

CORPORATE SOCIAL RESPONSIBILITY AND FIRMS PERFORMANCE
IN NEPALESE COMMERCIAL BANKS

A dissertation submitted to the office of the Dean, Faculty of Management in partial
fulfillment of the requirements for Degree of the Masters in Business Studies

by

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CERTIFICATION OF AUTHORSHIP

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

The support and assistance that I have received during this research has been acknowledged. In addition, I assert that all information sources and literature used are cited in the reference section of the dissertation.

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RECOMMENDATION

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ABBREVIATIONS

ANOVA	Analysis of Variance
ATM	Automated Teller Machine
BFI	Bank and Financial Institutions
CB	Commercial Bank
COVID-19	Coronavirus disease of 2019
CSR	Corporate Social Responsibility
DV	Dependent Variable
EPS	Earning Per Share
EU	European Union
H	Hypothesis
IBLF	International Business Leaders Forum
IV	Independent Variable
MFIs	Micro Finance Companies
NGO	Non Government Organization
NRB	Nepal Rastra Bank
PAT	Profit After Tax
ROA	Return on Assest
ROE	Return on Equity
SD	Standard Deviation
SDG	Sustainable Development Goals
SPSS	Statistical Package for Social Sciences
UNIDO	United Nations Industrial Development Organization
UNO	United Nations Organization

ABSTRACT

The purpose of this report is to identify the present status of corporate social responsibility practices in Nepalese commercial banks. The research design used in this study is descriptive and causal comparative research design. This study is based on primary data of two commercial banks with 309 respondents' response collected through structured questionnaire in order to achieve the preset objective. A structured questionnaire was designed to carry out the survey, which included single response items, multiple choice rating using a Likert scale. Different dependent and independent variables were measured from feedback of respondents using 5 point Likert scale and weighted mean of each variable was also calculated to analyze the relationship between those variables. Descriptive, correlation and regression model has been used to test the significant impact between variables. Demographic factors such as gender, age, profession, work experience, and education influence Corporate Social Responsibility (CSR) perception among customers in Nepalese Commercial banks. Economic responsibility is highly valued, economic aspect requires to be highlighted and worked on to meet customers' expectations. This finding suggests that banks should conduct CSR activities by considering their diverse customer base and improve customer loyalty and corporate image. Nepalese BFIs that actively participate in CSR activities can build relationships with their customers by increasing satisfaction level, loyalty and thereby enhancing corporate image. Banks should improve participation in philanthropic activities to overall improve banks performance.

Keywords: Corporate Social Responsibility, Firms Performance, Customer Satisfaction, Customer Loyalty and Corporate Image.

CHAPTER I

INTRODUCTION

1.1 Background of the study

Sustainability is the essence which can be maintained over the period of time. Unsustainable society cannot sustain for long time. Sustainability is indispensable and it should be considered as basis for all kinds of long term planning Heinberg (2010).

Sustainability concepts talks about using the available resources only as much that it required without reducing the capacity of the environment where we are operating our business. It is considered as economic golden rule for protecting environment. Environment should not be harmed while using resources from the environment, protect and preserve if you can else do not cause harm. Resources are for future generations as well so we should use it with care and attention Hawken (1993). Sustainability concepts tries to find balance between environment and business. Sustainability links the environment, equity and economy. If any organization wants to survive in the competition business, then they must be able to give back to the society and environment. This helps to earn profit for businesses while also protecting environment and retaining customers in long run and also built good corporate image. Corporate Social Responsibility (CSR) is one of the principles of attaining sustainability in businesses, overall economy and our society. CSR has become increasingly important in today's business scenario due to growing concern over issues such as climate change, social inequality and ethical business practices. CSR is major factor that is considered by businesses in all sectors for all kinds of companies which are trying to create and develop strong relationship with its employees, customers and its society by properly addressing societal and environmental issues.

Businesses are expected to take a leadership role in addressing social and environmental challenges, and those who fail to do so may face reputational and financial risk. The continued need for businesses to take responsibility for their social and environmental impact is clear, and the evolution of CSR over time demonstrates the ongoing importance of this issue. Although Corporate Social Responsibility (CSR) has only recently gained prominence as a significant field within management, the idea of contributing to society is not entirely new for firms. In the

late 1770s, Adam Smith introduced the concept of the invisible hand to explain how capitalists, in their pursuit of self-interest, unintentionally fostered domestic economic prosperity. Smith suggested that this metaphorical hand helped generate societal benefits, even though these outcomes were not part of the capitalists' original intentions. According to Smith, social welfare was an unintended by-product of the actions of capitalists. The effects of corporate activities on society have continued to be a subject of debate among practitioners and researchers, as highlighted by Wan-Jan (2006).

The concept of CSR and their ethical behaviour are not new concept, recent crisis directed towards the importance of moral principle in banking business. Management of banks views social responsibility and ethics as a marketing tool to communicate with public which is not integrated into commercial banks policies. Mintzberg (1983) claims that CSR can only survive and should be practiced in its purest and the most proper form as an ethical position without any expectation of payback. CSR is about undertaking some actions to serve society beyond selfishness and greed.

The International Business Leaders Forum (IBLF) defines CSR as open and transparent business practice which are based on ethical value and respect for employees, communities and the environment. It is designed to deliver sustainable value to society at large, as well as to stakeholders. To IBLF, CSR is a broad and challenging topic that includes (i) Human rights, labour and security (ii) Enterprise and economic development (iii) Business standard and corporate governance (iv) Health promotion (v) Education and leadership development (vi) Human disaster relief and (vii) The environment. IBLF engages in philanthropic work which are funded by its corporate and non profit members (Pope & Lim, 2017).

United Nations Industrial Development Organization (UNIDO) defines CSR as a management concept whereby companies integrate social and environment concerns in their business operations and interactions with their stakeholders. UNIDO explains CSR as Triple Bottom Line Approach where an organization can achieve a balance of economic environment and social imperatives while addressing stakeholders and shareholders expectations. The organization's main focus is on creation of shared prosperity, advancing economic

competitiveness, safeguarding the environment Korcheva (2023).

The corporate world extensively discussed CSR throughout and following the decade of 1970s, emerging in response to heightened public expectation regarding the conduct of discussed deliberated public corporations. The challenge is formulation of a singular and universally acknowledged definition of CSR that arises from many perspective found within academic literature, leading to a state of ambiguity.

In the fiscal year 2016/2017, Nepal Rastra Bank (NRB) introduced CSR directive that mandated organizations to allocate a minimum of 1 percentage of their net profit towards the establishment of CSR fund, thereby facilitating their engagement in CSR initiatives. Subsequently in 2020, revisions were made in CSR provisions expanding its scope to include activities related to financial literacy and other expenses associated with addressing the impact of COVID-19 on staff. Bank and Financial Institutions (BFIs) are obligated to disclose their CSR expenditure by each CSR head and provinces and present in their financial report (Nepal Rastra Bank, 2021)

Nepalese banking industries consists of licensed BFIs including 20 Commercial Banks (CBs), 17 Development Banks, 17 Finance Companies and 52 microfinance companies (MFIs), and one infrastructure development Bank (Nepal Rastra Bank, 2025).

1.2 Problem Statement

Wan-Jan (2006) believes that the definition proposed by Hopkins (2003), which states CSR as treating the stakeholders of the firm ethically or in a responsible manner most accurately explains the essence of CSR. This definition considers CSR to be both ethical standpoint and a strategic business approach. It also offers practical framework for understanding and implementing CSR. It aligns with the argument that CSR should be ethical commitment without any expectation for immediate reward. Simultaneously, it does not neglect the idea that CSR should be aimed at enhancing profitability while serving its stakeholders.

Majority of BFIs have reported a smooth implementation of the existing CSR regulations. However, potential change in regulations might be necessary depending upon the utilization pattern of CSR funds in the coming year. Priority should be given on directing CSR funds to

areas that receive limited coverage but have substantial social benefit. Multiple studies done prior in this area yielded inconsistent findings. The study aims to investigate the correlation between corporate social responsibility (CSR) and the performance in Nepalese Commercial banks. Previous research has predominantly concentrated on developed nations with limited exploration into accessing the influence on CSR performance in less developed countries like Nepal.

In developing economies like Nepal, a substantial number of companies have not fully recognized the importance of CSR, leading to relatively limited emphasis on its integration into their operations. Nonetheless, present scenario is characterized by an increase in public awareness regarding the roles that organization play in contributing to the society. Nepal Rastra Bank (NRB) has made it compulsory requirement for all the Banks and Financial Institutions (BFI's) to make 1% investment of their profit to CSR related activities (Nepal Rastra Bank, 2021)

In the practical scenario many businesses are found to be investing in CSR but without suitable strategy and in a planned way, which negatively affects the firm's performance and makes it hard to survive in this highly competitive business world of today. Banking industry which is closely related to public should always make informed decision and spend every rupee wisely. Hence, it is relevant subject for discussion aimed at exploring the impact of CSR on banks with the objective of determining whether investment in CSR are indeed worthwhile or not.

Even though, there are multiple empirical evidence in the context of other countries only very few evidences are using more recent data to study this topic in the context of Nepal.

The study aims to answer the following research questions:

- i. What is the perception of customer regarding economic responsibility, legal responsibility, ethical responsibility, philanthropic responsibility, customer satisfaction, customer loyalty and corporate image in Nepalese commercial banks?
- ii. What is the relationship between economic, legal, ethical, philanthropic responsibilities with customer satisfaction, customer loyalty and corporate image in Nepalese commercial banks?

- iii. What is the impact of economic, legal, ethical and philanthropic responsibilities on customer satisfaction, customer loyalty and corporate image in Nepalese commercial banks?

1.3 Objectives of the Study

The major objective of this research study is to access and analyze the current status of CSR practices in Nepalese Commercial Bank. The specific research objectives set for this thesis research are:

- i. To measure the perception of customer regarding economic responsibility, legal responsibility, ethical responsibility, philanthropic responsibility, customer satisfaction, customer loyalty and corporate image.
- ii. To examine the relationship between economic, legal, ethical, philanthropic responsibilities with customer satisfaction, customer loyalty and corporate image.
- iii. To examine and access the impact of economic, legal, ethical and philanthropic responsibilities on customer satisfaction, customer loyalty and corporate image.

1.4 Hypothesis

A hypothesis is a preset assumption to reach a conclusion. Hypothesis is the initial state for research which converts research questions into predictions to generate research findings. It includes study variables and the relation of variables with other factors under study. This research hypothesis tests the relationship between various dependent and independent variables to arrive at conclusion. The hypothesis formed for this thesis research are presented as below:

H₁: There is a positive effect of economic responsibility on customers satisfaction in Nepalese commercial banks.

H₂: There is a positive effect of legal responsibility on customers satisfaction in Nepalese commercial banks.

H₃: There is a positive effect of ethical responsibility on customers satisfaction in Nepalese commercial banks.

H4: There is a positive effect of philanthropic responsibility on customers satisfaction in Nepalese commercial banks.

H5: There is a positive effect of economic responsibility on customer loyalty in Nepalese commercial banks.

H6: There is a positive effect of legal responsibility on customer loyalty in Nepalese commercial banks.

H7: There is a positive effect of ethical responsibility on customer loyalty in Nepalese commercial banks.

H8: There is a positive effect of philanthropic responsibility on customer loyalty in Nepalese commercial banks.

H9: There is a positive effect of economic responsibility on corporate image in Nepalese commercial banks.

H10: There is a positive effect of legal responsibility on corporate image in Nepalese commercial banks.

H11: There is a positive effect of ethical responsibility on corporate image in Nepalese commercial banks.

H12: There is a positive effect of philanthropic responsibility on corporate image in Nepalese commercial banks.

1.5 Rationale of the study

Multiple studies and research are conducted on Corporate Social Responsibility in different countries but still there are only few in Nepal. Thus, this study will act as basis for further research and investigation regarding CSR and its impact on customer satisfaction, loyalty and corporate image and ultimately firm`s performance in Nepalese Commercial Banks. Moreover, the study will act as a tool for the investors to identify whether banks are appropriate for investment based on banks contribution towards social activities. Also, it will help ethically driven customers and investors to make right choice. Policy makers and government can

formulate necessary policy decisions and take actions in line with the inferences of this study to further promote CSR practices in Nepal. And, this can help in creating a win-win situation between business and society.

The empirical relationship of firm's performance with CSR is highly important for stakeholders, promoters, management, regulators, depositors, and other stakeholders. This study not only benefits banking sector but also will have equal significance to other financial sector and business houses. To make informed decision and right choice regarding the investment one is likely to choose a socially responsible organization rather than those who are making mere profit. In addition, this study will be reference for further study on topics on CSR and sustainability measures followed by banks or any other organizations.

So, it will be useful in strategy formulation and sustainable future planning of the business.

1.6 Limitations of the Study

This study is limited to study the corporate social responsibility on commercial banks. There are many issues related to the study topic, however not all issues are covered. This research only focuses on the issues raised on research question. Despite the continuous effort made for arriving at meaningful conclusions from the study, the following are the limitations of the study:

- i. The sample size of the study is relatively small. Small sample size is unlikely to represent the characteristics of entire population.
- ii. For measuring the perception Likert scale is used so central tendency and error may exist.

1.7 Organization of the Study

Chapter I: Introduction: This first chapter provides the background of the study explaining the reason for choice of this topic, statement of the problem, objectives of the study, hypothesis, rationale of the study, and limitation of the study. Which is followed by organization of the study therefore, this part provides overall summary.

Chapter II: Literature review: Literature review is about reviewing previous research work and other articles related to topic under study in order to find the basis for research. This chapter includes conceptual review, review of previous empirical work, theoretical framework and

research gap.

Chapter III: Research Methodology: This chapter constitutes the methodology adopted to conduct the study, data analysis techniques, and process. This chapter also includes subheadings: research design, population and sample, nature and sources of data, instrument of data used under research.

Chapter IV: Result and Discussion: This chapter is another important part of the study, it includes topics like findings, data analysis, and data interpretation. Research findings are shown in the form of table and are interpreted based on the research objective.

Chapter V: Summary and Conclusion: This chapter includes subtopics such as discussion, conclusion of the research and shows some practical implications for the study.

CHAPTER II

LITERATURE REVIEW

This chapter provides review of related literature and conceptual framework of the study associated with the relationship between CSR and firms performance. At first, conceptual review of studies is done then in-depth review of previous empirical works, is conducted the third section consist of review of Nepalese literatures. The fourth section shows a theoretical framework of the study and the last section presents the research gap of the study.

2.1 Conceptual Review

According to Carroll (1991) CSR dimension consists of: economic, legal, ethical and philanthropic aspects. This section includes review of all the variables that are used in the study for research purpose based on Thakur (2011).

Economic Responsibilities: Organizations were created as an economic entities in order to provide services to societal members. Profit was the primary motive. Before everything businesses were the basic economic unit to provide goods and services to society members. All responsibilities of business are determined based on economic responsibility.

Legal Responsibilities: Businesses while complying with profit motive are expected to comply with different rules and regulations of different governing bodies, society and country as well. They have to achieve their goals by being within the frames of rules and norms. They are shown as next layer on the pyramid.

Ethical Responsibilities: Ethical responsibilities include such activities and practices that are expected or are prohibited to conduct even though they are not stated in law. It shows concern for what consumers, employees, shareholders, and the community and explains what is fair and morally rights. Changing ethics or values comes before the establishment of law as they are the driving force for creation of laws or regulations.

