

CORPORATE SOCIAL RESPONSIBILITY AND FIRM PERFORMANCE

A Thesis

Submitted By

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CHAPTER I

INTRODUCTION

1.1 Background of the Study

Corporate social responsibility (CSR) has received growing interest from business scholars over the past couple of decades. The linkage between CSR and firm performance however, has been a controversial issue among scholars as there has not been a consensus regarding the impact that CSR would have on firm performance. It is now regarded to be at its most prevalent representing an important topic for research (Renneboog, Horst and Zhang, 2008; Burton and Goldsby, 2009; Kumar and Tiwari, 2011). One view in existing literature points out that firms that act responsibly in their social context can gain a competitive advantage and therefore improve their financial performance (McWilliams & Siegel, 2001). The purpose of business is not only to earn profit but the social welfare of society as well. The basic purpose of Corporate Social Responsibility (CSR) is to sustain business operations to create shared value for business and society so, that why CSR has become a standard practice for business at current time.

According to Carroll (1999) the concept Corporate Social Responsibility (CSR), originally referred to a social Responsibility (SR), was discussed as early as the 1930's. However, Carroll (1999) argues it was not until the publication of Bowen's Social Responsibilities of the Businessman in 1953 that concept became popularized and discussed in similar terminology as it is today. Bowen (1953), defines CSR as "the obligations of businessmen to pursue those policies, to make those decisions, or to follow those lines of action which are desirable in terms of the objectives and values of our society." He argued that social responsibility is no panacea, but it is an important value that must guide business in the future. From this publication and through the research that has followed onwards, the true definition of what CSR entails has been heavily debated (Matten & Moon, 2008). Moura- Leite and Padgett (2011), discuss how the focus of CSR has shifted from acknowledgement of social interest to having become an important part of a many companies overall strategic approach.

Corporate Social Responsibility has gained much attention in recent years. The importance of CSR practices in sustainable business is inevitable throughout the world. CSR has been gaining its popularity throughout the world, nationally and

internationally. Inter-connected events and its impact around the world are increasing the importance of Corporate Social Responsibility in order to “build sustainable business, which needs healthy economies, market and communities” (ASOCIO, 2004). Currently, CSR as an academic field is a wide-ranging, multi-faceted research area. The quantity of research produced has increased enormously over the last decade, and touches nearly every facet of business theory.

CSR exists for a long time, already before World War II. The roots of the current CSR can be traced to the period 1945-1960 (Spector, 2008). In the seventies a proliferation of the definitions of CSR started and CSR became the center of discussions. The nineties and the 2000's became the era of global corporate citizenship (Frederick, 2008). CSR for the business branch became an important subject during this period. There was a strong attention with sustainability and the development of it. This is why it developed to an important part of the CSR discussion.

World Business Council for Sustainable Development (2001) explained CSR as the commitment of business to contribute towards sustainable development working with employees, their families, and the local communities. Welzel (2006) expresses CSR as an accepted and effective concept for business to help solve societal problems and the same time strengthen their core business activities. According to European commission of (2001), CSR is day by day developing into a tool for societal cooperation and the active shaping of globalization.

Brass (2007), in order to understand CSR history the present study looked at CSR origins that began many centuries ago, as far back as 1700 BC in Mesopotamia. For example, in ancient Mesopotamia, in about 1700 BC, King Hammurabi decreed that builders, innkeepers and farmers should be put to death if their negligence caused deaths or major problems for local people. Numerous CSR studies have noted the history of CSR since 1776 AD and believe that the modern conception of CSR was begun in the 1950s.

Carroll (1999) and Windsor (2001), credited Bowen as the father of CSR because of his early seminal work. Windsor (2001), stated that Bowen took broad approach to business responsibilities, as well as social responsiveness, social stewardship, social audit, corporate citizenship and fundamental stakeholder theory. McGuire (1963) social responsibility is more important than the company's economic responsibility and legal

responsibility. He argued that the corporation must take interest in politics, community welfare, education and the happiness of its employees. McGuire first introduced the social activities of the organization and showed that business organizations should act as corporate citizens.

