

**INFULANCE OF CORPORATE SOCIAL RESPONSIBILITY ON
PERFORMANCE OF NEPLEASE COMMERCIAL BANKS**

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RECOMMENDATION

This is to certify that the thesis

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INFULANCE OF CORPORATE SOCIAL RESPONSIBILITY ON PERFORMANCE OF NEPLEASE COMMERCIAL BANKS

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DECLARATION

I hereby declare that the work in this thesis entitled “**Influence of Corporate Social Responsibility on Performance of Nepalese Commercial Banks**” Submitted to Shanker Dev Campus, Faculty of management, Tribhuvan University, is my original work done in the form of partial fulfillment of the requirement for the Master’s Degree in Business Study (M.B.S.) under the supervision and guideline of Dr. Binita Manandhar.

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Anita Bogati

Researcher

TABLE OF CONTENT

<i>Cover Page</i>	<i>i</i>
<i>Recommendation</i>	<i>ii</i>
<i>Viva-Voce Sheet</i>	<i>iii</i>
<i>Declaration</i>	<i>iv</i>
<i>Acknowledgements</i>	<i>v</i>
<i>Table of Contents</i>	<i>vi</i>
<i>List of Tables</i>	<i>vii</i>
<i>List of Figures</i>	<i>ix</i>

CHAPTER 1: INTRODUCTION

1.1	Background of the study	1
1.2	Statement of the Problem	3
1.3	Objectives of the study	5
1.4	Hypotheses	5
1.5	Significance of the Study	5
1.6	Limitations of the Study	6
1.7	Operational Defination of Variables	6
1.8	Organization of the study	7

CHAPTER 2: REVIEW OF LITERATURE

2.1	Conceptual Review	9
2.2.	Literature Review	10
2.2.1.	Theoretical Review	10
2.2.2.	Empirical Review	21

CHAPTER 3: RESEARCH METHODOLOGY

3.1	Research Design	28
3.2	Population and Sample	28
3.3	Instrumentation	29
3.4	Data Collection and analytical Procedure	30
3.5	Reliability and Validity	30
3.6	Methods of Analysis	31

CHAPTER 4: RESULT AND DISCUSSION

4.1 Demographic Profile	33
4.1.1 Gender of Respondents	33
4.1.2 Age of Respondents	34
4.1.3 Job Position of Respondents	35
4.1.4 Working Experience	35
4.2 Descriptive Analysis	36
4.2.1 Employee	37
4.2.2 Costumers	38
4.2.3 Community	39
4.2.4 Environment	40
4.2.5 Performance	41
4.2.6 Overall Descriptive Analysis of Study Variables	42
4.3 Correlation Analysis	43
4.4 Regression Analysis	45
4.5 Major Findings	50

CHAPTER5: SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.1. Summary	53
5.2. Conclusion	55
5.3. Recommendations	56
BIBLIOGRAPHY	58

LIST OF TABLES

Table 3.1 <i>Cronbach's Alpha Coefficients</i>	31
Table 4.1 <i>Distribution of Respondents based on Gender</i>	34
Table 4.2 <i>Distribution of Respondents based on Age</i>	34
Table 4.3 <i>Distribution of Respondents based on Job Positions</i>	35
Table 4.4 <i>Distribution of Respondents based Work Experience</i>	36
Table 4.5 <i>Descriptive Statistics of Employee</i>	37
Table:4.6 <i>Descriptive Statistics of Costumers</i>	38
Table 4.7 <i>Descriptive Statistics of Community</i>	39
Table 4.8 <i>Descriptive Statistics of Environment</i>	40
Table 4.9 <i>Descriptive Statistics of Performance</i>	41
Table 4.10 <i>Descriptive Statistics</i>	42
Table 4.11 <i>Descriptive Statistics</i>	43
Table 4.12 <i>Regression Analysis</i>	44
Table 4.13 <i>ANOVA</i>	47
Table 4.14 <i>Coefficient Analysis</i>	48
Table 4.15 <i>Summary of Hypothesis Testing (financial Performance)</i>	49

LIST OF FIGURES

Figure 2.1

Theoretical Framework

25

CHAPTER I

INTRODUCTION

1.1 Background of the Study

The terms corporate conscience, corporate citizenship, social performance, and sustainable responsible business are other terms for corporate social responsibility (CSR). CSR is a type of business model-integrated corporate self-regulation. The goal of corporate social responsibility (CSR) is to accept accountability for a company's actions and promote a beneficial influence via its operations on the environment, customers, workers, stakeholders in the community, and all other members of the public who may also be regarded as stakeholders. Moreover, we must not to find ourselves in a position where the demands of the twenty-first century compel businesses to alter their conduct. Given the enormous resources that companies have at their disposal to oppose change and obstruct those who want laws that would accomplish so, a voluntary attitude would be more appropriate (Kandel, 2017).

About 45 years have passed since CSR first appeared in the management and accounting literature (Wood, 2010). In recent years, communities and corporations have placed a greater emphasis on corporate social responsibility. Traditionally, businesses have had to concentrate on profit-generating strategies including internationalization, turnaround, differentiation, and diversification. Recent advances in strategic thinking, however, reinforce the necessity of include initiatives that go beyond the boundaries of the business and into society. These initiatives fall under the category of corporate social responsibility (CSR) according to academics. Moreover, cause marketing, charitable giving, societal advancement, disaster relief, peace projects, and pollution reduction have all been acknowledged by CSR experts, managers, and writers as examples of businesses engaging in social responsibility. A number of factors have been cited as motivating businesses to adopt corporate social responsibility (CSR), including stakeholder pressure, business strategy, and popularity (Fernando, 2007; Dentchev, 2004). (McWilliams & Siegel, 2001). Nonetheless, some academics have acknowledged that incorporating corporate social responsibility (CSR) from a business perspective might provide certain immediate advantages (Margolis & Walsh, 2001; Porter & Kramer, 2002). Therefore, in order to determine

the aforementioned advantages, research is done to look at the connection between CSR performance and the sustainability of the firm.

The United States of America (USA) and the United Kingdom (UK) have led the way in the development of corporate social responsibility (CSR), but it is unknown how well these advancements will translate to emerging and non-Western nations. Numerous academics that have examined the differences between developed and developing nations when it comes to CSR implementation have addressed these particular conditions (Chambers, 2003; Matten & Moon, 2004; Chapple & Moon, 2005; Visser, 2007). Many authors, including Edmondson and Carroll (1999), Burton (2000), and Khan (2005), have proposed that different cultural norms and practices may imply that much of the present understanding of corporate social responsibility (CSR) may not apply in developing nations like Nepal.

Numerous writers have addressed the significance of corporate social responsibility in emerging nations. According to a research conducted on Asian businesses (Belal, 2001), emerging nations are wary of foreign investment since it may pose risks, and industrial expansion may have negative effects on the environment and society. Globalization promotes corporate social responsibility (CSR) in developing nations, as evidenced by studies conducted in developing nations by Rais and Goedegebuure (2009) and Chappel and Moon (2003). The National Business Systems structure, in particular, highlights the political, financial, educational, and cultural backgrounds of CSR in multinational corporations. In addition, emerging nations face social and environmental challenges such labor disputes, environmental degradation, and violations of human rights. However, many in developing nations think that by working with civil society and implementing CSR programs under sustainable development, multinational corporations (MNCs) can resolve these issues (Ite, 2004). Enterprises are always considering how to be long-lasting. They can address societal and environmental issues if they participate in socially conscious activities (Henderson, 2001). Researchers also recommended using CSR techniques to address the aforementioned challenges, as they are prevalent in poor nations. The problems mentioned above directly affect Nepal, one of the world's developing nations. As a result, the present study will first identify current CSR methods and validate their advantages by looking at CSR and the performance of the company.

By the late 1980s, corporate social responsibility (CSR) was receiving international attention, and a number of academics had shown the advantages that socially conscious businesses had. Creating a positive corporate image (Smith & Stodghill, 1994), attracting and retaining the best employees (Turban & Greening, 1997), gaining a competitive advantage (Smith, 1994; Porter & Kramer, 2002), and boosting customer loyalty by raising their overall opinion of the business (Brown & Dacin, 1997) are examples of profitability factors. Nonetheless, some have acknowledged that businesses may suffer some financial setbacks as a result of adopting CSR (Ulmann, 1985; Turban & Greening, 1997) and that socially conscious efforts may result in increased expenditures (Agarwal, 2008, Sharma & Talwar, 2005). The main CSR challenges have been approached differently in developed economies (Friedman, 1984; Carroll, 1991; Freeman, 1984). Scholars studying CSR topics have established logical theories, including as profit maximization theory (Friedman, 1984) and stakeholder theory (Freeman, 1984).

The goal of the current study is to ascertain how workers view the connection between firm performance (FP) and corporate social responsibility (CSR) in the banking sector in Nepal. The following actions were taken by the current study to fulfill its objectives. First, the banking industry in Nepal was shown to have real CSR procedures. With this goal in mind, a uniform CSR framework was created for Nepali banking companies after consultation with specialists in the field of stakeholder relations. Second, the study variables have acknowledged the importance of CSR and business performance indicators for CSR dimensions. As a result, a new CSR index was made using the first step's structure. Thirdly, an analysis of the data was conducted in order to determine the meaningful correlation between the performance of the business and CSR.

1.2 Statement of the Problem

The primary CSR challenges have been approached differently in developed countries (Friedman, 1984; Carroll, 1991; Freeman, 1984). Scholars studying CSR topics have established logical theories, including as profit maximization theory (Friedman, 1984) and stakeholder theory (Freeman, 1984). According to Freeman's (1984) stakeholder theory, a corporation has a duty to raise stakeholder satisfaction in addition to maximizing profit. Carroll (1991) challenged the idea of profit maximization responsibility and said that the concept of corporate social responsibility (CSR)

naturally fits with the interests of an organization's stakeholders. This further clarifies the idea that stakeholders should be content with the goals of the firm. Carroll (1991) acknowledged that this win-win situation is not always achievable but proposed that, in the event that it is, the company's interest will be better protected in the long run.

Researchers have recently thought about doing more study on CSR, including looking at CSR in poor nations and the connection between CSR and business success. By acknowledging that ethics and profits support one another, these research fields have made it possible to identify win-win scenarios for businesses (Graafland, 2002). On the other hand, a business's long-term goals ought to promote responsible relationships and beneficial social and environmental benefits (Daviss, 1999; Wheeler & Elkington, 2001). The organization's primary goal is to maximize revenues; in order to do this, it must be able to get its operating license and turn a profit (Yongvanich & Guthrie, 2006). Carroll (1991), on the other hand, made the argument that a company must behave in a socially conscious manner in order to be successful as well as to follow the law, uphold moral principles, and be a decent corporate citizen (Carroll, 1991). It is widely known that industrialized nations like the USA, Canada, Australia, and the UK are the ones that apply and study CSR most frequently. This is why a thorough discussion and debate on the idea and application of corporate social responsibility (CSR) in emerging nations like Asia is still necessary.

Previous research has shown a connection between corporate social responsibility and business performance. Nevertheless, the correlation between a company's performance in Asia and its level of corporate social responsibility is not well-supported by empirical evidence. Thus, the current study offers information on how different CSR factors impact business success. This study defines and delineates the link between the various components of corporate social responsibility (CSR) and performance, therefore contributing to the body of literature on the subject. Furthermore, there aren't many research on CSR in the banking industry in Nepal. This study aims to solve that particular research gap as well. Previous research, undertaken in industrialized nations, has demonstrated a favorable correlation between corporate social responsibility (CSR) characteristics and business success. Thus, the research questions that follow are put forward.

1. What is the level of CSR in Nepalese commercial banks?

2. What is the relationship between CSR and firm performance of Nepalese commercial banks?
3. What is the impact of CSR factors on non-financial performance in Nepalese commercial banks?

1.3 Objectives of the study

The objectives of the study are as follows:

1. To assess the level of Corporate Social Responsibility (CSR) activities in Nepalese commercial banks.
2. To examine the relationship between CSR activities and the firm performance of Nepalese commercial banks.
3. To analyze the influence of CSR on the performance of Nepalese commercial banks.

1.3 Hypotheses

For this study six independent variables for CSR and two dependent variables (i.e. financial performance and no-financial performance) for Firm performance are identified and following hypothesis have been formulated.

H1: There is significant effect of employee related factor of CSR on performance of commercial Banks of Nepal.

H2: There is significant effect of customer related factor of CSR on performance of commercial Banks of Nepal.