Philanthropic Responsibilities: Philanthropic responsibilities includes action by corporations towards society as their social duty. Programs that are conducted to promote human welfare and goodwill also falls under philanthropic responsibility. Philanthropy is more discretionary or voluntary as corporate are expected conduct and participate in such activities but are not

considered unethical if participation level is not high.



Source: Adapted from Carroll (1991)

Figure 1 CSR Pyramid

Customer Satisfaction: Ability of company to meet customers' expectations shows the satisfaction. Service quality, customer service, value for money, and overall experience shapes it. Customer satisfaction is the essence for creating brand loyalty among customers and to create long lasting relationship with customers. Madjid (2013) in his research article explained that trust significantly impacts customer factor.

Customer Loyalty: Customers' commitment for getting service from the same company is customer loyalty. Consistent satisfaction, trust, and a strong emotional connection creates loyalty with the brand. In long run, loyal customers are required to generate stable income.

Corporate Image: Perception of customers, employees' general public regarding an organization, how they perceive towards the organization is corporate image. In order to sustain in the competitive environment one must have a good corporate image by building trust and creating a strong competitive advantage to influence customers' attitude.

2.2 Review of Empirical Works

This section consists of the previous literature related to the scope of the study and different variables relating to CSR in Nepalese Commercial Bank. It presents the short summary of the empirical work along with the major conclusions.

A research conducted by Rahman et al. (2020) which was based on Jamuna Bank Limited in Bangladesh indicated that CSR has no significant impact on Profit After Tax (PAT). The study recommended that the bank should reassess its CSR activities policy to potentially improve profitability (Burianova, 2021).

On the other hand, a study by Bolton (2013) found a positive correlation between CSR and bank's financial performance. Specifically, it demonstrated a favorable relationship between CSR and both operating performance and firms value.

According to Rai (2019), it was concluded that financial institution in Nepal do not proactively participate in CSR activities, largely due to the belief that CSR activities does not generate significant impact on firms financial performance.

Wagle (2020) found that there exists a positive and statistically significant relationship between CSR and financial performance based on ROA, firm size and age of long term assets while significantly negative relationship persists between CSR and risk.

Iqbal et al. (2014) discovered a positive connection between a company's disclosure of CSR in terms of Net Profit Margin (NPM) and Earning Per Share (EPS).

Choongo (2017) demonstrated a significant connection between CSR and financial performance; association between CSR and company's success in terms of reputation and staff commitment was only of marginal significant based on their research conclusion.

Table 1

Review of Empirical Works

Study	Objective	Conclusion/Findings
Burianova and Paulík (2014)	To examine the CSR level via CSR factors by studying different influencing factors in Czech bank.	Information regarding employees satisfaction, turnover and customer satisfaction are not shared by the banks which created positive illusion of banking industry. Paradoxically, such information may lead to increased objectivity in reporting CSR.
Wan-Jan (2006)	To provide a working definition of CSR.	The debate about the actual meaning of CSR continues among scholars and researchers. It concludes that CSR is context dependent subject matter and differs for business.
Samra, and Wady (2017)	To examine CSR effect in bank of Palestine in Gaza strip on clients loyalty due to various mediators.	Economic, legal, ethical, philanthropic/voluntary and environmental responsibility are the major CSR dimensions. The finding of the study concluded positive relationship between CSR and clients trust which shows that increase in CSR activities enhances trust in Bank of Palastine. There is a significant relationship between CSR in Bank of Palestine and bank image, more CSR activities enhances image of the bank. Relationship shown between clients trust and clients loyalty was strong based on the research.
Adeniji et al. (2015)	To examine the impact of loyalty and profitability in banking industry of Nigeria due to corporate image.	Descriptive statistics, correlation and linear regression were research data analysis tools. Profitability in banking and customer loyalty toward banks products and services were studied with the effect of corporate image. Customers satisfaction level affected service offered by bank to its customers which in turn affects profitability.
Ahmad(2011)	To explore the concept of CSR in service sector industry of Pakistan	Out of multiple dimensions of CSR, employee's agreement reflected higher impact on CSR. As per guidelines of UNO and EU companies were establishing CSR division in organization. The CSR concept was at early state in Pakistan requiring more awareness and change in behavior of government and corporations

Kong et al. (2020)	To fill the existing gap by systematically reviewing modeling and measurement errors, identifying CSR determinants, and examining the factors that influence CSR.	established in Pakistan. CSR has a moderate influence on firm performance, meaning an organization's market value whether positive or negative depends on its commitment to society. The impact of CSR on performance can be seen as being moderated by factors such as the manager's commitment to CSR and customer satisfaction.
Das and Bhunia (2016)	To identify the research gap concerning the influence of CSR on firms financial performance by reviewing previous academic research to uncover modelling and measurement errors, CSR determinants and influencing factors that helps in formulation of CSR based strategies.	The study also found that while some studies suggest a positive effect of CSR on financial performance, the relationships were often insignificant. The differences in results are attributed to factors such as the type of data, variables, and statistical techniques used.

CSR is defined in multiple ways so in order to provide a working definition of CSR (Wan-Jan, 2006) analyzes and divides the literatures and business practices based on how CSR is perceived and divided based either on an ethical position or a business strategy. The debate about the actual meaning of CSR continues among scholars and researchers. It concludes that CSR is context dependent subject matter and differs for business. From one point of view, importance of CSR is necessary for a business to be profitable. Additionally, it can be understood as an ethical stance which increases profitability while serving stakeholders as important because otherwise companies may not be able to continue their social responsibility.

Samra and Wady (2017) examined the effect of corporate social responsibility on Bank of Palestine's client's loyalty in Gaza Strip, and to know about the role of mediators (satisfaction, trust and corporate image) in understanding the relationship between CSR and loyalty. The main dimensions of CSR taken into consideration for this research are: economic, legal, ethical, philanthropic/voluntary and environmental responsibility. The study concluded that there is a

significant relationship between CSR in Bank of Palestine and clients trust, that means the more the bank enhances the CSR dimensions, the more clients are trusted. There is a significant relationship between CSR in Bank of Palestine and clients' satisfaction, which means the more the bank enhances the CSR dimensions, the more clients are satisfied

Having business practice knowledge indicates that moral principles are not integrated into management decisions. CSR is one of the self-regulatory business practice which cannot be effective if it cannot be integrated into management decisions. Observing the history regarding the CSR implementation and ethical principles shows that the social responsibility of banks and ethics in banking sector are considered as a marketing tool for public communication. As these CSR activities were not integrated into policies of commercial banks due to which the achievement was average. The research conducted, CSR achievement on Czech lack of transparent information in the context of CSR areas (Burianova & Paulík, 2014).

There is a significant relationship between CSR in Bank of Palestine and bank image, which implies the more the bank enhances the CSR dimensions, the better image will be drawn in the mind of clients about the bank. There is no significant relationship between clients trust and clients loyalty, and this may be because many companies obliged its employees to open their accounts in this bank, so it doesn't mean that client will return to the bank and increase his\her transactions with it because he\she trust it. Based on the clients' perspective, ethical responsibility is ranked as the least significant responsibility, followed by economic, legal, environmental, and voluntary responsibilities. The implication of this ranking is that voluntary responsibility, which encompasses actions that goes beyond legal obligations, has the most substantial impact on clients' loyalty to the bank. In other words, when a bank actively engages in voluntary initiatives that benefit the community and the environment, clients are more likely to demonstrate loyalty to that bank. This suggests that clients place a high value on banks that demonstrate a commitment to social and environmental causes beyond what is legally required or expected as mentioned by Samra and Wady (2017).

Oni-Ojo (2015) in his research studied various factors as physical working environment of the bank, service quality and customer loyalty which affected profitability. Survey results illustrated that profitability was highly effected by employee satisfaction, service offered along

with physical environment. Out of multiple variables employee's satisfaction has the most influence on profitability. Employee satisfaction is a by-product of good corporate image. Having well ventilated, conducive appealing environment which is free of any kinds of hazards also has significant impact on profitability. Employees' satisfaction level affects service offering which directly links to customer satisfaction.

Ahmad (2011) conducted research in service sector industry to explore the concept of CSR. The CSR concept was at early state in Pakistan requiring more awareness and change in behavior of government and corporations established in Pakistan. Service sector plays a vital role for social and economic wellbeing of a country As CSR is directly linked with society, it requires companies to focus on societal and environmental activities rather than mere profitability. Out of multiple dimensions of CSR, employee's agreement reflected higher impact on CSR.

A study by Kong et al. (2020) with an main objective to fill the existing gap by systematically reviewing modelling and measurement errors, identifying CSR determinants, and examining the factors that influence CSR reviewed 96 papers that revealed 34% of the literature identified a positive relationship between CSR and performance. Another 34% showed a partial influence of CSR initiatives, while 38% found no significant relationship between CSR and corporate performance. This suggests that the business case for CSR is somewhat evident, although no negative impact has been observed. In cases where a negative impact might exist, it is often accompanied by some level of positive outcomes, supporting the findings of Katsikeas (2016). This will enable the development of more effective strategies based on principles of CSR.

Furthermore, 53% of previous studies have raised concerns about methodological limitations, which may have affected their final outcomes. The association between societal responsibility programs and firm performance in this study showed a partial positive outcome related to CSR.

Das and Bhunia (2016) studied the gap regarding CSR on firms financial performance and concluded that there a positive effect of CSR on financial performance in some research while the relationships were often insignificant. The differences in results are attributed to factors such as the type of data, variables, and statistical techniques used. This study reviews various related literature both in India and internationally, along with the findings and recommendations

made by different researchers on the impact of corporate social responsibility (CSR) on financial performance. The key findings show that most studies indicate a positive impact of CSR on financial performance, while some report a negative relationship, and a few show mixed results.

2.3 Review of Nepalese Literatures

The review of Nepalese studies regarding CSR and firms performance has been summarized as below:

Chapagain (2020) studied CSR practices and found CSR activities at moderate level in Nepal. The most common CSR activities focus on corporate governance and customer relations, while environmental and community initiatives are less frequently practiced. However, larger firms tend to have higher levels of CSR engagement as compared to small and medium-sized enterprises. However, there is no significant difference in CSR practices between firms in the banking and non-banking sectors. Community and environmental issues are not prioritized much in Nepalese companies. The study also reveals that a firm's size influences its CSR activities, although the difference in CSR practices between small and medium sized firms is not statistically significant.

By fostering an environment of transparency, accountability, and stakeholder involvement, Nepalese BFIs can not only strengthen their social license to operate but also make meaningful contributions to sustainable development goals. Moreover, the study highlights the significance of embedding CSR principles into core business strategies, ensuring that social and environmental considerations are part of decision making at all levels. This approach can help BFIs mitigate risks that are associated with societal expectations and create long-term opportunities for generating value and competitiveness. Panthi (2025) researched on CSR to identify the extent with which banks and financial institutions are affected by CSR in terms of organizational performance, including financial performance, employee involvement, commitment as well as retention and suggested that CSR efforts not only benefit the community but also helps to create a motivated and loyal workforce, which ultimately improves organizational effectiveness. The study highlights the importance of collaboration among various stakeholders, such as government agencies, NGOs, and local communities, in order to

maximize the collective impact of CSR initiatives.

Table 2

Review of Nepalese Literatures

Study	Objectives	Conclusion/Findings
Chapagain (2020)	To find out about the CSR practices in the context of Nepal	CSR practices in Nepal are generally above a moderate level. The most common CSR activities focus on corporate governance and customer relations, while environmental and community- initiatives are less frequently practiced.
Sthapit (2023)	To access the impact of CSR on financial performance by studying the areas of CSR fund use of Nepalese Commercial Banks.	Banks were unable to utilize CSR funds properly in Nepal context. Financial performance and CSR activities Non significant relation was displayed by financial performance on CSR.
Panthi (2025).	To identify the extend with which banks and financial institutions are affected by CSR in terms of organizational performance, including financial performance, employee involvement, commitment as well as retention.	The detailed analysis of CSR's impact on employee outcomes demonstrates the complex nature of CSR initiatives which shows positive correlations with employee commitment, engagement, and retention in Nepalese Banking and Financial Institutions.
Nepal Rastra Bank (2021)	To explore the BFI's perspective towards CSR regulation.	The majority of BFI's reported a smooth implementation of current CSR regulations.

		Nevertheless, future regulatory adjustments may be necessary, contingent upon the utilization trends of CSR fund in the future. Prioritizing increased contributions to Sustainable Development Goals (SDG) is crucial in meeting the goals by 2030.
Dhami (2021)	To examine the relationship between internal CSR practices and organizational commitment of the employees of Nepalese commercial banks.	The research finding showed that work life balance is positively associated with organizational commitment. Organizations that implement more comprehensive work life balance initiative tends to experience higher level of organizational commitment among their employees. This result is in line with previous research that has similarly identified a significant relationship between work life balance and organizational commitment.
Manoj (2021)	To make a review of the sustainability performance in banking sector.	The study concluded that the sustainability endeavors of public sector banks, achieved through the reorganization of their operations, have not only protected the environment and preserved ecological equilibrium but have also boosted the operational sustainability of numerous banks in India, while simultaneously enhancing the overall reputation of

Khadka (2020)	To know about CSR practices in Nepalese commercial banks in that period. And, the impact of CSR practices in customer satisfaction, employees satisfaction and customer loyalty were also analyzed.	public sector banks. A positive correlation was found between CSR and the performance of Nepalese commercial banks was found based on research. The research findings showed that CSR has made a constructive contribution to various aspects, including employee satisfaction, customer loyalty, the bank's reputation, and its profitability. Moreover, the research results also indicates that CSR plays a substantial role in cultivating customer loyalty.
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To study the impact of CSR on financial performance of Nepalese Commercial Banks Sthapit (2023) used a causal research design and the secondary data from sixteen banks for 5 years for the analysis and to draw a conclusion. The correlation analysis reveals that there is a significant and negative correlation between CSR expenses and Return on Assets (ROA). However, the relationships between CSR expenses and Return on Equity (ROE) and between CSR expenses and Earnings Per Share (EPS) are found to be statistically insignificant. Similarly, the regression analysis supports these findings, showing a significant and negative influence of CSR expenses on ROA, while indicating no significant impact of CSR expenses on ROE and EPS. The study concluded that there is no significant relationship between CSR and financial performance and no significant impact of CSR on financial performance. In the context of Nepal, banks were unable to utilize CSR funds properly.

NRB (2021) explains among multiple objectives to explore the BFI's perspective towards CSR regulation was one. The majority of BFI's reported a smooth implementation of current CSR regulations. Other future regulatory adjustments may be necessary in the future depending upon the utilizations of CSR fund. Prioritizing increased contributions to Sustainable Development

Goals (SDG) is crucial in meeting goals by 2030. Areas that receive limited attention including government budgets should be given top priority for CSR fund allocation with the aim to avoid duplicate efforts. Rather than dispersing CSR related activities across various acts, it is advisable to develop comprehensive and integrated CSR act. This will help to standardize CSR initiatives across all types of companies within economy. Such act would provide a clear and well defined framework for CSR.

Dhami (2021) in his research of the employees of Nepalese commercial banks regarding internal CSR practices and organizational commitment found that work life balance is positively associated with organizational commitment. Organizations that implement more comprehensive work life balance initiative tends to experience higher level of organizational commitment among their employees. This result is in line with previous research that has similarly identified a significant relationship between work life balance and organizational commitment. A plausible explanation is that banks are providing legal requirements, flexible work schedules, maternity leave and child care facilities to balance work and home responsibilities ultimately leading to high organizational commitment.

