

**IMPACT OF ETHICAL BANKING ON ECONOMIC SUSTAINABILITY OF
BANKING INDUSTRIES IN NEPAL**

A Dissertation submitted to the Office of the Dean, Faculty of Management in partial
fulfillment of requirement for the Master's Degree

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CERTIFICATION OF AUTHORSHIP

I hereby corroborate that I have researched and submitted the final draft of dissertation entitled “IMPACT OF ETHICAL BANKING ON ECONOMIC SUSTAINABILITY OF BANKING INDUSTRIES IN NEPAL”. The work of this dissertation has not been submitted previously for the purpose of conferral of any degrees nor it has been proposed and presented as part of requirements for any other academic purposes.

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

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REPORT OF RESEARCH COMMITTEE

Mrs. Maharani Thakuri has defended research proposal entitled "IMPACT OF ETHICAL BANKING ON ECONOMIC SUSTAINABILITY OF BANKING INDUSTRIES IN NEPAL " successfully. The research committee has registered the dissertation for further progress. It is recommended to carry out the work as per suggestions and guidance of supervisor Asst. Prof. Durga Datt Pathak and submit the thesis for evaluation and viva voce examination.

APPROVAL SHEET

We have examined the dissertation entitled "IMPACT OF ETHICAL BANKING ON ECONOMIC SUSTAINABILITY OF BANKING INDUSTRIES IN NEPAL" presented by Mrs. Maharani Thakuri for the degree of Master of Business Studies. We hereby certify that the dissertation is acceptable for the award of degree.

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ABBREVIATIONS

ANOVA	:	Analysis of Variances
EBA	:	Ethical Banking Awareness
EBJ	:	Ethical Banking Judgement
EBB	:	Ethical Banking Behavior
ES	:	Economic Sustainability

ABSTRACT

This study investigates the impact of ethical banking on the economic sustainability of banking industries in Nepal, focusing on key factors such as Ethical Banking Awareness (EBA), Ethical Banking Judgement (EBJ), and Ethical Banking Behavior (EBB). The research is motivated by the growing recognition of the importance of sustainability in banking and the need for ethical practices that can support long-term economic, environmental, and social stability. Data were collected from 207 employees across various banking institutions in Nepal by using a structured questionnaire, measured by Likert scale. And data were analyzed using descriptive statistics and multivariate regression analysis. The study revealed that Ethical Banking Awareness (EBA) and Ethical Banking Behavior (EBB) have significant positive impacts on sustainable banking growth in Nepal. EBA has moderate effect on economic sustainability, suggesting that heightened awareness of ethical practices among bank employees can lead to more sustainable economic outcomes. EBB, on the other hand, demonstrates a strong positive impact across all dimensions of sustainability, underscoring the critical role of ethical behavior in driving sustainable growth. It enriches the existing literature on ethical banking by highlighting the specific ethical factors that contribute to sustainability in the banking sector of a developing country like Nepal. Practically, the findings provide valuable insights for banking institutions and policymakers.

Keywords: *Ethical banking awareness, Sustainable growth, Banking behavior, Banking judgement*

CHAPTER I

INTRODUCTION

1.1 Background of the Study

Banks have turned out to be the foundation of the economy, playing an imperative role in the development of business organizations. In the current era, often referred to as the information age, customers are highly informed. The banking sector plays a critical role in the economic development of any country. With increasing competition and regulatory pressures, banks are compelled to adopt ethical practices and build a strong brand image to ensure sustainable growth. Ethics in banking has long been a subject of study, and today it is receiving increasing attention. It seeks to incorporate moral, transparent, fair, and sustainable considerations into the decisions of an ever-growing number of banking consumers. In recent times, the need for sustainability has led to the development of various innovative sustainable business approaches (Baldassarre, Calabretta, Bocken, & Jaskiewicz, 2017).

Ethical banking is a new form of financial business that extends beyond the economic return of traditional banking behavior. Ethical banking refers to financial institutions that provide products and services that contribute to economic development, environmental quality, and the well-being of society (Martínez-Campillo et al., 2021). In this perspective, ethical banking is a type of financial intermediation that develops new economic ties beyond profit-making.

As the demand for a more sustainable society increases, adopting a sustainable banking approach serves as a competitive advantage for banks that are focused on attaining customer loyalty. This study revolves around understanding the role of sustainable banking practices in bank loyalty while exploring the mediating effect of corporate image on the relationship between sustainable banking practices and bank loyalty (Igbudu, Garanti, & Popoola, 2018). Sustainability encompasses an organization's economic, social, and environmental responsibilities, provoking the question of how to implement them effectively.

Aziz and Naima (2021) noted that banks are believed to be proactive since they have never been criticized for non-compliance with sustainability practices in the past. They need to be engaged in sustainability practices for increasing their value and improving public image. Similarly, Jung, Yoo, and Arnold (2021) stated that an organization's brand image, formed based on its socially responsible activities, is more favorably viewed by consumers than that of a company that does not engage in such practices. As a result, a favorable consumer brand attitude may be shaped by exercising sustainability marketing. Bansal and Roth (2000) argued that sustainable banking is a reliable system that pays due attention to financial and non-financial matters along with the legitimate interests of internal as well as external stakeholders. They further explained that sustainable banking ensures business operations in a manner that addresses and values social, environmental, and ethical considerations for promoting a balanced and stable financial system. Alamro and Rowley (2011) argued that brand preference is positively influenced by brand image and reputation. Ethical banks manage their customers' money, allocating it to investments and projects based on environmental, social, and governance (ESG) criteria with the aim of creating something of social utility for the surrounding community, above and beyond the mere pursuit of profit.

In recent years, there has been a proliferation of new forms of financial business that seek to make economic profitability compatible with respect for human rights and the environment. One such business is ethical banking, which invests only in projects offering value-added to society, mainly from an educational, cultural, environmental, and social perspective. In this context, ethics is understood as a science aimed at steering human action in a rational direction (Cortina, 1998). The proliferation of sustainable banking products and services also reflects the growing awareness and demand for ethical banking behavior. Bank customers, particularly millennials and Gen-Z, have increasingly prioritized ethical considerations, putting more concern on social and environmental issues in their decision-making (Puiu, 2016). The concept of sustainable banking is gaining traction as financial institutions seek to balance economic growth with environmental and social responsibility.

Financial consumers and investors demand ethical banking practices with greater transparency and safety in operational activities, and ethics embedded in product and service offerings (Valls Martínez et al., 2021). Ethical issues involved in banking practices have become an important aspect that nations must take into consideration,

especially in light of the incessant bank failures and ensuing loss of customers' deposits (Asikhia, 2016).

Sustainability is increasingly being acknowledged as central to the growth of an economy. Every economy now considers environmental protection and social justice to be its core, so banks and financial institutions should create a sustainable environment that can help reap substantial benefits. Sustainable banking implies incorporating environmental, social, and ethical considerations into banking operations and strategy to carry out business activities, thereby promoting sustainable development. Sustainable banking focuses on integrating environmental, social, and corporate governance (ESG) criteria into banking (Abor et al., 2019) and considers ESG as a key objective (Deloitte, 2017).

The concept of social banking, ethical banking, green banking, and corporate social responsibility (CSR) falls under the scope or umbrella of sustainable banking. Banks adopting sustainable banking practices enjoy numerous advantages, as they can differentiate themselves from competitors, improve their reputation among key stakeholders, gain their support, attract new clients, capital, and market share, and generate goodwill. The banking sector plays an important role in encouraging sustainable development as it is a requisite for and enabler of economic development. Banks must embrace sustainable practices. Moreover, growing awareness among stakeholders is prompting banks to become more proactive in terms of sustainable banking (Saxena, 2021). In the last decades, banks' attitudes toward environmental and social issues have changed, and the financial sector's accountability on these issues has gained importance. Thus, the adoption of sustainable practices by banks has become inescapable due to the growing demand for sustainability.

Commercial banks are significant players in the economy (Mishra et al., 2021), and their operations can have substantial environmental and social impacts. Ethical banking practices have emerged as a crucial strategy to reduce these impacts and promote sustainable development, which may significantly affect budget gap management in Nepal, where foreign aid seems significant (Mishra & Aithal, 2021). However, the adoption of ethical banking practices among commercial banks in Nepal is still in its infancy. Although the banking sector is an essential part of a nation's economic growth, its operations can also negatively affect the planet by supporting unsustainable practices,

funding polluting enterprises, and increasing the carbon footprint. Therefore, it is critical that banks implement sustainable procedures to lessen their negative environmental impact. The goal of green banking is to coordinate financial activity with environmental and social responsibility goals. Banks must promote environmentally responsible loans and investments. By exclusively providing loans to groups that care about the environment, banks can uphold their commitment to ethics (Goyal & Joshi, 2011).

Sustainable banking can be seen as a process of utilizing financial products and services to create a prosperous environment. Therefore, banking institutions need to respond to the incremental demand for ethical banking products and services by incorporating sustainability criteria into their offerings. The emergence of ethical banking practices not only influences customer preferences but also catalyzes the expansion and diversification of sustainable banking options, creating a dynamic interplay between responsible banking and financial behavior, and the products designed to meet these evolving ethical standards. The role of banks in the economy calls for a greater sustainable approach to be adopted by firms in the industry.

This study will specifically investigate the influence of ethical banking practices on the growth of sustainable banking within the Nepalese context. It will explore key ethical factors such as transparency, accountability, social responsibility, environmental sustainability, and governance practices adopted by commercial banks in Nepal. By examining the correlation between these ethical dimensions and the performance indicators of sustainable banking, the study aims to contribute to the understanding of how ethical banking can serve as a catalyst for sustainable development in the country. The research will be delimited to different banks operating in Nepal and will focus on a specific timeframe to ensure data reliability and comparability.

1.2 Problem Statement

The banking sector is widely regarded as a cornerstone of economic development, with its actions heavily guided by regulatory frameworks and central bank directives (Hasan et al., 2023). In recent years, there has been an increasing focus on ethical banking, which emphasizes transparency, accountability, social responsibility, environmental sustainability, and sound governance, as essential for sustainable banking growth (Masukujjaman & Aktar, 2014). Despite the global shift towards these practices, the

concept of ethical banking remains relatively underexplored within the context of Nepal (Afroz, 2017).

Nepal's banking sector, while critical to the nation's economic progress, is still in the early stages of adopting ethical banking practices (Mehta & Sharma, 2016). The lack of comprehensive studies that explore the relationship between ethical banking factors and sustainable banking growth in Nepalese banks presents a significant research gap. Although there is growing awareness and regulatory pressure to adopt sustainable practices, there is little empirical evidence on how these ethical factors influence the overall growth and stability of the banking sector in Nepal (Othman et al., 2017).

Moreover, the rapid adoption of ethical banking practices in other parts of the world suggests a potential opportunity for Nepalese banks to enhance their operations and competitiveness through similar strategies (Rasul et al., 2021). However, the specific challenges and opportunities associated with implementing these practices in Nepal remain unclear. Factors such as the integration of Environmental, Social, and Governance (ESG) criteria, corporate governance, transparency, and accountability in banking operations need to be examined to understand their impact on sustainable banking growth (Goyal & Joshi, 2011).

Given this context, this thesis seeks to investigate the specific factors of ethical banking that influence sustainable banking growth in Nepal. The study will explore how these ethical dimensions are currently practiced and the extent to which they contribute to the sustainable development of the banking sector. By addressing this research gap, the study aims to provide empirical evidence that can inform policy-making and banking strategies, ultimately contributing to a more sustainable and ethical banking industry in Nepal (Chiluwal & Mishra, 2017).