H3: There is significant effect of community related factor of CSR on performance of commercial Banks of Nepal.

H4: There is significant effect of environment related factor of CSR on performance of commercial Banks of Nepal.

1.5 Significance of the Study

This study has added a great deal of practical value to the subject of corporate social responsibility (CSR) by emphasizing the relationship between CSR and business performance and providing guidance on how to implement effective CSR strategies and policies. The framework with several factors that was developed led to the

identification of CSR policies and initiatives. The perspectives of Western nations, especially those in the USA, UK, and Australia, have dominated a large portion of the study that has already been done on the connection between CSR and business success. The literature has underlined how crucial it is to have a suitable CSR framework in order to guarantee CSR policies and ideals in developing nations.

A crucial management tool for managerial decision-making is the CSR framework. Furthermore, the framework can serve as a model for future academics to carry out CSR research and decision-making. Furthermore, management and stakeholders may find the process of creating a CSR framework helpful in better understanding the notion of CSR.

The research showed that the notion of corporate social responsibility (CSR) is one of voluntary engagement and global recognition. By putting this idea into practice, investors may profit as well as businesses. Because it makes CSR activities easier for stakeholders to grasp, establishing a CSR framework makes sense for both the firm and the stakeholders. In summary, the primary aim of this research was to investigate the correlation between corporate social responsibility (CSR) and business performance, including both financial and non-financial aspects. This was done in order to highlight the distinct associations between the variables. This lends credence to the win-win argument, which will motivate businesses to engage more in CSR initiatives. As a result, this study has positively impacted CSR procedures.

1.6 Limitations of the Study

The limitations of the study are as follows:

- The study is concentrated on influence of corporate social responsibilities on performance of Nepalese commercial bank
- This study is based on primary data.
- The respondents from Nabil Bank Ltd, Global IME Bank Ltd, and Prabhu Bank Ltd, as taken for the study.

1.7 Operational Definition of variables

The operational definitions of the variables used in the study are given below:

Environment Relation

Environmental relation means to run a business in such a way that our planet and natural environment are not affected negatively. Good environment relation can be defined as a good CSR conduct in relation to the environment, which will not hamper the environmental balance.

Employee Relation:

The employee relation refers to the relation of the employee in relation to the organization. It includes the increasing public recognition of certain employees rights in the workplace, including non-discriminating in hiring, promotion and while providing opportunities.

Customer Relation

Customer relation defines how well the business handles the pressure from consumer and customers and results in good product and services. In banking sector customer relation means the sum total of quality products and services bank offers to its customers.

Education Relation

Education relation of CSR refers the amount of investment organization made towards the development of education sector and for educating the people in the society where it operates. This relation will be determined by the policies and activities taken to promote education.

Firm Performance

It is the measure of the result of the company in various parameters. A good firm performance means an organization is performing good in terms of financial and non-financial parameters.

1.8 Organization of the Study

The study is organized and described into five chapters as follows:

Chapter I: Introduction

The issue is introduced and the study's backdrop is given in the first chapter. It contains a summary of the three research objectives and techniques. It draws attention to the research's background, problem description, aims, importance, and limitations.

Chapter II: Literature Review and Theoretical Framework

The literature on corporate social responsibility (CSR) activities in industrialized nations from the 1950s is reviewed. This chapter examines the ideas, tenets, and justifications for corporate social responsibility (CSR) implementation by management, using case studies from industrialized nations. Furthermore, the definitions, philosophies, and development of corporate social responsibility in the industrialized world are examined. Additionally, the connection between corporate social responsibility (CSR) and business success is examined, once more using developed world examples.

Chapter III: Research Design and Methodology

The research strategy and technique used in this study are presented in this chapter. The intended techniques utilized to conduct the study are included in the research design and methodology, which have aided in directing the study toward its primary conclusions and findings. It contains details about the population and sample size, sampling strategies, data collecting tools, study design, data analysis methodologies, questionnaires, and data sources that are specifically relevant to this project.

Chapter IV: Data Presentation and Analysis

The study's primary findings are covered in the fourth chapter. Following data collection and processing, results must be shown and findings must be analyzed. As a result, this chapter involves the data presentation and analysis of the results utilizing mathematical and statistical techniques like regression analysis, correlation analysis, and pie charts, as well as diagrammatic representation like bar graphs and pie charts.

Chapter V: Summary, Conclusion and Recommendations

The results are discussed and recommendations for more study are outlined in this chapter. Since this is the last chapter of the research project, its focus is on providing an overview of the entire report. Its major goal is to summarize the work's key results and close it. An appendix and bibliography have also been provided to assist the study.

CHAPTER II

LITERATURE REVIEW AND THEORITICAL FRAMEWORK

2.1 Conceptual Review

This chapter's goal is to examine the global applicability of corporate social responsibility theory. In recent years, business groups have been more concerned with corporate social responsibility. The primary theoretical advancements in corporate social responsibility (CSR) have been created in Europe and the USA, and the studies reflect the cultural backgrounds of those two regions (Matten, 2003; Cochran, 2007). CSR research is still in its infancy, nevertheless.

According to Campbell (2007), companies often participate in CSR initiatives for two reasons. First of all, companies are required to refrain from knowing actions that might endanger their stakeholders, or interested parties, including suppliers, customers, workers, investors, and the local community in which they operate. Secondly, in the event that companies inflict harm on their stakeholders, they are obligated to address the issue as soon as it is identified and brought to their notice. Previous research on CSR has concentrated on these two main strategies.

While some studies (Matten & Moon, 2005; David et al., 2005; Tsang et al., 1998) looked at the scope of CSR, others (Hemingway & Maclagan, 2004; Porter & Kramer, 2006; Welford & Frost, 2006; McWilliams & Siegel, 2000; Apparel et al. 1985; Carroll, 1991; 1999; 2010; Friedman, 1984; Freeman, 1984; Clarkson, 1995) looked at the benefits and theoretical advancements of CSR. The evolution of the CSR idea has received more attention as a result of these many CSR research. In addition to identifying the many paradigms that scholars have put forward, this chapter will also outline CSR ideas, standards, theories, and prospective study fields. The growth of CSR, its advantages, earlier connection studies, and global CSR practices are also covered.

The goal of several CSR research has been to pinpoint the mechanisms behind CSR and how it links to gaining an advantage over competitors. For instance, scholars have attempted to determine how social responsibility affects different stakeholders, including clients, staff members, and the general public. According to some research on the impact of a company's CSR initiatives on earnings, these initiatives boost

revenue and cut expenses. It has been noted by several academics (RUF, 2001; Griffin & Mahon, 1997) that enhancing CSR ought to boost business success, whether this is because of lower expenses or higher income. According to Friedman (1970), a company's primary duty is to enhance the wealth of its owners. Friedman's reasoning is still commonly accepted today, for example, by Garriga and Mele (2004), who have claimed that maximizing shareholder wealth is appropriate with meeting specific interests of individuals within the firm. They said that businesses profit greatly from meeting social demands and that the only way to strengthen a firm's competitive edge may be to participate in charitable endeavors. Stakeholder theory also allows for an evaluation of CSR in terms of how well a business satisfies the needs of various stakeholders. According to Ruf (2001), there are several strategies for meeting stakeholder needs, from maximizing society benefits to limiting costs. Companies may obtain a competitive edge by carefully investing in the demands of their stakeholders and acquiring complementary talents that are difficult for rivals to replicate.

2.2 Literature Review

This section reviews the relevant literature on corporate social responsibility (CSR) and business performance. There are three components to the literature review. Theoretical review comes first, followed by an empirical review and a theoretical framework.

2.2.1 Theoretical Review

Examining the stakeholders—those impacted by business decisions—is one method to think about a company's social obligations (Jones, 1980). According to the stakeholder theory, stakeholders are essentially internal and external (Mitchell et al., 1997; Clarkson, 1995). Shareholders are characterized as willing or unwilling risk-takers. Any group or individual that has the potential to influence or be impacted by the accomplishment of the organization's goals is considered a stakeholder, according to Freeman (1984). Moreover, he maintained that stakeholders are the organizations and people that gain from, suffer from, or have their rights infringed upon or upheld by the conduct of corporations (Freeman, 1998). He continued by saying that managers, who make business choices, had to take stakeholders' interests into account in addition to that of the company's shareholders (1998). Stakeholders include creditors, workers, clients, suppliers, and the general public in addition to

shareholders. The stakeholder approach, in contrast to the classical view, maintains that any firm's objective is and should be the success of the company and all of its major stakeholders (Werhane and Freeman, 1999).

As owners and non-owners of the company, as owners of capital or less tangible assets, as actors or those acted upon, as those in a voluntary or involuntary relationship with the company, as resource providers to or dependents of the company, as risk-takers or influences, and as legal principals to whom agent-managers bear a fiduciary duty are all examples of stakeholders, according to Mitchell et al. (1997). However, voluntary stakeholders "bear some form of risk as a result of having invested some form of capital, human or financial, something of value, in a firm," according to Clarkson (1994). A firm's actions put stakeholders who are not willing to participate at danger. However, there is no stake if there is no element of danger.

2.2.1.1 Corporate Social Responsibility-History and Evolution

This section's goal is to list the many CSR themes that have occasionally emerged in the commercial and academic domains. A definitional construct's progression, which has been cited from 1950 to the 1990s and represents six decades of CSR innovations, was organized by Carroll (1991). According to him, the progression includes definitions of corporate social responsibility (CSR), further empirical research, and alternative topics referred to as stakeholder theory, business ethics theory, and social performance (CSP). Carroll (1991) went on to discuss these topics from the standpoint of industrialized nations.

The current study examined CSR beginnings that date back many centuries, to Mesopotamia about 1700 BC, in order to comprehend the history of CSR. For instance, in around 1700 BC, King Hammurabi of ancient Mesopotamia ruled that builders, innkeepers, and farmers would be executed if their carelessness resulted in fatalities or significant issues for the community (Brass 2007). Many CSR studies have documented the history of CSR dating back to 1776 AD, and they contend that the 1950s saw the emergence of the current notion of CSR.

A 1953 Bowen article on corporate social responsibility detailed the businessman's social obligations. Bowen (1953, referenced in Maignan & Ferrell, 2000) defined corporate social responsibility (CSR) as the duty of business owners to pursue

policies, make choices, and take actions that are desirable in light of societal goals and values. Some researchers, including Carroll (1999) and Windsor (2001), said that Bowen adopted a comprehensive approach to company obligations, as well as social responsiveness, social stewardship, social audit, corporate citizenship, and basic stakeholder theory, as a result of his early, groundbreaking work.

Numerous studies on corporate social responsibility have addressed social actions as the primary duty of CSR. McGuire (1963) asserted that a company's social obligation outweighs its legal and financial responsibilities. He maintained that businesses ought to care about politics, the well-being of the community, education, and worker satisfaction. McGuire first presented the organization's social initiatives and demonstrated how corporations ought to behave as good corporate citizens. Carroll (1999) expounded on McGuire's (1963) notion of corporate citizenship, which was initially extended to the domains of business ethics and corporate citizenship. Many research contributed to the development of the notion of social responsibility after Bowen introduced CSR (Carroll 1979; Jones 1980; Waddock & Cochran, 1985; Carroll, 1991; Wood, 1991; Waddock & Graves, 1997; Carroll, 1999). The creation of a CSR model appropriate for use in the USA, Europe, and the rest of the western world was a significant contribution. Significant developments in CSR occurred in the 1990s, including the development of Wood's Corporate Social Performance (CSP) model. The preceding CSR dimensions—legal, economic, charitable, and discretionary responsibilities—were transformed into principles, policies, and procedures via the use of this model development (Carroll, 1999).

Carroll proposed corporate citizenship as the discretionary component of his previous four-part definition of CSR in 1991. Additionally, he proposed measuring projects and theoretical advancements for the millennium century, arguing that the concept of corporate social responsibility (CSR) will endure as a fundamental component of business discourse and operations since it serves as the foundation for numerous other theories and consistently aligns with the public's expectations of the contemporary business community (Carroll, 1991).

The reason that CSR differs in nations that use Whitley's 1997-developed national business system was elucidated by Matten and Moon (2008). To further address the aforementioned problem, Matten and Moon (2008) distinguished between two unique

components of CSR: the explicit and the implicit. CSR topics have been discovered recently by Lockett et al. (2006) and (Visser, 2006), with a primary focus on the social and economic domains. These themes have been developed periodically. Furthermore, in both developed and developing nations, CSR norms, concepts, and rules have evolved and are currently developing.