Manoj (2021) studied public banks in India and reached the conclusion that public sector banks in India have grown increasingly aware of the importance of sustainability and have adopted eco-friendly banking practices. Sustainability performance in banking sector of India was reviewed. They have effectively maintained sustainability initiatives by incorporating modern technological practices, such as online money transfers, ATMs, digital banking, and mobile banking. These public sector banks plans to further integrate environment friendly methods and new initiatives into day-to-day banking transactions, such as automated teller machines and digital payment methods. As a result, these sustainability measures position public sector banks as exemplars for other financial institutions, making a substantial contribution to environmental conservation. In summary, the sustainability endeavors of public sector banks, achieved through the reorganization of their operations, have not only protected the environment and preserved ecological equilibrium but have also boosted the operational sustainability of numerous banks in India, while simultaneously enhancing the overall reputation of public sector banks.

To know about CSR practices in Nepalese commercial banks in that period. While studying CSR practices in customer satisfaction, employees satisfaction and customer loyalty were also analyzed. Khadka (2020) found a positive correlation of CSR and Nepalese Banks performance based on statistical data. Based on research finding it is shown that CSR has made a contribution to various aspects, which includes employee satisfaction, customer loyalty, the reputation of bank and overall banks profitability. Moreover, the research results also indicates that CSR plays a substantial role in cultivating customer loyalty. It is evident that customers place significant trust in the systems and procedures adopted by the bank. Conversely, they express displeasure with certain behavioral aspects of the bank's employees, particular instances of bias and impoliteness during service delivery. In conclusion, the strategic emphasis on CSR is always a plus point for achieving long-lasting competitive advantage.

2.4 Research Gap

Identifying research gap involves recognizing where further investigation is needed. A research gap refers to a topic or area that lacks sufficient data, making it difficult to answer specific questions. When such a gap prevents decision-makers, such as policymakers or promoters, from making informed decisions, it is referred to as a research need.

Multiple research have been conducted globally to determine relationship between CSR and firms' performance but such research in Nepalese Commercial Banks from customers view is limited. Although CSR initiatives have significantly increased, empirical research articles linking these initiatives with banks performance is still limited. Existing literature in CSR have addressed impact on CSR on financial and non-financial performance indicator there is lack of analysis of CSR impact based on CSR dimensions to firms' performance. Banking sector have crucial role in development of nation and economy, it performs multiple socially responsive practices while compiling with NRB other regulatory guidelines.

This research explained which CSR dimension among four had the most significant impact on firms' performance on customer satisfaction, customer loyalty and corporate image.

CHAPTER III

RESEARCH METHODOLOGY

The systematic, theoretical analysis of methods to study topic is methodology (Patel & Patel, 2019). Specific procedures used for identification, selection and processing of the data to generate information is research methodology. It aims to analyze, provide clear work plan for the research to be conducted. For presentation and analysis of data research methodology needs to be clear. The research data will be obtained through structured online questionnaires which were administered randomly on our sample population. The questions are designed to test the relationship between CSR and profitability, employees' satisfaction, customers' image and perception towards the organization.

Methodology used in this study is explained under this section. This chapter has been divided into five sections. First section is research design which is followed by section two, which describes the population and sample along with the selection of banks for the purpose of study. Section 3 explain the nature and sources of data for the study. Section four explains research framework and defines variables for this research. Likewise, section five describes method of analysis.

3.1 Research Design

Jahoda et al. (1951), a research design can be defined as the systematic structuring of the conditions under which data is gathered and analyzed. This structuring is aimed at achieving a harmonious blend of relevance to the research objectives while also ensuring efficiency and methodical rigor. The research design holds great significance in any research undertaking, functioning as a guide to direct and navigate the research activities.

This thesis report has used descriptive and causal comparative research design to examine and analyze the relationship and impact of CSR factors on firms performance through customer perception by analyzing customer perception through customer satisfaction, customer loyalty and corporate image. The descriptive technique has been employed to find out the facts regarding CSR and to gather information on its impact on overall firms performance. The use of causal comparative research design helps to analyze the cause and effect relationship of

various dependent and independent variables taken under study. The study examines and presents the results of the relationship of dependent variable namely customer satisfaction, customer loyalty and corporate image on CSR by considering four factors economic, legal, ethical and philanthropic responsibility. The primary objective of this research is to investigate the extent to which Nepalese Commercial Banks are involved in corporate social responsibility initiatives and how these initiatives affect their overall performance. Additionally, this study aims to empirically assess the proposed hypotheses regarding the connection between CSR and the performance of these firms. To accomplish these goals, quantitative research methods have been employed, encompassing the administration of a structured questionnaire to gather information from respondents, generating information on the implementation of CSR activities and its impact on a firm's performance. Then, the collected data were analyzed and presented. This research encompasses a wide range of topics, including CSR practices, customer loyalty, customer satisfaction, corporate reputation.

The questionnaire has been divided into two sections: Section A focused on gathering respondents' personal information, primarily to assess their level of experience and educational background. Second section, section B comprised the questions which forms the base of the research rating scale options and choice questions. The choices on the questionnaire ranges from 'Strongly Agree,' 'Agree,' 'Uncertain,' 'Disagree,' to 'Strongly Disagree,' each assigned a weighted value of 5, 4, 3, 2, and 1, respectively. The responses were presented in percentage form and had been visualized through the use of a charts.

For this study, a random sampling technique, which offers an equitable representation of the population under examination, had been employed. The study's target population comprises customers of Nepalese Commercial Banks. The data has been collected from a sample size of 309 bank customers through the online distribution of questionnaires of the two selected banks. This section discusses on how the analysis had been carried in the research. To study the cause and effect relationship of different variables collected data are analyzed.

3.2 Population and Sample

The main objective of this study is to explore the relationship between corporate social responsibility (CSR) practices and the performance of commercial banks in Nepal. Customers

of commercial banks is population for this study. However, due to limited time and resources, it is not feasible to include all banks in the study.

Consequently, a sample of two commercial banks, which have a substantial number of branches, has been selected from the total population of 20 commercial banks operating in Nepal. The selection of these banks was based on convenience sampling, considering practicality and accessibility. Data had been collected from customers across the selected banks. The commercial banks were chosen using convenience sampling techniques, ensuring a manageable and representative sample for the study.

3.3 Nature and Sources of Data

The study has utilized primary data, which has been gathered through a structured questionnaire administered to customers of those two commercial banks with a significant number of branches. The survey aims to gather customers' opinions on the corporate social responsibility (CSR) initiatives of banks and their impact on the banks' performance. The questionnaire predominantly consist of closed-ended questions, providing respondents with predetermined answer options. However, two open-ended questions has also been included to allow for more diverse responses. The questionnaire, created using Google Docs, was distributed through online social media platforms and Gmail to customers of the selected commercial banks.

3.4 Instrument of Data Collection

This section focuses on the statistical and econometric models used to analyze primary data. The data analysis methods employed are divided into two sub sections. The first sub section covers descriptive statistics with mean, standard deviation, and the minimum and maximum values of the variables. Additionally, correlation analysis has been used for analysis of the relationship between dependent and independent variables. Statistical tests such as the t-test and linear regression analysis are presented in second section. Regression analysis is used to determine the effect of independent variables on the dependent variable, both individually and in combination with other variables. All models are assessed for individual effects through a t-test, using the Statistical Package for the Social Sciences (SPSS 26). CSR and performance of commercial banks is shown. Detailed information on the models and statistical tests of significance is provided in the following sections.

3.5 Methods of Analysis

The data were analyzed using the Statistical Package for Social Science (SPSS) software and Microsoft Excel. SPSS is an analytical tool that helps organize data, identify relationships, and find out differences and similarities among various respondent groups. Descriptive statistics, regression, and correlation tests were employed for this research.

A structured questionnaire was designed to carry out the survey, which included single response items, multiple choice with rating using a Likert scale. Statistical tools were applied for data analysis, with a significance level set at 0.05. This section outlines the procedures and steps followed during the analysis to ensure the results are understood and the findings can be generalized. Causal comparative analysis has been used in the research. The analysis aims to examine the cause-and-effect relationships between the variables. Following tests are used for the analysis of data to fulfill the pre-set objectives.

- Descriptive analysis.
- Pearson's coefficient of correlation
- Multiple regression
- Hypothesis of executives

3.5.1 Descriptive Statistics

Descriptive statistics has been used for primary analysis. Mean, standard deviation, frequency, percentage etc. have been used to present respondent's demographics characters. The analyzed data has been be presented by use of percentages, frequency tables.

3.5.2 Pearson's correlation coefficient

Karl Pearson's correlation coefficient has been used to determine the relationships between variables. 1.0 denotes a perfect positive correlation and -1.0 indicates a perfect negative correlation. Having 0 correlation coefficient implied there is no relationship between the variables. This analysis provides information regarding relationship between Corporate Social Responsibility (CSR) and firms performance based on customers perception.

3.5.3 Multiple regression analysis

Multiple regression has been used for analyzing the relationship between several independent and a dependent variable. This shows how much of the variance in the dependent variable is caused by independent variables. It encompasses various techniques for modeling and scrutinizing multiple variables, particularly when the primary focus is on the association between a dependent variable and one or more independent variables.

Model of Regression

The regression model used in this research tries to analyze the impact of CSR on firms performance of Nepalese commercial bank. Hence, this model equation has been designed to test the hypothesis:

Firms Performance = f (Customer Satisfaction, Customer Loyalty and Corporate Image)

Customer Satisfaction = f (Economic, Legal, Ethical and Philanthropic)

Customer Loyalty = f (Economic, Legal, Ethical and Philanthropic)

Corporate Image = f (Economic, Legal, Ethical and Philanthropic)

The model can be segmented into the following model:

$$CS = \beta_0 + \beta_1 ER + \beta_2 LR + \beta_3 EtR + \beta_4 PR + \epsilon$$

$$CL = \beta_0 + \beta_1 ER + \beta_2 LR + \beta_3 EtR + \beta_4 PR + \epsilon$$

$$CI = \beta_0 + \beta_1 ER + \beta_2 LR + \beta_3 EtR + \beta_4 PR + \epsilon$$

In the above linear regression model, the dependent variable is customer satisfaction. The impact of economical, legal, ethical and philanthropic responsibility on customer loyalty is tested.

Where,

CS = Customer Satisfaction

CL = Customer Loyalty

CI = Corporate Image

ER = Economic Responsibility

LR = Legal Responsibility

EtR= Ethical Responsibility

PR = Philanthropic Responsibility

ϵ is the error term.

β_0 is constant and β_1 , β_2 , β_3 and β_4 are the beta coefficients of the explanatory variables that are to be estimated.

3.5.4 Hypothesis of executives

Once the data and impact of independent variables and dependent variable have been analyzed, the final results of hypothesis testing has been used. Testing a hypothesis on a sample of data from a broader population is used to deduce the outcome of the hypothesis, carrying out a hypothesis test on sample data. It is a process for determining whether a hypothesis should be accepted or disregarded in favor of an alternative hypothesis. In order to determine whether a statistic falls inside a predetermined acceptance range, test result are examined. The hypothesis is accepted if this is the case otherwise rejected.

In summary, hypothesis testing is a crucial step in drawing meaningful conclusions from data, particularly when assessing the impact of independent variables on a dependent variable. It involves a systematic process of evaluating whether the observed data supports or contradicts a specific hypothesis, allowing executives to make informed decisions based on the results.

3.6 Research Framework

The basic foundation of the research that represents the relationship between the variables under study is theoretical framework. Research goal is defined by theoretical framework and organization of idea. Based on the objective of the study and the literature review following conceptual framework is framed to summarize the main focus and scope of the research. Conceptual framework describes the systematic explanation of relationship between dependent and independent variables understanding the relationship between firm's characteristics and CSR practices in Nepalese commercial banks. The model demonstrates how CSR dimension

(economic, legal, ethical, and philanthropic responsibility) affect firm performances i.e. customer satisfaction, customer loyalty and corporate image.

Economic, legal, ethical and philanthropic responsibility are four independent variables considered in this research study.

Independent Variables

Dependent Variables

Figure 2 *Research Framework*

Figure 2 shows how CSR is related with the firm's performance with the help of dependent variables. This study focuses on the relationship between CSR and firm's performance in Nepalese commercial banks. The research framework of this study consists of four dependent and four independent variables which are to be tested through statistical tools.

In this study, dependent variables are customer satisfaction, customer loyalty and corporate image while independent variable are factors affecting CSR which includes economic responsibility, legal responsibility, ethical responsibility and philanthropic responsibility.

3.7 Definition of Variables

Variable is any character, number or quantity which can be measured. Variable is often called data item.

3.7.1 Dependent Variables

This research aims to explore how variations in independent variables influence specific outcomes, known as dependent variables. Understanding these relationships helps assess the broader impact of business practices on organizational success. The study identifies the following 3 dependent variables:

Customer Satisfaction: Ability of company to meet customers' expectations shows the satisfaction. Service quality, customer service, value for money, and overall experience shapes it. Customer satisfaction is the essence for creating brand loyalty among customers and to create long lasting relationship with customers. Madjid (2013) in his research article explained that trust significantly impacts customer factor.

Customer Loyalty: Customers' commitment for getting service from the same company is customer loyalty. Consistent satisfaction, trust, and a strong emotional connection creates loyalty with the brand. In long run, loyal customers are required to generate stable income.

Corporate Image: Perception of customers, employees general public regarding an organization is corporate, how they perceive towards the organization is corporate image.

3.7.2 Independent Variables

Banks perform self-regulatory activities towards the society and with which they are operating business and is corporate social responsibility. CSR implies that businesses are socially responsible for action that influence people, society and the environment (Wagle, 2020). Different companies have been spending huge fund in the name of CSR. CSR investment includes funds that are invested to conduct CSR activities (Carroll, 2020)

This research identifies four independent variables that represent different dimensions of corporate social responsibility. These include:

Economic Responsibilities: Organizations were created as an economic entities in order to provide services to societal members. Profit was the primary motive. Before everything businesses were the basic economic unit to provide goods and services to society members. All

responsibilities of business are determined based on economic responsibility. Businesses are the part of economic unit. They produce goods, services towards community while making profit and generate economic activities.

Legal Responsibilities: Businesses while complying with profit motive are expected to comply with different rules and regulations of different governing bodies, society and country as well. Legal responsibility can be called social contract to members of society which expect its members to perform all activities by being within the regulatory framework of law. They have to achieve their goals by being within the frames of rules and norms. They are shown as next layer on the pyramid.

Ethical Responsibilities: Ethical responsibilities include such activities and practices that are expected or are prohibited to conduct even though they are not stated in law. Ethical responsibilities includes standards, norms, or expectations towards consumers, employees, shareholders, and the community Environmental, civil rights, and consumer shows alteration in societal values.

Philanthropic Responsibilities: Philanthropic responsibilities includes action by corporations towards society as their social duty. Programs that are conducted to promote human welfare and goodwill also falls under philanthropic responsibility. Also contributions to arts related events, education as a primary investment for development, and towards community in any way are few examples. Corporate actions to meet society expectation are philanthropic responsibility. Corporate business and other organizations are expected to make voluntary contribution with their money, services, and employee time to social events. Not doing so does not makes business unethical. Philanthropy is more discretionary or voluntary as corporate are

CHAPTER IV

RESULTS AND DISCUSSION

This chapter deals with the systematic presentation, interpretation and the analysis of primary data with the purpose of analyzing the relationship between CSR and firms profitability in Nepalese Commercial Banks. The basic steps in the analytical process consists of identifying relevant issues, finding the availability of suitable data, deciding the method for these queries. In this chapter data are presented and analyzed systematically. The aim of this chapter is to analyze and interpret the data collected from the respondents during the research. Various statistical and econometric tools described in chapter will be effective to present results of the study.