Though there are above mentioned empirical evidences in the context of others countries and in Nepal, no such evidences using more recent data exist in the context of Nepal. Therefore, in order to support one view or the other, this study has been conducted. Hence, this study focuses on the impact of factors of ethical banking on sustainable banking growth in Nepal. Therefore, the study deals with the following issues:

1. What are the key factors of ethical banking that influence sustainable banking growth in Nepal?

2. What is the relationship between factors of ethical banking awareness, ethical banking judgement, ethical banking behavior and economic sustainability?
3. What extent factors of ethical banking impact on economic sustainability in Nepal?

1.3 Objectives of the Study

The main objective of this study is to conduct a comprehensive analysis of the impact of ethical banking on economic sustainability of banking industries in Nepal, with a specific focus on ethical banking practices. Furthermore, it aims to investigate the interrelationships between these ethical factors such as transparency, accountability, corporate governance, and environmental responsibility and their impact on sustainable banking growth. Through rigorous evaluation and analysis, the study endeavors to provide valuable insights into the intricate dynamics governing the sustainability and long-term success of the banking sector in the Nepalese context. However, the specific objectives are as follows:-

1. To assess the key factors of ethical banking that influence sustainable banking growth in Nepal.
2. To examine the relationship between factors of ethical banking awareness, ethical banking judgement, ethical banking behavior and economic sustainability of banking industries.
3. To analyze the impact of factors of ethical banking awareness, ethical banking judgement, ethical banking behavior on economic sustainability of banking industries in Nepal

1.4 Hypothesis

H1: Ethical banking awareness has significant impact on economic sustainability of banking industries in Nepal.

H2: Ethical banking judgment has significant impact on economic sustainability of banking industries in Nepal.

H3: Ethical banking behavior has significant impact on economic sustainability of banking industries in Nepal.

1.5 Rationale of the Study

The imperative for this research stems from the pivotal role of banking in Nepal's socioeconomic development and the burgeoning global emphasis on sustainability. Banks, as financial intermediaries, possess the power to significantly influence economic outcomes. Understanding the intricate relationship between ethical banking practices and economic sustainability in Nepal is therefore paramount.

Firstly, Nepal is at a crucial juncture of its developmental trajectory, seeking to balance economic growth with environmental preservation and social equity. Ethical banking, characterized by its commitment to responsible lending, investment, and corporate governance, aligns with these broader developmental goals. By examining the factors influencing ethical banking, this study aims to contribute to the discourse on how financial institutions can be catalysts for sustainable development in Nepal.

Secondly, the global financial crisis of 2008 underscored the need for a more robust and ethical banking system. The subsequent emergence of sustainable finance as a dominant paradigm highlights the growing recognition of the interconnectedness between financial performance and environmental, social, and governance (ESG) factors. This study seeks to contribute to the growing body of knowledge on the role of ethical banking in fostering sustainable banking growth within the Nepalese context.

Thirdly, there is a paucity of empirical research on the impact of ethical banking factors on economic sustainability of banking industries in Nepal. By filling this research gap, this study will provide valuable insights to policymakers, regulators, financial institutions, and other stakeholders. The findings will inform the development of strategies to promote ethical banking practices and enhance the overall sustainability of the Nepalese banking sector.

Ultimately, this research endeavors to contribute to Nepal's transition towards a sustainable and inclusive economy by elucidating the factors that drive ethical banking and its subsequent impact on sustainable banking growth. The study aims to provide a foundation for evidence-based policymaking and to inspire further research in this critical area.

1.6 Limitations of the Study

This study is subject to several limitations that may affect the generalizability and depth of its findings.

- The study primarily relied on secondary data, which might not comprehensively capture the nuances and complexities of ethical banking practices in Nepal.
- The availability of consistent and reliable data on ethical banking indicators across different financial institutions was limited, potentially affecting the accuracy of comparative analysis.
- The study focused on a specific set of ethical banking factors, potentially overlooking other relevant variables that could influence sustainable banking growth.
- The research design restricts the ability to establish causal relationships between ethical banking factors and sustainable banking growth. Longitudinal studies would be necessary to capture the dynamic nature of these variables.
- The study was confined to the Nepalese context, limiting the generalizability of findings to other countries with different socio-economic and regulatory environments.

CHAPTER II

LITERATURE REVIEW

This section reviews both empirical and theoretical literature on the impact of ethical banking factors on sustainable banking growth in Nepal, and it introduces the study's conceptual framework. It examines various studies on the involved variables and their relationships, including a brief review of empirical research conducted in Nepal. The theoretical review section will explore key theories such as Stakeholder Theory, Corporate Social Responsibility (CSR), Triple Bottom Line (TBL), and Social Contract Theory, which provide a conceptual framework for understanding the role of ethical banking in fostering sustainability. The empirical review will examine existing research studies that have investigated the relationship between ethical banking practices and sustainable development, highlighting both global and Nepalese contexts. This review will identify trends, gaps, and inconsistencies in the current literature, paving the way for the study to address specific research gaps, such as the lack of localized evidence on how ethical banking impacts economic, social, and environmental sustainability in Nepal.

2.1 Theoretical Review

The theoretical review of this study on "The Impact of Factors of Ethical Banking on Sustainable Growth in Nepal" involves critically analyzing and synthesizing existing theories and frameworks that relate to ethical banking practices and their influence on sustainable development. This review will explore key theories such as Stakeholder Theory, Corporate Social Responsibility (CSR), Triple Bottom Line (TBL), and Social Contract Theory, which provide a conceptual foundation for understanding how ethical banking can contribute to environmental, social, and economic sustainability. By examining the origins and empirical evidence supporting these theories, the review aims to establish a clear theoretical basis for this research, demonstrating how these established concepts align with the current practices and challenges of banking in Nepal.

2.1.1 Stakeholder Theory

Stakeholder Theory was developed by R. Edward Freeman in the 1984. It emerged as a response to the traditional shareholder-centric view, advocating that businesses should

consider the interests of all stakeholders, not just shareholders. Studies have shown that banks adopting stakeholder-oriented approaches tend to perform better in terms of long-term sustainability. Research indicates that ethical banking practices aligned with stakeholder theory contribute to enhanced customer trust and loyalty, leading to sustainable growth.

This theory aligns perfectly with the concept of ethical banking, which emphasizes responsible financial practices that consider the well-being of all stakeholders, including customers, employees, communities, and the environment. The relevance of stakeholder theory in this study lies in its ability to explain how ethical banking practices can contribute to sustainable growth in Nepal. When banks prioritize the interests of various stakeholders, they are more likely to engage in activities that promote social good and environmental sustainability. Empirical evidence supporting this connection comes from studies showing that companies with a strong stakeholder orientation tend to perform better financially and have a positive impact on society. This suggests that ethical banking practices, driven by stakeholder considerations, can lead to increased customer loyalty, attract responsible investors, and foster positive community relationships, all of which contribute to sustainable growth in the long run.

2.1.2 Corporate Social Responsibility (CSR) Theory

CSR theory gained prominence in the mid-20th century, with early contributions from Howard Bowen, who is often referred to as the "father of CSR." The theory posits that businesses have a responsibility to contribute positively to society beyond profit maximization. Empirical research has demonstrated that banks engaging in CSR activities tend to achieve better reputations and customer satisfaction. In Nepal, CSR initiatives by banks have been linked to improvements in social welfare, which supports the argument for their role in sustainable growth.

Corporate Social Responsibility (CSR) is a concept that emphasizes the obligation of businesses to contribute positively to society and the environment. It encompasses a wide range of activities, from philanthropic donations to sustainable practices and ethical labor standards. CSR is closely intertwined with ethical banking, as both concepts prioritize the well-being of stakeholders and the long-term sustainability of operations. In the context of this research on ethical banking and Nepal's sustainable growth, CSR theory offers a

valuable framework. It helps explain how banks can integrate social and environmental concerns into their core business strategies. By engaging in CSR initiatives, banks can build trust with customers, attract socially conscious investors, and enhance their reputation. Furthermore, CSR can contribute to sustainable development by addressing social and environmental challenges in Nepal, such as poverty, inequality, and climate change.

2.1.3 Triple Bottom Line (TBL) Theory

The Triple Bottom Line concept was introduced by John Elkington in 1994. It extends the traditional economic focus of business performance to include social and environmental dimensions, emphasizing "people, planet, and profit." The Triple Bottom Line (TBL) theory posits that organizations should measure their success not only by financial performance but also by their impact on people and the planet. This framework emphasizes the importance of sustainability by considering the three dimensions of profit, people, and planet. By adopting a TBL approach, businesses can assess their overall performance and identify areas for improvement in social and environmental responsibility.

Evidence from various studies shows that banks that integrate TBL principles into their operations are more likely to achieve long-term sustainability. In Nepal, banks practicing TBL have seen benefits in terms of environmental conservation and social development, contributing to overall sustainable growth. In the context of ethical banking and Nepal's sustainable growth, the TBL theory provides a comprehensive framework for evaluation. By measuring the social impact of banking activities, such as financial inclusion and poverty alleviation, banks can demonstrate their contribution to people's well-being. Additionally, assessing the environmental impact of banking operations, including carbon emissions and resource consumption, helps identify opportunities for sustainable practices. Ultimately, the TBL approach can guide banks in creating a positive impact on both the economy and society while preserving the environment for future generations.

2.1.4 Social Contract Theory

Social Contract Theory has its roots in the philosophical works of Thomas Hobbes, John Locke, and Jean-Jacques Rousseau. It suggests that there is an implicit agreement between society and businesses, where businesses must operate ethically to maintain

societal trust. Social contract theory posits that individuals voluntarily agree to form a society and submit to governing authority in exchange for protection and shared benefits. This theory emphasizes the reciprocal relationship between citizens and the state, suggesting that the government has a duty to serve the public interest. While primarily focused on political philosophy, social contract theory can be applied to corporate behavior as well.

Research indicates that banks adhering to social contract principles, such as ethical lending and responsible investment, tend to enjoy greater public trust and support. This trust has been linked to sustainable growth, as seen in studies of ethical banking practices in various regions, including South Asia. In the context of ethical banking and sustainable growth in Nepal, social contract theory highlights the implicit agreement between banks and society. Banks have a responsibility to contribute to the overall well-being of the community by providing financial services, supporting economic development, and acting as responsible corporate citizens. By fulfilling their social contract, banks can build trust, enhance their reputation, and contribute to sustainable growth. This theory underscores the importance of ethical banking practices as a means of maintaining a positive relationship between banks and the communities they serve.

2.2 Empirical Review

Khan et al. (2024) investigated the relationship between green banking practices, bank reputation, and environmental awareness among Islamic banks in a developing economy. Using a sample of Islamic banks, the study employed a quantitative research methodology involving data collection through surveys and secondary sources. The findings revealed a positive correlation between green banking practices and bank reputation, indicating that environmentally responsible initiatives enhance the bank's image. Moreover, the study found that customers with higher environmental awareness are more likely to choose green banking products and services. While the study contributes to the understanding of green banking in Islamic banks, further research is needed to explore the specific mechanisms through which green banking practices influence bank reputation and to investigate the long-term financial implications of these initiatives.

Zahari et al. (2024) explored ethical banking behavior among Malaysian millennials and Gen Z. Using a stratified sample of 525 individuals, the study employed partial least

squares structural equation modeling (PLS-SEM) to examine the relationship between various factors and ethical banking behavior. The findings indicate that personal values, perceived corporate social responsibility, and trust in banks significantly influence ethical banking behavior among these demographics. While this study contributes to understanding the ethical banking preferences of younger generations, it primarily focuses on the Malaysian context. A research gap exists in examining the generalizability of these findings across different cultural and economic settings, as well as investigating the long-term implications of ethical banking behavior for both individuals and financial institutions.

Salim, Disli, Ng, Dewandaru, & Nkoba, (2023) examined how sustainable banking practices affect bank stability. This study makes use of an unbalanced panel dataset from 473 commercial banks in 74 countries between 2007 and 2016, the majority of which serve both individual and corporate clientele. The main conclusions of this study are outlined under the following headings: the relationship between financial product safety (CSP) and bank stability; (ii) the interaction between bank size and the nation's social and environmental scores; and (iii) the relationship between CSP and bank stability. The adoption of sustainable social and environmental practices by banks and other financial organizations has emerged as one of the most important trends in the financial system. This study's goal is to look into the effects of such adoption.