2.2.1.2 Theoretical Perspectives of Corporate Social Responsibility

The fundamental tenet of CSR is that society and business are interconnected rather than distinct entities (Wood, 1991). As was previously said, the literature has established several ideas to explain CSR. For instance, the social contract and legitimacy theories as well as stakeholder theory emphasize the significance of corporate social responsibility (Moir, 2001).

The concept of Corporate Social Responsibility (CSR) is based on various theories, and numerous studies have explored the concepts of agency, stakeholder, and social contract. These theories and CSR approaches fall under the categories of economics, politics, social integration, and ethics (Parsons & Sociales 1961; Garriga & Mele, 2004, Jamail & Mirshak, 2007).

Four categories of theories—instrumental, political, integrative, and ethical theories—that are in line with Parson's 1961 findings were outlined by Garriga and Mele (2004). These academics contend that the economic aspects of the relationships between companies and society are related to instrumental theory. This aligns with the shareholders' production of wealth. Political theory highlights the link between society and its responsibilities in the political sphere in relation to the social power of the enterprise. Organizations are influenced by this philosophy to embrace social obligations and rights or to take part in specific social cooperatives. Integrative theory, the third theory covered by Garriga and Mele (2004), contends that businesses should take societal needs into account. According to this view, both the survival and expansion of an organization as well as the existence of business itself depend on society, according to Garriga and Mele. The link between business and organization that is ingrained with ethical ideals is the definition of ethical theory, which is the fourth theory they identified. This gives rise to an ethical viewpoint on corporate social responsibility (CSR), and as a result, businesses should prioritize social duties as an ethical duty over all other considerations.

Furthermore, in his book *Corporate Responsibility and Legitimacy*, Brummer (1991) outlined four CSR methods. Regarding corporate social responsibility, he took into account the traditional, stakeholder, social demanding, and social activist approaches. According to Brummer's explanation of the classical mode, businesses need to behave in society in a way that is more socially and economically responsible. Therefore, the corporation's main objective should be to maximize profit, and managers' main responsibility should be to operate in the best interests of shareholders while abiding by the law. According to the stakeholder model, a corporation must satisfy its stakeholders as well as its investors (Freeman, 1984). The social demandingness model, on the other hand, contends that businesses exist to satisfy public desires. This concept contends that management has a direct line of accountability to the public, in contrast to stakeholder theory. Lastly, the social activism model makes the assumption that businesses have social responsibility and that social activism establishes a common norm for defining society's obligations.

In order to comprehend the theoretical underpinnings of the CSR idea, the next part discusses the notions of stakeholders and the social contract. Strategies for attaining competitive advantages are included in these two philosophies. Furthermore, since the goal of this literature review section is to construct a CSR framework employing stakeholders, stakeholder theory is a crucial topic to explore. Since the CSR in those developing nations is closely linked to its stakeholders, further discussion is required in order to comprehend the descriptive concepts and practical applications put out by the various scholars.

2.2.1.3 Corporate Social Responsibility and Related Terms

In their studies and investigations, academics and researchers employ a variety of CSR words and ideas. Below, these terminologies have been explained.

Corporate Social Performance

A number of research and methodologies have led to the development of corporate social performance. CSP is defined as the arrangement of social responsibility principles, social responsibility response procedures, policies, programs, and observable outcomes that represent the company's social responsibility in respect to society inside a corporate organization. Some have used the word CSP interchangeably with CSR or any other business-society relationship. Carroll (1979)

initially characterized the CSP model as a three-dimensional integration of corporate social responsibility (CSR): social concerns, social response, and corporate.

Corporate Social Responsibility

Carroll (1991) created a CSR pyramid with sections dedicated to different CSR duties. The discretionary obligations are the highest of the responsibilities, and the economic responsibilities serve as the cornerstone upon which all other responsibilities are built.

Carroll (1991) maintained that the businesses ought to carry out these four obligations concurrently. Carroll also proposed that the company's social responsibilities include its ethical and charitable duties. Furthermore, the discussion of corporate social responsibility (CSR) tended to overlook the financial and legal obligations in favor of the moral and charitable obligations.

Carroll clarified that philanthropy is not demanded in an ethical sense and outlined the characteristics that set organizations' ethical and philanthropic duties apart. People expect businesses, for instance, to provide cash, space, and staff time to charitable causes or projects. Nonetheless, they do not consider businesses to be immoral if they are unable to fulfill their obligations. As a result, generosity is more optional or elective for a business.

Corporate citizenship

The term "corporate citizenship" (CC) refers to social work and charity donations. A good corporate citizen at the fourth level of the CSR model, with charitable duty. CC is, in theory, an optional duty that goes above and beyond what is required of businesses, allowing them to choose to give back to the community. A firm should strive to follow the law, act morally, and practice philanthropy by giving back to stakeholders and the community in order to be a good corporate citizen. The ideas of performance, responsiveness, and social responsibility are all part of the CC paradigm.

Firm's Performance

The effectiveness and efficiency with which a firm handles connected business while meeting the demands of various stakeholders is referred to as firm performance. a metric for evaluating a company's success that may take into account both the market

in which it competes and the company's own efficiency. The degree of corporate social responsibility and philanthropic work it has been performing has a big impact on the market in which it works. According to researchers, an organization's performance can increase if a company can implement corporate social responsibility (CSR) initiatives at the appropriate moment. This study aims to ascertain how workers see the impact of corporate social responsibility (CSR) on business success.

US groups were involved with consumer and environmental protection initiatives in the 1960s and 1970s. As a result, there was a time when attempts to control corporate behavior increased. Previously, companies had only paid attention to the interests of their shareholders and disregarded criticism of their business practices. In other words, they had only paid attention to the demands of their shareholders. But in the 1960s, a time of enlightenment for many stakeholders, most notably consumers, this began to alter as people started to think about human rights, natural resources, and product quality. As a result, they started to debate with organizations about their rights (Andriof, 2002). US companies, as a business form of organization, expanded quickly in the 1970s, adopting a commercial viewpoint that outlined the top management's obligations and responsibilities in terms of corporate social responsibility to their shareholders.

2.2.1.4 Why Firms Invest For CSR?

CSR ideas are always changing as a result of interactions with both internal and external factors. The way that external forces and organizational ideals interacted led to the development of the notion of corporate social responsibility. The resources, culture, and structures of an organization can be characterized as its primary values. According to a number of studies, firms are more often reactive when it comes to corporate social responsibility (CSR) than proactive when it comes to defining it, even in the face of the internal reasons covered above. For example, there is growing public pressure on business executives to include social concerns into their plans in the present commercial and social context. Various stakeholder groups often put pressure on managers to commit financial resources to CSR initiatives. Stakeholders including workers, customers, communities, and environmental groups are the sources of this pressure, as will be covered in more detail below.

Employee Pressure

The growing public acknowledgement of certain employee rights in the workplace, such as the prohibition against discrimination in hiring, firing, and promotion, is one of the pressures coming from the workforce. Fair pay, working hours and conditions, health care, redundancy, and protection from wrongful termination are just a few of the topics that CSR has explicitly addressed.

Furthermore, industrialized nations like the UK and Germany are more concerned with the social security and health of their workforces and how taxes support their national health services. Every employee must be enrolled in a health insurance plan in certain nations, such as Germany, and the legislative framework establishes the monthly insurance premium amount that is paid by both the employer and the employee—typically in equal parts. In actuality, in addition to other organizational factors like absenteeism and employee commitment, the perceived fairness of any workplace does affect employee wellness (i.e., job satisfaction, stress, and mood). Employees are content and diligent when they see that a company is operating fairly. They will be content when, which will result in improved organizational and staff performance. Motivating staff members to volunteer for the company's CSR initiatives is not hard. We refer to this as employee voluntarism.

Customer/Consumer Pressure

Similar to this, customers and consumers put pressure on businesses to make safe products and give them more information. Businesses must be conscious of these client needs and respond quickly to meet them by offering services like customer protection and after-sale support as part of their overall business plan. This section discusses customers demonstrating their power to the corporations and businesses refraining from using certain marketing methods in accordance with the consumer protection principle.

Customers often want a guarantee on the goods they buy, value-adding services, and the option to return any item they buy if it doesn't live up to their expectations. The company would lose market share if it disregards the demands of its customers. Consequently, the market risk of a business is impacted by consumer pressure. It's interesting to note that there hasn't been much assistance offered by academic and management literature in helping marketers combine different projects into a solid program that may cover a broad range of business duties. For instance, it has been

proposed that satisfying client demands and inspiring staff to deliver on business objectives. According to stakeholder studies, how a company treats its clients and staff has the most impact on its success. Consequently, using CSR as a marketing tactic is a better method to enhance customer service.

Environmental Pressure

Environmental contamination and even crises are generated by company operations; examples include the environmental disasters brought on by unexpected occurrences like the Exxon Valdez oil spill, the Union Carbide pesticide factory accident in Bhopal, and the Chernobyl nuclear power plant accident (Shrivastava, 1995). Other long-term worldwide environmental crises are included in this concept of industrial/environmental crises.

On the other hand, businesses employ finite natural resources—such as gas, water, and oil—in their manufacturing operations. Keeping the surroundings tidy is one of an organization's main responsibilities. Environmental protection, as opposed to pollution, is crucial because of global environmental policy. For instance, some nations have put laws into place to safeguard their natural resources. These include making it illegal to mine, explore, or extract sand and gems using mechanical equipment; to cultivate annual crops in areas with steep gradients; to manufacture polythene or any polythene product with a particle size of 20 microns or less; and to implement various emission and noise control laws. Businesses who break these restrictions risk legal action from the government and local communities. For instance, the Indian Coca-Cola Company was banned because their production practices led to a drop in the water level in farmers' wells.

2.2.1.5 Benefits of CSR

Businesses must determine the advantages and disadvantages of CSR. Businesses spend their owners' money in CSR initiatives in the hopes of maximizing profit with the least amount of risk. For social responsibility to be sustainable, there must be financial gains. We will solely talk about the evolution of the CSR idea from an economic and social standpoint. Researchers have found that corporate social responsibility (CSR) has both physical and intangible benefits. Furthermore, they noted that it is possible to emphasize the advantages of various kinds as well as staff motivation and enhanced image.

CSR has been shown to offer several advantages. First, firms that engage in corporate social responsibility (CSR) have a better reputation and brand image than those that don't or are socially irresponsible. Certain CSR initiatives might lower an organization's running expenses. One goal of corporate social responsibility, for instance, is to lessen environmental damage. This may be done by putting into practice easy steps like cutting back on wrapping material and scheduling delivery vehicles optimally. This is a powerful incentive for businesses to step up their CSR initiatives. Companies that practice social responsibility also face a lower chance of unfavorable occurrences. Strong CSR commitment thereby improves a business's capacity to draw in and keep talent. Thirdly, higher productivity and lower mistake rates are the outcomes of CSR activities. These benefits, which were previously discussed, are related to CSR practices for stakeholders including consumers, workers, and communities. Since stakeholder pressure is the primary driver behind CSR implementation, stakeholder satisfaction is correlated with these advantages. For instance, better labor laws and working conditions lead to higher production. A company's reputation and brand image provide it the ability to attract more investors and trading partners. An further benefit of putting CSR methods into effect is that employees become more committed to the business and are subsequently retained, which lowers the expenses associated with labor turnover, hiring new staff, and training and development.

These advantages have been found in several research and have been applied since the 1950s to the creation of various CSR ideas. They illustrate the benefits of refining CSR ideas. CSR has a lengthy history and has been applied in many contexts and by numerous nations under different titles.

2.2.1.6 Corporate Social Responsibility and Firm Performance

Because industrialized countries have strong institutions, norms, and appeal processes, whereas emerging countries in Asia lack these elements, corporate social responsibility (CSR) is mostly seen as a Western issue (Chapple and Moon 2005). For businesses engaging in corporate social responsibility (CSR) in poor nations like Sri Lanka, such lax regulations provide a significant obstacle. Researchers' interest in the relationship between CSR and CP has grown significantly. There are, however, not many empirical research studies that have examined the link between CSR and CP in

the context of poor countries (e.g., Rais and Goedegebuure 2009; Mishra and Suar 2010).

For businesses, it helps to consider corporate social responsibility (CSR) in light of the company's vision and mission, as well as its obligations, purpose, and methods for achieving these objectives. The national, social, economic, governance, and environmental systems in which a company operates also have an impact on CSR and its influence on corporate performance. In certain countries, a business's obligation could be considered a social, governmental, or individual one. This is true when comparing somewhat comparable national business systems, like those of the USA and Western Europe, and it is much more true when comparing business systems in Asia and other regions.