4.1 Descriptive Statistics

4.1.1 Introduction

The section analyses perception of Nepalese customer regarding different dimensions of CSR and how these perceptions affect organizational performance, including customer satisfaction, loyalty and corporate image. Based on Carroll's model it assesses the relationships between economic, legal, ethical, and philanthropic responsibilities and perceived CSR, based on customers' perception. Customers' satisfaction, loyalty and corporate image level of CSR adopted by a firm and its understanding and perception of general customer.

To attain the pre-set objective of this research, quantitative methods are employed with the use of five point Likert scale. The questionnaire survey of 309 participants were analyzed to assess the impact of CSR on customers satisfaction, loyalty and corporate image.

4.1.2 Respondents Characteristics

Survey questionnaire containing of 309 customers of two banks were conducted to attain the objective to the study. The first section of the questionnaire included important demographic information like gender, age, education level, and years of experience and other details to capture customers' perception regarding CSR activities performed by the banks. The information collected from the selected bank customers provides invaluable insights for

analysis and interpretation of results. The study of demographic variables acts as a foundation for analyzing relationship between variables while primarily providing data for demographic analysis.

Table 3

Demographic Frequency Table

Category	Group	Frequency	Percent	Valid Percent	Cumulative Percent
Gender	Male	198	64.1	64.1	64.1
	Female	111	35.9	35.9	100
Age	18–29	150	48.5	48.5	48.5
	30–40	120	38.8	38.8	87.4
	Above 40	39	12.6	12.6	100
Profession	Student	144	46.6	46.6	46.6
	Unemployed	42	13.6	13.6	60.2
	Employed	90	29.1	29.1	89.3
	Own Business	33	10.7	10.7	100
Work Experience	≤ 5 years	165	53.4	53.4	53.4
	5–10 years	39	12.6	12.6	66
	More than 10	90	29.1	29.1	95.1
	No Experience	15	4.9	4.9	100
Education	Below +2	21	6.8	6.8	6.8
	+2	27	8.7	8.7	15.5
	Bachelor	129	41.7	41.7	57.3
	Masters & above	132	42.7	42.7	100

Table 3 displays demographic frequency. Part one of questionnaire was used for collecting data regarding socio demographic attributes of the respondents. It contained five questions i.e. gender, age, profession, experience and educational qualification to generate data regarding these factors.

Higher no of respondents were male with 64.1% and female respondents were 35.9%. Almost half of the respondents of the questionnaire i.e. 48.5% were between age group of 18 to 29,

38.8% between 30 to 40 years range. And, only 12.6% were above age group 40. The respondents' age group data shows that there were younger participants in the survey.

Looking at the professional background, 46.6% of respondents were students. This was followed by 29.1% who were employed, 13.6% who were unemployed, and 10.7% ran their own businesses.

Respondents were collected from multiple professional sectors which means that survey was fair however majority of the participants were students. More than half of the respondents had five or lower years of experience consisting of 53.4%. Only 12.6% of the respondents had 5 to 10 years of experience, while 29.1% had over 10 years of experience. 4.9% were students hence they had no prior experience.

Only 6.8% has educational qualification below +2 level, 8.7% completed +2. 41.7% of the survey respondents had completed bachelor's degree and 42.7% had educational qualification of master's degree and above according to the questionnaire respondents. This shows that majority of the participants had strong educational background.

In summary, the data shows a diverse yet youthful and well-educated group, with a strong presence of students and early-career individuals. The participant's data shows that selected participants were diverse and well educated. This diversity in background and experience provides a valuable foundation for interpretation of the subject matter.

4.1.3 CSR and Customers' Satisfaction

This section analyses level of customer satisfaction based on service quality, responsiveness to feedback, personalization, and customer retention, all of these factors are influenced by CSR.

Table 4 summarizes the evaluation of customer satisfaction. The collected data shows the mean value which is derived from the data collected. The average mean of collected questions for customer satisfaction was 3.74 the mean score ranges from 3.87 to 3.66. The respondent's data suggests that participants had positive perception towards customer satisfaction. The SD value of 1.03 reflects slight variability in customers' perception.

Table 4*Descriptive Statistics of Customer Satisfaction*

Particulars	N	Mean	SD
The services offered by the banks meets customers' expectation.	309	3.69	1.035
The customers are satisfied with the service of the bank.	309	3.71	0.963
The bank is committed in providing customer oriented services and makes changes in services offered as per customers' suggestion.	309	3.75	1.004
You continue the banking relation with the same bank as you are satisfied with the services offered by the bank.	309	3.76	1.021
If you are dissatisfied with the bank you will change the bank.	309	3.87	1.087
The bank provides tailored services so you are satisfied.	309	3.66	1.095
Aggregate Score		3.74	1.03

The statement that for “If you are dissatisfied with the bank you will change the bank.” showed highest mean of 3.87. While this statement “You continue the banking relation with the same bank as you are satisfied with the services offered by the bank” had slightly lower mean value of 3.76.

For the statement “The bank provides tailored services so you are satisfied.” received the lowest mean of 3.66, indicating a relatively lower level suggesting an area where perceptions could be strengthened.

In conclusion, positive feedback regarding banking service shows higher satisfaction towards bank and its services. For Nepalese BFIs, should increase customized services to meet individual's needs.

4.1.4 CSR and Loyalty

This section evaluates the extent of customer loyalty toward the bank by interpreting customer attitudes, recommendations, satisfaction levels, and their probability to change banks. It

highlights how CSR practices forms long-term customer relationships.

Table 5

Descriptive Statistics of Customer Loyalty

Particulars	N	Mean	SD
I have a positive perception of the company, and I am likely to continue taking service from the bank.	309	3.68	0.969
I find all staff members to be polite and helpful when addressing my concerns or complaints	309	3.86	1.073
I recommend this banks products to my friends and family.	309	3.91	0.998
I am completely satisfied with the products and services provided by the bank.	309	3.76	0.931
I am not likely to switch to another company easily.	309	3.59	1.085
Aggregate Score		3.75	1.01

Table 5 summarizes the evaluation of customer loyalty based on 6 statements. The collected data shows the mean value which is derived from the data collected using Likert scale regarding the topic. The average mean was 3.75 the mean values ranges from 3.91 to 3.59. The data suggests that participants had positive perception towards customer loyalty. The SD value of 1.01 reflects moderate variability in how customers perceive their loyalty toward the bank.

“I recommend this banks products to my friends and family.” Statement results showed highest mean of 3.91. While this statement “I find all staff members to be polite and helpful when addressing my concerns or complaints.” had slightly lower mean value of 3.86.

For the statement “I am not likely to switch to another company easily.” received the lowest mean of 3.59, indicating a relatively lower level suggesting an area where perceptions could be strengthened.

In conclusion, positive feedback regarding banking service shows strong sense of customer loyalty towards the bank. For Nepalese BFIs, continuous engagement, improvement in quality

service will further help to enhance customer loyalty.

4.1.5 CSR and Corporate Image

This section aims to assess customers' perceptions of CSR initiatives and their attitudes towards CSR within an organizations this also examines how these factors influence their views towards the bank in the context of the Nepalese BFIs.

Table 6 summarizes evaluation of corporate image based on 6 statements. The collected data shows the mean value which is derived from the data collected using Likert scale regarding the topic. The average mean was 3.73, the mean ranges from 3.83 to 3.62. The data suggests that respondents had positive perception towards corporate image. The SD of 1.00 shows lower change in opinion of the respondents.

The statement that for "The financial stability and soundness of the company is evident." showed highest mean of 3.83. While this statement "The Company effectively adapts to market changes and responds to customer needs in a timely manner." had slightly lower mean value of 3.78.

For the statement "The quality of the products or services of this bank is perceived positively by customers." received the lowest mean of 3.62, indicating a relatively lower level suggesting an area where perceptions could be strengthened.

In conclusion, the selected banks have effectively cultivated a strong corporate image, which is evidenced by the overall positive feedback. But there still remains room for improvement in specific areas to increase customer satisfaction, loyalty, and corporate image.

Having knowledge of CSR can help to influence customers' perception in Nepalese BFIs to formulate suitable strategies and take initiatives to strengthen firms' performance.

4.1.6 Economic Responsibility

This section examines how customers perceive the bank's commitment to its economic responsibilities, profitability, stakeholder service, and support for national development. The role of banks in contributing to economic progress highlighted in the Nepalese Banking.

Table 6*Descriptive Statistics of Corporate Image*

Particulars	N	Mean	SD
The quality of the products or services of this bank is perceived positively by customers	309	3.62	1.046
The organization is effective in attracting, utilizing, and retaining customers.	309	3.74	0.936
The company demonstrates strong commitment to community and environmental responsibilities.	309	3.66	1.095
The financial stability and soundness of the company is evident.	309	3.83	0.895
The company is innovative—either by introducing new ideas or by improving existing processes.	309	3.74	1.044
The company effectively adapts to market changes and responds to customer needs in a timely manner.	309	3.78	0.986
Aggregate Score		3.73	1

Table 7 shows evaluation of economic responsibilities based on provided 6 statements. The collected data shows the mean value which is derived from the data collected using Likert scale regarding the topic. The mean was of the respondents responses was 3.84, it varied from from 3.99 to 3.60. The collected data suggests that participants had positive perception towards legal responsibility. The SD of 1.06 shows slight change in opinion of the respondents.

The statement that for “The main objective of the bank is to maximize profit,” showed highest mean of 3.99. While this statement “The bank emphasizes solving social challenges through economic initiatives.” had slightly lower mean of 3.92. For the statement “The bank meets its responsibilities to its stakeholders,” received the lowest mean of 3.60, which reflected that this area requires attention and transparency.

Table 7

Descriptive Statistics of Economic Responsibilities

Particulars	N	Mean	SD
The bank meets its responsibilities to its stakeholders.	309	3.60	1.102
The bank supports the nation's economic development.	309	3.89	1.080
The bank considers economic advancement essential for societal progress.	309	3.80	1.048
The bank emphasizes solving social challenges through economic initiatives.	309	3.92	1.023
The main objective of the bank is to maximize profit.	309	3.99	1.021
The bank remains focused on economic roles while also fulfilling its societal responsibilities	309	3.83	1.109
Aggregate Score		3.84	1.06

In conclusion, the data revealed that customers generally view the bank as fulfilling its economic responsibilities. Nepalese BFIs should formulate strategies suitable to meet stakeholder's expectations in order to recognize CSR role in economic growth.

4.1.7 Legal Responsibility

This section evaluates customers' perceptions of the bank's compliance with laws and regulations, including human rights, tax responsibilities, labor law, and regulatory standards, within the CSR frameworks in Nepalese BFIs.

Table 8 shows evaluation of legal responsibilities based on provided 6 statements. The collected data shows the mean value which is derived from the data collected using Likert scale regarding the topic. 3.78 average mean was generated from the data. The mean varies from 3.53 to 3.95 among the participants. As shown by the analysis of collected data, participants had positive perception towards legal responsibility. 1.08 SD represents moderate variation in opinion of the respondents.

Table 8

Descriptive Statistics of Legal Responsibilities

Particulars	N	Mean	SD
Human rights are upheld across all operations.	309	3.53	1.079
CSR initiatives are carried out in accordance with legal standards.	309	3.83	1.001
The bank fulfil its tax responsibilities as required by the government.	309	3.95	1.093
The bank adheres to all applicable laws and regulations.	309	3.90	1.077
It fully complies with labour law obligations.	309	3.63	1.108
The bank keeps up with and implements new regulatory changes.	309	3.85	1.094
Aggregate Score		3.78	1.08

The statement that for “The bank fulfils its tax responsibilities as required by the government,” showed highest mean of 3.95. While this statement “The bank follows and complies to all applicable laws and regulations.” had slightly lower mean of 3.90.

For the statement “Human rights are upheld across all operations” received the lowest mean of 3.53, indicating a relatively lower level of assurance of Nepalese bank’s human rights commitment.

In conclusion, the data reveal that customers generally view the bank as adhering to its legal responsibilities. Greater transparency and communication related to human rights and labour practices may help Nepalese BFIs to enhance trust and to reinforce their legal credibility in CSR activities which further increasing customer satisfaction, loyalty and banks image as a whole.

4.1.8 Ethical Responsibility

This section examines the ethical dimensions of CSR, focusing on the bank’s moral integrity, respect for stakeholder values, responsible marketing, and commitment to ethical standards.

Table 9 shows evaluation of ethical responsibilities based on provided 6 statements. The mean was 3.75. The mean varies from 3.72 to 3.79. The collected data suggests that participants had favourable perception towards ethical responsibility. The SD value of 1.01 represents changing opinion.

Table 9

Descriptive Statistics of Ethical Responsibilities

Particulars	N	Mean	SD
The bank is dedicated to enhancing its moral and ethical image.	309	3.72	0.961
It actively participates in addressing social issues to help improve the quality of life.	309	3.65	1.023
The bank promotes its services in a responsible and ethical way.	309	3.89	0.914
It shows respect for the values and interests of its stakeholders.	309	3.83	0.958
It achieves its goals without compromising ethical standards.	309	3.63	1.192
The bank ensures high quality and integrity in its social responsibility activities.	309	3.79	0.993
Aggregate Score		3.75	1.01

The statement that “The bank promotes its services in a responsible and ethical way.” showed highest mean of 3.79. While this statement “It shows respect for the values and interests of its stakeholders.” had slightly lower mean value of 3.83.

In summary customers generally value ethical responsibility. Ethical aspect is an important aspect of CSR that helps to strengthen organizational goals with ethical practices to increase customers’ loyalty.

4.1.9 Philanthropic Responsibility

This section explores how customers view the philanthropic efforts of the bank, including community service, charitable giving, environmental care, and support for education and culture.

Table 10

Descriptive Statistics of Philanthropic Responsibilities

Particulars	N	Mean	SD
The bank regularly develops and launches new social programs and initiatives.	309	3.52	1.052
Environmental protection in the surrounding areas is a key concern for the bank.	309	3.68	1.110
The bank plays a role in safeguarding the cultural and religious traditions of society.	309	3.54	1.004
The bank allocates a specific portion of its funds to support voluntary charitable initiatives.	309	3.73	1.065
It actively contributes to improving public education in the community.	309	3.68	1.009
The bank follows a policy aimed at gradually increasing its charitable activities.	309	3.68	1.037
Aggregate Score		3.64	1.05

Table 10 shows evaluation of philanthropic responsibilities based on 6 statements. The average mean was 3.64 and the value ranges from 3.52 to 3.73. Data from respondents suggests that participants had moderately favourable perception towards philanthropic responsibility. 1.05 SD showed that respondent opinion differed.

The statement that “The bank allocates a specific portion of its funds to support voluntary charitable initiatives.” showed highest mean of 3.73. While the bank regularly develops and launches new social program and initiative had lower mean value of 3.52.

Table 11

Descriptive Statistics for Cross Analysis of Respondents traits, CSR and Preference

Particulars	N	Mean	Std. Deviation	Kurtosis
Gender	309	1.36	0.481	-1.663
Age	309	1.64	0.696	-0.764
Profession	309	2.04	1.089	-1.307
Work Experience (in years):	309	0.85	1.001	-1.178
Educational Qualification:	309	3.20	0.864	0.560
Mean of Economic Responsibilities	309	3.8398	0.84031	1.081
Mean of Legal Responsibilities	309	3.7832	0.86785	0.208
Mean of Ethical Responsibilities	309	3.7524	0.79598	0.568
Mean of Philanthropic Responsibility	309	3.6392	0.88491	-0.213

In table 11, data collected from 309 participants were considered, and descriptive statistics were calculated for both respondent traits and CSR dimensions. The average gender score was 1.36 (SD = 0.48), indicating a slightly higher number of male respondents. The mean age was 1.64 (SD = 0.70), suggested high no of younger customers in the sample. The professional status averaged value of 2.04 (SD = 1.09), which reflects a mix of occupations, while work experience was relatively low (M = 0.85 years, SD = 1.00), this points to many respondents being early in their careers. Educational qualification averaged 3.20 (SD = 0.86), shows that most of the respondents have completed masters and higher level of education.