Adhikari, Gautam and Chaudhary (2016), with the development of commercial banks along with other financial corporations during the last decade, Corporate Social Responsibility (CSR) became a well-known issue among the managers in Nepal. Though some leading organizations are investing in philanthropic activities as CSR, they do not realize the proper operationalization and institutionalization as per stakeholder's wishes. Some of the companies, either financial or non-financial, are carrying out CSR activities primarily guided by the "moral minimum" or just to maintain their brand image. Many reasons can exist, for example, social and political disturbances in the last one and half decades lower level of understanding among managers and the public, slow economic growth and so for not considering CSR as essential task. Despite such circumstances, commercial banks seem ahead on initiating some of the social responsible activities at least through the media of Nepal. However, because of lack of official reports, measurement systems and researches, it is unclear to what extent banks are addressing the expectations of stakeholders of the nation.

Despite there is a lack of researches on motivations behind CSR and firms performance. CSR related researches are still lacking in the context of Nepal. The evaluation of CSR activities within organizations is further behind. Neither government nor non-government institutions evaluate the CSR performance of corporations. After realizing the fact, this study is conducting to fulfill the lack of researches in the field of assessing impacts of CSR on banks real performances in banking sector, which is one of the biggest economic sector of Nepal. The study primarily intends to explore CSR practices on banks, concisely identify the relation of CSR with firms' performance and analysis the impact of CSR on firms' performance.

1.2 Problem Statement and Research Questions

Some authors criticize CSR to be an unnecessary and a cost to a company (Friedman, 2013; on customer perception on the firm's products and services) and as such, CSR positively affect the firm's performance especially in financial perspective (Dahlsrud

2006). CSR is usually undertaken in most cases as a way of giving back to the society as well as showing gratitude to community (Flavia & Nagib (2016)).

A study by Rahman, Rashid and Haque (2014) on Jamuna Bank Limited in Bangladesh revealed that there was no significant effect of CSR on Profit after Tax (PAT) and recommended that the bank to evaluate their policy on performing CSR activities so as to enhance profitability. A study by Bolton (2013) showed with regards to correlation between CSR and a bank's performance in financial perspective, there was a positive relation between CSR and both operating performance and firm value. A study in Pakistan by Malik & Nadeem (2014) revealed an existence of a positive relation between profitability and CSR practices. In the long run, the firms which implement CSR activities in their operations usually enhances their profits.

Peter (2018) during the negotiations of the EU directive regarding the mandatory reporting of CSR activities in 2014, Claes Norberg, accounting expert at Svenskt Näringsliv, expressed concern that it could become nothing but a constraint and paradoxically hinder corporation's ability to excel in matters connected to social responsibility.

There is no uniformity in finding of pervious researches. This study will examine the relationship between corporate social responsibility and firms' performance of Nepalese commercial banks. Previously, studies have focused mainly on the developed countries and there is less work done on measuring the impact of Corporate Social Responsibility on firms' Performance in less developed countries like Nepal. In less developed countries, most of the firms are not yet quite familiar with the importance of Corporate Social Responsibility and thus don't pay much attention on the Corporate Social Responsibility. Nowadays people have more knowledge about the organizations and the work they are doing for the welfare of the society. So it's important to study Corporate Social Responsibility and its impacts on the profitability of firms in these economies. Commercial banks are focusing on CSR and thus this study is going to depict the impact of CSR on the organizational performance of those banks.

The study aims to answer the following research questions.

- i. What is the current status of CSR practices in Nepalese commercial banks?
- ii. What is the relationship and impact between corporate social responsibility practices and employee satisfaction in Nepalese commercial banks?
- iii. What is the relationship and impact between corporate social responsibility practices and customer loyalty in Nepalese commercial banks?
- iv. What is the relationship and impact between corporate social responsibility practices and reputation in Nepalese commercial banks?
- v. What is the relationship and impact between corporate social responsibility practices and profitability in Nepalese commercial banks?

1.3 Purpose of the study

This thesis aims to investigate the potential impact of CSR on firm's performance. Previous research shows ambiguous results about the relationship between CSR and firm's performance, and there is little evidence supporting that CSR and firm's performance are directly related. Still many banks in Nepal seems to put large amount of money and effort into socially responsible activities, implying that there are benefits to gain. The purpose of this study is therefore, filling the gap in existing research and provide a better insight about CSR efforts to the Nepalese managers and policy makers which facilitates them to take informed decisions vis-a vis CSR issues. To this end, the specific objectives of the study are as follows:

- i. To identify the present status of CSR practices in Nepalese commercial banks.
- ii. To examine the relationship and impact between corporate social responsibility practices and employee satisfaction in Nepalese commercial banks.
- iii. To examine the relationship and impact between corporate social responsibility practices and customer loyalty in Nepalese commercial banks.
- iv. To examine the relationship and impact between corporate social responsibility practices and reputation in Nepalese commercial banks.
- v. To examine the relationship and impact between corporate social responsibility practices and profitability in Nepalese commercial banks.