In the modern business world, corporate social responsibility, or CSR, is frequently seen as an essential component of an organization's sustainability. Corporate entities can benefit from CSR in a number of ways, including: preserving and enhancing a company's reputation and brand image; obtaining a social license to operate; lowering the risk of a company's operations; expanding access to resources for business operations; creating new market opportunities; lowering costs related to environmental impacts; strengthening relationships with stakeholders; and raising employee morale and productivity. So, the performance of the companies is impacted by the amount spent in corporate social responsibility. Therefore, the purpose of this study is to investigate how workers see different CSR initiatives and how they affect business success.

Developing a Corporate Social Responsibility Framework

Many academics have advocated that stakeholder theory should be the foundation of CSR frameworks (Donaldson & Preston, 1995; Davenport, 2000; Ruf, 2001). Clarkson (1995) recognized specific issues for each of the major stakeholder groups, differentiating between business owners, human resources, consumers, suppliers, the government, and rivals in her CSR framework. She explains that a key element of her CSR model, which was created using the Delphi technique, is the stakeholder commitments, which include promises to communities, employees, investors, and suppliers. The framework's goal was to make managing stakeholder concerns easier.

Rais and Goedegebuure (2009) have integrated certain hypotheses from earlier research into a research model that is appropriate for the setting of emerging nations. Employees, customers, shareholders, suppliers, and communities are the five stakeholder connection domains that CSP has, according to its CSR framework.

The study for this research project identified six significant stakeholder practices (CSR) in Nepalese enterprises using the notion of stakeholder. These matched those found in the 2009 study by Rais and Goedegebuure and offer solid support for the creation of a CSR framework for developing nations.

Firm Performance Framework

Participating in corporate social responsibility (CSR) initiatives benefits corporations in a number of ways, including preserving and enhancing a company's reputation and brand image, obtaining a social license to operate, lowering business risk, expanding access to resources for operations, creating new market opportunities, lowering costs related to environmental impacts, fostering stronger relationships with stakeholders, and raising employee morale and productivity (Mbithi, 2015). Environmental contamination affects people all over the world and has a significant capacity to affect human populations Fereldoun (2007). All firms these days are worried about how every action would affect the overall success of the company. Business and organizational activities' effects on a firm's performance are included in its overall performance. Thus, this study will look at how Nepalese commercial bank workers see corporate social responsibility (CSR) and how it affects business success.

2.2.2 Empirical Review

Kandel (2017) examined the concept of Corporate Social Responsibility as it relates to Nepalese Commercial Banks. Analyzing the effect of CSR initiatives on an organization's entire business was the study's goal. The study employed questionnaire-based research techniques to examine the findings. The results of the study showed a favorable correlation between the institution's primary business's financial success and its performance. The study found a link between corporate social responsibility (CSR) and normal, ethical, and socially responsible conduct toward society.

Selcuk and Kiyamaz (2017) examined the in order to comprehend "CSR and firm performance: Evidence from emerging market." Examining the connection between company success and CRS was the study's goal. In order to quantify the possible

advantages that businesses can experience from their CSR initiatives, the study employed statistical techniques, return assets (ROA), and regression analysis as dependent variables. The analysis came to the conclusion that there is no meaningful correlation between financial performance and research and development expenses.

.Magucha and Muturi (2018) carried out a study on effects of CSR sectorial expenditure on the performance of commercial banks in Kenya,". Evaluating the impact of educational program spending on Kenya's commercial banks' performance was the study's main goal. Descriptive statistics were employed in the study to analyze the data, and pie charts, percentages, and measures of central tendency were utilized to interpret and present the findings. The study comes to the conclusion that spending on sector-specific CSR initiatives in the areas of health, education, sports, and environmental protection benefits a firm more than its overall financial success.

Chapagain (2010) has conducted the study to understand the 'Corporate Social Responsibility: Evidence from Nepalese Financial Service and Manufacturing Sectors.' The objectives of the study were first, aims to trace the evolutionary path of definitions and perspectives on corporate social responsibility. The study used to descriptive statistics and correlation coefficients methods. The study finding degree to which Nepalese managers from financial service sector and manufacturing sector regard CSR as the moral duty of business. The study concludes that a majority of respondents from both the sectors have positive strategic and moral views towards CSR.

Opong (2014) conducted the study to understand of 'CSR and corporate performance in 'Corporate Social Responsibility and Corporate Performance: A Study of the Top 100 Performing Firms in Ghana'. The objectives of the study was explore the nature and pattern of relationships between some indicators of financial performance and standing on CSR. The study used to ROE and correlation matrix method. The study finding analysis showed no significant correlation between any of the indicators of financial performance and standing on CSR. The study concludes that inactivity of the few institutional investors and absence of strong lobbyists in Ghana and other developing countries coupled limited listing on stock exchange markets make financial performance of such companies unaffected by their standing on CSR.

Marcia (2013) conducted the study to understand on ‘Corporate Social Responsibility and its Impact on Financial Performance: Investigation of the U.S. Commercial Banks.’ The study used to publicly available data on CSR to analyze CSR strengths and concerns. It found out that the largest banks consistently had higher CSR activities and CSR concerns during the sample period. The study finding that most profitable banks, banks with higher capital ratios and banks that charged lower fees on deposits had significantly higher CSR strengths.

Stephan Musyoki Kisuli (2018) has conducted the study on ‘Effect Corporate Social Responsibility Practices on the Financial Performance of Commercial Banks in Kenya.’ The specific objectives of the study was investigate the effect of health corporate social responsibility practices on financial performance of commercial bank in Kenya. The study used to coefficients and regression models. The study finding that all the companies practiced long term planning and had strategies on social responsibility in place. The study concludes that generally, corporate social responsibility practices have a significant positive effect on financial performance of commercial banks.

Onyango N.A., & Moronge M. (2017) has conducted the study to understand ‘effect of corporate social responsibilities strategies on performance of commercial banks Kenya’. The study objectives was establish how supporting innovation affect performance of commercial banks in Kenya. The study used correlation analysis and multiple regression model that aided the analysis. The study finding, the study concluded that performance e of commercial banks in kenya is affected by supporting innovation, environmental initiatives, community development and support entrepreneurship.

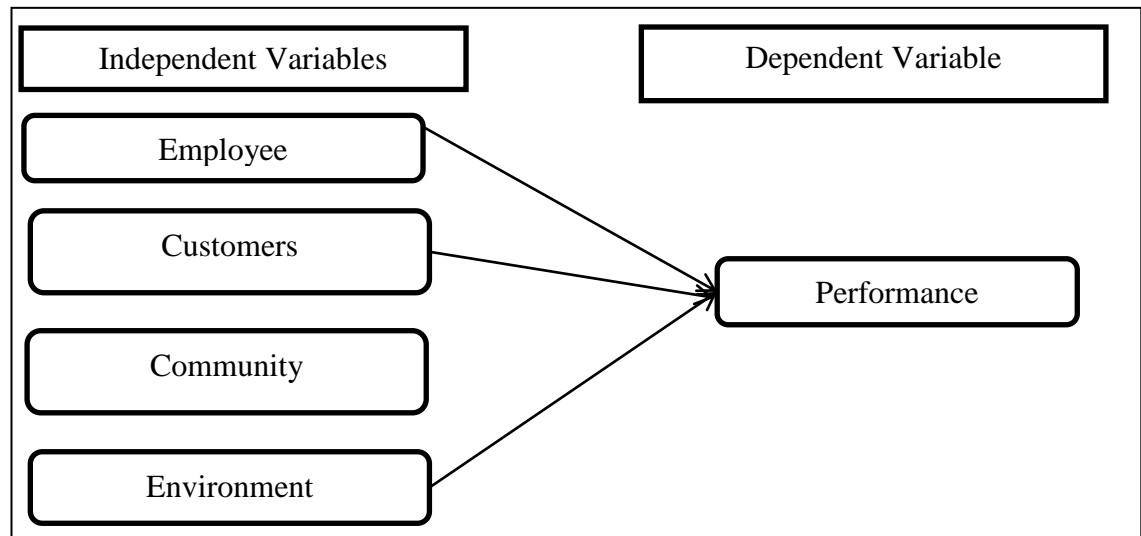
Pelozo and Papania (2008) found out that the financial effects of various CSR dimensions may be different for firms in different industries based on the level of importance assigned to each primary stakeholder for the industry. Inoue and Lee (2011) examine how different dimensions of CSR could affect financial performance among firms within four tourism-related industries. The results show that each one of CSR dimensions in a different way affects the two financial performance measures and that such financial impact vary across the four tourism-related industries.

Okoth (2012) has conducted the study to understand for CSR is good for the financial performance of large and medium sized banks and had no effect on the ROA of small banks. The researcher realized that CSR had a positive and significant effect on ROA and ROE for all commercial banks when aggregated. However, when classified on the basis of market size, the study revealed that CSR improved financial performance of larger and medium size banks while the effect on ROA of small bank was insignificant. The study concluded that CSR had a positive effect on the financial performance of small banks. The study concluded that it was not in the interest of shareholders to engage in CSR activities as doing so could only drain their wealth without any return. The relationship between CSR.

Chapagain (2008) has conducted the study to understand 'views on corporate social responsibility (CSR) in commercial banks of Nepal. The study objectives was considering the ongoing debate regarding the roles of business in society. The study used explanatory sequential design under mixed methods of research. The study finds/ concluded that the moral view, which holds that CSR is a moral duty of companies towards society, is much stronger than the strategic view, which holds that CSR contributes to the financial success of the company in the long run.

2.2 Theoretical Framework

The theoretical framework shows the connection between a CSR framework that operationalizes the CSR concept and the firm performance variables investigated in this study. Evidence from empirical research suggests that there are several variables that influence the relationship between CSR and firm performance. This study used various non-financial performances such as employee satisfaction, employee turnover, organization ethics, management attitude and unionism (Luo & Bhattacharya, 2006; Godfrey, 2005; Margolis & Walsh, 2003) as a measuring base of dependent variable. The independent variable (employees, consumers, environmental and education contributions) has been conceptualized based on imperial finding of previous study.

Figure 2. 1 *Theoretical Framework.*

Source: Bahta, et al., (2021) and Laliwan, S., & Potipiroon, W. (2022).

Employee:

The employee relation cited by Maush (2008), include the increasing public recognition of certain employee rights in the workplace, including non-discriminating in hiring, firing and promotion. Matten and Moon (2008), stated that CSR has clearly addressed issues such as fair wages, working hours and conditions, healthcare, redundancy and protection against unfair dismissal. In addition, developed countries such as the UK and Germany are more concerned about their employee's health or social security and contributing to their National Health Services through taxation (Matten & Moon, 2008). According to Hahn (2003), the company benefits from employee relation as it: improves relationships with surrounding community, improves public image, builds a cohesive, motivated workforce, increases employee performance and productivity, helps establish and enhance corporate or brand reputation in new or existing markets.

Customer:

Similarly, consumer and customer pressures include the expectation that companies will produce sage products and provide more consumer information (Musah, 2008). Organizations need to be aware of these consumer demands and act on them rapidly as a part of their business strategy, for example, after sales services, and customer protection services. This section contains a discussion about firms not involving those marketing strategies under the consumer protection concept, and consumers showing

their power to the firms. The four primary stakeholder's elements were taken as independent variable as CSR measure.

Generally, customers expect a warranty period for products they purchase, value adding services and ability to return any item purchased if it does not meet their expectations (Maignan et al. 2005). If the organization does not consider its customer's needs, it will lose its market share. Therefore, consumer relation affect an organization's market risk.

Community:

The government, NGOs and suppliers can be identified as internal and external stakeholders. However, in literature review we discuss that organizations are most interested in working communities to enhance firm performance and sustainable development. Therefore, the present study assumes the main CSR elements include communities, and these variables have influenced the implementation of the current CSR in their organizations. The present study identified the social performance variables from the Delphi studies using the six stakeholder relations.

Environment

Environmental relation means to run a business in such a way that our planet and nature resources are not affected negatively (Grankvist, 2012). Many companies have become more aware these days and focus on environmental relation into their businesses. People are getting more aware on environment protection and they are favoring the business who maintains very good relation with environment. Clarkson (1995), stated in his stakeholder theory that Environment Relation is one of the major factor to measure the involvement in CSR activities of a firm.