Regarding CSR perceptions, respondents rated economical responsibilities the highest with mean of 3.8398 (SD=0.84). This shows that customers value economic roles of banking sector, its contribution economy and obligation to stakeholders. Secondly, respondents rated legal responsibilities, with a mean score of 3.78 (SD = 0.87). The analysed data of respondents suggests that they prefers banks which comply with existing laws and regulations of the country. Ethical responsibilities followed legal responsibility closely with a mean of 3.75 (SD = 0.80), which indicates strong perceptions of the banks' commitment to ethical code of conduct. Philanthropic responsibilities also received positive response with mean and standard deviation value of (M = 3.64, SD = 0.88). This reflects that banks involvement in community work, social contribution is also valued. The kurtosis values indicate a relatively normal distribution, with slight deviations in gender and educational qualification. The higher value of standard deviations in CSR dimensions reflect differences in opinions, which might be due to their difference in demographic background.

In summary, these results highlight that customers give importance to banks' economic and legal behaviours that is shaped by their educational level and professional exposure. Younger customers and those with higher education are more aware of CSR activities, in terms of legal compliance and ethical standards. Perceptions on economic responsibilities suggest that customers value banks financial role and value towards their stakeholders. While philanthropic responsibility is given lower importance in comparison with others.

The findings presents that demographic factors such as gender, age, profession, work experience, and education influence CSR perception among customers of Nepalese Commercial banks. Economic and legal values are highly regarded, philanthropic aspect requires to be highlighted and worked on to meet customers 'expectations. This finding suggests that banks should conduct CSR activities by considering their diverse customer base and improve customer loyalty and corporate image.

4.2 Reliability Analysis

This section analysis the overall collected data from the respondents using Cronbach's Alpha. Below table shows the analysis of all the dependent and independent variables.

Table 12*Data Reliability Analysis*

S.N.	Variable Name	Cronbach's Alpha	No of Items
1	Economic Responsibilities	0.879	6
2	Legal Responsibilities	0.893	6
3	Ethical Responsibilities	0.877	6
4	Philanthropic Responsibilities	0.920	6
5	Customer Satisfaction	0.857	6
6	Customer Loyalty	0.896	6
7	Corporate Image	0.907	6

Table 12 shows reliability analysis using Cronbach's Alpha. In order to identify and analyze whether the collected data is suitable or not for thesis Cronbach's Alpha Coefficients analysis was used for each variable. All the collected variables demonstrated strong reliability with alpha values all above accepted threshold of 0.70.

"Economic Responsibilities" had a Cronbach's Alpha of 0.879, which indicates high level of internal consistency across six items for each six questions. Similarly, "Legal Responsibilities" had alpha value of $\alpha = 0.893$ and "Ethical Responsibilities" ($\alpha = 0.877$) also showed high reliability, this suggested the items measured the intended concepts consistently.

"Philanthropic Responsibilities" variable had the highest reliability score of 0.920, showing excellent internal consistency among six items which was closely followed by "Corporate Image", with an alpha value of 0.907, indicating that responses were highly consistent. Customer Satisfaction ($\alpha = 0.857$) and Customer Loyalty showed alpha value of ($\alpha = 0.896$) meaning good reliability. This means that this factors chosen are good for generating results.

In summary, the Cronbach's Alpha values for all factors ranged from 0.857 to 0.920, which

shows a high level of reliability across the questionnaire. This confirms that the scales used in the study are reliable for further analysis.

4.3 Descriptive Analysis

The independent and dependent variables are analyzed based on Likert Scale Rating based on six questions in each section. Mean of all the collected data for each variable heading was calculated for simplicity and Standard deviation, Skewness and Kurtosis was calculated out of the same data.

Table 13 shows the descriptive data and provides analysis and distribution of responses. The mean for all variables lies between 3.63 and 3.83, this means that respondents showed a moderate level of agreement with per asked statements. Among these, economic responsibilities displayed the highest mean (3.83), which implies that respondents showed high importance to economic factor. Philanthropic responsibilities had the lowest mean score of 3.63 this indicates lower agreement of respondents.

The SD ranged from 0.79 to 0.88. Economic responsibilities found the small differences in responses while philanthropic responsibilities showed the higher variation, this reflects more distributed views among participants regarding voluntary social contributions.

All values were negative in skewness data, ranging from -0.477 to -1.085. This showed that most participants favoured toward positive response with the questionnaire.

The kurtosis values lies between -0.213 and 1.081, which is accepted for normal distribution. This suggests distribution shapes are relatively balanced, without extreme peaks or flatness. So, the data are normally distributed.

In summary, the descriptive statistics showed well-distributed and appropriate data for analysis. Respondents responded positively meaning that their interest and CSR knowledge is good in terms of activities performed by Nepalese Commercial banks.

Table 13*Descriptive analysis*

Variables	Mean	Std. Deviation	Skewness	Kurtosis
Mean of Economic Responsibilities	3.8398	0.84031	-1.085	1.081
Mean of Legal Responsibilities	3.7832	0.86785	-0.801	0.208
Mean of Ethical Responsibilities	3.7524	0.79598	-0.699	0.568
Mean of Philanthropic Responsibilities	3.6392	0.88491	-0.477	-0.213
Mean of Customer Satisfaction	3.7395	0.79011	-0.679	0.726
Mean of Customer Loyalty	3.7492	0.80980	-0.664	0.148
Mean of Corporate Image	3.7282	0.82768	-0.759	0.4

N=309

For understanding and exploring the relationship among major demographic variables Table 14 shows the use of Pearson's Correlation. The significance levels were set at 0.01 and 0.05, and the results displayed various meaningful relationships.

4.4 Correlation Analysis

Correlation analysis helps to find association between variables used in a regression model. Linear regression used in this study predict banks' performances based on other independent variables like economic responsibility, legal responsibility, ethical responsibility and philanthropic responsibility. It helps to identify the type of relationship that exists between dependent and independent variables. Linear regression model has been used in this research study in order to predict banks' performances based on independent variables.

These findings suggest a high level of internal consistency and connection among the responsibility dimensions, as well as between these 3 dependent variables taken into consideration i.e. customer satisfaction, loyalty, and corporate image. The resulted generated in table 14 shows complex but meaningful correlation pattern among the variables under study.

Table 14*Correlation*

	1	2	3	4	5	6	7
1 Economic Responsibility	1						
2 Legal Responsibility	0.791**	1					
3 Ethical Responsibility	0.694**	0.720**	1				
4 Philanthropic Responsibility	0.580**	0.675**	0.803**	1			
5 Customer Satisfaction	0.662**	0.714**	0.669**	0.684**	1		
6 Customer Loyalty	0.621**	0.663**	0.650**	0.712**	0.785**	1	
7 Corporate Image	0.668**	0.653**	0.679**	0.648**	0.766**	0.805**	1

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

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

And, this also suggested that there is close link between customer's perception and their behaviour. Table 14 reveals that the correlation coefficient between dimensions of CSR and factors affecting firms performance. The outcome indicates a positive association between dependent and independent variables. There is positive relation between CSR and firms' performance which indicates increase in CSR activities will enhance firms' performance of commercial banks. Hence, this study found that there is positive correlation between CSR and the firms' performance of the banks.

4.5 Regression and Hypothesis testing

All collected data with four independent variable were analyzed using regression in SPSS to test the hypothesis. In order to determine the effect of multiple factors of corporate social responsibility (CSR) on customer satisfaction, customer loyalty and corporate loyalty, multiple regression analysis were used for each dependent variable as shown in table 15, 16 and 17: customer satisfaction, customer loyalty, and corporate image. In table 15, ($F = 115.344$, $p < 0.001$) and variance value of 60.3% ($R^2 = 0.603$) demonstrated that CSR and customer satisfaction are significant relation as per table 15. The next model, customer loyalty also demonstrated in table 16 showed significance of CSR and customer loyalty with ($F = 106.202$, $p < 0.001$) and variance of 58.3% ($R^2 = 0.583$) as shown in table 16. The final model for Corporate Image as presented in table 17 showed significance as well ($F = 98.242$, $p < 0.001$),

with the model explaining 56.4% ($R^2 = 0.564$) of the variance. The results are summarized and interpreted as below.

Table 15

Regression analysis to present customer satisfaction

	Unstandardized Coefficients	S.E	Standardized Coefficients	t-test	Sig.(p)	Decision
Constant	0.746	0.147		5.084	0	
Economic Responsibilities	0.225	0.069	0.202	3.248	0.001	Accepted
Legal Responsibilities	0.269	0.06	0.295	4.459	0	Accepted
Ethical Responsibilities	0.060	0.069	0.061	0.871	0.385	Not Accepted
Philanthropic Responsibilities	0.284	0.056	0.319	5.073	0	Accepted

$R^2=0.603$ $F=115.344$

In the table 15 the independent variable economic responsibility showed following value while analysing regression. Economic responsibility had a significant positive effect on customer satisfaction with ($\beta=0.225$, $t=3.248$ and $p=0.001$). Hence, H_1 is accepted.

Legal Responsibility also had a strong significant effect ($\beta = 0.269$, $t = 4.459$, $p < 0.001$) on customer satisfaction as presented in table 15. The value of p is lower than 5% with p value 0.001 as per table 15. Therefore, H_2 is also accepted.

Ethical Responsibility, however, did not have a significant effect based on the collected data ($\beta = 0.060$, $t = 0.871$, $p = 0.385$) on customer satisfaction based on data presented on table 15. Hence, H_3 is not accepted.

In table 15, philanthropic Responsibility showed the strongest influence on customer satisfaction among other factors ($\beta = 0.284$, $t = 5.073$, $p < 0.001$). Therefore, H_4 is also accepted. These findings support the conclusion that economic, legal, and philanthropic responsibilities significantly contribute to customer satisfaction, while ethical responsibility does not show a statistically significant impact in this model.

The multiple regression equation based on the data collected is:

$$\text{Customer Satisfaction CS} = 0.746 + 0.202(\text{ER}) + 0.295(\text{LR}) + 0.061(\text{EtR}) + 0.319(\text{PR})$$

As shown in table 16, economic factor showed positive effect on customer loyalty with ($\beta = 0.227$, $t = 3.129$, $p = 0.002$). Based on hypothesis 5, which was tested to check whether there was significant positive relationship between customer loyalty and economic responsibility is accepted. Hence, H_5 is accepted.

Table 16

Regression analysis to present customer loyalty

	Unstandardized Coefficients	S.E	Standardized Coefficients	t-test	Sig.(p)	Decision
Constant	0.8	0.154		5.188	0	
Economic Responsibilities	0.227	0.073	0.199	3.129	0.002	Accepted
Legal Responsibilities	0.179	0.063	0.192	2.824	0.005	Accepted
Ethical Responsibilities	-0.006	0.072	-0.005	-0.077	0.939	Not Accepted
Philanthropic Responsibilities	0.431	0.059	0.471	7.324	0	Accepted

$$R^2=0.583 \quad F=106.202$$

Also, Legal responsibility had a significant effect ($\beta = 0.179$, $t = 2.824$, $p = 0.005$) on customer loyalty in Nepalese commercial banks as shown in table 16. Therefore, H_6 is also accepted.

Table 16 showed ethical responsibility again did not have a significant impact ($\beta = -0.006$, $t = -0.077$, $p = 0.939$) on customer loyalty. Since the p value is higher than 0.05 the hypothesis based on these variables is not accepted. Therefore, H_7 is not accepted.

Philanthropic responsibility was the strongest predictor ($\beta = 0.431$, $t = 7.324$, $p < 0.001$) on customer loyalty as shown in table 16. Hence, H_8 is accepted. In summary looking at CSR dimensions based on customer loyalty, economic, legal, and philanthropic responsibilities significantly enhance customer loyalty, whereas ethical responsibility appears to have no meaningful influence on customer loyalty.

The multiple regression equation based on the data collected is:

$$\text{Customer Loyalty CL} = 0.800 + 0.199(\text{ER}) + 0.192(\text{LR}) - 0.005(\text{EtR}) + 0.471(\text{PR})$$

Table 17

Regression analysis to present corporate image

	Unstandardized Coefficients	S.E	Standardized Coefficients	t-test	Sig.(p)	Decision
Constant	0.620	0.161		3.849	0	
Economic Responsibilities	0.363	0.076	0.312	4.783	0	Accepted
Legal Responsibilities	0.099	0.066	0.103	1.491	0.137	Not Accepted
Ethical Responsibilities	0.200	0.076	0.193	2.646	0.009	Accepted
Philanthropic Responsibilities	0.227	0.062	0.243	3.686	0	Accepted

$$R^2=0.564 \quad F=98.242$$

Table 17 shows that economic responsibility had the highest influence on corporate image ($\beta = 0.363$, $t = 4.758$, $p < 0.001$) on corporate image. Therefore, H_9 is also accepted.

In table 17, legal responsibility did not have a significant impact in case of corporate image ($\beta = 0.099$, $t = 1.491$, $p = 0.137$) on corporate image of Nepalese commercial banks. Hence, H_{10} is not accepted.

However, Ethical responsibility was statistically significant on perception towards corporate image of Nepalese commercial banks with ($\beta = 0.200$, $t = 2.646$, $p = 0.009$) as shown in table 17. Therefore, H_{11} is also accepted.

Philanthropic responsibility also showed a strong and significant effect with ($\beta = 0.227$, $t = 3.686$, $p < 0.001$) towards corporate image as shown in table 17. Therefore, H_{12} is also accepted. These results indicate that economic, philanthropic, and ethical responsibilities positively

influence corporate image, while legal responsibility does not have a statistically significant role in determining the customer perception on corporate image.

Table 18

Summary of Hypothesis testing

Hypothesis	Decision (Accepted or Not Accepted)
H ₁ : There is a positive effect of economic responsibility on customers satisfaction in Nepalese commercial banks.	Accepted
H ₂ : There is a positive effect of legal responsibility on customers satisfaction in Nepalese commercial banks.	Accepted
H ₃ : There is a positive effect of ethical responsibility on customers satisfaction in Nepalese commercial banks.	Not Accepted
H ₄ : There is a positive effect of philanthropic responsibility on customers satisfaction in Nepalese commercial banks.	Accepted
H ₅ : There is a positive effect of economic responsibility on customer loyalty in Nepalese commercial banks.	Accepted
H ₆ : There is a positive effect of legal responsibility on customer loyalty in Nepalese commercial banks.	Accepted
H ₇ : There is a positive effect of ethical responsibility on customer loyalty in Nepalese commercial banks.	Not Accepted
H ₈ : There is a positive effect of philanthropic responsibility on customer loyalty in Nepalese commercial banks.	Accepted
H ₉ : There is a positive effect of economic responsibility on corporate image in Nepalese commercial banks.	Accepted
H ₁₀ : There is a positive effect of legal responsibility on corporate image in Nepalese commercial banks.	Not Accepted
H ₁₁ : There is a positive effect of ethical responsibility on corporate image in Nepalese commercial banks.	Accepted
H ₁₂ : There is a positive effect of philanthropic responsibility on corporate image in Nepalese commercial banks.	Accepted

Summary of Hypothesis Testing

Based on regression analysis of collected data from the respondents the summary of hypothesis testing is presented in the table 18:

As per table 18, 3 hypothesis were not accepted H₃, H₇, and H₁₀ and all other hypothesis were accepted. These findings suggested the varying influence of CSR dimensions on customer perceptions and suggested that economic and philanthropic responsibilities consistently play a strong role across all 3 outcome variables. While ethical responsibility showed lower impact on customer satisfaction and customer loyalty based on the research. And, legal responsibility showed lower impact on corporate image.