1.4 Statement of Hypotheses

The following hypotheses has been formulated for this study:

H1: There is a positive relationship between CSR practices and employee satisfaction in Nepalese commercial banks.

H2: There is a positive relationship between CSR practices and customer loyalty in Nepalese commercial banks.

H3: There is a positive relationship between CSR practices and reputation in Nepalese commercial banks.

H4: There is a positive relationship between CSR practices and profitability in Nepalese commercial banks.

1.5 Significance of the Study

It is well acknowledge that all business have an impact on society and vice versa. Thus, CSR has become an important issue among managers and researches in recent years (Burton & Goldby, 2009; Kumar & Tiwari 2011). This research study can contribute to the much-needed insight into CSR practices in Nepal. The significance of this study in context of Nepal can be highlighted below:

- i. The findings of this research facilitates Nepalese managers to make managerial decision on various aspect of CSR practices as it uses wide array of CSR practices and firms performance measures to examine the relationship between CSR practices and firms performance.
- ii. The government and policy maker can make necessary policy decisions and take actions in line with the inferences of this study to promote CSR practices in Nepal and can help in creating a win-win situation between business and society.
- iii. The findings of this study will provide more fine-grained facts and figures regarding the understanding, management & status of CSR practices which will be helpful in developing guidelines that commercial banks may adopt in future regarding their CSR efforts.
- iv. Finally, the importance of CSR practices and its contribution to firms' performance cannot be stated clearly. Thus, this study will be a reliable source of reference for academicians (for e.g. scholars, researchers, authors, and other interested parties) to understand the realities of CSR practices in Nepalese context. It has also opened up the other areas for future research

1.6 Limitations of the Study

The main limitations of the study in terms of its scope, methodology and assumptions are as follows.

- i. This study covers only six commercial banks operating in Nepal and there are only 187 respondents. Therefore, the findings may not be generalizable to the entire commercial banking sector of Nepal.
- ii. Since the responses relating to CSR practices are measured in five-point likert scale, central tendency error may exist.
- iii. Since the data collected are perceptual in nature social desirability bias may exist.

1.7 Organization of the Thesis

The study will comprise of three main sections: preliminary section, body of the report and supplementary section. The preliminary section will consists of title page, certification, declaration of authenticity, acknowledgements, table of contents, list of tables, list of figures, abbreviations and abstract. The body of the report will be further divided into five sections: introduction, literature review, research methodology, data presentation and analysis and summary, conclusion and recommendation. And the final section of the report will comprise of reference and appendix.

Chapter I: Introduction

This first chapter consists the introductory part of the thesis with background of the study, problem statement and research questions, purpose of the study, statement of hypothesis, significance of the study, limitation of the study and organization of the thesis.

Chapter II: Literature Review

This chapter deals with the review of the literature which is relevant to the subject matter of the study. The chapter has two major important sections. The first section reviews the literature existing in the proposed field of study and the second section develops the theoretical framework based on the literature review.

Chapter III: Methodology

This chapter sets out the method used in the research including research design, population and sampling, source of data, data collection and processing procedure and data analysis tools and techniques.

Chapter IV: Results

This chapter aims to provide the data analysis and describe the results. It will comprise of various diagrams, figures, graphs and charts to describe the findings in best possible way.

Chapter V: Conclusions

The last chapter of the report deals with the major findings, summary, conclusion and recommendation. It also offers several avenues for future research. The Reference and Appendices will be given at the end of the study.

CHAPTER II

LITRRATURE REVIEW

The literature review pointed out the most of the research work done in this area till now has been only limited to developed countries like United States and other developing countries. But there is still insufficient research in case of Nepal. It was also observed that, hardly and rarely study has been carried out in Nepal to examine the relationship between CSR and firms performance.