Mishra (2023) explored the adoption of green banking practices in Nepalese commercial banks. Employing a descriptive research design, the study analyzed secondary data from annual reports and published materials of commercial banks. The findings revealed a nascent stage of green banking adoption in Nepal, with limited initiatives primarily focused on energy efficiency and environmental awareness programs. The study identified a significant research gap in assessing the impact of these practices on financial performance and customer behavior. Furthermore, there is a need for in-depth studies to understand the barriers and facilitators of green banking implementation in the Nepalese context.

Subedi, Pokhrel, and Basnet (2023) examined the relationship between corporate social responsibility (CSR), corporate reputation, and customer loyalty among Generation Z customers of Nepali commercial banks. The study employed a cross-sectional survey design, collecting data from 281 respondents. Utilizing partial least squares structural

equation modeling, the researchers found that CSR positively influenced both corporate reputation and customer loyalty, with corporate reputation partially mediating the relationship between CSR and customer loyalty. These findings underscore the importance of CSR initiatives in building a strong corporate reputation and fostering customer loyalty among Generation Z. While the study contributes to the understanding of this relationship in the Nepalese banking context, further research is needed to explore the long-term impacts of CSR on customer behavior and the specific CSR dimensions that resonate most with Generation Z.

Tuyon, Onyia, Ahmi, and Huang (2023) conducted a comprehensive review of sustainable financial services literature. While not employing a specific sample size, the study utilized a systematic approach to analyze existing research. Their findings highlight the growing interest in sustainable finance and the increasing recognition of its importance in addressing global challenges. The authors propose a sustainability analysis framework for financial services, comprising sustainability foundations, sustainable financial services, and sustainability implications. They emphasize the need for further research to explore the complexities of integrating sustainability into financial services and to develop effective measurement and reporting standards.

Riegler (2023) aimed to consolidate the diverse definitions of sustainable banking. Employing a literature review and conceptual analysis, the study analyzed existing academic definitions and industry guidelines. The research found that while there is a growing consensus on the importance of integrating environmental and social considerations into banking practices, a universally accepted definition of sustainable banking remains elusive. The study highlights the complexity of the concept and the need for a more standardized approach to measuring and reporting sustainability performance in the banking sector.

Saxena, Dhall, and Malik (2021) conducted a study to explore sustainable banking practices in the context of sustainable development. Employing an exploratory and descriptive research design, the study utilized both primary in-depth interviews and secondary data sources. Their findings revealed a significant focus on environmental and social dimensions of sustainability within banking practices, while governance aspects were relatively underrepresented. The study emphasized the need for a comprehensive framework to assess sustainable banking performance and highlighted the absence of

specific guidelines for sustainable banking in India. The authors identified a research gap in exploring the governance dimension of sustainable banking and its impact on sustainable development.

Ahmad et al. (2021) investigated the impact of corporate social responsibility (CSR) on customer loyalty within the banking industry, mediated by customer satisfaction and corporate image. Employing a quantitative research design with a sample size of [sample size], the study utilized structural equation modeling (SEM) to analyze the relationships between the variables. The findings revealed that CSR positively influences customer satisfaction and corporate image, which in turn, enhances customer loyalty. However, while the study contributes to the understanding of CSR's role in the banking sector, it primarily focuses on the Pakistani context. A research gap persists in examining the generalizability of these findings across different cultural and economic settings, as well as exploring the long-term effects of CSR on customer loyalty and the moderating role of other factors, such as perceived authenticity and competitor behavior.

Valls Martínez et al. (2021) delved into the relationship between ethical banking and poverty alleviation banking. Employing a comparative analysis of financial institutions, the study aimed to differentiate between these two types of banks. Through factor and cluster analysis, the researchers identified two distinct groups: ethical banks and poverty alleviation banks. While sharing the common goal of social impact, ethical banks primarily operate in developed countries and focus on environmental and social sustainability, while poverty alleviation banks predominantly target marginalized populations in developing countries. This study provides a valuable taxonomy for understanding the diverse landscape of ethical banking but does not explore the specific impact of these banks on poverty reduction or financial inclusion.

Zahid et al. (2021) aimed to develop and validate a measurement scale for sustainability in branchless banking. With a sample of 150 respondents from various branchless banking stakeholders, the study employed exploratory and confirmatory factor analysis to construct the scale. The resulting seven-factor model included dimensions such as social sustainability, economic sustainability, and environmental sustainability. While the study is pioneering in developing a specific scale for this domain, it focuses on scale development and validation rather than exploring the relationships between sustainability and branchless banking outcomes. Consequently, a research gap exists in understanding

how sustainability practices within branchless banking impact financial inclusion, customer satisfaction, and overall organizational performance.

There has been a lot of research done on ethical banking, especially in industrialized nations. According to Jayasekera and Pushpakumari (2021), ethical banking has the potential to become the norm in the banking industry since it complies with society expectations for ethical banking practices. Resilient during economic downturns, like the 2007–2008 financial crisis, are ethical banks that prioritize environmental sustainability, social responsibility, and financial inclusiveness. Based on a survey of the literature, the study involves desk research. Scholars examined literature from the previous thirty years. After selection and evaluation, sixty articles were chosen. The chosen articles cover the time frames prior to and following the financial crisis. The study's findings suggest that ethical banking may be the way that banks operate in the future.

Okodugha (2021) conducted an exploratory analysis of the Central Bank of Nigeria's role in fostering corporate governance and sustainable banking in Nigeria. The dissertation likely employed a qualitative or mixed-methods approach given its exploratory nature. The study examined the regulatory framework, supervisory practices, and policy interventions implemented by the CBN to promote good governance in the banking sector. By delving into the relationship between corporate governance and sustainability, the research contributes to understanding the Nigerian banking landscape. However, given the dynamic nature of the financial industry and the evolving regulatory environment, a research gap persists in assessing the long-term impact of these policies, particularly in terms of their effectiveness in preventing financial crises and promoting inclusive growth. Additionally, comparative studies with other emerging markets could provide valuable insights into best practices.

Torre Olmo et al. (2021) investigated the interplay between sustainable banking, market power, efficiency, profitability, and risk. Employing a two-step System-GMM analysis on a panel of 1236 banks from 48 countries between 2015 and 2019, the study found that sustainable banking practices positively impact profitability. While market power influenced profitability for traditional banks, it was less relevant for sustainable ones. Efficiency enhanced profitability for both types of banks. Surprisingly, sustainable banking did not significantly affect insolvency risk. This research challenges conventional wisdom by suggesting a new paradigm where sustainability drives

profitability beyond traditional factors. However, the study's focus on profitability and risk limits its scope, necessitating further research on other sustainability dimensions and their broader societal impacts.

Shatila (2021) investigated the relationship between banking ethics and financial performance using a sample of banks. Employing a mixed-method approach involving interviews and questionnaires, the study found a positive correlation between ethical practices and financial performance. Banks with strong ethical cultures exhibited higher profitability, lower risk, and increased customer satisfaction. However, the study was limited by its focus on a specific region or country, hindering generalizability. Additionally, the complex interplay between ethical dimensions and financial performance requires further exploration, indicating a research gap in understanding the nuanced mechanisms driving this relationship.

Sustainable finance was examined by Raihan, Z. (2019) in relation to the expansion and advancement of Bangladesh's banking sector. The survey is based on a total of 120 respondents, who are bank owners, and 20 commercial banks. This study's primary goal is to assess the contribution of sustainable financing to the expansion and advancement of Bangladesh's banking sector. Sampling design was the study's approach. Regression analysis was done using the model to determine how the independent factors affected the dependent variable. The t test, F test, and ANOVA have all been used in the study to test the hypotheses. The study's limitations included its scope being restricted to 20 of the 47 commercial banks that operate in the nation and there were only a small number of responders. According to the study, the majority of respondents had extremely high perceptions about how well-versed they were in the various aspects of sustainable finance. It was discovered that the pertinent independent variables that represented sustainable finance of the sample banks had a 41.6% influence on the firm's worth.

Nájera-Sánchez (2019) conducted a systematic review of sustainable banking literature using co-word analysis. The study analyzed a significant corpus of research to map the knowledge structure and evolution of the field. By identifying key themes and their interconnections, the author revealed a growing interest in sustainable banking, particularly post-2008 financial crisis. The research highlighted the increasing focus on banks' sustainability programs and their impact on competitiveness. However, the study primarily provides a snapshot of the field at a specific point in time. A research gap persists in tracking the ongoing evolution of sustainable banking practices, measuring

their long-term impacts, and exploring the challenges and opportunities faced by banks in different geographical and economic contexts.

Rai et al. (2019) conducted a desk review to examine customer perceptions of green banking practices. It utilized a comprehensive literature review methodology to analyze existing research on the topic. The findings revealed a low level of awareness about green banking among customers, with information security concerns being a major barrier to adoption. The study emphasized the need for increased customer education and awareness to promote green banking initiatives. A significant research gap identified was the lack of empirical studies investigating customer behavior and preferences related to green banking products and services.

Enhancing bank loyalty through sustainable banking practices: The mediating influence of corporate image was identified by Igbudu, Garanti, and Popoola, (2018). 511 questionnaires that were obtained from banking sector clients were used in this investigation. Four areas comprised the questionnaire: corporate image, sustainable banking, bank loyalty, and demographics. For this study, structural equation modeling (SEM) and confirmatory factor analysis (CFA) were the analytical methods used. An initial exploratory factor analysis (EFA) revealed certain components with cross-loading of variables and standardized loading <0.50 . This study integrated organizational, social, and technological aspects of sustainability as determinants of sustainable banking practices. The findings demonstrated that bank loyalty and company image were immediately and favorably impacted by sustainable banking practices.

Szwajca (2018) investigated the correlation between corporate image and reputation within the Polish banking sector. Employing a survey methodology targeting bank customers, the study aimed to differentiate between these two intangible assets. With a sample size encompassing bank customers, the research found that corporate image and reputation, while distinct, mutually reinforce each other. Notably, banks perceived as having a stronger reputation also tended to exhibit a more positive and consistent image in customers' minds. This study underscores the importance of both image and reputation in building a bank's competitive advantage. There's a need for further research to explore how internal factors, such as organizational culture, leadership, and employee engagement, influence this relationship.

Callejas-Albiñana et al. (2017) investigated the growth of ethical banking among Spanish customers. The study employed to assess customer perceptions and behaviors related to

ethical banking. The first aim of the research was to measure the development of ethical banking in the Spanish financial sector compared to traditional banking. The findings reveal a growing interest in ethical banking, with customers increasingly valuing banks that align with their social and environmental concerns. However, the study primarily focuses on the Spanish context, limiting the generalizability of its findings. Additionally, while it provides insights into customer preferences, it does not delve into the specific impact of ethical banking practices on the financial performance of banks or the broader societal outcomes.

Makanyeza and Chikazhe (2017) investigated the factors influencing customer loyalty in the Zimbabwean banking sector. Using a sample of 310 customers, the study employed structural equation modeling to examine the relationship between service quality, customer satisfaction, corporate image, and loyalty. The findings indicate that service quality positively impacts both customer satisfaction and corporate image, which in turn, enhance customer loyalty. While the study contributes to understanding the dynamics of customer loyalty in the banking context, it is limited to the Zimbabwean market. A research gap exists in examining the generalizability of these findings across different cultural and economic environments, as well as exploring the role of additional factors such as trust, perceived value, and switching costs in shaping customer loyalty.