Performance

CSR is predominantly considered a Western phenomenon due to the strong institutions, standards and appeal systems of the developed nations, which are weak in the developing countries of Asia (Chapple and Moon 2005). Such weak standards pose a considerable challenge to companies practicing CSR in developing countries, including Sri Lanka. The relation between CSR and firm performance has provoked much interest among researchers. However, there are few empirical research studies (e.g., Rais and Goedegebuure 2009; Mishra and Suar 2010) which have considered the relationship between CSR and CP in the context of the developing country. So in this research, the perception of employees of Nepalese commercial banks on CSR and its impact on firm performance is examined.

CHAPTER III

RESEARCH METHODOLOGY

This chapter is designed to explain the research methods used to meet the stated objectives of the study. It explores the research process regarding influence of CSR on Firm Performance in Nepalese Commercial Banks. This chapter hence provides information about research design, sources of data, questionnaire, data collection procedures, pilot study, population and sampling, instrumentation, administration of instrument and data analysis plan. The primary objective of this chapter is to showcase the methods and procedure utilized to get the most accurate result following the set objective of the research topic. The design and methods have been applied according to the research type which is descriptive and explanatory.

3.1 Research Design

A descriptive as well as explanatory research design was employed for this study. The research was descriptive in nature as it aimed to detail data and characteristics about the population being studied, based solely on statistical analysis, without any form of manipulation. Concurrently, the research was explanatory, as it sought to identify the extent and nature of cause-and-effect relationships among the dependent and independent variables.

The findings of this research were based on a primary survey. Data were collected through a structured questionnaire, which was distributed to employees of various Nepalese commercial banks. The results of the study are entirely grounded in the data and facts provided by the sampled respondents.

3.2 Population and Sample

The target population for this study comprised all employees working in commercial banks across Nepal. A survey method was adopted to achieve the study's objectives, which focused on understanding the relationship between CSR activities and firm performance within the context of the Nepalese banking industry. Although Nepal has 20 commercial banks, the questionnaire was distributed to employees of 10 selected commercial banks to ensure a diverse sample. These banks represented various categories, and respondents included employees working in different positions to capture a comprehensive view of the CSR activities and their impact.

Despite distributing the questionnaire to 550 employees, only 412 responses were received, resulting in a response rate of 75%. Convenience sampling was employed to select respondents, chosen for their convenient accessibility and proximity to the researcher. This sampling technique was deemed appropriate for the research due to its advantages, such as ease of access and the speed with which data could be collected.

3.3 Instrumentation

To study Corporate Social Responsibility (CSR) and performance in Nepalese commercial banks, specific instrumentation was used to measure both independent and dependent variables. For the independent variables, CSR activities were assessed across four dimensions: employees, customers, environment, and community. Employee-related CSR activities were measured using six items developed by Bahta et al. (2021), focusing on factors such as employee satisfaction, training and development, health and safety, engagement, fair compensation, and diversity and inclusion. Customer-related CSR activities were evaluated using five items from the same source, covering customer satisfaction, product quality, customer service, transparency, and ethical marketing practices. Environmental CSR activities were measured with six items, also from Bahta et al. (2021), which included practices related to waste management, energy efficiency, pollution control, renewable resources, green initiatives, and environmental impact assessments. Community-related CSR activities were assessed with five items that examined the bank's involvement in community development, charitable contributions, support for education and health initiatives, local employment, and partnerships with local organizations.

For the dependent variable, the performance of Nepalese commercial banks was measured using seven items developed by Laliwan, S., and Potipiroon, W. (2022). These items covered a range of performance indicators, including financial metrics such as profitability, return on assets, and return on equity, as well as non-financial metrics like customer satisfaction, employee satisfaction, market share, and reputation. By employing these standardized items from Bahta et al. (2021) and Laliwan, S., and Potipiroon, W. (2022), the study ensured a comprehensive, reliable, and valid assessment of the relationship between CSR activities and the performance of commercial banks in Nepal.

3.4 Data Collection and Analytical Procedure

Primary data were collected using a survey method for this study. A structured questionnaire was prepared and distributed to respondents both electronically (via Google Forms) and through personal visits. The questionnaire was divided into two sections. The first section gathered respondent information, including basic demographic details, while the second section included Likert-type questions about variables affecting firm performance, with responses ranging from "Strongly Disagree" to "Strongly Agree."

Responses were primarily collected through personal networks. The data gathered from the questionnaires were analyzed using mathematical tools, and the results were presented in tables and charts for clearer understanding. Conclusions were drawn based on the analysis, and appropriate recommendations were made accordingly.

Various statistical tests and analyses formed the basis of this study. The Statistical Package for Social Sciences (SPSS) software and Microsoft Excel were utilized to analyze and interpret the quantitative data, both of which are commonly used in business research settings. Descriptive statistics, including the calculation of mean, median, and standard deviation based on respondent profiles, were employed. Additionally, correlation analysis, regression analysis, and hypothesis testing were conducted. The findings, interpretations, and analyses were presented using bar charts, pie charts, and tables as needed. The reliability of the scales was assessed using Cronbach's alpha test, which is the most popular measure for inter-item consistency reliability in multiple scale items.

3.5 Reliability and Validity

Validity refers to the degree to which a test or measuring device accurately measures what it is intended to measure, reflecting the truthfulness and accuracy of the findings. It ensures that the study measures what it claims to measure and that the results are truthful. Validity indicates how well a measurement represents the characteristics of the phenomenon being investigated. To guarantee external validity, efforts were made to collect a representative sample.

Reliability is synonymous with the consistency of a test, survey, observation, or other measuring methods. It requires dependable and repeatable measurements, minimizing random influences that could cause variations in measurements across different

occasions or circumstances. Reliability indicates the degree to which a test consistently produces repeatable results. Other researchers should be able to replicate the experiment under the same conditions and achieve the same results to reinforce the findings and ensure acceptance by the wider scientific community. The purpose of validity and reliability analysis is to determine whether data are trustworthy. Before requesting respondents to participate, the designed questionnaire was finalized. For the reliability test, Cronbach's Alpha was calculated, which measures internal consistency. A Cronbach's alpha value above 0.6 indicates that the collected data are reliable.

Table 3.1

Cronbach's Alpha Coefficients

S.N	Variables	Cronbach's Alpha
1	Employee	0.678
2	Customers	0.640
3	Community	0.662
4	Environment	0.754
5	Performance	0.668

Table 3.1 presents the Cronbach's alpha coefficients for both independent and dependent variables. These coefficients, which range from 0 to 1, are typically associated with the internal consistency of the variables. According to Sekaran (2000), a Cronbach's Alpha coefficient less than 0.6 is considered 'poor,' a coefficient greater than 0.6 but less than 0.8 is considered 'acceptable,' and a coefficient greater than 0.8 is considered 'good.'

3.6 Method of Analysis

Data for this survey were collected through questionnaire for measuring impact of CSR on Firm performance. A sample of 412 Respondents i.e. individuals working on Commercial banks of Nepal were taken for data collection. The questionnaires were distributed among the respondents and the responses were collected thereafter. After collecting all the completed questionnaires from the respondents, for the analysis and interpretation of the data, SPSS and Excel are used. Total responses collected form

the respondents were coded and tabulated into SPSS worksheet. After the analysis and interpretation of the responses, the results were presented.

The study aims to analyze the relationship between CSR and Firm Performance. The determinants of CSR are used as independent variables. Six different determinants are taken as independent variables namely Environment, Community, Employee, Customer. Performance (non-financial) is taken as dependent variable. Multiple regression models are used in this study to analyze the relationship between the determinants of CSR and their impact on Firm performance. The multiple regression model used in this study is as follow:

$$Y1 = \alpha + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + e_i \dots \dots \dots (i)$$

Where,

Y1 = Performance,

X1 = Employee

X2 = Customers

X3 = Community

X4 = Environment

$\beta_1, \beta_2, \beta_3, \beta_4$, are the beta coefficients of the explanatory variables environment, community, employee, customer respectively to be estimated and e_i is the error term. All the observed relationship and findings have been interpreted to drive at meaningful conclusions regarding the effect between CSR and Performance.

CHAPTER IV

RESULTS AND DISCUSSION

The purpose of this chapter is to analyze and interpret the findings from the data collected. From the data which has been collected earlier, the reliability test has been conducted to determine whether the variables used for the research is dependable and accurately measured. The entire test is run by using Statistical Package for Social Science (SPSS) and MS-Excel and the results are presented. In this chapter, the information obtained from respondents through administered questionnaire has been analyzed using the descriptive and inferential statistical tools. In the first part of this chapter, respondent's profile has been presented, which has been followed by the descriptive analysis and with major findings.

4.1 Demographic Profile

This section deals with the demographic analysis and interpretation of primary data collected through questionnaires. This section gives an insight into the demographic characteristics of the respondents under study. The respondent profile includes gender, job position and length of career.

For this survey, 412 respondents were selected for this study and the questionnaires were distributed to them through personal visit, email and online. Out of the 550 questionnaires, only 412 valid responses were collected. With the objective of the present study being to examine the consumer response towards stock out situation, the populations for the study were from different places in Nepal.

4.1.1 Gender of Respondents

The questionnaire was distributed to both male and female respondents. The aim was to determine the percentage of distribution of respondents by gender. The frequency and percentage of the respondents is presented in Table 4.1 which is as follows:

Table 4. 1*Distribution of Respondents based on Gender*

Gender	Frequency	Percent
Male	253	61.4
Female	159	38.6
Total	412	100.0

The data in Table 4.1 shows the distribution of respondents based on gender. Out of the 412 total respondents, 253 (61.4%) are male, and 159 (38.6%) are female. This indicates a higher representation of male respondents compared to female respondents in the study. Understanding this gender distribution is crucial for contextualizing the analysis of other variables and ensuring that any gender-related differences are considered in the study's findings.

4.1.2 Age of Respondents

The questionnaire was distributed to respondents working on different position of Commercial banks of Nepal. The distribution of respondents based on their Age is shown is Table 4.2

Table 4. 2

Distribution of Respondents based on Age

Age	Frequency	Percent
Less than 30	60	14.6
31-40	174	42.2
41-50	178	43.2
Total	412	100.0

The data in Table 4.2 shows the distribution of respondents based on age. Among the 412 respondents, 60 individuals (14.6%) are under 30 years old, 174 individuals (42.2%) are between 31 and 40 years old, and 178 individuals (43.2%) are between 41 and 50 years old. This indicates that the majority of respondents are within the 31 to 50 age range, with the largest proportion being those aged 41 to 50. Understanding this age distribution is essential for contextualizing the analysis, as it highlights the

demographic characteristics of the study sample and can impact the interpretation of other variables and findings.

4.1.3 Job Position of Respondents

The questionnaire was distributed to respondents working on different position of Commercial banks of Nepal. The distribution of respondents based on their Job Position is shown in Table 4.3 as follows:

Table 4.3

Distribution of respondents based on job position

Job Title	Frequency	Percent
Junior	29	7.0
Assistant	104	25.2
Officers	145	35.2
Senior Officers	60	14.6
Managerial	51	12.4
Executives	23	5.6
Total	412	100.0

The data in Table 4.3 presents the distribution of respondents based on their job positions. Among the 412 respondents, 29 individuals (7.0%) hold junior positions, 104 individuals (25.2%) are assistants, 145 individuals (35.2%) are officers, 60 individuals (14.6%) are senior officers, 51 individuals (12.4%) hold managerial positions, and 23 individuals (5.6%) are executives. This distribution indicates that the majority of respondents are in officer-level positions, followed by assistant-level positions. The varied representation across different job titles ensures a comprehensive understanding of perspectives and experiences from different levels within the commercial banks, which is crucial for analyzing the impact of CSR activities and firm performance.

4.1.4 Working Experience of Respondents

The questionnaire was distributed to respondents working on different position at Commercial banks of Nepal. The distribution of respondents based on their working experience is shown below.

Table 4. 4*Distribution of Respondents based on Work Experience*

Working Experience	Frequency	Percent
Less than 5	9	2.2
5-10	187	45.4
11-15	209	50.7
16-20	7	1.7
Total	412	100.0

The data in Table 4.4 shows the distribution of respondents based on their work experience. Out of the 412 respondents, 9 individuals (2.2%) have less than 5 years of experience, 187 individuals (45.4%) have 5 to 10 years of experience, 209 individuals (50.7%) have 11 to 15 years of experience, and 7 individuals (1.7%) have 16 to 20 years of experience. This indicates that the majority of respondents have substantial work experience, with over 96% having between 5 to 15 years of experience. The high concentration of respondents within this range provides valuable insights from experienced employees, which is important for understanding the impact of CSR activities on firm performance in Nepalese commercial banks.