The chapter begins by examining the divergent concepts and views on CSR. Then it briefly analyze the various determinants of Carroll's CSR pyramid (economic responsibilities, legal responsibilities, ethical responsibilities and philanthropic responsibilities). It also pays attention on theoretical perspectives on CSR such as Shareholders value theory, Stakeholders theory, Carroll's CSR pyramid and Creating shared value. Further, it shows the relationship between CSR and different variables like employee satisfaction, customer loyalty, reputation, and profitability.

This chapter mainly aims at reviewing existing theoretical literature on corporate social responsibility (CSR) and developing a theoretical framework for the study. In doing so, the chapter mainly reviews the historical roots as well as the current theories and trends. After reviewing all the theoretical perspectives on CSR it develop a conceptual framework which can be used for further investigation in the field of CSR .In each section, major ideas found in the relevant literature have been presented, summarized and synthesized.

2.1 Literature Review on concept of Corporate Social Responsibility

Over the past two decades it has been experienced that CSR has achieved an ever-increasing importance by conducive credence that a socially responsible firm attempts to maximize its profit, to obey the law, to practice the ethics, and to behave in a way that benefits the society (Carroll, 1991, Lee, Park & Lee, 2013). In the recent era, the notion of CSR has changed from a buzzword to a widespread social phenomenon due to its significant contribution to the society and the environment. The concern over social issues in business dates back to the eighteenth century when Adam Smith wrote *The Wealth of Nations* and presented an outline for the rapport between business and society. Howard R. Bowen first defined the definition of CSR in his book *Social Responsibilities of Businessmen* in 1953, since then the conception of CSR has attained

noteworthy recognition and has obtained the maximum concentration in the academic as well as organizational literature (Carroll, 1979).

According to Bowen's (1953) definition, CSR means compulsions of businesspeople to pursue their policies, to make their decisions or to follow their lines of action which are desirable regarding the objectives and values of society. He also confirmed that despite maximizing profit, businesspeople are accountable for the outcomes of their actions in the globe underlining the ambience and significance of the organization's performance towards society. By keeping the Bowen's (1953) concept in mind, Carroll (1979) defined CSR as economic, legal, ethical, and philanthropic responsibilities that society expects from the business or organization. The author also emphasized that socially responsible firms or companies will maximize their profit along with obeying the law and being ethical (Carroll 1991). After that, Schwartz and Carroll (2003) describe a firm's economic, legal, and ethical responsibilities by using Venn diagram where they underline that all these domains are not mutually exclusive, nevertheless frequently overlap with each other.

Research has shown that companies that care for the environment and exhibit good CSR practices experience increased consumer purchase preference in addition to increased investment appeal (Gildea, 1994; Zaman et al., 1996). It has been further suggested that by adapting business practices and philosophies to socio-cultural norms and societal values, companies can improve the likelihood of securing their legitimacy or license to operate. This legitimacy contributes to company survival and prosperity by reducing stakeholder conflict and associated costs while improving long-term sustainability and employee satisfaction (Bansal & Roth, 2000).

Corporate social responsibility manages reputation by creating good image in the mind of customers, suppliers etc. Stakeholders will think that when a company is fulfilling its social responsibility then how it is possible that it will do anything bad for them, so their trust will enhance on company. Stakeholders trust will impact on company's profitability and success. Therefore, it is concluded that corporate social responsibility has positive impact on the financial performance of a firm (Brine, M., Brown, R., & Hackett, G 2007).

One of the study concluded that CSR has a positive impact on the firm's financial performance. Those firms which do not pay attention on CSR's activities have not good

financial performance as compared to those who are responsible in performing social activities. On the other hand, firm's profit can be reduced due to higher cost occur on performing social activities. Those firms which play role for the welfare of society avoid the cost arising from people's claims about their safety. When firms do not consider the influence of its operations on environment or society then it creates a bad image in the mind of customers and sales decrease. CSR's activities such as donations, activities for the welfare of its employees and society etc. create a good image in the consumer's mind and protect the firm from decrease in sales. Firm performs its CSR toward lenders by paying back loans and installments as they become due and towards shareholders by giving appropriate portion of their share from firm's earning continuously. By taking such actions, lenders and investors will attract towards company and continue to contribute their money in the firm; therefore firm's financial condition will improve.