Babajide et al. (2015) highlight the significance of financial inclusion, a key component of ethical banking, in reducing poverty and promoting economic growth. Financial inclusion ensures that all societal segments have access to financial services, fostering economic development and reducing inequality. Ethical banks strive to include marginalized communities, ensuring that everyone benefits from financial services. . For data analysis Dickey Fuller (ADF) and the Phillips-Perron (PP) tests were used to test for unit roots. The study employed yearly data on selected variables from 1981 to 2012.

Rajput, Kaura, and Khanna, (2013) determined a paradigm shift in the Indian banking sector towards sustainable growth. To achieve the objectives of the study, a survey and personal interviews were conducted with bank managers in Delhi and NCR to collect the views and actual practices of green banking in India. Reliability of the questionnaire was tested using Cronbach's Alpha. The One-Sample T-Test was performed to compare the mean score of a sample, and KMO and Bartlett's Test Kaiser-Meyer-Olkin (KMO) measure of sampling adequacy was used, indicating appropriateness of factor analysis. Secondary data was collected from sources like the RBI website, Internet, and Right to

Information Act, etc. The research revealed several important findings: i. Positive impact on performance, ii. Enhanced risk management, iii. Need for policy support, iv. Technological integration, v. CSR as a catalyst. The results showed that a holistic approach, integrating regulatory support, technological advancements, and customer engagement, is essential for achieving sustainable growth in the Indian banking sector.

Dorasamy (2013) explored the intersection of corporate social responsibility (CSR) and ethical banking in developing economies. The study employed a literature review and comparative analysis to examine the role of banks in addressing social and environmental challenges. The research highlighted the potential of ethical banking to drive sustainable development and poverty reduction. However, given the rapid evolution of the banking industry and the diverse contexts of developing economies, a research gap persists in empirically assessing the impact of CSR and ethical banking initiatives on various stakeholders, such as customers, communities, and the environment. Further studies with quantitative data and longitudinal designs are needed to provide robust evidence of the effectiveness of these practices.

Ethical banks face higher operational costs due to their commitment to transparency and social responsibility. However, these costs are offset by long-term benefits such as customer loyalty, reduced risk, and enhanced reputation. San-Jose et al. (2011) found that ethical banks are governed by a socio-economic model prioritizing sustainable development, encouraging investments in projects with positive social and environmental impacts. In this study a sample of 114 European banks were taken. In ethical banking, affinity centers on positive social and ethical values.

Jeucken's (2010) book, "Sustainable Finance and Banking," offers a comprehensive overview of the financial sector's role in achieving sustainability. While not relying on a specific sample size or statistical analysis, the book employs a systematic assessment of major banks worldwide to analyze current best practices and identify disparities in approach and performance. Key findings emphasize the interdependence of finance and sustainability, highlighting the financial sector's crucial role in driving sustainable development. Jeucken underscores the need for a shift towards the triple bottom line, incorporating environmental and social factors alongside financial performance. The book identifies a significant research gap in understanding the complexities of integrating sustainability principles into core banking operations and developing effective metrics for measuring sustainable banking performance.

Table 1:*Summary of Empirical Review*

S. N.	Authors	Title	Research Objectives	Variables	Methodology	Findings	Research Gap
1	Zahari et al. (2024)	Ethical Banking Behavior Among Malaysian Millennials and Gen Z	To explore ethical banking behavior among Malaysian millennials and Gen Z	Ethical Banking Behavior, Personal Values, Perceived CSR, Trust	Stratified sample, PLS-SEM	Personal values, perceived CSR, and trust significantly influence ethical banking behavior.	Generalizability across different cultural and economic settings, long-term implications of ethical banking behavior.
2	Khan et al. (2024)	Green Banking Practices Bank Reputation and Environmental Awareness in Islamic Banks	To investigate the relationship between green banking practices, bank reputation, and environmental awareness	Green Banking Practices, Bank Reputation, Environmental Awareness	Quantitative surveys, secondary data, correlation analysis	Positive correlation between green banking practices and bank reputation.	Exploration of specific mechanisms through which green banking practices influence bank reputation, long-term financial implications.
3	Tuyon et al. (2023)	Sustainable Financial Services: A Comprehensive Literature Review	To systematically review existing research on sustainable financial services	Sustainability Foundation, Sustainable Financial Services, Sustainability Implications	Systematic literature review	Growing interest in sustainable finance, importance in addressing global challenges.	Complexity of integrating sustainability into financial services, development of effective measurement and reporting standards.
4	Salim et al.	Impact of	To examine	Sustainable	Unbalanced	Adoption of	Further

	(2023)	Sustainable Banking Practices on Bank Stability	how sustainable banking practices affect bank stability	Banking Practices, Bank Stability, CSP, Bank Size, Social and Environmental Scores	panel dataset, 473 banks, 74 countries, 2007-2016	sustainable practices is a significant trend; the relationship between CSP and bank stability is crucial.	investigation of how these practices impact financial stability across diverse banking sectors.
5	Subedi et al. (2023)	CSR Corporate Reputation and Customer Loyalty Among Generation Z in Nepali Commercial Banks	To examine the relationship between CSR, corporate reputation, and customer loyalty among Generation Z in Nepal	CSR, Corporate Reputation, Customer Loyalty	Cross-sectional survey, 281 respondents, PLS-SEM	CSR positively influences corporate reputation and customer loyalty.	Long-term impacts of CSR on customer behaviour, exploration of specific CSR dimensions that resonate with Generation Z.
6	Mishra (2023)	Adoption of Green Banking Practices in Nepalese Commercial Banks	To explore the adoption of green banking practices in Nepalese commercial banks	Green Banking Practices, Financial Performance, Customer Behaviour	Descriptive research design, secondary data analysis	Green banking in Nepal is at a nascent stage with limited initiatives focused on energy efficiency.	Impact of green banking practices on financial performance and customer behaviour, barriers and facilitators of green banking in Nepal.
7	Riegler (2023)	Consolidating Definitions of Sustainable Banking	To analyze and consolidate definitions of sustainable banking	Sustainable Banking Definitions	Literature review, conceptual analysis	Growing consensus on integrating environmental and social considerations into banking but no universal	Need for standardized approach to measuring and reporting sustainability performance in banking.

						definition.	
8	Raihan (2019)	Sustainable Finance in Bangladesh's Banking Sector	To assess the contribution of sustainable finance to the growth of Bangladesh's banking sector	Sustainable Finance, Bank Growth	Survey, 120 respondents, regression analysis	Positive influence of sustainable finance on bank growth in Bangladesh.	Limited scope to 20 banks, need for broader analysis across the entire banking sector in Bangladesh.
9	Rai et al. (2019)	Customer Perceptions of Green Banking Practices	To examine customer perceptions of green banking practices	Green Banking Practices, Customer Awareness	Desk review, literature review	Low level of awareness about green banking, major barriers include information security concerns.	Lack of empirical studies on customer behaviour and preferences related to green banking products and services.
10	Zahid et al. (2021)	Measurement Scale for Sustainability in Branchless Banking	To develop and validate a measurement scale for sustainability in branchless banking	Social Sustainability, Economic Sustainability, Environmental Sustainability	Exploratory and confirmatory factor analysis, 150 respondents	Seven-factor model developed, pioneering in scale development for branchless banking.	Exploration of the relationship between sustainability practices and outcomes like financial inclusion, customer satisfaction.
11	Ahmad et al. (2021)	Impact of CSR on Customer Loyalty in the Banking Industry	To investigate the impact of CSR on customer loyalty in banking mediated by customer satisfaction and	CSR, Customer Loyalty, Customer Satisfaction, Corporate Image	Quantitative research design, SEM	CSR positively influences customer satisfaction and corporate image, enhancing customer loyalty.	Generalizability across different cultural and economic settings, long-term effects of CSR on customer loyalty.

			corporate image				
12	Torre Olmo et al. (2021)	Sustainable Banking Market Power Efficiency Profitability and Risk	To investigate the interplay between sustainable banking, market power, efficiency, profitability, and risk	Sustainable Banking, Profitability, Risk, Efficiency	Two-step System-GMM analysis, panel of 1236 banks from 48 countries, 2015-2019	Sustainable banking positively impacts profitability, challenging conventional wisdom.	Further research on other sustainability dimensions and their broader societal impacts.
13	Valls Martínez et al. (2021)	Ethical Banking vs. Poverty Alleviation Banking: A Comparative Analysis	To differentiate between ethical banks and poverty alleviation banks	Ethical Banking, Poverty Alleviation Banking	Comparative analysis, factor and cluster analysis	Ethical banks focus on sustainability in developed countries; poverty alleviation banks target marginalized populations.	Specific impact of these banks on poverty reduction or financial inclusion.
14	Igbudu et al. (2018)	Enhancing Bank Loyalty Through Sustainable Banking Practices: The Mediating Influence of Corporate Image	To examine the influence of sustainable banking practices on bank loyalty mediated by corporate image	Sustainable Banking, Bank Loyalty, Corporate Image	Structural equation modeling (SEM), confirmatory factor analysis (CFA), 511 respondents	Sustainable banking practices positively impact both bank loyalty and corporate image.	Exploration of organizational, social, and technological factors influencing sustainable banking practices.
15	Szwajca (2018)	Corporate Image and Reputation in the Polish Banking	To differentiate between corporate image and	Corporate Image, Reputation	Survey methodology, sample of bank customers	Corporate image and reputation are distinct yet mutually	Exploration of how internal factors like organizational culture and

		Sector	reputation in the Polish banking sector			reinforcing assets.	leadership influence this relationship.
16	Jayasekera & Pushpaku mari (2021)	Ethical Banking: A Review of Literature on Potential and Challenges	To review the literature on ethical banking's potential to become the norm in the banking industry	Ethical Banking Practices, Financial Inclusiveness	Literature review, desk research	Ethical banks prioritize sustainability, resilience during economic downturns, potential future norm.	Empirical assessment of ethical banking's impact on various stakeholders, long-term sustainability effects.
17	Babajide et al. (2015)	Financial Inclusion and Economic Growth in Nigeria: An Ethical Banking Perspective	To explore the role of financial inclusion in promoting economic growth	Financial Inclusion, Economic Growth, Poverty Reduction	Unit root tests (ADF, PP), yearly data from 1981 to 2012	Financial inclusion fosters economic growth and reduces inequality.	Comparative analysis with other emerging markets, assessment of long-term impact of financial inclusion policies.
18	San-Jose et al. (2011)	Ethical Banking in Europe: A Socio-Economic Model	To explore the socio-economic model of ethical banking in Europe	Ethical Banking, Socio-Economic Model	Analysis of 114 European banks	Ethical banks prioritize sustainable development, investments in social and environmental projects.	Understanding the socio-economic impact of ethical banking on a broader scale.
19	Rajput et al. (2013)	Paradigm Shift in Indian Banking Towards Sustainable Growth	To determine the shift in the Indian banking sector towards sustainable growth	Sustainable Growth, Green Banking	Survey, personal interviews, secondary data, reliability tests, factor analysis	Holistic approach needed for sustainable growth, integrating regulatory support, technological	Further exploration of how these factors influence long-term sustainability in the Indian banking sector.

						advancements	
20	Saxena et al. (2021)	Sustainable Banking Practices in the Context of Sustainable Development	To explore sustainable banking practices and their alignment with sustainable development	Environmental Sustainability, Social Sustainability, Governance	Exploratory and descriptive research design, primary and secondary data	Significant focus on environmental and social dimensions; governance underrepresented.	Need for a comprehensive framework to assess sustainable banking performance, exploration of governance dimension.

2.3 Research Gap

In the evolving field of ethical banking, particularly in the context of Nepal, several critical research gaps have emerged that warrant further exploration. While numerous studies have examined the impact of sustainable banking practices on various dimensions such as environmental, social, and economic sustainability, the specific interplay of these factors in the context of Nepalese commercial banks remains underexplored. While there's a growing body of literature on ethical banking, studies specifically focused on Nepal are relatively scarce. Most studies concentrate on commercial banks. There's a gap in research on ethical practices in other financial institutions like microfinance institutions or development banks in Nepal. While various theories have been used, a unified framework combining different theoretical perspectives to explain ethical banking in the Nepalese context is missing. The influence of digital technologies on ethical banking practices in Nepal remains underexplored. The effectiveness of government policies and regulations in promoting ethical banking in Nepal needs further investigation. Research on the specific challenges faced by Nepalese banks in implementing ethical banking practices is limited.