4.6 Major Findings

Demographic factors such as gender, age, profession, work experience, and education influence CSR perception among customers of Nepalese Commercial banks. Legal and ethical values are highly valued, economic aspect requires to be highlighted and worked on to meet customers' expectations. This finding suggests that banks should conduct CSR activities by considering their diverse customer base and improve customer satisfaction, customer loyalty and corporate image.

The mean of 3.84 was found of economic responsibility, which is above average. This implies commercial banks has positive contribution to economy of country. Similarly, legal, ethical and philanthropic responsibility have aggregate mean 3.78, 3.75 and 3.64 respectively, these values are above average. This shows that CSR activities are prioritized by commercial banks. Customer satisfaction had mean of 3.74, customer loyalty had mean of 3.75 and corporate image had mean value of 3.73. These values are almost same. These 3 factors were measured to access the firms' performance level.

Correlation between CSR's four factors taken into consideration and dependent variables is positive, this means that CSR has positive influence on dependents variables. From the collected data economic and ethical responsibility showed strongest link with corporate image with correlation value of 0.668 and 0.679 while philanthropic responsibility has stronger relationship with customer satisfaction with 0.712 while legal responsibility showed the highest

relationship with correlation of 0.714 with customer satisfaction.

Customer Satisfaction was statistically significant ($F = 115.344$, $p < 0.001$) and showed 60.3% ($R^2 = 0.603$) of the variance in customer satisfaction. Economic Responsibility had a significant positive effect ($\beta = 0.225$, $t = 3.248$, $p = 0.001$), Legal Responsibility also had a strong significant effect ($\beta = 0.269$, $t = 4.459$, $p < 0.001$), Philanthropic Responsibility showed the strongest influence among other factors ($\beta = 0.284$, $t = 5.073$, $p < 0.001$), Ethical Responsibility, however, did not have a significant effect based on the collected data ($\beta = 0.060$, $t = 0.871$, $p = 0.385$). These findings support the conclusion that economic, legal, and philanthropic responsibilities significantly contribute to customer satisfaction, while ethical responsibility does not show a statistically significant impact.

Customer Loyalty was also significant ($F = 106.202$, $p < 0.001$) and depicted for 58.3% ($R^2 = 0.583$) of the variance in the dependent variable. Economic Responsibility showed a significant positive effect ($\beta = 0.227$, $t = 3.129$, $p = 0.002$), Also, Legal Responsibility had a significant effect ($\beta = 0.179$, $t = 2.824$, $p = 0.005$), Philanthropic Responsibility was the strongest predictor ($\beta = 0.431$, $t = 7.324$, $p < 0.001$), Ethical Responsibility again did not have a significant impact ($\beta = -0.006$, $t = -0.077$, $p = 0.939$). In summary looking at CSR dimensions based on customer loyalty, economic, legal, and philanthropic responsibilities significantly enhance customer loyalty, whereas ethical responsibility appears to have no meaningful influence on customer loyalty.

Corporate Image was significantly as well ($F = 98.242$, $p < 0.001$), with variance of 56.4% ($R^2 = 0.564$). Economic Responsibility had the highest influence on corporate image ($\beta = 0.363$, $t = 4.758$, $p < 0.001$), Philanthropic Responsibility also showed a strong and significant effect with ($\beta = 0.227$, $t = 3.686$, $p < 0.001$), However, Ethical Responsibility was statistically significant with ($\beta = 0.200$, $t = 2.646$, $p = 0.009$), However, Legal Responsibility did not have a significant impact in case of corporate image ($\beta = 0.099$, $t = 1.491$, $p = 0.137$). These results indicate that economic, philanthropic, and ethical responsibilities positively influence corporate image, while legal responsibility does not have a statistically significant effect on corporate image.

4.7 Discussions

Based on the effect on customer loyalty, customer satisfaction and corporate image due to CSR is studied to determine the relationship of the variables involved.

The regression results based on research findings shows that the beta coefficients for economic responsibility are positive with customers' satisfaction. This is similar to the findings of study by Nareeman and Hassan (2013) who analyzed CSR dimensions (economic, legal, ethical, and philanthropic) strength with customer satisfaction in the hotel industry of Malaysia. The finding by Mohammad and Rashid (2018) and Hsu (2018) also supports this. Park et al. (2017); Lee (2019) also showed positive relationship of CSR activities on customer satisfaction. The possible reasons for this is that customer prefer socially responsible, CSR activities also influence corporate image thereby further increasing customer satisfaction. The reason for similarity in finding is because all of the studies are conducted on industry that significantly contribute to the economy.

The study found empirical evidence to support the hypothesis, legal responsibility is positively related to customers' satisfaction. This finding empirically confirms the theoretical arguments given by Samra and Wady (2017) with 4.553 t-test value and significance is 0.000 while this study results had t test value of 4.459 and significance level 0.000. They explained that strong, positive relationship exist between legal responsibility and customers' satisfaction. Implication of finding is that, banks should fulfill their legal responsibilities properly in order to improve its customers' satisfaction. The reason for similarity in finding is because both of the studies are conducted on banks customers and legal responsibility is highly regarded by customers for banks as it deals with public interest. Results of findings by Hsu (2018) also supports this.

The regression results based on research findings shows that the beta coefficients for ethical responsibility is positive with customers' satisfaction but the level of significance is higher than 0.05 so the hypothesis is not accepted. This is similar to the findings of study by Hsu (2018) with 0.208 level of significance which depicts that ethical responsibility and customer satisfaction are not positively related. However, the result is inconsistent with the finding by Samra and Wady (2017) which showed positive relationship of ethical responsibility and customer satisfaction.

The study found empirical evidence to support the hypothesis, philanthropic responsibility is positively related to customers' satisfaction. This finding empirically confirms the theoretical arguments given by Jamali and Mirshak (2007); Wood (2010) and Lev et al. (2010). This presents that customers prefer organizations that are more involved in voluntary activities as a part of social responsibility and are more satisfied. The reason for similarity in findings can be attributed to shared theoretical foundation, CSR framework, which emphasize on the importance of societal expectations. Consumer behavior trends show that customers increasingly value ethical and socially responsible business practices, which positively influence satisfaction level.

Moreover, the beta coefficients for economic responsibility is positive with customer loyalty. It indicates that economic responsibility has a positive impact on customer loyalty. This finding is consistent with the results of Khadka (2020) and Samra and Wady (2017) which represents the customers view towards economic responsibility performed by banks. Based on customers' perception, economic responsibility is ranked second priority after philanthropic responsibility in this study however Khadka's study ranked second priority while Samra and Wady's study ranked economic responsibility at fourth on their list. This differences in priority might be due to the differences in demographic characteristics of the respondents.

The study found empirical evidence to support the hypothesis, legal responsibility is positively related to customer loyalty. This finding empirically confirms the theoretical arguments given by Ochoti et al. (2013) and Peloza (2012) and which shows a positive impact of legal responsibility on customer loyalty. However Liu (2010) showed inconsistent results with this study. Similar research contexts, such as industry, culture contributed to aligned results, as customers in such environments tend to respond similarly to legal responsibility. Furthermore, legal activities enhances customer loyalty. Benedict et al. (2022) findings also collaborate recent finding which revealed that the legal responsibility has direct significant positive effect on customer loyalty towards firms. Since the Nigerian telecom industry follows legal and ethical code strictly, it has been able to gain trust and further increase customer loyalty. Strict adherence to legal factors explains the reason for banks being popular and trusted firms in the industry.

The regression results based on research findings shows that the beta coefficients for ethical responsibility is negative with customer loyalty. This is similar to the findings of study by Liu (2010) explains that the perceived value of CSR does not have significant impact directly on loyalty of customers, while quality, customer satisfaction, corporate image and customer trust shows significant impact. However, the result is inconsistent with the finding Khadka (2020) which showed significant positive result of ethical responsibility and customer loyalty. The result of inconsistency may be because the study of Khadka (2020) was conducted on employees and employees usually present favourable perception towards their work place. The finding by Benedict et al. (2022) which shows that the ethical responsibility has direct significant positive effect on customer loyalty towards firms also contradicts the current finding.

The study found empirical evidence to support the hypothesis, philanthropic responsibility is positively related to customer loyalty. This finding empirically confirms the theoretical arguments given by Samra and Wady (2017) which showed that Palastine Banks respondents valued voluntary activities as an important factor, organization doing donation and other voluntary activities would enhance the quality of life. Both studies presented the idea that when organizations actively engage in voluntary initiatives customers perceive these efforts for societal contribution. This perception increases connection and trust, which are key drivers for customer loyalty. In both cases the cultural and social context have high value on organizations which further improves the quality of life, resulting in positive responses from customers across different background. Loyal customers are likely to increase word of mouth about the firm and be a part of firm (Zeithaml et al., 1996). The result coincide with study conducted by (Anderson & Mittal, 2000).

The regression results based on research findings shows that the beta coefficients for economic responsibility is positive with corporate image with the t-test = 4.783, the P value (Sig.) =0.000, which is lower than the level of significance of 0.05 based on this study while the study by Khadka (2020) showed economic responsibility ($\beta = 0.038$, $t = 0.495$ and $P < 0.05$) and supported the hypothesis. Customers view economic responsibility and economic roles of bank as an important factor to enhance corporate image. The findings by Mahmood and Bashir (2020) also

corroborate with this. Despite the fact that these study are conducted in different industry the economic roles played by these industry is huge hence the positive impact on corporate image. However the findings by Mai et al. (2023) does not tally with current finding.

The study found empirical evidence to support that legal responsibility is positively related to corporate image but the level of significance is greater than 0.05. Mai et al. (2023) also supported this finding. However, this finding is inconsistent with the findings Khadka (2020) which showed that respondents valued legal responsibilities as an important factor. In the context of this study the respondents did not think that legal responsibility as one of the influencing factor for enhancing corporate image. However it contradicts with the finding of Mahmood and Bashir (2020) whose findings revealed that all aspects of CSR except legal responsibility have positive influence on image factor. The reason for difference is because legal factor is considered to be duty rather than voluntary activity.

The regression results based on research findings shows that the beta coefficients for ethical responsibility is positive with corporate image. This is similar to the findings of study by Aula (2010); Mahmood and Bashir (2020) who explains that the perception towards CSR image creates significant impact in both long and short run for corporates. Based on study by Samra and Wady (2017) the significance level was higher than 0.05 so the data showed insignificant effect on ethical responsibility. Based on banks customers view ethical responsibility was not influencing factor to loyalty as all the organization were operating ethically but in Nepalese context all organization are to be guided by rules hence showed positive relation. So, ethical responsibility is considered important factor for enhancing customer loyalty in Nepalese context.

Moreover, the beta coefficients for philanthropic responsibility is positive with corporate image. It indicates that philanthropic responsibility has a positive impact on corporate image. This finding is consistent with the results of Chun and Bang (2016); Khadka (2020); Samra and Wady (2017). Khadka (2020) results showed significance of philanthropic responsibility with reputation at significance value of 0.027. These study findings shows that those organizations which engage in voluntary activities are perceived as more ethical, trustworthy, and these factors further enhances public image. The result coincide with studies conducted by Ball et al.

(2006); Farquhar et al. (1990); Gupta et al. (1985) and Nguyen and Leblanc (2001), In their study they found that corporate reputation and image are important for creating loyalty and customer retention among customers. Additionally, the use of empirical methods to measure the impact of philanthropic activities like corporate reputation contributes to the alignment of results.

CHAPTER V

SUMMARY AND CONCLUSION

This chapter provides brief summary of the study and presents the major findings of the study. Additionally major conclusions are presented and discussed in separate section of the chapter which is followed by implications and scope for any other further research based on findings regarding the CSR and firms performance in Nepalese Commercial Banks.

5.1 Summary

This study aims to evaluate present status of CSR practices on firms' performance with the help of various factors based on the perception of customer regarding economic responsibility, legal responsibility, ethical responsibility, philanthropic responsibility, customer satisfaction, customer loyalty and corporate image. To achieve the goal of measuring customer perception 3 research questions were formulated with 3 specific objectives. Data were collected from structured questionnaire survey conducted among banks customers.

Various previous research articles regarding the topic were reviewed and analyzed. Based on the review dependent and independent variables were identified. The study is based on Carroll's CSR Pyramid as the basic foundation by taking four independent variables; economic, legal, ethical and philanthropic responsibility while customers' satisfaction, customer loyalty and corporate satisfaction were taken for measuring firms' performance of Nepalese commercial Bank as dependent variables. The result is based on the customers' response of two commercial banks namely Siddhartha Bank and Nabil Bank. Causal comparative research methodology has been used. Descriptive analysis was used with mean to determine the average value and standard deviation was also used. Pearson correlation was used to determine the relationship between multiple CSR dimensions and Nepalese banks performances. Similarly, multiple regression analysis was conducted to find the impacts of independents variables with dependents variables using SPSS 26. Hypotheses testing and t test was also performed at 1% and 5% significance.

Customers' perceptions regarding economic responsibility, legal responsibility, ethical responsibility, philanthropic responsibility, customer satisfaction, customer loyalty and corporate image is positive. Customers value economic responsibility the most while

philanthropic responsibility was regarded slightly lower in comparison with other variables.

The findings suggested the varying influence of CSR dimensions on customer perceptions and suggested that economic and philanthropic responsibilities consistently play a strong role across all 3 outcome variables. While ethical responsibility have lower impact on customer satisfaction and customer loyalty. And, legal responsibility has lower impact on corporate image.

Economic, legal, and philanthropic responsibilities significantly contribute to customer satisfaction, while ethical responsibility showed lower impact. From the respondent's data, economic, legal and philanthropic responsibilities displayed higher correlation which enhances customer loyalty. While ethical responsibility have comparatively lower influence on customer loyalty. Economic, philanthropic, and ethical responsibilities positively influence corporate image, while legal responsibility does not have a statistically significant role in determining the customer perception on corporate image.

5.2 Conclusion

With the analysis of perception from 309 respondents, the results showed participants perception on four dimensions of CSR. Out of four dimensions, economical responsibility was valued the most, which implies that customer value economic responsibility performed by BFI's in Nepal. Most of the respondents have prior work experience and have higher educational qualification which might have affected the study findings. The skewness value showed some variation in perception but showed general positive attitude towards CSR.

Legal responsibility also received higher mean value which implies respondent's value legal and regulatory compliance of rules and regulations. Similarly, it showed that they value ethical responsibility and philanthropic responsibility as well by showing positive perception towards this dimensions. However, perception towards philanthropic responsibility showed that it can be improved and banks should focus on doing voluntary activities more often to enhance overall banks performance. The analysis reflected that there is significant positive relationship between CSR dimensions and customer satisfaction. Customers who perceive CSR efforts as important; are more satisfied with banks performance. Customers who are satisfied are loyal to banks. Similarly, CSR contributes positively in building banks image. And hence these 3 factors helps

to improve and enhance banks overall performance. CSR and customer satisfaction showed positive relationship which matches with previous studies. Responsible business practices improve bank's image and customers' perception. This findings displays the need of efficient CSR strategies in Banks to achieve sustainable competitive advantage.