Positive relationship between CSR and firms performance is also agreed by another research. Those firms which are playing greater role for the welfare of society, atmosphere, providing health conveniences etc. these creates good reputation in the mind of customers, suppliers, employees etc. in competitive setting. . These firms get more benefits than the cost they have to bear for the welfare of society. Therefore Firm's CSR enhance the financial performance of firm, so when a firm has good FP it can do more for the welfare of society. This study shows that firm's CSR and FP are related to each other. Companies should consider the CSR when any decision is made because it protects the company from expenses which occurred due to criticisms, oppositions and strikes and lawsuits against environment hazardous etc.

CSM (2001) report talks about broader view of modern business. This article describes the behavior and observation towards CSER (Corporate, social and environment responsibility) based on a survey conducted in 2001. Companies surveyed were asked for both their impression of corporate social/ corporate citizenship and environmental responsibility as well as mentioning any strategy or actions being taken in these sectors. Dhaliwal (2009) discussed that the organization that spend high cost on CSR will become relatively superior in their performance and avail the benefit of reduction in the cost of owner's equity. Furthermore the corporation following CSR can attract more investors as compare to other organizations which are not focusing on corporate social responsibility. It also helps to minimize the upcoming errors and dispersions.

Latest improvements in the field of CSR literature, for example the perceptions of “strategic CSR” (Kotler & Lee 2005) and “shared (social and business) value creation” (Porter & Kramer 2011), authenticate the view that there remains a concurrence of interests among a firm’s long-standing economic, legal, and ethical responsibilities. Besides, Johnson (1971), who was the pioneer the stakeholder theory, stated that instead of thinking shareholders return only, a responsible business firm must be paying attention in the wellbeing of employees, suppliers, dealers, local communities and the nation altogether. Another distinguished contribution to the expansion of CSR was made by the Committee for Economic Development (CED) of the United States, in 1971. CED defined CSR as a business function to serve the needs of society constructively (Carroll, 2008).

In recent times, CSR programs encompass a variety of strategies and working practices which contribute to the enduring economic, social, and environmental welfare of the firm (Kotler & Lee 2005). Through CSR activities, businesses are promoting the wellbeing of its stakeholders and building a stronger relationship with them (Freeman et al. 2007). While more and more firms incorporate socially responsible programs into their daily business operations, employees are increasingly obligatory to connect themselves in CSR activities within the firms (Porter & Kramer 2011). In supporting to this, Surroca et al. (2010) uncover that CSR adds value in accumulating human capital for the reason that embracing CSR practices confirms active involvement of employees to improve the firm’s social and environmental performance. Subsequently, the initiatives of CSR reveal indispensable opportunities in support of empowering workforces to influence change and to sharpen crucial business proficiencies, for example, leadership, problem-solving and innovative thinking etc. (Kanter 2009).

Now a day’s CSR has come forward as a view that can helps to increase the overall financial performance of the organization recommend different ways of decision making to the top management and shareholders of the organization. The implementation of CSR is raising the sense of taking care, of society and environmental relationships in both stakeholders and shareholders. So, every company has different way of put into operation CSR in their business practices. According to Dibella and Woodilla (2006) explained the idea of CSR in simplest way that the process of CSR create the harmony between the shareholders and stakeholders. The relationship between CSR and ownership, differences between two main factors of social

responsibility of any organization; stakeholders and social issues was described by Goergen and Renneboog (2002) and he also explained that how different ownership structure effect CSR level.

2.2 Review of Theoretical Perspectives on Corporate Social Responsibility

2.2.1 Shareholder Value Theory

Referred to a classical (Karake, 1998; Rugimbana et al, 2008) or fundamentalist (Curran, 2005) theory, shareholder theory holds that the firm is (and should be) managed in the interests of the firm's shareholders (Cochran, 1994). According to this theory the purpose of the company is to provide return on investment for shareholders and thus corporations are seen as instruments of creating economic value for those who risk capital in the enterprise (Greenwood, 2007). It is believed that the sole constituency of business management is the shareholders and the sole concern of shareholders is profit maximization. Any activity is justified if it increases the value of the firm to its shareholders and is not justified if the value of the firm is reduced (Cochran, 1994). Corporate expenditure on social causes represents a violation of management responsibility to shareholders to the extent that the expenditure does not lead to higher shareholder wealth (Ruf et al, 1998). This theory is precise, makes sense in a mechanistic way and provides clear guidelines for managerial behavior (Mudrack, 2007). According to Levitt (1958) such an approach enhances the long term survival and success of the firm.