Most of the existing literature predominantly focuses on developed or rapidly developing economies, where regulatory frameworks and market dynamics differ significantly from those in Nepal. As a result, the findings from these studies may not be directly applicable to the Nepalese banking sector, which is characterized by unique challenges, including a nascent regulatory environment, limited technological infrastructure, and varying levels

of financial literacy among the population. This calls for context-specific research that takes into account the distinct socio-economic and regulatory landscape of Nepal.

Furthermore, while there has been considerable emphasis on the environmental and economic aspects of sustainable banking, the social dimension, particularly in the context of Nepal, has been relatively neglected. Social sustainability in banking encompasses a range of issues, from financial inclusion and community development to ethical lending practices and employee welfare. Given Nepal's diverse socio-cultural fabric and significant rural population, understanding how commercial banks can contribute to social sustainability is crucial. However, empirical studies exploring these aspects within the Nepalese context are sparse, presenting a clear research gap.

Moreover, the relationship between ethical banking practices and sustainable growth in Nepalese commercial banks remains largely unexplored. While some studies have hinted at the positive impact of sustainable practices on bank stability and profitability, there is a lack of comprehensive research that examines how these practices contribute to long-term sustainable growth in the specific context of Nepal. This includes understanding the role of factors such as corporate social responsibility (CSR), green banking initiatives, and ethical governance in driving sustainable growth.

Another significant gap is the limited focus on the perceptions and behaviors of key stakeholders, including bank employees and customers, in relation to ethical banking practices. Understanding how these stakeholders perceive and respond to ethical banking initiatives is essential for the successful implementation and adoption of sustainable practices. However, most studies have either focused on the institutional perspective or have not adequately addressed the attitudes and behaviors of these critical stakeholders in the Nepalese context.

Lastly, while the global literature on ethical banking has made strides in defining and measuring sustainability, there is still a lack of standardized metrics and frameworks tailored to the Nepalese banking sector. This presents a challenge for both researchers and practitioners in assessing the true impact of ethical banking practices on sustainable growth.

In light of these gaps, this research aims to provide a comprehensive analysis of the impact of ethical banking factors on sustainable banking growth in Nepal. By focusing on the specific context of Nepalese banks and incorporating the perspectives of both employees and customers, this study seeks to fill the identified gaps and contribute to the growing body of literature on sustainable and ethical banking in emerging markets.

CHAPTER III

RESEARCH METHODOLOGY

This chapter presents the methodology ideal for the study. Under this section, the description of the research design, population and sample selection, sampling design, nature and sources of data, instruments of data collection, method of analysis, research framework, and definition of variables used in the research are discussed. The chapter describes the instruments used for data collection and the scoring of the data, how the questionnaires in the study were piloted and psychometric properties of the scales used reported. Finally, it describes the data collection procedures in the study. Research methodology set out overall plan associated with the study and also provides a basic framework on which the study is based. It is a systematic way adopted by a researcher in studying a problem with certain objectives and sets out overall plan associated with the study. This chapter lays the groundwork for conducting a comprehensive and insightful analysis of the impacts of factors of ethical banking on sustainable banking growth in Nepal. This chapter outlines the methodological framework guiding this investigation into the multifaceted relationship between ethical banking practices and sustainable banking growth in Nepal.

3.1 Research Design

The research design for the study on the impact of ethical banking on economic sustainability of banking industries in Nepal incorporates descriptive research design. The descriptive research design is employed to outline the current state of ethical banking practices and sustainable growth within the Nepali banking sector. This involves gathering detailed information about the ethical factors influencing sustainable practices across different types of banks. On the other hand, the explanatory research design aims to explore and clarify the relationships between these ethical banking factors and sustainable growth outcomes. By combining both designs, the study not only describes the existing practices but also investigates the underlying mechanisms and causality, providing a comprehensive understanding of how ethical banking contributes to economic sustainability in Nepal's banking industry. Also, the study aims to provide a holistic understanding of the complex interplay between ethical banking and sustainable banking development in the Nepalese context.

3.2 Population, Sample and Sampling Design

Nepal's banking sector includes 20 commercial banks, 17 development banks, 17 finance companies, and numerous cooperatives spread across the country. The commercial banks dominate the sector, holding a significant portion of the total assets and deposits within the industry. Nepali commercial banks have provided employment to 46408 (Nepal Rastra Bank, 2023) individuals of the country. By sampling 207 employees from these institutions, this study aims to capture a broad range of insights and perspectives, helping to understand how ethical banking practices are influencing sustainable growth across the Nepalese banking sector.

Nepal's banking sector comprises several types of banks, each serving specific functions. The central bank, Nepal Rastra Bank (NRB), regulates the entire financial system. Commercial banks are the largest, providing a broad range of services like deposits, loans, and foreign exchange to individuals and businesses. Development banks focus on financing development projects, particularly in rural and semi-urban areas. Finance companies offer financial services, including hire purchase, leasing, and consumer finance, with a narrower scope than commercial banks. Lastly, cooperatives are member-based institutions that provide basic financial services, especially in rural areas, to promote community development. Employees of various banks of Nepal were considered as population for this study. Population used for the study was all employees of Nepalese banks. The targeted populations for the study are the employees of banks.

In the context of Nepal, ethical banking practices can profoundly influence sustainable banking growth. Ethical banking focuses on social, environmental, and ethical considerations in banking activities. Factors such as corporate governance, transparency, corporate social responsibility (CSR), environmental sustainability, and stakeholder engagement are pivotal. By emphasizing these factors, Nepalese banks can enhance their reputation, build customer trust, and contribute to sustainable development. This study aims to explore these impacts, using a carefully selected sample to ensure robust and insightful findings.

Table 2:

Sample Size

Sample from employee of	No. of Samples
Commercial Bank	136
Development Bank	29
Finance	27
Cooperative	15
Total	207

3.3 Nature and Sources of Data

The research has used quantitative nature of data, drawing primary data directly from employees within the banking sector. This method ensures the collection of reliable and relevant data to comprehensively analyze the impacts of factors of ethical banking on sustainable banking growth in Nepal.

3.4 Data Collection Procedure

This section enlightens on how data were collected for this study purpose. This study has been designed to understand the opinions of the respondents regarding impacts of factors of ethical banking on sustainable banking growth in Nepal. Structured questionnaire has been used to collect the required information from the employee working in the banks. There are altogether 207 respondents. The questionnaire was divided into different sections where the first section includes the respondent's personal details and second section includes statement questions regarding the subject matters. This study has been designed to understand the opinions of respondents regarding ethical banking practices on sustainable banking growth in Nepal. The structured questionnaire was prepared based on pre-test study about ethical banking practices on sustainable banking growth in Nepal. Employees were humbly requested to provide the degree of agreement and disagreement in the five-point Likert scale questions ranging from (1-Strongly disagree to 5-Strongly agree). The questionnaire used in the study is presented in the appendix.

3.5 Instrumentation

To measure the study variables all tested items were taken from relevant scholarly articles. Economic sustainability of bank is measured by 5 items that is taken from Clark et al. (2015) and Weber (2017). Similarly other variables are measured by 5 items each.

The given table can serve as a concise summary of the key variables and their relationships, helping to structure the analysis in the thesis.

Table 3

Relationship of Variables

Variables	Measurement	Sources	Expected Sign
EBA	EBA1 To EBA5	Jamali et al. (2015); Leal Filho et al. (2019)	+
EBJ	EBJ1 To EBJ5	Schwartz (2013)	+
EBB	EBB1 To EBB5	Ferrell & Fraedrich (2015)	+
ES	ES1 To ES5	Clark et al. (2015); Weber (2017)	+

3.6 Method of Analysis

After data collection, the gathered data has been meticulously organized and inputted into statistical software packages like Microsoft Excel and SPSS. Subsequently, the data has been subjected to thorough analysis employing various statistical tools including descriptive statistics, correlation analysis, and multivariate regression modeling. This rigorous analytical process has aimed to unveil meaningful insights, relationships, and patterns within the dataset, facilitating a comprehensive understanding of the impact of ethical banking on economic sustainability of banking industries in Nepal. Following statistical tools has been used in this study i. Descriptive analysis, ii. Correlation analysis & iii. Regression.

3.7 Research Framework and Definition of Variables

The research framework acts as a blueprint for structuring and analyzing the variables within this study. It establishes a theoretical foundation, guiding the exploration of the relationships among different factors under investigation. In this research, the framework is adapted to examine the connections between the dependent variable, sustainable banking growth (SBG), and several independent variables, including ethical banking practices.

The independent variables encompass ethical banking awareness, ethical banking judgment and ethical banking behavior. This framework allows for a systematic evaluation of how these factors influence economic sustainability of banking industries in Nepal. By adopting this structured framework, the study ensures consistency and rigor in the analysis. The framework provides a clear structure for organizing data collection, analysis, and interpretation. This approach enables the research to effectively assess the impact of ethical banking practices on sustainable banking growth, considering economic dimensions.

The use of this research framework supports the goal of offering valuable insights into how ethical banking contributes to economic sustainability of banking industries in Nepal. It serves as a guide for understanding the key factors that drive sustainable growth, ensuring a comprehensive analysis of the topic.

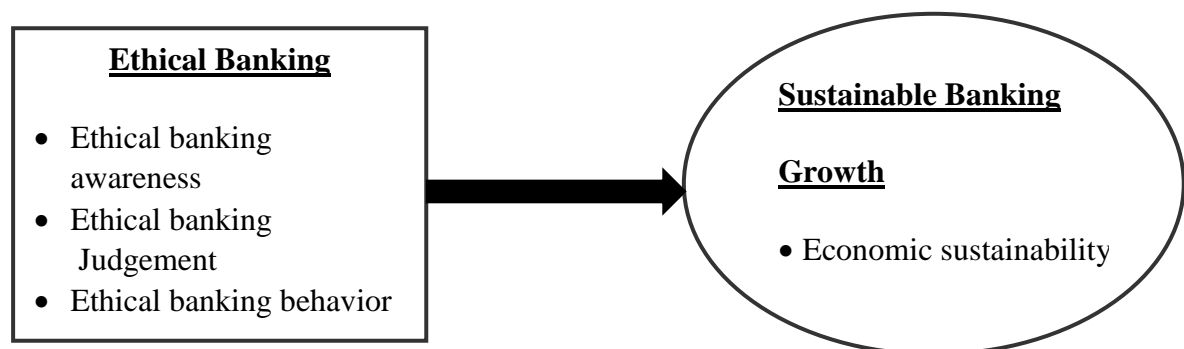


Figure 1: Research framework of the study Kishor and Prakash(2019)

3.7.1 Definition of Variables

Ethical Banking Awareness

Ethical banking awareness refers to the understanding and recognition of ethical principles and practices within the banking sector by employees, management, and other stakeholders. This factor encompasses the knowledge of responsible banking practices, including fairness, transparency, environmental consciousness, and social responsibility. Employees who are well-informed about ethical banking are more likely to integrate these principles into their daily operations, thereby fostering a culture of ethical decision-making. In the context of sustainable banking growth, ethical banking

awareness is essential, as it drives the alignment of banking practices with broader social and environmental goals. Banks that prioritize ethical banking awareness can enhance their reputation and contribute to long-term sustainability. This definition is supported by the works of Jamali et al. (2015) and Leal Filho et al. (2019), which emphasize the role of awareness in embedding ethical values within organizational frameworks.

