact of CSR expenses on ROA while there is no significant impact of CSR expenses on ROE and no significant impact of CSR expenses on EPS. Based on this data it can be concluded that there is no significant relationship between CSR and financial performance and no significant impact of CSR on financial performance in the context of Nepalese commercial banks in Nepal. Analyzing the annual reports, it can be seen that banks have allocated and disclosed CSR reserve funds as per NRB directions in their annual reports, however it can be assumed that they were unable to use such funds appropriately since firms are unclear on where and how to conduct CSR activities. The reasons for deriving such results from the data can also be accredited to the COVID pandemic that was at peak from the year 2019 to 2020. From the data it can be seen that banks have involved themselves in CSR initiatives, contributing large amounts for the relief, however during the pandemic situation the operation of banks and any firm have been adversely affected which have resulted a decrease in financial performance as shown by ROA, ROE and EPS which are rather lower than the preceding years. Conferring the research findings of this research with that of researches conducted in different nations shows that the research findings in those researches generally confirm the association and impact of CSR and financial performance. This might imply that Nepal's CSR processes are not yet standardized and mature enough to have a substantial influence on financial performance.

5.3 Implications

The study focuses on CSR expenses as the representative of CSR and ROA, ROE, and EPS as the representatives of financial performance in the context of Nepalese commercial banks. There may be other variables at play that may deliver the most relevant results considering the context of the study. The results and the conclusion drawn from them can serve as a guide for Nepalese commercial banks to structure their CSR initiatives to derive the best possible value for the firm as well as the community

to ensure a win-win situation. Given the uncertainties in the world caused by COVID and other factors during the study period, the banks may not have been able to derive good performance from their CSR initiatives, so the research findings may serve the initiatives for the banks and other institutions to restructure CSR initiatives and CSR spending to improve their financial performance while also doing the greater good.

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Annexure

Appendix 1

Population under study

S.N.	Name of Banks
1	Agricultural Development Bank Limited
2	Bank of Kathmandu Limited
3	Century Commercial Bank Limited
4	Citizens Bank International Limited
5	Civil Bank Limited
6	Everest Bank Limited
7	Global IME Bank Limited
8	Himalayan Bank Limited
9	Kumari Bank Limited
10	Laxmi Bank Limited
11	Machhapuchchhre Bank Limited
12	Mega Bank Nepal Limited
13	Nabil Bank Limited
14	Nepal Bangladesh Bank Limited
15	Nepal Bank Limited
16	Nepal Credit and Commerce Bank Limited
17	Nepal Investment Bank Limited
18	Nepal SBI Bank Limited
19	NIC Asia Bank Limited
20	NMB Bank Limited
21	Prabhu Bank Limited
22	Prime Commercial Bank Limited
23	Rastriya Banijya Bank Limited
24	Sanima Bank Limited
25	Siddhartha Bank Limited
26	Standard Chartered Bank Nepal Limited
27	Sunrise Bank Limited