Shareholder theory has been widely misrepresented; often quoted at its most extreme. For example, it is sometimes misstated as urging managers to „do anything you can to make a profit“ (Smith, 2003:86). Most followers of shareholder theory quote Friedman's (2013) argument that the only social responsibility of business is to increase profits, however, many omit the latter half of his quote which argued that a firm should abide by legal and societal expectations (Carroll, 1998). Further, it is sometimes claimed that shareholder theory prohibits the use of corporate funds for social use. In fact, shareholder theory supports those efforts insofar as such initiatives are in the best interest of shareholders. Friedman (2013) believed that the only acceptable reason for engaging in CSR was if it is motivated by self-interest and for the purpose of promoting the company's interests. If corporate charitable giving contributes to profit making then it is fully acceptable.

2.2.2 Stakeholder Theory

Stakeholder theory has emerged as an alternative to shareholder theory (Spence et al, 2001). This theory recognizes the fact that most, if not all firms have a large and integrated set of stakeholders (Cochran, 1994) to which they have an obligation and responsibility (Spence et al, 2001).

According to Murray and Vogel (1997), the practical definition of a stakeholder is any entity, typically outside the firm, that the organization aims to influence and that has an impact on the organization. The most commonly mentioned stakeholders of an organization includes customers, government, competitors, regulatory agencies and political activist group which have long been recognized as having a significant influence on the viability of an organization. The value and norms held by stakeholders can concern issues which apply to those individuals or organizations themselves or extend to matters which do not directly influence their own well- being, for instance the case of a company utilizing child labor in a foreign country. Maignan et al. (2005), argues that the marketing and operations of organizations have excelled from a narrow customer orientation to managing benefits and relationship with a variety of stakeholders.

Stakeholder theory suggests a firm's endurance and achievement is contingent on gratifying not only its economic (e.g., profit maximization) objectives but also its non-economic (e.g., social and environmental concerns) objectives by meeting the needs of the company's various stakeholders (Pirsch, Gupta, & Grau 2007). In proportion to this theory, firms are no longer accountable only for their stakeholders, but also for a range of other groups in society. This is primarily the case because firms' operations often lead to societal issues, while at the same time societal issues affect firms' decisions. In addition, based on thoughts of Freeman et al. (2007), a firm interacts with primary stakeholders, who are essential to the operation of the business (e.g., consumers, employees, and investors), and secondary stakeholders, who can influence the firm's business operation only indirectly (i.e., community, government, and the natural environment) (Freeman et al. 2007). From these varieties of stakeholders' group, employees are recognized as one of the reasonably prominent stakeholders to due to their power and legitimacy in influencing the firm (Greenwood, 2007). Moreover, stakeholder theory has been applied frequently to CSR research (Freeman 1984; Samli 1992; Carroll 1993; Clarkson 1995; Banerjee 2002; Quazi 2003) as stakeholder theory

provides a better understanding of CSR in accordance with Clarkson (1995). Additionally, under the assumption of stakeholder theory, firms are responsible for their behavioral impact and simultaneously all stakeholder groups frequently have a legitimate affiliation with the firm (Banerjee 2002). Besides, in the recent years, various stakeholders have expected and demanded firms being more accountable towards society and environment. Anticipations of stakeholders not only apply to the direct relationship between the two groups, but also apply to social and environmental issues connected to the community and management of the community (Kok, Wiele, McKenna, & Brown 2001). In short, the above theory reflects that firms are the part of a comprehensive social organism, where they exist. In addition, a firm is influenced by and, in turn, influences the society with different stakeholders group where it operates (Deegan, 2009; Gray et al., 1995). Hence, along with the stakeholder theory, firms CSR practices can be interpreted as a tool of confirming the pledge to the social agreement satisfaction.

2.2.3 Carroll's CSR Pyramid

According to Carroll's approach (1991), CSR covered the full range of dimensions that constituted total CSR; economic, legal, ethical and philanthropic. Furthermore, these four categories or components of CSR might be depicted as a pyramid.