Ethical Banking Judgement

Ethical banking judgment refers to the ability of bank employees and decision-makers to evaluate and make decisions based on ethical principles within the banking sector. This factor includes assessing the moral implications of financial activities, such as lending practices, investments, and customer relations, and ensuring that these activities align with ethical standards. Ethical judgment involves weighing the potential social, environmental, and economic impacts of banking decisions and choosing actions that promote fairness, transparency, and responsibility. In the context of sustainable banking growth, strong ethical judgment is crucial for fostering trust and ensuring that the bank's operations contribute positively to society and the environment. This concept is supported by Schwartz (2013), who highlights the importance of ethical judgment in guiding responsible business practices and maintaining organizational integrity.

Ethical Banking Behavior

Ethical banking behavior refers to the actual actions and conduct of bank employees and management that reflect ethical principles in their day-to-day operations. This factor involves the implementation of ethical banking practices, such as ensuring fairness in lending, transparency in financial transactions, and commitment to social and environmental responsibilities. Ethical behavior goes beyond mere awareness or intent; it is the manifestation of ethical judgment and intent in real-world decisions and activities. In the context of sustainable banking growth, ethical banking behavior is critical, as it directly impacts the bank's reputation, customer trust, and long-term sustainability. Banks that consistently demonstrate ethical behavior are more likely to build strong relationships with stakeholders and contribute to positive social and environmental outcomes. This concept is supported by the research of Ferrell &

Fraedrich (2015), who emphasize that ethical behavior in organizations is essential for maintaining integrity and achieving sustainable success.

Economic Sustainability

Economic sustainability in banking refers to the ability of financial institutions to maintain stable and profitable operations over the long term while ensuring that their practices do not compromise future economic opportunities (Hamdani & Priyanto, 2016). This includes responsible lending, risk management, supporting sustainable businesses, and promoting inclusive growth. By focusing on economic sustainability, banks can contribute to the overall financial health of the economy and ensure their own viability. Assessing economic sustainability helps identify areas for improvement in terms of profitability, efficiency, and long-term stability. This statement is supported by Clark et al. (2015), and Weber (2017).

CHAPTER IV

RESULTS AND DISCUSSION

This chapter delves into the complex factors affecting economic sustainability of banking industry in Nepal through the lens of ethical banking practices. It carefully analyzes the demographic characteristics of the bank employees who participated in the study, offering valuable insights into the socio-economic context of the banking sector. Additionally, the chapter presents a comprehensive descriptive statistical analysis, providing a thorough overview of key sustainability indicator. The analysis paves the way for in-depth correlation and regression analyses, which investigate the intricate relationships between ethical banking practices and sustainable growth outcomes. The findings are then critically compared with existing literature, allowing for a nuanced understanding of how the identified factors align with or challenge previous research. This rigorous examination bolsters the validity and significance of the study's conclusions, contributing to a deeper discussion on the implications of ethical banking for sustainable growth in Nepal's banking sector.

4.1 Results

In this section, the results of the descriptive study, correlation analysis, and regression analysis are presented in a structured format and analyzed. The descriptive study offers a detailed overview of the data, highlighting key trends and metrics related to ethical banking awareness, ethical banking judgment, and ethical banking behavior. The correlation analysis investigates the relationships between these independent variables and the dependent variable, economic sustainability, identifying noteworthy associations. The regression analysis further explores these connections, providing insights into the influence of the independent variables on economic sustainability and uncovering potential predictive relationships. These analyses collectively enhance the understanding of how ethical banking practices contribute to the economic sustainability of the banking sector in Nepal.

4.2 Data Analysis

The data analysis for this study involved a systematic approach, utilizing descriptive analysis, correlation analysis, and regression analysis to explore the impact of ethical banking practices on economic sustainability within Nepal's banking sector. The descriptive analysis provided a comprehensive summary of the data, detailing the

distribution and central tendencies of the variables related to ethical banking awareness, judgment, and behavior. This was followed by correlation analysis, which examined the relationships between these independent variables and the dependent variable, economic sustainability, identifying both positive and negative associations. Finally, regression analysis was employed to assess the strength and significance of these relationships, offering predictive insights into how variations in ethical banking practices might influence economic sustainability. The combined results from these analyses offer a nuanced understanding of the interplay between ethical banking practices and economic outcomes in the context of sustainable banking growth in Nepal.

4.2.1 Demographic profile of respondents

In this section, the demographic profile of the respondents, encompassing variables such as gender, age group, academic qualifications, position, and types of banks, has been meticulously analyzed. This examination offers a comprehensive overview of the characteristics of the survey participants, highlighting the distribution across various demographic categories. The analysis reveals a balanced gender representation, a predominantly young workforce, and a high level of educational attainment among the respondents. Additionally, the diversity in positions and the representation from different types of banks provide a well-rounded understanding of the respondent pool, which is crucial for interpreting the findings of the study.

Table 3 reveals the results of this study, which included 207 bank employees, provides a diverse representation of Nepal's banking sector. The gender distribution is nearly balanced, with 48.79% of respondents being male, 50.24% female, and a small percentage (0.97%) identifying as others. The majority of the respondents (62.3%) fall within the age group of 25 to 35 years, indicating a predominantly young workforce, while 25.6% are below 25 years, 6.8% are between 35 to 45 years, and 5.3% are 45 years and above. In terms of educational qualifications, most respondents hold a Bachelor's degree (44.4%) or a Master's degree (45.9%), with a smaller portion having completed higher secondary education (5.3%) or advanced degrees such as M.Phil./PhD (4.3%). The majority of respondents occupy assistant positions (44.4%), followed by officers (24.2%), managers (17.9%), and executives (13.5%). Regarding the type of banks represented, a significant portion of the sample comes from commercial banks (65.2%), with the remaining respondents employed in development banks (14.5%), finance companies (13.0%), and cooperatives (7.2%). This diverse demographic profile reflects a broad

cross-section of Nepal's banking workforce, which is crucial for understanding the impact of ethical banking practices across different segments of the sector.

Table 4

Demographic Profile of Respondents (N = 207)

Variables	Categories	Frequency	Percent
Gender	Male	101	48.79227
	Female	104	50.24155
	Others	2	0.966184
Age	Below 25	53	25.6
	25 to 35	129	62.3
	35 to 45	14	6.8
	45 and above	11	5.3
Qualification	Higher Secondary	11	5.3
	Bachelor Degree	92	44.4
	Master Degree	95	45.9
	M.Phil./PhD	9	4.3
Position	Assistant	92	44.4
	Officer	50	24.2
	Manager	37	17.9
	Executive	28	13.5
Types of Banks	Commercial bank	135	65.2
	Development bank	30	14.5
	Finance	27	13.0
	Cooperatives	15	7.2

Source: Field Survey, 2024

4.2.2. Reliability test

The reliability of the scales used in this study was assessed using Cronbach's Alpha, which measures internal consistency. The results indicate strong reliability across all variables. The scale for Ethical Banking Awareness, with 5 items, yielded a Cronbach's Alpha of 0.833, demonstrating high reliability. Similarly, the Ethical Banking Judgment scale, also consisting of 5 items, had a Cronbach's Alpha of 0.753, indicating acceptable reliability. The Ethical Banking Behavior scale, with 5 items, showed a Cronbach's Alpha of 0.816, reflecting strong internal consistency. Finally, the Economic Sustainability scale, composed of 5 items, had a Cronbach's Alpha of 0.829, further confirming the

reliability of the measurement instruments. These results suggest that the scales used are reliable and can be confidently used to assess the variables in this study.

Table 5

Reliability test

Variables	Items	Cronbach's Alpha
Ethical Banking Awareness	5	0.833
Ethical Banking Judgement	5	0.753
Ethical Banking Behavior	5	0.816
Economic Sustainability	5	0.829

Source: Field Survey, 2024

4.2.3 Descriptive Analysis

The descriptive statistics analysis provides a foundational understanding of the key factors within the realm of ethical banking that may influence Nepal's sustainable growth. This analysis helps to assess the key factors of ethical banking that influence sustainable banking growth in Nepal.

Table 6

Summary of Descriptive Analysis

Variables	Mean	Std. Deviation	Skewness	Kurtosis	Minimum	Maximum
EBA	9.242	2.778	0.911	1.622	5	20
EBJ	9.295	2.374	0.233	0.111	5	17
EBB	9.353	2.321	0.170	0.219	5	16
ES	10.188	2.949	0.299	0.069	5	19

Source: Field Survey, 2024

Table 6 presents the descriptive analysis of the factors related to ethical banking and their impact on economic sustainability among respondents. The mean score for Ethical Banking Awareness (EBA) is 9.242 (S.D. = 2.778), indicating a moderate level of awareness among participants. This suggests that respondents generally recognize ethical banking practices, although there is some variability in how strongly this awareness is perceived.

Ethical Banking Judgment (EBJ) has a mean score of 9.295 (S.D. = 2.374), similarly reflecting a moderate level of judgment in ethical banking decisions. Respondents

perceive their ability to make ethical banking judgments as relatively consistent across the sample, with only minor variations.

Ethical Banking Behavior (EBB) shows a mean score of 9.353 (S.D. = 2.321), also indicating a moderate level of ethical behavior in banking practices. The standard deviation suggests that while most respondents exhibit ethical behavior, there is some degree of variation in how these behaviors are practiced.

Economic Sustainability (ES) has the highest mean score of 10.188 (S.D. = 2.949), reflecting a moderate to high level of perceived economic sustainability. This indicates that respondents generally view economic sustainability as an important outcome of ethical banking practices, though there is greater variability in perceptions, as evidenced by the higher standard deviation. Overall, these findings suggest that ethical banking practices are moderately influential in shaping economic sustainability within Nepal's banking sector.

4.2.4 Correlation analysis

In this study, correlation analysis has been used to examine the relationship between factors of ethical banking and sustainable banking growth in Nepal. This approach helps to identify the strength and direction of associations between these ethical banking factors and the sustainable growth of banks, providing insights into how various aspects of ethical practices influence economic sustainability within the banking sector. By analyzing these relationships, the study aims to contribute to a deeper understanding of the role ethical banking plays in promoting long-term sustainable growth in Nepal's banking industry.

Table 7

Correlation Matrix

Variables	ES	EBA	EBJ	EBB
ES		1		
EBA	.464**		1	
EBJ	.496**	.621**		1
EBB	.572**	.491**	.719**	

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

Source: Field Survey, 2024

Table 7 presents the correlation between independent variables (ethical banking awareness, ethical banking judgment, and ethical banking behavior) and the dependent

variable (economic sustainability). The correlation coefficient between economic sustainability (ES) and ethical banking awareness (EBA) is $r = 0.464$, indicating a moderate positive correlation, suggesting that as ethical banking awareness increases, economic sustainability also tends to increase.

The correlation coefficient between economic sustainability (ES) and ethical banking judgment (EBJ) is $r = 0.496$, indicating a moderate positive correlation, suggesting that as ethical banking judgment improves, economic sustainability also tends to improve.

The correlation coefficient between economic sustainability (ES) and ethical banking behavior (EBB) is $r = 0.572$, indicating a moderate to strong positive correlation, suggesting that as ethical banking behavior becomes more prevalent, economic sustainability also tends to increase.

Additionally, the correlation between the independent variables themselves, such as between EBA and EBJ ($r = 0.621$), EBA and EBB ($r = 0.491$), and EBJ and EBB ($r = 0.719$), indicates varying degrees of positive relationships among them, suggesting that these ethical banking factors are interrelated. This means that the p-values for these correlations are less than 0.01, indicating a strong statistical significance.

4.2.5 Regression analysis

In this study, regression analysis has been used to analyze the impact of factors of ethical banking namely ethical banking awareness, ethical banking judgment, and ethical banking behavior on the sustainable banking growth in Nepal. This method allows for a detailed understanding of how each independent variable influences the dependent variables, which include economic sustainability. By employing regression analysis, the study provides a comprehensive assessment of the extent to which ethical banking practices contribute to sustainable growth in the banking sector, identifying the factors that significantly affect the long-term sustainability of banks in Nepal.