In conclusion, Nepalese BFIs that actively participate in CSR activities can build relationships with their customers by increasing satisfaction level, loyalty and thereby enhancing corporate image. Banks should improve participation in philanthropic activities to overall improve banks performance.

5.3 Implications

The findings of this study have both practical and research implication. There are many empirical studies which described the effect of CSR on firms' performance of Nepalese Commercial Banks. However, this study describes the relationship between CSR and firms performance in Nepalese Commercial Banks

5.3.1 Theoretical and Practical Implications

The study analyzed the impact of CSR practices in 2 Commercial Banks. This study analyzed the relationship of CSR with factors influencing banks performance such as customer satisfaction, customer loyalty and corporate image. The study shows that CSR factors have significant impact on these 3 factors and improving certain CSR practices can improve organizational performance. So, while formulating strategy bank should provide high attention to CSR to improve overall banks performance.

This research will help the policy makers to influence the formal and informal policies to build relationships and networks. This will help the policy makers to produce more useful work and better engage with practitioners and intermediaries. This research helps the shareholders to know about position of their investment in the selected banks. The main interest of a shareholder is the profitability of the business which can be analyzed from customers' perspective regarding their views on banks performance based on corporate social responsibilities performed by banks from time to time. Depositors can know about the position of the financial institutions in which they have invested. How much their banks are involved

for social cause and how they are contributing to the society. They will be able to know that, if their deposit is worthwhile or not. They can make good decision regarding involving with the bank which is socially responsible, they can know the real position of the bank. They can also choose the best bank in which their investment will get a good return by analyzing the CSR activities performed by the bank.

In addition, this study not only benefits the banking sector but also is of equal significance for other non-financial sectors of Nepal. As for the investors, it is crucial to know how well the bank is performing before they make decision to invest in any bank share in order to acquire desirable return with lesser risk. This study also helps in knowing how customers perceive the performance of different commercial banks in terms of activities performed as CSR. So, this study can be used as reference in future studies to generalize the relationship between CSR activities and banks performance in Nepalese commercial banks.

This study can be used as basis and applied on other sector as well. So that it will be useful in making investment plans or investment decision by being more informed and helps to reduce risk exposure.

5.2.2 Scope for the Future Studies

The study conducted took samples from commercial bank in Nepal's context. Further future studies can incorporate respondents from different context in order to increase global perspective by increasing no of samples, one could select other financial institution such as development banks, finance companies or cooperatives. The research will provide better results if more than two banks could be taken as sample size, if more dependent variables could be taken into consideration and if more data analysis tools could be taken. The research would be more accurate and appropriate if other data analysis tools other than the used could be incorporated for the research. In today's context environmental factor is one of the most important factor this could also be considered along with Carroll (1911) four dimensions (Economic, Legal, Ethical and Philanthropic) included in this study. This study tried to provide clear understanding of CSR dimensions and its relation on factors of firms' performance in Nepalese Commercial Banks.

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APPENDIX

Annexure 1: Survey Questionnaire

Survey Questionnaire on Corporate Social Responsibility (CSR) and Firms Performance of Nepalese Commercial Banks

Respected Sir/Madam,

Thank you for being key informant for my thesis research entitled "*Corporate Social Responsibility and Firms Performance of Nepalese Commercial Banks*" conducted under the Faculty of Management, T.U. Your insights in the field of CSR will be highly valuable for enriching accuracy of this research.

Your responses will be strictly confidentiality and will be used for academic purposes only.

Thank you very much for your valuable support.

Segment A: Background

Please choose the appropriate options:

Gender: Male Female

Age (in years): 18-29 30–40 Above 40

Profession Student Unemployed Employed Own Business

Work Experience (in years): Less than 5 5 to 10 years More than 10 years

Educational Qualification: Below +2 +2 Bachelor Master's Degree and above

Which bank do you choose to provide your opinion regarding CSR? Siddhartha Bank

Nabil Bank

Do you choose organizations that perform CSR over other organizations? Yes

No

Is CSR a necessary element for organizations growth in your view point? Yes

No

Does your bank allocate a separate budget for CSR? Yes No

Is CSR reporting practiced in your bank? Yes No

Is there a dedicated CSR unit in your bank? Yes No

Segment B: Corporate Social Responsibility

CSR represents a company's duty to contribute positively towards society, reflecting both societal needs and the social impacts of business activities. The table outlines various types of corporate social responsibility (CSR) to explore how they relate to the performance of firms.

Economic Responsibilities

Economic responsibility is about profit making with contributions to societal development. CSR has dual impact on business and society.

Economic Responsibility	1=Strongly Disagree	2=Disagree	3=Moderately Agree	4=Agree	5=Strongly Agree
The bank meets its responsibilities to its stakeholders.					
The bank supports the nation's					

economic development.					
The bank considers economic advancement essential for societal progress.					
The bank emphasizes solving social challenges through economic initiatives.					
The main objective of the bank is to maximize profit.					
The bank remains focused on economic roles while also fulfilling its societal responsibilities.					

Legal Responsibilities

Corporate Social Responsibility also includes following national laws and regulations. Complying with legal requirements is a key aspect of ethical business. Present your views on following aspects

Legal Responsibility	1=Strongly Disagree	2=Disagree	3=Moderately Agree	4=Agree	5=Strongly Agree
Human rights are upheld across all operations.					
CSR initiatives are carried out in accordance with legal standards.					
The bank fulfills its tax responsibilities as required by the government.					
The bank adheres to all applicable laws and regulations.					
It fully complies with labor law obligations.					
The bank keeps up with and implements new regulatory changes.					

Ethical responsibilities

Beyond fulfilling economic and legal duties, society also expects businesses to act ethically. Ethical responsibility means conducting business in a just and morally sound manner.

Corporate Social Responsibility (CSR) plays a key role in encouraging companies to adopt ethical practices and contribute positively to society.

Ethical Responsibility Items	1=Strongly Disagree	2=Disagree	3=Moderately Agree	4=Agree	5=Strongly Agree
The bank is dedicated to enhancing its moral and ethical image.					
It actively participates in addressing social issues to help improve the quality of life.					
The bank promotes its services in a responsible and ethical way.					
It shows respect for the values and interests of its stakeholders.					
It achieves its goals without compromising ethical standards.					
The bank ensures high quality and integrity in its social responsibility activities.					

Philanthropic responsibility

Philanthropic responsibility refers to a company’s dedication to actively engaging in efforts that address societal challenges, with the aim of improving overall social well-being. It emphasizes enhancing the quality of life for both the individuals connected to the business and the broader community in which it operates.

Philanthropic Responsibility	1=Strongly Disagree	2=Disagree	3=Moderately Agree	4=Agree	5=Strongly Agree
The bank regularly develops and launches new social programs and initiatives.					
Environmental protection in the surrounding areas is a key concern for the bank.					
The bank plays a role in safeguarding the cultural and religious traditions of society.					
The bank allocates a specific portion of its funds to support voluntary charitable initiatives.					
It actively contributes to improving public education in the community.					

The bank follows a policy aimed at gradually increasing its charitable activities.					
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Segment C: Firms Non-Financial Performance

Customers' satisfaction

Please indicate the extent to which you agree or disagree with the following statements:

Customer Satisfaction	1=Strongly Disagree	2=Disagree	3=Moderately Agree	4=Agree	5=Strongly Agree
The services offered by the bank meet customers' expectations.					
Customers are satisfied with the service of the bank.					
The bank is committed to providing customer-oriented services and adjusts services based on customer suggestions.					
You continue your banking relationship with the same bank because you are satisfied with the					

services offered.					
If dissatisfied with the bank, you would change to another bank.					
The bank provides tailored services leading to customer satisfaction.					

Customers' loyalty

Please indicate the extent to which you agree or disagree with the following statements:

Customer Loyalty	1=Strongly Disagree	2=Disagree	3=Moderately Agree	4=Agree	5=Strongly Agree
I have a positive perception of the company and am likely to continue using the bank's services.					
I find all staff members polite and helpful when addressing my concerns or complaints.					
I recommend this bank's products to my friends and family.					

I am completely satisfied with the products and services provided by the bank.					
I am not likely to switch to another bank easily.					
I have banking relationships with multiple banks but remain loyal to this bank in particular.					

Corporate image

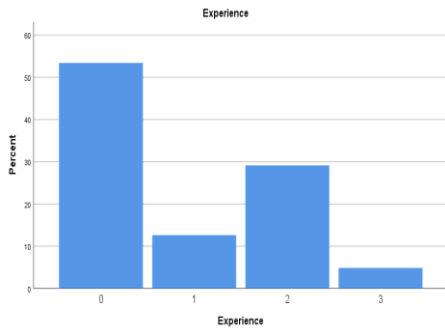
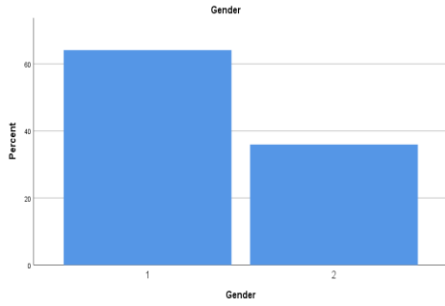
Please express your level of agreement or disagreement with the statements listed below:

Corporate Image	1=Strongly Disagree	2=Disagree	3=Moderately Agree	4=Agree	5=Strongly Agree
The quality of the products or services of this bank is perceived positively by customers.					
The organization is effective in attracting, utilizing, and retaining customers.					
The company demonstrates strong commitment to community and					

environmental responsibilities.					
The financial stability and soundness of the company is evident.					
The company is innovative—either by introducing new ideas or by improving existing processes.					
The company effectively adapts to market changes and responds to customer needs in a timely manner.					

Thank you.

Annexure 2: Bar Graphs



**CORPORATE SOCIAL RESPONSIBILITY AND FIRMS PERFORMANCE OF
NEPALESE COMMERCIAL BANKS**

A Dissertation Proposal

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Chapter 1 Background of the study

Sustainability essence is that which can be maintained over the period of time. Society which is unsustainable cannot be maintained for long period of time. The concept of sustainability is indispensable and should be used as the basis for kinds of long range planning Heinberg (2010). Sustainability means meeting the need of current generation without compromising the ability of future generation to meet their needs. Sustainability is about finding a balance between environment and business. Sustainability links the environment, equity and economy. If any organization wants to survive in the competition business, then they must be able to give back to the society and environment. This not only helps to protect the environment and earn profit but will also help to retain customers in long run and build company's image. Corporate Social Responsibility (CSR) is one of the principles of attaining sustainability in businesses, overall economy and our society. CSR has become increasingly important in today's business scenario due to growing concern over issues such as climate change, social inequality and ethical business practices.

Although CSR has only recently risen to prominence as a serious discipline in management, contributing to society is not a totally a new concept for firm. In late 1770's, Adam Smith introduced the expression 'the invisible hand' to demonstrate how capitalist inadvertently brought about domestic economic prosperity even though their real intentions were the pursuit of self-interest. Smith argued that the metaphorical 'hand' helps to produce benefits to the society even when the capitalists did not plan for such benefits. The invisible hand produced outcomes that may not be consciously planned. To Smith, social welfare is a by-product of capitalist's activities. The impact of corporate activities on society has been thence debated by practitioners and researcher right up to this day as per Wan-Jan (2006).

The concept of CSR and their ethical behavior are not new concept, recent crisis directed towards the importance of moral principle in banking business. Management of banks views social responsibility and ethics as a marketing tool to communicate with public which is not

integrated into commercial banks policies.

Mintzberg (1983) claims that CSR can only survive and should be practiced in its purest and the most proper form as an ethical position without any expectation of payback. CSR is about undertaking some actions to serve society beyond selfishness and greed. The International Business Leaders Forum defines CSR as open and transparent business practice which are based on ethical value and respect for employees, communities and the environment. It is designed to deliver sustainable value to society at large, as well as to stakeholders.

The corporate world extensively discussed CSR throughout and following the decade of 1970s, emerging in response to heightened public expectation regarding the conduct of discussed deliberated public corporations. The challenge is formulation of a singular and universally acknowledged definition of CSR that arises from many perspective found within academic literature, leading to a state of ambiguity. In the fiscal year 2016/2017, Nepal Rastra Bank (NRB) introduced CSR directive that mandated organizations to allocate a minimum of 1 percentage of their net profit towards the establishment of CSR fund, thereby facilitating their engagement in CSR initiatives Nepal Rastra Bank (2021). Subsequently in 2020, revisions were made in CSR provisions expanding its scope to include activities related to financial literacy and other expenses associated with addressing the impact of COVID-19 on staff. Bank and Financial Institutions (BFIs) are obligated to disclose their CSR expenditure by each CSR head and provinces and present in their financial report.

Nepalese banking industries consists of licensed BFIs including 20 commercial banks (CBs), 17 development banks, 17 finance companies, 57 microfinance companies (MFIs), and one infrastructure development Bank. (Nepal Rastra Bank, 2023).

Chapter 2 Problem statement

Wan-Jan (2006) believes that the definition proposed by Hopkins (2003), which states CSR as treating the stakeholders of the firm ethically or in a responsible manner most accurately explains the essence of CSR. This definition considers CSR to be both ethical standpoint and a strategic business approach. It also offers practical framework for understanding and implementing CSR. Majority of BFIs have reported a smooth implementation of the existing CSR regulations. However, potential change in regulations might be necessary depending upon the utilization pattern of CSR funds in the coming year. Additional contribution to Sustainable Development Goals (SDGs) is necessary to achieve goals by 2030. Priority should be given on directing CSR funds to areas that receive limited coverage but have substantial social benefit. Choongo (2017) shows that CSR positively impacts the performance of small and medium enterprises based on the study in Zambia.

In the practical scenario many businesses are found to be investing in CSR but without suitable strategy and in a planned way, which negatively affects the firm's performance and makes it hard to survive in this highly competitive business world of today. Hence, it is relevant subject for discussion aimed at exploring the impact of CSR on banks with the objective of determining whether investment in CSR are indeed worthwhile or not.

Even though, there are multiple empirical evidence in the context of other countries only very few evidences are using more recent data to study this topic in the context of Nepal. More specifically, this study deals with the following issues in the context of Nepalese banks. The study aims to answer the following research questions.

- iv. What is the perception of customer regarding economic responsibility, legal responsibility, ethical responsibility, philanthropic responsibility, customer satisfaction, customer loyalty and corporate image in Nepalese commercial banks?

- v. What is the relationship between economic, legal, ethical, philanthropic responsibilities with customer satisfaction, customer loyalty and corporate image in Nepalese commercial banks?
- vi. What is the impact of economic, legal, ethical and philanthropic responsibilities on customer satisfaction, customer loyalty and corporate image in Nepalese commercial banks?

Chapter 3 Objectives of the study

The major objective of this research study is to access and analyze the current status of CSR practices in Nepalese Commercial Bank. The specific research objectives set for this thesis research are:

- iv. To measure the perception of customer regarding economic responsibility, legal responsibility, ethical responsibility, philanthropic responsibility, customer satisfaction, customer loyalty and corporate image.
- v. To examine the relationship between economic, legal, ethical, philanthropic responsibilities with customer satisfaction, customer loyalty and corporate image.
- vi. To examine and access the impact of economic, legal, ethical and philanthropic responsibilities on customer satisfaction, customer loyalty and corporate image.

Chapter 4 Hypothesis

A hypothesis is a preset assumption to reach a conclusion. Hypothesis is the initial state for research which converts research questions into predictions to generate research findings. It includes study variables and the relation of variables with other factors under study. This research hypothesis tests the relationship between various dependent and independent variables to arrive at conclusion. The hypothesis formed for this thesis research are presented as below:

H₁: There is a positive effect of economic responsibility on customers satisfaction in Nepalese commercial banks.