Economic Responsibilities

The basic responsibility of any business is the economic responsibility, that means maximization of wealth and profit and development of the economic growth, from the start business organization was the basic economic unit in communities. Main role of businesses was to produce goods and services that consumers needed and delivered to gain an acceptable profit. Other responsibilities of business are followed by the economic responsibility of the firm, because without it the others become meaningless (Carroll, 1991).

Legal Responsibilities

With the motive of profit maximization society allows business to operate under the law and regulation promulgated by federal and local governments. Those Laws allows achieving economic missions within the framework of the law (Carroll, 1991: Carroll & Shabana, 2010).

Ethical Responsibilities

Although economic and legal responsibilities followed by the ethical norms and value of the society and community. Ethical responsibilities embody those standards, norms, or expectations that reflect a concern for what consumers, employees, shareholders, and the community regard as fair, just, or in keeping with the respect or protection of stakeholders' moral rights. Ethical responsibilities are the strategic values of managers about right and wrong business behavior. Ethics or values are proceeding to the establishment of law according to the norms of community. Ethics are the driving force behind the creation of laws or regulations (Fadun, 2014: Carroll, 1991).

Philanthropic Responsibilities

Philanthropic responsibilities are actions or policies toward humanity and charity, in response to social and community expectations that businesses are good corporate citizens. Philanthropic responsibilities are voluntarily share of business for the development of society, and contribution to education or community. Ethical responsibilities are components are expected in an ethical or moral sense and philanthropy is voluntary part of a business to the society. Philanthropic component is willingness to contribute in charitable expectations of society and projects that enhance a community's quality of life (Carroll 1991).

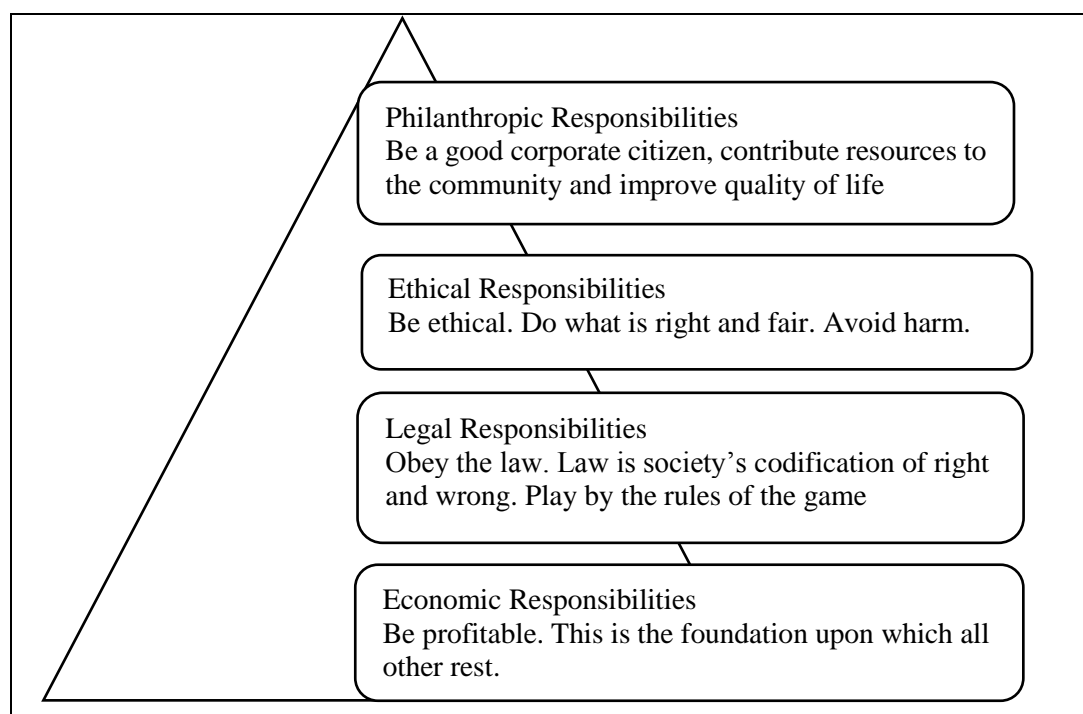


Figure 2. 1 Corporate Social Responsibility Pyramid

Source: Adapted From Carroll (1991)

2.2.4 Creating Shared Value (CSV)

Kramer and Porter defined shared value as a method of creating economic value, so it also adds value to society and addresses additional challenges. By taking this approach, companies could realign their success with social progress, they said. It enables them to see social issues as business opportunities and profit from them, while also making positive social change. Profit and doing good don't have to be separate according to the corporate shared value (CSV) argument.