Table 8

Model Summary of Regression Model

Model	R	Adjusted R Square	Std. Error of the Estimate	R Square Change	Change Statistics			Sig. F Change	
					F Change	df1	df2		
1	.610	.372	.363	2.35347	.372	40.157	3	203	.000

Source: Field Survey, 2024

Table 8 presents the model summary of the regression model for predicting economic sustainability (ES) based on the predictors: ethical banking behavior (EBB), ethical banking awareness (EBA), and ethical banking judgment (EBJ). The model shows a significant relationship ($R = 0.610$, $R \text{ Square} = 0.372$) between the predictors and economic sustainability. The adjusted R Square value (0.363) suggests that approximately 36.3% of the variance in economic sustainability can be explained by the predictors included in the model. The standard error of the estimate (2.35347) indicates the average difference between the observed values and the predicted values by the model.

Table 9

ANOVA Table of Regression Model

Model	Sum of Squares	df	Mean Square	F	Sig.
1 Regression	667.271	3	222.424	40.157	.000
Residual	1124.381	203	5.539		
Total	1791.652	206			

Source: Field Survey, 2024

Table 9 displays the ANOVA table of the regression model for predicting economic sustainability (ES) based on the predictors: ethical banking behavior (EBB), ethical banking awareness (EBA), and ethical banking judgment (EBJ). The model's regression sum of squares is 667.271, with 3 degrees of freedom, resulting in a mean square value of 222.424. The F-statistic of 40.157 indicates a significant overall relationship between the predictors and economic sustainability. Moreover, the p-value (Sig.) of 0.000, being less than 0.05, suggests that the model is fit for analysis, implying that at least one of the predictors significantly contributes to explaining the variance in economic sustainability. The residual sum of squares, which represents the unexplained variance, is 1124.381 with 203 degrees of freedom, resulting in a mean square value of 5.539. The total sum of

squares is 1791.652, representing the total variance in economic sustainability that the model aims to explain.

Table 10

Beta Coefficient of Regression Model

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistics	
	B	Std. Error	Beta			Tolerance	VIF
1 (Constant)	2.347	0.740		3.171	0.002		
EBA	0.237	0.076	0.223	3.134	0.002	0.610	1.640
EBJ	0.065	0.111	0.052	0.585	0.559	0.389	2.573
EBB	0.540	0.102	0.425	5.295	0.000	0.480	2.082

Source: Field Survey, 2024

Table 10 provides the beta coefficients for the regression model analyzing the impact of various independent variables on the dependent variable, economic sustainability (ES). The unstandardized coefficient (B) for ethical banking awareness (EBA) is 0.237, implying that a one-unit increase in EBA is associated with a 0.237-unit increase in ES. The corresponding standardized coefficient (Beta) of 0.223 indicates a moderate positive relationship between EBA and ES. With a significant p-value of 0.002, EBA significantly influences ES at the 5% level of significance. Additionally, the variance inflation factor (VIF) of 1.640 is well below the threshold of 10, indicating no multicollinearity concerns. The p-value (0.002) is less than 0.05, indicating that EBA is statistically significant in predicting sustainable banking growth. The positive coefficient (0.237) means that as EBA increases, sustainable banking growth also increases.

For ethical banking judgment (EBJ), the unstandardized coefficient (B) is 0.065, suggesting that each unit increase in EBJ is expected to increase ES by 0.065 units. However, the standardized coefficient (Beta) of 0.052 reflects a weak positive relationship between EBJ and ES. The p-value of 0.559 indicates that this relationship is not statistically significant at the 5% level of significance. The VIF value of 2.573, though higher than that of EBA, is still below 10, indicating no multicollinearity issues for EBJ. The p-value (0.559) is greater than 0.05, meaning that EBJ is not statistically significant in predicting sustainable banking growth in this model. It suggests that changes in EBJ do not have a substantial impact on sustainable banking growth.

The analysis of ethical banking behavior (EBB) reveals an unstandardized coefficient (B) of 0.540, indicating that a one-unit increase in EBB leads to a 0.540-unit increase in ES. The corresponding standardized coefficient (Beta) of 0.425 suggests a strong positive relationship between EBB and ES. This relationship is statistically significant ($p < 0.001$), showing that EBB significantly impacts ES at the 5% level of significance. The VIF value of 2.082 is also below 10, indicating no multicollinearity concerns for EBB. In this model, EBA and EBB are statistically significant predictors of the dependent variable. The p-value (0.000) is highly significant, less than 0.05, indicating that EBB is statistically significant in predicting sustainable banking growth. The positive coefficient (0.540) implies that as EBB increases, sustainable banking growth also increases, and EBB has the strongest impact among the variables, as shown by the highest Beta coefficient (0.425).

The regression equation based on this analysis can be represented as follows:

$$ES = 2.347 + 0.237 \text{ EBA} + 0.065 \text{ EBJ} + 0.540 \text{ EBB} + E$$

Figure 2 shows the distribution of regression standardized residuals for the dependent variable, Economic Sustainability (ES). The data appears approximately normally distributed, with a mean near zero and a standard deviation of approximately 0.993. The sample size is 207.

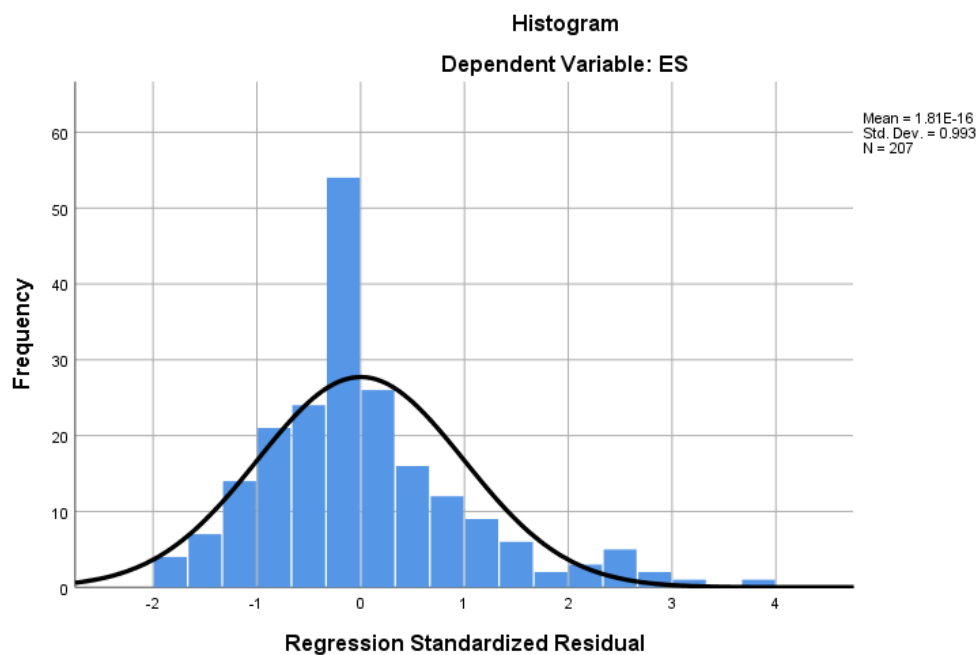


Figure 2: Histogram of Regression Standardized Residuals for Economic Sustainability (ES)

This Normal P-P Plot of Regression Standardized Residuals for Economic Sustainability (ES) in figure 3 shows that the points closely follow the diagonal line, indicating that the residuals are approximately normally distributed.

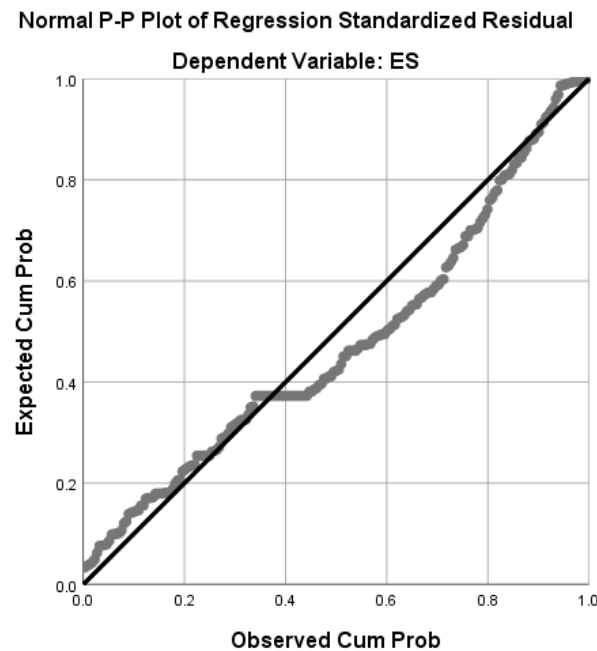


Figure 3: Normal P-P Plot of Regression Standardized Residuals for Economic Sustainability (ES)

4.2 Discussion

The first objective of this study is to assess the current status of factors affecting sustainable banking growth in Nepal. The findings indicate that factors such as ethical banking awareness (EBA), ethical banking judgment (EBJ), and ethical banking behavior (EBB) are perceived to have moderate to high importance. Notably, ethical banking behavior (EBB) is highlighted as the most critical factor, with the highest correlation with economic sustainability, underscoring its paramount importance in determining the overall success of sustainable banking growth. These findings are consistent with previous research, particularly studies like Rai and Shrestha (2023), and climent (2018) which emphasize the importance of ethical banking behavior in influencing sustainable banking practices. This alignment underscores the consistent recognition of certain

determinants across multiple studies, indicating their critical role in promoting sustainability in banking. However, divergences from studies such as Barbu and Boitan, (2019) suggest potential discrepancies in contextual factors or methodological approaches. These variations highlight the complexity of assessing sustainable banking growth and the need for comprehensive research to account for diverse perspectives and contexts.

The second objective of this study is to examine the relationship between ethical banking factors and sustainable banking growth in Nepal. The correlation analysis shows strong positive and statistically significant relationships between economic sustainability and each independent variable—EBA, EBJ, and EBB. This indicates that as these factors improve, economic sustainability tends to increase correspondingly, highlighting the interconnectedness and interdependence of these factors in influencing the sustainable growth of banking in Nepal. The findings of this study regarding the positive and significant relationships align with previous research conducted by Tandukar et al. (2021). This consistency underscores the robustness of the identified relationships and reinforces the notion that ethical banking awareness, judgment, and behavior play pivotal roles in influencing economic sustainability across different studies. However, the results diverge from studies conducted by Costa and Martinez (2018) suggesting potential contextual variations or methodological disparities. While this study highlights strong positive correlations between economic sustainability and various ethical banking factors, these discrepancies underscore the complexity of assessing sustainable banking growth and the need for comprehensive research to account for diverse contexts and analytical approaches.

The third objective of this study is to analyze the impact of various ethical banking factors on the economic sustainability of banking in Nepal. The regression analysis reveals that ethical banking awareness (EBA) and ethical banking behavior (EBB) have a significant positive impact on economic sustainability, highlighting their crucial role in enhancing sustainable growth. Conversely, ethical banking judgment (EBJ) shows a weak and statistically insignificant impact, indicating that this factor has a minimal effect on economic sustainability. Overall, the findings suggest that improvements in ethical banking awareness and behavior are key to boosting sustainable banking growth, while ethical banking judgment has a less pronounced or negligible impact. Comparing these findings with the first objective of the study reveals intriguing insights. The alignment

with studies such as Torre Olmo et al.(2021) underscores the consistent recognition of the importance of ethical banking awareness and behavior across different analyses. However, the divergence from studies like Kumar and Prakash (2019) suggests potential variations in the perceived significance of these factors or methodological disparities. Additionally, the lack of alignment with research such as Ionescu et al.(2023) highlights the complexity of assessing sustainable banking growth and the need for nuanced approaches to account for contextual variations. While some studies may prioritize certain factors over others or employ different analytical frameworks, the synthesis of findings from various studies contributes to a more comprehensive understanding of the factors shaping sustainable banking outcomes in Nepal.