H₂: There is a positive effect of legal responsibility on customers satisfaction in Nepalese commercial banks.

H₃: There is a positive effect of ethical responsibility on customers satisfaction in Nepalese commercial banks.

H₄: There is a positive effect of philanthropic responsibility on customers satisfaction in Nepalese commercial banks.

H₅: There is a positive effect of economic responsibility on customer loyalty in Nepalese commercial banks.

H₆: There is a positive effect of legal responsibility on customer loyalty in Nepalese commercial banks.

H₇: There is a positive effect of ethical responsibility on customer loyalty in Nepalese commercial banks.

H₈: There is a positive effect of philanthropic responsibility on customer loyalty in Nepalese commercial banks.

H₉: There is a positive effect of economic responsibility on corporate image in Nepalese commercial banks.

H₁₀: There is a positive effect of legal responsibility on corporate image in Nepalese commercial banks.

H₁₁: There is a positive effect of ethical responsibility on corporate image in Nepalese commercial banks.

H₁₂: There is a positive effect of philanthropic responsibility on corporate image in Nepalese commercial banks.

Chapter 5 Rationale of the study

Multiple studies and research are conducted on Corporate Social Responsibility in different countries but still there are only few in Nepal. Thus, this study will act as basis for further research and investigation regarding CSR and its impact on customer satisfaction, customer loyalty, corporate image and overall firm`s performance in sampled Nepalese Commercial Banks. Moreover, the study will act as a tool for the investors to identify which banks are most appropriate for investment based on banks contribution towards social activities. Also, it will help ethically driven customers and investors to make right choice. Policy makers and government can formulate necessary policy decisions and take actions in line with the inferences of this study to promote CSR practices in Nepal. And, this can help in creating a win-win situation between business and society.

The empirical relationship of firm`s performance with CSR is highly important for stakeholders, promoters, management, regulators, depositors, and other stakeholders. This study not only benefits banking sector but also will have equal significance to other financial sector and business houses. To make informed decision and right choice regarding the investment one is likely to choose a socially responsible organization rather than those who are making mere profit. In addition, this study will be reference for further study on topics on CSR and sustainability measures followed by banks or any other organizations.

So, it will be useful in strategy formulation and sustainable future planning of the business.

Chapter 6 Brief review of the literature

Knowledge of business practice indicates the fact that the acceptance of moral principles in business is not integrated into management decisions of companies. The existing experience with the implementation of CSR and ethical principles in the banking sector leads to the opinion that the social responsibility of banks and ethics in banking sector are perceived as an appropriate marketing tool for public communication and are not integrated into policies of individual commercial banks. There was significant lack of transparent information in the context of CSR areas Burianova and Paulík (2014).

To study the impact of CSR on financial performance of Nepalese Commercial Banks Sthapit (2023) used a causal research design and the secondary data from 16 banks for five years for the analysis and to draw a conclusion. The correlation analysis reveals that there is a significant and negative correlation between CSR expenses and Return on Assets (ROA). However, the relationships between CSR expenses and Return on Equity (ROE) and between CSR expenses and Earnings Per Share (EPS) are found to be statistically insignificant. The study concluded that there is no significant relationship between CSR and financial performance. In the context of Nepal, banks were unable to utilize CSR funds properly.

In order to provide a working definition of CSR Wan-Jan (2006) divides the current literature and current business practices depending on the way CSR is perceived - as an ethical position or as a business strategy. It concludes that CSR is context dependent subject matter and differs for business. Additionally, it can be understood as an ethical stance which increases profitability while serving stakeholders as important because otherwise companies may not be able to continue their social responsibility.

Nepal Rastra Bank (2021) in an article with multiple objectives, to explore the BFI's perspective towards CSR regulation was one. The majority of BFI's reported a smooth implementation of current CSR regulations. Nevertheless, future regulatory adjustments may be necessary, contingent upon the utilizations trends of CSR fund in the future. Prioritizing

increased contributions to Sustainable Development Goals (SDG) is crucial in meeting goals by 2030. Rather than dispersing CSR related activities across various acts, it is advisable to develop comprehensive and integrated CSR act.

Dhami (2021) in his research examined the relationship between internal CSR practices and organizational commitment of the employees of Nepalese commercial banks. The study found that work life balance is positively and significantly associated with organizational commitment. Organizations that implement more comprehensive work life balance initiative tends to experience higher level of organizational commitment among their employees. This result is in line with previous research that has similarly identified a significant relationship between work life balance and organizational commitment.

To make a review of the sustainability performance in banking sector Manoj (2021) studied public banks in India and reached the conclusion that public sector banks in India have grown increasingly aware of the importance of sustainability and have adopted eco-friendly banking practices In summary, the sustainability endeavors of public sector banks, achieved through the reorganization of their operations, have not only protected the environment and preserved ecological equilibrium but have also boosted the operational sustainability of numerous banks in India, while simultaneously enhancing the overall reputation of public sector banks.

To identify the present status of CSR practices in Nepalese commercial banks. And, also to analyze the impact of CSR practices in customer satisfaction, employees satisfaction and customer loyalty Khadka (2020) found a positive correlation between corporate social responsibility and the performance of Nepalese commercial banks, with statistical significance. Moreover, the research results also indicates that CSR plays a substantial role in cultivating customer loyalty. It is evident that customers place significant trust in the systems and procedures adopted by the bank.

Samra and Wady (2017) examined the effect of corporate social responsibility on Bank of Palestine's clients loyalty in Gaza Strip, and to explore the role of mediators (satisfaction, trust

and corporate image) in the relationship between CSR and loyalty. The main dimensions of CSR are: economic, legal, ethical, philanthropic/voluntary and environmental responsibility towards clients and the community. There is a significant relationship between CSR in Bank of Palestine and client's satisfaction. There is a significant relationship between CSR in Bank of Palestine and bank image. There is no significant relationship between clients trust and clients loyalty.

Chapter 7 Research methodology

"Methodology is the systematic, theoretical analysis of the methods applied to a field of study. It comprises the theoretical analysis of the body of methods and principles associated with a branch of knowledge. For presentation and analysis of data research methodology needs to be clear. The research data will be obtained through structured online questionnaires which were administered randomly on our sample population. The questions are designed to test the relationship between CSR and profitability, employee's satisfaction, customer's image and perception towards the organization.

This chapter therefore explains the methodology employed in this study. This chapter has been divided into five sections. Section one provides a description of study design used in the study. Section two describes the population and sample along with the selection of banks for the purpose of study. Section three deals with the nature and sources of data used in the study. Section four explains research framework and defines variables for this research. Similarly, section five describes method of analysis.

7.1 Research design

A research design is the systematic structuring of the conditions under which data is gathered and analyzed. This structuring is aimed at achieving a harmonious blend of relevance to the research objectives while also ensuring efficiency and methodical rigor.

This thesis report will use descriptive and casual comparative research design to examine and analyze the relationship and impact of CSR factors on firms performance through customer perception by analyzing customer perception through customer satisfaction, customer loyalty and corporate image. The descriptive technique will be employed to find out the facts regarding CSR and to gather information on its impact on overall firms performance. The use of casual comparative research design will help to analyze the cause and effect relationship of various dependent and independent variables. The study will examine and present the results of the relationship of dependent variables namely customer satisfaction, customer loyalty and corporate image on CSR by considering four factors economic, legal, ethical and philanthropic responsibility.

The research design holds great significance in any research undertaking, functioning as a guide to direct and navigate the research activities.

The primary objective of this research is to investigate the extent to which Nepalese Commercial Banks are involved in corporate social responsibility initiatives and how these initiatives affect their overall performance. Additionally, this study aims to empirically assess the proposed hypotheses regarding the connection between CSR and the performance of these firms. To accomplish these goals, quantitative research methods will be employed, encompassing the administration of a structured questionnaire to gather information from respondents, generating information on the implementation of CSR activities and its impact on a firm's performance. Subsequently, the collected data will be subjected to rigorous analysis and presented. This research encompasses a wide range of topics, including CSR practices, customer loyalty, employee satisfaction, corporate reputation, and financial profitability.

The questionnaire will be divided into two sections: Section A will focus on gathering respondents' personal information, primarily to assess their level of experience and educational background. Section B will comprise the core questions and multiple-choice answer options. The response choices on the questionnaire will encompass a spectrum from 'Strongly Agree,' 'Agree,' 'Uncertain,' 'Disagree,' to 'Strongly Disagree,' each assigned a weighted value of 5, 4,

3, 2, and 1, respectively. The response frequencies will initially be presented in percentage form and will also be visualized through the use of a chart.

For this study, a random sampling technique, which offers an equitable representation of the population under examination, will be employed. The study's target population comprises customers of Nepalese Commercial Banks. The data will be collected from 309 respondents through the online distribution of questionnaires. This section discusses on how the analysis will be carried in the research. It is necessary to follow certain steps and procedures in analyzing data in order to understand the results and generalize the findings. The analysis of collected data intends to study the cause and effect relationship between the variables.

7.2 Population and sampling procedure

The main objective of this study is to explore the relationship between corporate social responsibility (CSR) practices and the performance of commercial banks in Nepal. The target population for this research comprises all customers of commercial banks across the country. However, due to limited time and resources, it is not feasible to include all banks in the study. Consequently, a sample of two commercial banks, which have a substantial number of branches, has been selected from the total population of 20 commercial banks operating in Nepal. The selection of these banks will be based on convenience sampling, considering practicality and accessibility. Data will be collected from 309 participants across the selected banks. The commercial banks will be chosen using convenience sampling techniques, ensuring a manageable and representative sample for the study.

7.3 Nature and sources of data collection

The study will utilize primary data, which will be gathered through a structured questionnaire administered to customer of in the two commercial banks. The survey aims to gather customers opinions on the corporate social responsibility (CSR) initiatives of banks and their impact on the banks' performance. The questionnaire will predominantly consist of closed-ended questions, providing respondents with predetermined answer options. The questionnaire, created using Google Docs, will be distributed through online social media platforms and Gmail to customers of the selected commercial banks.

7.4 Research framework and definition of variables

The research framework serves as the foundational structure for comprehending the interconnections among the various components of the study. In this context, it is crucial to establish precise definitions for the key variables under consideration. These definitions will enable a more structured examination of the relationships within the research.

7.4.1 Conceptual Framework

A conceptual framework is the basic foundation of the research which shows the relationship between the variables under study. It is a theoretical structure of assumptions, principles, and rules that holds together the ideas comprising a broad concept. It is used to make conceptual distinctions and organize ideas. It helps to determine and define the focus and goal of the research. Based on the objective of the study and the literature review following conceptual framework is framed to summarize the main focus and scope of the research.

Conceptual framework describes the systematic explanation of relationship between dependent and independent variables understanding the relationship between firm's characteristics and CSR practices of Nepalese commercial banks. The model demonstrates how CSR dimension (economic, legal, ethical, and philanthropic responsibility) affect firm performances i.e. customer satisfaction, customer loyalty and corporate image. The independent variables are named as economic responsibility, legal responsibility, ethical responsibility and social

responsibility.

Independent Variables

Dependent Variables

Figure 1 Research Framework

Figure 1 shows how CSR is related with the firm's performance with the help of dependent variables. This study focuses on the relationship between CSR and firm's performance in Nepalese commercial banks. The conceptual framework of this study consists of four dependent and four independent variables which are to be tested through statistical tools.

In this study, dependent variables are customer satisfaction, customer loyalty and corporate image while independent variable are factors affecting CSR which includes economic , legal, ethical and philanthropic responsibility.

7.4.2 Description of Variables

Any characteristics, number, or quantity that can be measured or counted is termed as variable. An alternative name for a variable is a data item.

Dependent Variables

This study is looking for the effect on the dependent variable that might be caused by changing the independent variable. For this study four variables will be taken as dependent variables:

- Customer Satisfaction
- Customer Loyalty
- Corporate Image

Independent Variables

This study is looking for the effect on the dependent variable that might be caused by changing the independent variable. This study will take four variables as an independent variables:

- Economic Responsibilities
- Legal Responsibilities
- Ethical Responsibilities
- Philanthropic Responsibilities

7.5 Methods of analysis

The data was will be analyzed through the Statistical Package for Social Science (SPSS) software package and Microsoft Excel. SPSS is analytical and scientific software that helps to organize the data, determine significant relationships and identify differences, similarities with and between different categories of respondents. For this research purpose, descriptive statistics, regression, correlation test will be performed in order to accomplish the objective of the study.

The structured questionnaire will be designed to conduct the survey. The questionnaire will consists of single response like Likert Scale questionnaire. Statistical tools will be used for data analysis. Data analysis method will be used with significance level set to 0.05. The following statistical tool will be utilized for data analysis. This section discusses on how the analysis will be carried in the research. It is necessary to follow certain steps and procedures in analyzing data in order to understand the results and generalize the findings. The analysis of collected data intends to study the cause and effect relationship between the variables.

1. Descriptive analysis.
2. Pearson's coefficient of correlation

3. Multiple regression

4. Hypothesis of executives

7.5.1 Descriptive Statistics

Descriptive statistics are used to describe the basic features of the data in a study. Descriptive analytical tools like mean, standard deviation, frequency, percentage etc. have been used to describe the data on respondent's demographics and understanding of CSR. The analyzed data will be presented by use of percentages, frequency tables.

7.5.2 Pearson's correlation coefficient

Pearson's correlation coefficient is used in this research in order to examine the relationships between two or more research variables. Specifically, the "Karl Pearson's coefficient of correlation" is the principal method utilized to quantify the degree of correlation between the two variables. If the value of the correlation coefficient is 1.0, then there is a perfect positive correlation between two variables. In contrast, if the value of correlation coefficient is -1.0, it can be concluded that there is a perfect negative correlation between two variables. In addition, there is no relationship between two variables if the value of correlation coefficient is zero. It will add valuable insights into the strength and direction of the relationship between CSR and bank profitability.

This section of the study is dedicated to presenting the results and engaging in discussions related to the correlation analysis. The primary objective of this analysis is to explore the direction and strength of the relationship between Corporate Social Responsibility (CSR) and the profitability of banks. To accomplish this, we employ a statistical metric known as the correlation coefficient. This metric is invaluable for assessing the magnitude of the linear association between two variables.

7.5.3 Multiple regression analysis

Multiple regression analysis is used to analyze the relationship between several independent

variables and a single dependent variable. This analysis technique allows researchers to indicate how much of the variance in the dependent variable is explained by a set of independent variables. Multiple regression analysis will be used to examine the simultaneous effects of several independent variables on a dependent variable.

Regression analysis represents a statistical methodology employed to estimate and understand the connections between variables. It encompasses various techniques for modeling and scrutinizing multiple variables, particularly when the primary focus is on the association between a dependent variable and one or more independent variables. The outcomes derived from this analysis are rooted in the linear regression model, which aids in delineating the linear relationships between the variables under consideration.

7.5.4 Hypothesis of executives

Once the data and impact of independent variables and dependent variable have been analyzed, the final results of hypothesis testing will be determined. Testing a hypothesis on a sample of data from a broader population will be used to deduce the outcome of the hypothesis. Carrying out a hypothesis test on sample data to see if the population's mean matches the sample's mean.

In summary, hypothesis testing is a crucial step in drawing meaningful conclusions from data, particularly when assessing the impact of independent variables on a dependent variable. It involves a systematic process of evaluating whether the observed data supports or contradicts a specific hypothesis, allowing executives to make informed decisions based on the results.

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