4.2 Descriptive Analysis

The section deals with the descriptive analysis of the data collected through the questionnaires during the research process. Descriptive analysis incorporates calculation of statistical measures such as mean, standard deviation, including maximum and minimum values.

In order to present descriptive scores such as means and Standard deviation for each of the variables used in the survey, descriptive analyses were performed. The main aim of this analysis is to describe the importance of each variable given by the survey respondents. Descriptive statistics simply summarizes about the sample and about the observations that have been made. Here, descriptive analysis incorporates the calculation of statistical measures such as mean and standard deviation.

4.2.1 Employee

Environmental Relation is one of the independent variables of this research. Descriptive study of each question drafted and overall descriptive study on this variable shown below:

Table 4. 5

Descriptive Statistics of Employee

Statements	Mean	S.D
Our bank takes into account employees' interests for decision-making	3.8180	1.06863
Our bank helps employees balance their private and professional lives	3.4442	1.05990
Our bank's policies encourage the employees to develop their skills and careers	3.6432	1.00914
Our bank recognizes the importance of stable employment for its employees and society (in the local area)	3.6602	.97465
The managerial decisions related to the employees are usually fair	3.50000	1.176617
Our bank provides procedures that help to ensure the health and safety of our employees	3.0631	1.14662
N=412, Average	3.54	

The data in Table 4.5 presents the descriptive statistics of employee perceptions regarding their bank's policies and practices. The mean score for the statement "Our bank takes into account employees' interests for decision-making" is 3.8180 with a standard deviation of 1.06863, indicating a generally positive view among employees. The statement "Our bank helps employees balance their private and professional lives" has a mean score of 3.4442 and a standard deviation of 1.05990, suggesting a moderate level of agreement. For the statement "Our bank's policies encourage the employees to develop their skills and careers," the mean score is 3.6432 with a standard deviation of 1.00914, reflecting a positive sentiment. The statement "Our bank recognizes the importance of stable employment for its employees and society (in the local area)" has a mean score of 3.6602 and a standard deviation of 0.97465, also indicating a positive perception. The statement "The managerial decisions related

to the employees are usually fair" has a mean score of 3.5000 with a standard deviation of 1.176617, showing a moderate level of agreement. Finally, the statement "Our bank provides procedures that help to ensure the health and safety of our employees" has a lower mean score of 3.0631 and a standard deviation of 1.14662, indicating some concerns among employees. The overall average mean score is 3.54, suggesting that, on average, employees perceive their bank's policies and practices favorably, although there are areas that could be improved.

4.2.2 Costumers

Community Relation is another independent variable of this research. Descriptive study of each question drafted and overall descriptive study on this variable is shown below:

Table 4. 6

Descriptive Statistics of Costumers

Statements	Mean	S.D
Our bank incorporates the interests of our customers in our business decisions	3.5947	1.16028
Our bank provides full and accurate information about its products/services to its customers	3.2985	1.19638
Customer satisfaction is highly important for our bank	3.7670	.97615
Our bank takes measures to prevent customer complaints	3.4806	1.20304
Our bank responds to customer complaints or inquiries	3.4612	1.08111
N=412, Average	3.42	

The data in Table 4.6 presents the descriptive statistics of employee perceptions regarding their bank's Customer relations practices. Among the 412 respondents, the mean score for the statement "Our bank incorporates the interests of our customers in our business decisions" is 3.5947 with a standard deviation of 1.16028, indicating a fairly positive perception. The statement "Our bank provides full and accurate information about its products/services to its customers" has a mean score of 3.2985 and a standard deviation of 1.19638, suggesting a moderate level of agreement. "Customer satisfaction is highly important for our bank" received a higher mean score of 3.7670 with a standard deviation of 0.97615, highlighting a strong emphasis on customer satisfaction. The statement "Our bank takes measures to prevent customer

complaints" has a mean score of 3.4806 and a standard deviation of 1.20304, showing a reasonably positive perception. Lastly, "Our bank responds to customer complaints or inquiries" has a mean score of 3.4612 with a standard deviation of 1.08111, indicating a moderate level of agreement. The overall average mean score is 3.42, reflecting a generally positive view of the bank's Customer relations practices, with room for improvement in providing accurate product information and responding to customer complaints.

4.2.3 Community

Employee Relation is one of the independent variables of this research. Descriptive study of each question drafted and overall descriptive study on this variable is shown below:

Table 4. 7

Descriptive Statistics of *community*

Statements	Mean	S.D
Our bank contributes to the campaigns and projects that promote the well-being of society	3.5704	.99507
Our bank has transparent relations with the local authorities	3.6748	1.01619
Our bank is considered part of the local community and is concerned with its development and the improvement of its infrastructures	3.4574	1.19553
Our bank encourages its employees to participate in voluntary work	3.4078	1.14145
Stimulate economic development in the communities where we operate	3.5971	.99036
Financially support activities (arts, culture, sports) in the communities where we operate	3.8180	1.06863
N=412, Average	3.56	

Table 4.7 presents descriptive statistics reflecting employee perceptions of their bank's community engagement initiatives. Among the 412 respondents, the data reveals that employees generally view their bank positively in terms of contributing to campaigns and projects that promote societal well-being, with a mean score of 3.5704

and a standard deviation of 0.99507. The bank is also perceived to maintain transparent relations with local authorities, as indicated by a mean score of 3.6748 and a standard deviation of 1.01619. However, perceptions regarding the bank's integration into the local community and its encouragement of employee participation in voluntary work show slightly lower mean scores of 3.4574 and 3.4078, respectively, suggesting areas where efforts could be strengthened. On the other hand, the bank's initiatives to stimulate economic development in its operating communities received a positive mean score of 3.5971, indicating proactive efforts in local economic growth. Notably, the highest mean score of 3.8180, with a standard deviation of 1.06863, is attributed to the bank's financial support for activities in arts, culture, and sports, highlighting robust community support in these areas. Overall, the data underscores a generally favorable perception of the bank's community engagement efforts, while suggesting opportunities for enhancing employee involvement and deeper community integration.

4.2.4 Environment

Customer Relation is one of the independent variables of this research. Descriptive study of each question drafted and overall descriptive study on this variable is shown below

Table 4. 8

Descriptive Statistics of *Environment*

Statements	Mean	S.D
The bank supports the financing of environmental conservation activities in the surrounding communities	4.54	1.02
The bank supports the financing in the afforestation initiatives in the surrounding community	4.17	1.07
The bank participates in waste garbage collection and disposal initiatives and cleaning the surrounding	4.03	1.18
The bank participates in soil erosion conservation efforts by construction gabions and other soil conservation initiatives	3.59	1.29
The banks actively incorporate green agenda (like cleaning, plastic free) initiatives	4.32	1.31
N=412, Average	4.13	

Table 4.8 provides descriptive statistics of customer perceptions regarding their bank's environmental conservation and sustainability initiatives. Across the 412 respondents, the data reveals high mean scores indicating strong support and participation from customers in various environmental activities. Specifically, the statement "The bank supports the financing of environmental conservation activities in the surrounding communities" received the highest mean score of 4.54, with a standard deviation of 1.02, indicating robust backing for environmental conservation efforts. Similarly, customers perceive significant support for afforestation initiatives (mean = 4.17, S.D. = 1.07) and waste management activities (mean = 4.03, S.D. = 1.18), highlighting the bank's proactive role in these areas. However, perceptions regarding soil erosion conservation efforts show a slightly lower mean score of 3.59, with a higher standard deviation of 1.29, suggesting room for improvement in these specific initiatives. Overall, the average mean score of 4.13 across all statements reflects strong customer approval and engagement with the bank's green agenda initiatives, demonstrating a positive impact on the community and reinforcing the bank's commitment to environmental sustainability.

4.2.5 Performance

Customer Relation is one of the independent variables of this research. Descriptive study of each question drafted and overall descriptive study on this variable is shown below

Table 4. 9

Descriptive Statistics of Performance

Statements	Mean	S.D
Product and service quality.	3.8908	1.00375
Product and service development.	3.4879	1.16408
The ability to recruit and retain talented employees.	3.4539	1.06495
The capacity to keep top personnel in the Bank.	3.5097	1.06819
Banks Account holder's satisfaction.	3.6141	.99100
Relationship between employees in the organization(unity).	3.5704	1.08849
Employees and management have a good relationship.	3.7549	.95678
N=412, Average	3.59	

Table 4.9 presents descriptive statistics reflecting employee perceptions of various performance indicators within their bank. Across the 412 respondents, the data reveals generally positive views regarding several key aspects. Specifically, respondents rated product and service quality highest with a mean score of 3.8908, indicating strong satisfaction in this area. However, product and service development scored lower at 3.4879, suggesting opportunities for the bank to enhance innovation and new offerings. The ability to recruit and retain talented employees and maintain top personnel received moderate scores around 3.45 to 3.51, indicating a stable workforce environment. Customer satisfaction, as indicated by "Banks Account holder's satisfaction," received a favorable mean score of 3.6141. Additionally, aspects of organizational unity and employee relations within the bank were generally positive, with mean scores ranging from 3.5704 to 3.7549. Overall, the average mean score of 3.59 across all indicators suggests a solid foundation of performance satisfaction within the bank, while highlighting areas where strategic improvements could further strengthen organizational effectiveness and customer relations.

4.2.6 Overall Descriptive Analysis of Study Variables

Table 4. 10

Descriptive Statistics

Variables	Minimum	Maximum	Mean	Std. Deviation
Employee	412	9.50	25.83	18.5761
Customers	412	7.40	21.00	14.8330
Community	411	7.67	24.83	18.3423
Environment	412	6.20	21.00	14.8990
Performance	412	8.29	29.71	22.0631

Table 4.10 presents comprehensive descriptive statistics reflecting employee perceptions of CSR across various dimensions within their bank. The data highlights the range and central tendencies for each variable measured: Employee, Customers, Community, Environment, and Performance. For the Employee dimension, perceptions range from a minimum score of 9.50 to a maximum of 25.83, with a mean of 18.5761 and a standard deviation of 18.5761, indicating considerable variability in how CSR impacts employees. Similarly, perceptions among Customers range from 7.40 to 21.00, with a mean of 14.8330 and standard deviation of 14.8330, suggesting

varied responses regarding customer-focused CSR initiatives. In the Community dimension, scores range from 7.67 to 24.83, with a mean of 18.3423 and standard deviation of 18.3423, reflecting diverse opinions on the bank's community engagement efforts. Environmental perceptions range from 6.20 to 21.00, with a mean of 14.8990 and standard deviation of 14.8990, indicating mixed views on environmental sustainability practices. Lastly, Performance perceptions range from 8.29 to 29.71, with a mean of 22.0631 and standard deviation of 22.0631, suggesting varying perspectives on how CSR impacts overall bank performance. These statistics provide a nuanced understanding of employee perspectives on CSR across different domains, highlighting areas of strength and potential improvement within the bank's CSR strategy.

4.3 Correlation Analysis

This section's goal is to outline the methodology for evaluating the empirical data and testing the hypotheses developed in the preceding chapter. Through the application of inferential statistics, researchers can draw conclusions or extrapolate findings from sample data to the entire population. It makes it possible to infer population values from one or more observational samples. To ascertain whether observed differences between groups or variables are true or the result of random variation, inferential analysis tests hypotheses. It generates new data by extrapolating generalizations and predictions from samples. The two analysis tools in this section are regression analysis and correlation analysis.

Finding relationships between the variables was investigated by correlation analysis. Simple multi-option answers to the variables were subjected to Pearson's correlation analysis. To evaluate the strength or degree of the association between the research variables, a correlation matrix was created. A positive correlation indicates that the relationship is positively oriented, with one rising in response to the other's increase. An rise in one while the other falls is revealed by a negative correlation, which is the opposite of the above.