CHAPTER V

SUMMARY AND CONCLUSION

This chapter provides a brief summary of the entire study, encapsulating the key objectives, methodologies, and findings related to the impacts of ethical banking factors on sustainable banking growth in Nepal. It begins by briefly reviewing the research, focusing on how ethical banking practices influence environmental, economic, and social sustainability within the banking sector. The major findings are then highlighted, offering insights into the significance of ethical factors in promoting sustainable growth. In the following section, the chapter presents conclusions drawn from the analysis, emphasizing the practical implications for banks, policymakers, and other stakeholders. This is accompanied by specific recommendations to enhance ethical banking practices and foster sustainable growth. The chapter concludes by discussing the potential areas for future research, suggesting directions for further exploration in ethical banking and sustainability in the context of Nepal's banking industry.

5.1 Summary

The study explores the impact of ethical banking on sustainable banking growth in Nepal. It highlights the increasing importance of ethical banking practices in fostering long-term sustainability within the banking sector. The research focuses on three key dimensions of sustainability: environmental, economic, and social. Given Nepal's growing emphasis on sustainable development and the role of banks in promoting this agenda, the study seeks to understand how ethical banking practices influence sustainable growth. The main research questions address the relationship between various ethical banking factors and the three pillars of sustainability. The study also aims to identify gaps in current banking practices that may hinder sustainable development and provide recommendations for enhancing ethical standards in the banking sector.

The literature review covers various theories and models related to ethical banking and sustainability. It delves into the concept of ethical banking, which encompasses transparency, accountability, responsible lending, and environmental consciousness. The review also discusses sustainable banking, defined by banks' contributions to environmental, economic, and social well-being. Similarly, provides a comprehensive

review of existing literature on ethical banking and sustainable banking growth. It begins by defining key concepts, such as ethical banking, corporate social responsibility (CSR), and sustainability, and explores how these concepts have evolved over time.

The literature review draws on both theoretical and empirical studies to present a holistic view of the current understanding of ethical banking. It explores the relationship between ethical banking practices and sustainable growth, citing studies that have shown positive outcomes in terms of reputation, customer loyalty, risk management, and financial performance. The chapter also highlights the role of regulatory frameworks and international guidelines, such as the Equator Principles and the United Nations Principles for Responsible Banking, in shaping ethical banking practices.

In addition to global perspectives, the literature review examines the context of Nepal, where ethical banking is still in its nascent stages. It discusses the challenges that Nepalese banks face in implementing ethical practices, such as limited regulatory support, lack of awareness, and resistance to change. Also, identifies gaps in the existing literature, particularly the lack of empirical studies that focus on the impacts of ethical banking in developing countries like Nepal. This gap underscores the need for the present study, which aims to fill this void by providing empirical evidence on the relationship between ethical banking and sustainable growth in the Nepalese context.

Research methodology outlines the research design and methodology used in the study. The research employs a mixed-methods approach, combining both qualitative and quantitative techniques to provide a comprehensive understanding of the research problem. The chapter begins by discussing the research design, which includes both descriptive and explanatory components. The descriptive design helps in understanding the current state of ethical banking practices in Nepal, while the explanatory design is used to assess the impact of these practices on sustainable banking growth.

The sample selection process is detailed, explaining how a total of 207 bank employees were chosen as respondents. These employees were drawn from different types of banks, including commercial banks (136 samples), development banks (29 samples), finance companies (27 samples), and cooperatives (15 samples). The sampling method ensures a representative cross-section of the Nepalese banking sector, allowing for a more accurate analysis of the data.

Data collection methods are discussed, with a focus on the structured questionnaires used to gather information from bank employees. The questionnaire was designed to capture respondents' perceptions of ethical banking practices and their impact on the three dimensions of sustainable growth: environmental, economic, and social sustainability. It also explains the use of pilot testing to refine the questionnaire and ensure its reliability and validity.

In terms of data analysis, the chapter details the statistical tools and techniques employed in the study. Descriptive statistics are used to summarize the data, while correlation analysis is conducted to examine the relationships between variables. Multivariate regression analysis is employed to assess the impact of various ethical banking factors on sustainable growth. The chapter also discusses the use of software tools, such as SPSS, to facilitate data analysis.

Finally, the chapter addresses ethical considerations in the research process, such as ensuring the confidentiality of respondents' information and obtaining informed consent. The limitations of the study are also acknowledged, including potential biases in self-reported data and the challenges of generalizing findings to the broader banking sector.

5.2 Conclusion

The first objective of this study is to assess the current status of factors affecting sustainable banking growth in Nepal. The findings reveal that across various dimensions, including ethical leadership, corporate social responsibility, ethical culture, ethical products, and regulatory framework, there is a consistent perception of moderate to high importance attributed to each factor. Specifically, factors such as Ethical Banking Awareness (EBA), Ethical Banking Judgement (EBJ), and Ethical Banking Behavior (EBB) all demonstrate a level of significance in the range of medium to medium-high, as indicated by their mean scores and standard deviations. Notably, Ethical Banking Behavior (EBB) emerges as the most critical factor, with the highest mean score, underscoring its paramount importance in determining the overall success of sustainable banking growth.

The second objective of this study is to examine the relationship between Ethical Banking Awareness (EBA), Ethical Banking Judgement (EBJ), and Ethical Banking Behavior (EBB), and the sustainable banking growth of Nepal. The correlation analysis reveals

strong positive correlations between sustainable banking growth and each of the independent variables: Ethical Banking Awareness (EBA), Ethical Banking Judgement (EBJ), and Ethical Banking Behavior (EBB). These correlations are statistically significant, underscoring the importance of these factors in influencing sustainable banking growth. Specifically, as Ethical Banking Awareness (EBA), Ethical Banking Judgement (EBJ), and Ethical Banking Behavior (EBB) increase, sustainable banking growth tends to increase correspondingly. This highlights the interconnectedness and interdependence of various factors impacting the economic sustainability of banking industries in Nepal.

The third objective of this study is to analyze the impact of Ethical Banking Awareness (EBA), Ethical Banking Judgement (EBJ), and Ethical Banking Behavior (EBB) on the sustainable banking growth of Nepal. The regression analysis in this study provides a nuanced understanding of the impact of Ethical Banking Awareness (EBA), Ethical Banking Judgement (EBJ), and Ethical Banking Behavior (EBB) on the economic sustainability (ES) of the banking sector in Nepal. The results indicate that EBA and EBB have significant positive impacts on ES, with EBB showing the strongest influence, highlighting the critical role of ethical behavior in promoting economic sustainability. EBA also contributes moderately and significantly, emphasizing the importance of awareness in driving sustainable outcomes. In contrast, EBJ, while positively associated with ES, does not show a statistically significant impact, suggesting that the ethical judgment of banking professionals may not be as influential on economic sustainability as awareness and behavior. Overall, the findings underscore the importance of fostering ethical behavior and awareness in the banking sector to enhance economic sustainability, while ethical judgment appears to play a less central role.

5.3 Implications

This study contributes to the theoretical understanding of the relationship between ethical banking practices and sustainable banking growth, particularly in the context of developing economies like Nepal. By exploring how ethical factors such as transparency, accountability, and social responsibility influence economic sustainability, the research enriches the existing body of literature on ethical banking. It also offers insights into how these ethical dimensions can serve as critical drivers of sustainable growth in the banking sector. The findings can provide a foundation for future research on the integration of

ethical considerations into banking practices, not only in Nepal but also in similar emerging markets.

From a practical standpoint, this study offers valuable insights for policymakers, banking regulators, and financial institutions in Nepal. The research highlights the importance of embedding ethical principles into banking operations to achieve sustainable growth. Banks can use the findings to develop and implement strategies that enhance transparency, accountability, and social responsibility, thereby fostering long-term sustainability. Additionally, the study can guide policymakers in formulating regulations that promote ethical banking practices, which can lead to a more stable and sustainable financial sector. These practical implications are crucial for the continued development of a resilient banking system in Nepal, contributing to overall economic stability and growth.

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APPENDICES

Appendix I: Questionnaire

Dear Participant,

I am a student of Master of Business Studies (MBS) at Shankar Dev Campus. As part of my research, I am conducting a survey to understand the impact of various factors of ethical banking on economic sustainability of banking industries in Nepal. Your participation is crucial for the success of this study, and I would greatly appreciate your time and insights.

Completing the survey should take no more than 10 minutes at most. Detailed instructions are provided in each section of the survey.

Thank you for your cooperation.

Sincerely,

Maharani Thakuri,

Shanker Dev Campus,

Tribhuvan University

Section I : Demographic Information

Please give a tick mark to an appropriate one.

1. Gender
 - a) Male
 - b) Female
2. Age
 - a) Below 25
 - b) 25-35
 - c) 35-45
 - d) 45 and above
3. Education Qualification
 - a) Higher secondary

- b) Bachelor degree
 - c) Master degree
 - d) M.phil / PHD
4. Job position
- a)Assistant level
 - b)Officer level
 - c)Manager level
 - d)Executive level
5. Type of Bank you are working on
- a)Commercial Bank
 - b)Development Case
 - c)Finance company
 - d)Cooperatives

Section II: Likert Scale Type Question

Please indicate your opinion on the given scale as mentioned below.

(1= Strongly Disagree, 2= Disagree, 3= neutral, 4= Agree, 5= Strongly Agree)

S. N	ITEMS	SD(1)	D(2)	N(3)	A(4)	SA(5)
I₁	Ethical Banking Awareness					
1.	I am well-informed about the ethical banking practices adopted by my bank.					
2.	I believe that my bank's commitment to ethical practices is genuine and not just for show.					
3.	I believe that the ethical banking practices of my bank contribute significantly to sustainable banking growth in Nepal.					

4.	The ethical behavior of my bank enhances its reputation and attracts more customers who value sustainability.					
5.	My bank's ethical practices are transparent and clearly communicated to customers.					

Independent variables

S.N	ITEMS	SD(1)	D(2)	N(3)	A(4)	SA(5)
I₂	Ethical Banking Judgment					
1	Nepalese banks should prioritize sustainable growth over short-term profits.					
2	Ethical training programs significantly improve employee performance in Nepalese commercial banks.					
3	Ethical banking judgment plays a vital role in sustainable banking growth in Nepal.					
4	The ethical practices of my bank enhance my trust in its services.					
5	My bank's practices align with my personal ethical standards.					

S.N	ITEMS	SD(1)	D(2)	N(3)	A(4)	SA(5)
I₃	Ethical banking behavior					
1	Ethical banking behavior influences the overall trust customers have in banking institutions.					
2	Bank's ethical practices impact their ability to attract and retain customers.					
3	Bank's adherence to ethical guidelines affects their financial performance positively.					
4	Increased customer demand for ethical banking could pressure Nepalese banks to adopt more sustainable practices.					
5	Ethical banking behavior contributes to improved employee morale and productivity within the banking sector.					

S.N	ITEMS	SD(1)	D(2)	N(3)	A(4)	SA(5)
D1	Economic Sustainability					
1	The bank contributes to local economic development through its lending and investment activities					
2	The bank promotes financial inclusion by providing accessible banking services to underserved populations					
3	Our bank ensure long-term economic stability while pursuing ethical banking practices					
4	Our bank invest in local economic development projects (e.g., supporting small businesses, community infrastructure)					
5	Our bank balance short-term profitability with long-term economic sustainability					

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ABSTRACT This study investigates the impact of ethical banking on the economic sustainability of banking industries in

Nepal, focusing on key factors such as Ethical Banking Awareness (EBA), Ethical Banking Judgement (EBJ), and Ethical Banking Behavior (EBB). The research is motivated by the growing recognition of the importance of sustainability in banking