Table 4. 12*Descriptive Statistics*

	Employee	Customers	Community	Environment	Performance
Employee	1	.456	.508	.678	.771
Customers		1	.433	.339	.362
Community			1	.373	.440
Environment				1	.916
Performance					1

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

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

The correlation matrix in Table 4.11 provides insights into the relationships between different dimensions of CSR (Employee, Customers, Community, Environment) and Performance, with Performance being the dependent variable. The correlations are interpreted as follows:

- Employee: There is a strong positive correlation between Employee perceptions of CSR activities and Performance ($r = 0.771$, $p < 0.01$). This suggests that employees who perceive higher levels of CSR in their bank also tend to perceive better overall performance.
- Customers: There is a moderate positive correlation between Customer-focused CSR and Performance ($r = 0.362$, $p < 0.01$). This indicates that perceptions of CSR initiatives aimed at customers are associated with better perceived performance outcomes.
- Community: There is a moderate positive correlation between Community-related CSR and Performance ($r = 0.440$, $p < 0.01$). This implies that CSR efforts directed towards the community are positively linked with perceived overall performance.
- Environment: There is a very strong positive correlation between Environmental CSR and Performance ($r = 0.916$, $p < 0.01$). This suggests a robust association where strong environmental CSR practices are highly correlated with better perceived performance outcomes in the bank.

Overall, the correlation matrix underscores the significant relationships between various dimensions of CSR and overall Performance as perceived by employees. These findings suggest that focusing on comprehensive CSR strategies, particularly in

environmental and employee-related initiatives, could potentially enhance overall performance perceptions within the bank.

4.4 Regression Analysis

Finding out more about the link between a number of independent or predictor variables and a dependent or criterion variable is the main goal of multiple regression. Regression analysis is a statistical method used in statistical modeling to estimate the connection between variables. When examining the relationship between a dependent variable and one or more independent variables, it encompasses a wide range of modeling and analysis tools.

Only the presence or absence of a strong link between two variables may be determined by a correlation study. However, even if a correlation coefficient shows that two variables have a significant association, it is impossible to pinpoint the precise nature of that relationship. Regression analysis in this instance offers more details regarding the relationship's slope. It is employed to forecast and characterize the nature of relationships. Regression analysis is therefore carried out to gain a greater knowledge of the impact of CSR on the financial and non-financial performance of Nepalese commercial banks.

This part ascertains which independent variable accounts for the variation in the outcome, the extent to which independent factors account for the variability in the dependent variables, and the variables that have a substantial (relative to other variables) impact on the explanation of the dependent variables' variability. The influence of independent factors (i.e., relationships with the environment, the community, the workforce, customers, education, and health) on the dependent variable was investigated using multiple regression.

Table 4. 12

Regression analysis

Model Summary				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.939	.882	.881	1.30654

Predictors: (Constant), Environment, Customers, Community, Employee_a
 Dependent Variable: Performance_b

The regression analysis presented in Table 4.12 illustrates a strong predictive relationship between various dimensions of CSR (Employee, Customers, Community, Environment) and Performance within the bank. The model shows a high multiple correlation coefficient (R) of 0.939, indicating a substantial positive linear relationship between the predictors and Performance. The coefficient of determination (R^2) is 0.882, revealing that approximately 88.2% of the variance in Performance can be explained by the included predictors. The adjusted R^2 , slightly lower at 0.881, accounts for the number of predictors in the model and maintains a robust estimation of explained variance. The standard error of the estimate, at 1.30654, signifies the accuracy of the model's predictions, suggesting that the model fits well with the observed data.

These findings shows the significant role of Employee perceptions, Customer-focused CSR efforts, Community engagement initiatives, and Environmental sustainability practices in predicting and potentially enhancing overall Performance within the bank. Such insights highlight the importance of strategic CSR initiatives in fostering positive organizational outcomes and stakeholder perceptions.

Table 4. 13

ANOVA

		ANOVA ^a				
Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	54.783	4	12.148	36.986	.000
	Residual	47.269	118	.266		
	Total	102.052	122			

Dependent Variable: Performance

Predictors: (Constant), Environment, Customers, Community, Employee

The results of the ANOVA test depicted in Table 4.13 reveal a significant relationship between the predictor variables (Environment, Customers, Community, Employee) and the dependent variable (Performance) within the bank. The regression model explains a substantial portion of the variance in Performance, as evidenced by the high F-value of 36.986 and a corresponding p-value of .000, indicating statistical significance. The regression sum of squares is 54.783, with 4 degrees of freedom, resulting in a mean square value of 12.148. In contrast, the residual sum of squares is 47.269, with 118 degrees of freedom, yielding a smaller mean square value of .266.

Collectively, these findings suggest that the model's predictors collectively contribute significantly to explaining the variability in Performance outcomes within the bank. Thus, the ANOVA results underscore the importance of the predictor variables in predicting Performance and provide empirical support for the relevance of comprehensive CSR strategies in enhancing organizational performance.

Table 4. 14
Coefficient Analysis

Model	Coefficients				t	Sig.
	Unstandardized		Standardized			
	B	Std. Error	Beta			
1 (Constant)	3.390	.425		7.974	.000	
Employee	.294	.028	.269	10.446	.000	
Customers	-.030	.024	-.025	-1.280	.201	
Community	.047	.023	.043	2.096	.037	
Environment	.859	.028	.726	31.214	.000	

Dependent Variable: Performance

Table 4.14 presents the coefficients derived from regression analysis, revealing the nuanced relationships between different dimensions of CSR (Employee, Customers, Community, Environment) and the dependent variable, Performance, within the bank. The constant term, 3.390, signifies the baseline level of Performance when all predictor variables are zero. The analysis shows that Employee perceptions of CSR significantly contribute to Performance, with a coefficient of 0.294 ($p < 0.001$), indicating that higher employee perceptions correlate positively with increased Performance. In contrast, Customer-focused CSR does not significantly influence Performance, as indicated by a non-significant coefficient of -0.030 ($p = 0.201$). Community-related CSR activities show a smaller yet statistically significant impact, with a coefficient of 0.047 ($p = 0.037$), suggesting a positive relationship with Performance. Environmental CSR emerges as a strong predictor, with a substantial coefficient of 0.859 ($p < 0.001$), underscoring its significant positive impact on Performance outcomes.

These findings highlight the differential effects of various CSR dimensions on overall Performance within the bank, emphasizing the critical role of Employee perceptions and Environmental initiatives in driving organizational success.

Table 4. 2*Summary of Hypothesis Testing (Financial Performance)*

Hypothesized Relationship	p-value	Decision
H1: There is significant effect of employee related factor of CSR on performance of commercial Banks of Nepal.	.000	Accepted
H2: There is significant effect of customer related factor of CSR on performance of commercial Banks of Nepal.	.201	Rejected
H3: There is significant effect of community related factor of CSR on performance of commercial Banks of Nepal.	.037	Accepted
H4: There is significant effect of environment related factor of CSR on performance of commercial Banks of Nepal.	.000	Accepted

Table 4.15 summarizes the results of hypothesis testing regarding the effects of different CSR factors on the performance of commercial banks in Nepal:

- H1: The hypothesis stating a significant effect of Employee-related CSR factors on bank performance is supported ($p = .000$), indicating a clear positive impact of employee-focused CSR initiatives on overall performance.

- H2: The hypothesis suggesting a significant effect of Customer-related CSR factors on bank performance is not supported ($p = .201$), indicating that customer-focused CSR initiatives do not significantly influence performance in this context.

- H3: The hypothesis proposing a significant effect of Community-related CSR factors on bank performance is supported ($p = .037$), indicating that community-focused CSR activities have a positive impact on overall performance.

- H4: The hypothesis asserting a significant effect of Environment-related CSR factors on bank performance is supported ($p = .000$), highlighting the substantial positive impact of environmental CSR initiatives on performance outcomes.

These findings suggest that while employee perceptions, community engagement, and environmental sustainability efforts significantly enhance bank performance in Nepal,

customer-focused CSR initiatives do not show a statistically significant effect. This reflects the importance of strategic alignment and prioritization of CSR activities that directly impact employee morale, community relations, and environmental sustainability to drive positive organizational outcomes in the banking sector.

4.5 Major Findings

The main goal of the study was to determine to what extent the identified variable of CSR influence the performance of commercial banks of Nepal. This study, found that there are significant relationship between CSR factor and performance.

The survey included 412 respondents, with 61.4% male and 38.6% female participants. Age distribution shows 14.6% under 30 years old, 42.2% aged 31-40, and 43.2% aged 41-50. Job positions varied, with 7.0% junior, 25.2% assistants, 35.2% officers, 14.6% senior officers, 12.4% managerial positions, and 5.6% executives. Experience levels ranged from less than 5 years (2.2%) to 11-15 years (50.7%), indicating a diverse sample across age and career stages.

Employee-related CSR perceptions ranged widely (9.50 to 25.83) with a mean of 18.5761, suggesting varied views on internal CSR initiatives. Customer-related perceptions ranged from 7.40 to 21.00 (mean = 14.8330), indicating mixed responses regarding customer-focused CSR efforts. Community-related CSR perceptions ranged from 7.67 to 24.83 (mean = 18.3423), showing diverse opinions on community engagement. Environmental CSR perceptions varied from 6.20 to 21.00 (mean = 14.8990), highlighting differing views on environmental sustainability practices. Performance perceptions ranged from 8.29 to 29.71 (mean = 22.0631), indicating varied perspectives on how CSR impacts overall bank performance

There is a strong positive correlation between Employee perceptions of CSR activities and Performance ($r = 0.771$, $p < 0.01$), indicating that higher perceived CSR leads to better overall performance in Nepalese commercial banks.

A moderate positive correlation between Customer-focused CSR and Performance ($r = 0.362$, $p < 0.01$) suggests that initiatives targeting customers contribute positively to perceived performance outcomes.

Community-related CSR shows a moderate positive correlation with Performance ($r = 0.440$, $p < 0.01$), highlighting the beneficial impact of community engagement initiatives on bank performance.

Environmental CSR exhibits a very strong positive correlation with Performance ($r = 0.916$, $p < 0.01$), emphasizing the significant role of environmental sustainability practices in enhancing overall bank performance.

The regression model ($R = 0.939$, $R^2 = 0.882$, Adjusted $R^2 = 0.881$) indicates that Employee, Customer, Community, and Environmental dimensions of CSR collectively explain 88.2% of the variance in Performance. This underscores the predictive power of these CSR dimensions in influencing bank performance positively.

The ANOVA test ($F = 36.986$, $p = .000$) confirms significant relationships between CSR dimensions (Employee, Customers, Community, Environment) and Performance, highlighting their collective contribution to explaining variability in Performance outcomes within Nepalese commercial banks.

Coefficients from regression analysis reveal that Employee perceptions ($\beta = 0.269$, $p < 0.001$), Community-related CSR ($\beta = 0.043$, $p = 0.037$), and Environmental CSR ($\beta = 0.726$, $p < 0.001$) significantly predict Performance. In contrast, Customer-focused CSR ($\beta = -0.025$, $p = 0.201$) does not significantly influence Performance.

Employee-related CSR (H1) and Environment-related CSR (H4) are supported ($p = .000$), indicating significant positive impacts on bank performance. Customer-related CSR (H2) is not supported ($p = .201$), suggesting no significant effect. Community-related CSR (H3) is supported ($p = .037$), indicating a positive impact on performance.

These findings show the critical importance of Employee perceptions, Community engagement, and Environmental sustainability initiatives in driving positive organizational outcomes within Nepalese commercial banks. Effective CSR strategies aligned with these dimensions can enhance overall performance, whereas customer-focused initiatives may require further strategic attention to yield significant impacts.

As per Tilakasiri (2012), all the four independent variables were positively correlated with firm's sustainability as per Pearson correlation which matches with result of this study. Since all the independent variables have positive correlation with performance of Nepalese commercial banks. As per multiple regressions, there was significant relationship of environment, employee and community with sustainability at 5% significance level, whereas in this study environment, employee, community have found significant effect on performance. As per Nyambane et al., (2018) education, health and environment were positively correlated with firm performance as per Pearson correlation and this matched with the result of present study. In addition, As per Mishra and Suar (2010), employee, customer, community and environment were positively correlated and found to be significant with financial performance and non-financial performance. In this study, environment, employee, community are significant with performance, which matches the result of previous study.

CHAPTER V

SUMMARY, CONCLUSION AND RECOMMENDATIONS

This chapter summarizes the research process and result of the study. The entire chapter is summarized in two sections. The first one summarizes the study and general overview about research findings and the second section derives the conclusion and finally recommendation are made based on the findings of the study.

5.1 Summary

The primary purpose of this study is to determine the influence of CSR on performance of Nepalese commercial banks. In order to achieve the objectives, structured questionnaire was used to measure the response of respondent. Based on the literature review, four major dimensions was determined. The independent variables undertaken are situational variables i.e. environmental relation, community relation, employee relation, customer relation, this study consisted of 412 respondents from Nepalese commercial banks working on different position and organization. The hypotheses were then developed from the study of the literature. A theoretical model was then developed taking into account the prescribed variables.

For the purpose of conducting the study, likert scale items questionnaire was used. A survey was carried out using convenience sampling through Google form and direct visit to different banks and the sample obtained included the respondents with different gender, age, job position, and work experience in Nepalese commercial banks. The survey included 412 respondents from Nepalese commercial banks, with 61.4% male and 38.6% female participants. The age distribution showed 14.6% were under 30 years old, 42.2% were aged 31-40, and 43.2% were aged 41-50. Job positions varied significantly, with 7.0% in junior roles, 25.2% as assistants, 35.2% as officers, 14.6% as senior officers, 12.4% in managerial positions, and 5.6% as executives. Experience levels also varied, ranging from less than 5 years (2.2%) to 11-15 years (50.7%), indicating a diverse sample across different career stages.

Employee-related CSR perceptions ranged widely, with a mean of 18.5761, suggesting varied views on internal CSR initiatives. Customer-related perceptions had a mean of 14.8330, indicating mixed responses regarding customer-focused CSR

efforts. Community-related CSR perceptions had a mean of 18.3423, showing diverse opinions on community engagement. Environmental CSR perceptions had a mean of 14.8990, highlighting differing views on environmental sustainability practices. Performance perceptions had a mean of 22.0631, indicating varied perspectives on how CSR impacts overall bank performance. The correlation analysis revealed strong positive relationships between CSR dimensions and bank performance. Employee perceptions of CSR activities showed a strong positive correlation with performance ($r = 0.771$, $p < 0.01$), indicating that higher perceived CSR leads to better overall performance in Nepalese commercial banks. Customer-focused CSR exhibited a moderate positive correlation with performance ($r = 0.362$, $p < 0.01$), suggesting that initiatives targeting customers contribute positively to perceived performance outcomes. Community-related CSR showed a moderate positive correlation with performance ($r = 0.440$, $p < 0.01$), highlighting the beneficial impact of community engagement initiatives on bank performance. Environmental CSR demonstrated a very strong positive correlation with performance ($r = 0.916$, $p < 0.01$), emphasizing the significant role of environmental sustainability practices in enhancing overall bank performance.

Regression analysis further supported these findings, indicating that employee, customer, community, and environmental dimensions of CSR collectively explain 88.2% of the variance in performance ($R = 0.939$, $R^2 = 0.882$, Adjusted $R^2 = 0.881$). This underscores the predictive power of these CSR dimensions in influencing bank performance positively. The ANOVA test confirmed significant relationships between CSR dimensions and performance, highlighting their collective contribution to explaining variability in performance outcomes within Nepalese commercial banks.

Coefficients from regression analysis revealed that employee perceptions, community-related CSR, and environmental CSR significantly predict performance. In contrast, customer-focused CSR did not significantly influence performance. Hypothesis testing confirmed that employee-related CSR (H1) and environment-related CSR (H4) significantly impact bank performance, while customer-related CSR (H2) does not. Community-related CSR (H3) positively impacts performance.

5.2 Conclusion

This study determines the factors of CSR which have significant impact upon the firm financial and non-financial performance in the contest of Nepalese commercial banks. Upon examining the factors of CSR, it has found that a relationship between the factors and firm performance does exist. The results indicated that Nepalese commercial banks should actively participate in CSR activities to improve their performance in long run.

The study aimed to explore the impact of various CSR factors on the performance of commercial banks in Nepal, finding a significant relationship between CSR activities and bank performance. The results showed that CSR perceptions among employees, community engagement efforts, and environmental sustainability practices positively influence overall bank performance. This suggests that banks with strong internal CSR initiatives, active community involvement, and robust environmental practices tend to perform better.

Employee perceptions of CSR were strongly linked to improved performance, indicating that when employees view their bank's CSR activities positively, it enhances their sense of contribution and commitment, ultimately boosting performance. Community-related CSR also showed a positive correlation, reflecting the benefits of community engagement in enhancing the bank's reputation and stakeholder trust. Environmental CSR demonstrated the strongest correlation with performance, highlighting the critical role of sustainability practices in driving organizational success and possibly reflecting growing societal and regulatory emphasis on environmental responsibility.

Interestingly, customer-focused CSR did not show a significant impact on performance, suggesting that while customer-related initiatives are important, they may not directly influence overall bank performance as strongly as other CSR dimensions. This may point to a need for better alignment and communication of customer-focused CSR activities to ensure they translate into perceived performance benefits.

The regression analysis reinforced these findings, showing that employee, community, and environmental CSR factors collectively explain a substantial portion of the variance in bank performance. The significant results from the ANOVA test

further supported the importance of these CSR dimensions in explaining performance variability.

Finally, the study reveals the vital role of strategic CSR initiatives in enhancing the performance of Nepalese commercial banks. Focusing on internal CSR activities, community engagement, and environmental sustainability can lead to better organizational outcomes. These findings align with previous research, reaffirming the positive impact of well-implemented CSR strategies on both financial and non-financial performance. Effective CSR practices not only improve performance but also enhance the bank's reputation, stakeholder trust, and long-term sustainability.

5.3 Recommendations

Based on the research findings of this study, the following recommendations are prescribed to serve as a guideline for future research work of similar nature:

- Banks should prioritize internal CSR initiatives to boost employee morale, job satisfaction, and overall performance.
- Managers should invest in community projects that address local needs to build strong community relationships and enhance the bank's reputation.
- Banks should implement and promote environmentally sustainable practices to attract environmentally conscious customers and investors.
- Managers should refine and effectively communicate customer-related CSR initiatives to improve customer satisfaction and loyalty.
- A balanced CSR strategy addressing multiple stakeholder needs can create a more resilient and sustainable organization.
- Future research should conduct longitudinal studies to assess the long-term impact of CSR activities on bank performance.
- Comparative studies between different sectors or regions can highlight best practices and contextual differences in CSR effectiveness.
- Further investigation is needed to understand why customer-focused CSR did not significantly impact performance.
- Combining quantitative data with qualitative insights can provide a comprehensive understanding of CSR impacts.
- Future research should examine how digital tools enhance the implementation and impact of CSR initiatives.

- Investigating the effects of regulatory changes on CSR practices and performance can offer valuable insights.

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Annex

Questionnaire

Dear Respondent,

I am Anita Bogati, MBS student at Shanker Dev Campus, and going to prepare thesis on “Influence of Corporate Social Responsibility on performance of Nepalese Commercial banks”. In this regard, I would request you to give your valuable time in answering these questions. I assure you that all information provided by you will be kept confidential and used only for academic purpose. Thanking You

1. Gender	2. Age Group	3. Educational background	4. Your Position	5. Job Experience
1. Male <input type="checkbox"/> 2. Female <input type="checkbox"/>	1. 30 or less <input type="checkbox"/> 2. 31-40 <input type="checkbox"/> 3. 41-50 <input type="checkbox"/> 4. 51-60 <input type="checkbox"/> 5. More than 60 <input type="checkbox"/>	1. Intermediate <input type="checkbox"/> 2. Bachelor <input type="checkbox"/> 3. Master <input type="checkbox"/> 4. PhD <input type="checkbox"/>	1. Executive level <input type="checkbox"/> 2. Manager level <input type="checkbox"/> 3. Officer level <input type="checkbox"/>	1. Less than 5 years <input type="checkbox"/> 2. 5-10 years <input type="checkbox"/> 3. 11-15 years <input type="checkbox"/> 4. 16-20 years <input type="checkbox"/> 5. More than 20 years <input type="checkbox"/>

A. Please tick on which explains you.

B. The following is a list of items relating to the factors of corporate social responsibility. Please state the extent to which you agree/disagree with the following items as they exist in your bank.

(Please put a tick mark (✓) in appropriate box in following statements indicating how strongly you agree or disagree to the statement representing 5 for strongly agree (SA), 4 for agree (A), 3 for neutral (N), 2 for disagree (D) and 1 for strongly disagree (SD).

Q.6	Employees	SA	A	N	D	SD
6a	Our bank takes into account employees' interests for decision-making	5	4	3	2	1
6b	Our bank helps employees balance their private and professional lives	5	4	3	2	1
6c	Our bank's policies encourage the employees to develop their skills and careers	5	4	3	2	1
6d	Our bank recognizes the importance of stable employment for its employees and society (in the local area)	5	4	3	2	1
6e	The managerial decisions related to the employees are usually fair	5	4	3	2	1
6f	Our bank provides procedures that help to ensure the health and safety of our employees	5	4	3	2	1

Q.7.	Customers	SA	A	N	D	SD
7a	Our bank incorporates the interests of our customers in our business decisions	5	4	3	2	1
7b	Our bank provides full and accurate information about its products/services to its customers	5	4	3	2	1
7c	Customer satisfaction is highly important for our bank	5	4	3	2	1
7d	Our bank takes measures to prevent customer complaints	5	4	3	2	1
7e	Our bank responds to customer complaints or inquiries	5	4	3	2	1

Q.8	Community	SA	A	N	D	SD
8a	Our bank contributes to the campaigns and projects that promote the well-being of society	5	4	3	2	1
8b	Our bank has transparent relations with the local authorities	5	4	3	2	1
8c	Our bank is considered part of the local community and is concerned with its development and the improvement of its infrastructures	5	4	3	2	1
8d	Our bank encourages its employees to participate in voluntary work	5	4	3	2	1
8e	Stimulate economic development in the communities where we operate	5	4	3	2	1
8f	Financially support activities (arts, culture, sports) in the communities where we operate	5	4	3	2	1

Q.9	Environment	SA	A	N	D	SD
9a	Our bank incorporates environmental concerns in business decisions	5	4	3	2	1
9b	Our bank participates in the activities which aim to protect and improve the quality of the natural environment	5	4	3	2	1
9c	Takes government regulations about the environment beyond what the law requires	5	4	3	2	1
9d	Invest/involved in saving energy	5	4	3	2	1
9e	Implements programs/involved to reduce water consumption	5	4	3	2	1

In comparison to other Banks, how would you rate the following performance indicators of your Banks?

Q.10	Performance	SA	A	N	D	SD
10a	Product and service quality.	5	4	3	2	1
10b	Product and service development.	5	4	3	2	1

10c	The ability to recruit and retain talented employees.	5	4	3	2	1
10d	The capacity to keep top personnel in the Bank.	5	4	3	2	1
10e	Banks Account holders satisfaction.	5	4	3	2	1
10f	Relationship between employees in the organization(unity).	5	4	3	2	1
10g	Employees and management have a good relationship.					

Thanks

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CHAPTER I INTRODUCTION 1.1 Background of the Study The terms corporate conscience, corporate citizenship, social performance, and sustainable responsible business are other terms for corporate social responsibility (CSR). CSR is a type of business model-integrated corporate self-regulation. The goal of corporate social responsibility (CSR) is to accept accountability for a company's actions and promote a beneficial influence via its operations on the environment, customers, workers, stakeholders in the community, and all other members of the public who may also be regarded as stakeholders. Moreover, we must not to find ourselves in a position where the demands of the twenty-first century compel businesses to alter their conduct. Given the enormous resources that companies have at their disposal to oppose change and obstruct those who want laws that would accomplish so, a voluntary attitude would be more appropriate (Kandel, 2017). About 45 years have passed since CSR first appeared in the management and accounting literature (Wood, 2010). In recent years, communities and corporations have placed a greater emphasis on corporate social responsibility. Traditionally, businesses have had to concentrate on profit-generating strategies including internationalization, turnaround, differentiation, and diversification. Recent advances in strategic thinking, however, reinforce the necessity of include initiatives that go beyond the boundaries of the business and into society. These initiatives fall under the category of corporate social responsibility (CSR) according to academics. Moreover, cause marketing, charitable giving, societal advancement, disaster relief, peace projects, and pollution reduction have all been acknowledged by CSR experts, managers, and writers as examples of businesses engaging in social responsibility. A number of factors have been cited as motivating businesses to adopt corporate social responsibility (CSR), including stakeholder pressure, business strategy, and popularity (Fernando, 2007; Dentchev, 2004). (McWilliams & Siegel, 2001). Nonetheless, some academics have acknowledged that incorporating corporate social responsibility (CSR) from a business perspective might provide certain immediate advantages (Margolis & Walsh, 2001; Porter & Kramer, 2002). Therefore, in