Porter and Kramer 2011, conceptualized the term CSV as a more sophisticated form of capitalism in which the ability to address societal issues is integral to profit maximization instead of being treated as outside the profit model (The New York Times 2011b). According to their article, shared value can be created in three ways (reconceiving products and markets, redefining productivity in the value chain, and enabling local cluster development), particularly highlighting the importance of cluster development (Porter and Kramer 2011). Regarding this approach, they emphasized that CSV is not social responsibility, philanthropy, or even sustainability, but is a new way to achieve economic success, and that it gives rise to the next major transformation of business thinking.

The central premise behind creating shared value is that the competitiveness of a company and the health of the communities around it are mutually dependent. Recognizing and capitalizing on these connections between societal and economic progress has the power to unleash the next wave of global growth and to redefine capitalism.

2.3 Review of Related Research Studies

2.3.1 Review of Related Research Studies in the Global Context

There is no universally accepted definition for the term CSR, but to understand the meaning of it in simple words, one might go through the definition which has been given by the European Commission. The definition states that "CSR is the responsibility of the enterprises for their impact on the society...Enterprises should have in place a scheme to integrate ethical, social, environmental and consumer concerns in their business and core strategy, in close collaboration with their stakeholders". According to the United Nations Industrial Development Corporation (UNIDO), "Corporate social responsibility is a management concept whereby

companies integrate social and environmental concerns in their business operations and interactions with their stakeholders”.

The concept of CSR has been introduced all across the world but different countries have different ways of application. But the common thing is that all the countries use the LBG model to measure the real value and effect of their community investment to the society and business. In developed countries like USA CSR team in the Bureau of Economic and Business Affairs heads the Department’s involvement with U.S. businesses in the advancement of responsible and ethical business practices. In US corporate community contributions by US companies are ten times higher than those of their British counterparts and further, US companies typically disclose CSR activities on their websites like the provision of combating climate change or providing better health care which has not appeared until recently on the websites of European companies. In EU, the CSR policy is built upon guidelines and principles laid down by the United Global Compact, United Nations Guiding Principles on Business and Human Rights, ISO 26000 Guidance Standard on Social Responsibility and OECD Guidelines for Multinational Enterprises.

The institutional context of CSR for Countries such as Japan, South Korea and Taiwan, was in terms similar to that of European Continent. They are characterized by a high bank and public proprietorship, masculine and long-term service, and coordination and control systems based on long-term relations and partnerships rather than markets. The Japanese ‘Keiretsu’, Taiwanese conglomerates or the Korean ‘Chaebol’ have a legacy of CSR analogous to European companies comprising social services, life-term employment, and health care as a consequence of response from the regulatory and institutional environment of business but not merely due to voluntary corporate policies.

In the developing countries, many multinational companies have been the major driving force for the recent surge in CSR activities in these developing nations. For example, campaigns against Nike’s labour practices in its Asian supply chains and Shell’s role in Nigeria had sparked substantial changes toward more responsible CSR practices in MNCs. Further, the domestic companies in the developing countries have contributed to CSR activities such as improvement of the infrastructure of education, health, and transport etc. Likewise, as the example of the Grameen Bank, instituted by Nobel Peace

Prize winner Muhammad Yunus substantiates, a vital topic on the CSR agenda is the inspiration of small-scale entrepreneurship through micro-credit, and the financial empowerment of women and other disregarded minorities.

2.3.2 Review of Related Research Studies in the Nepalese Context

Upadhaya, Dhungel and Dhungel (2013), examine the corporate social responsibility reporting practices in the banking sector in Nepal. The study found that CSR is not mandatory in Nepal and all the banks that have made the disclosure of social responsibility have done it in voluntary basis. Among the disclosed information education, training and welfare of underprivileged: arts/ heritage and culture protection; contribution to associations, clubs and other organizations; contributions to healthcare and environment; etc. were the most commonly reported CSR activities. Child and women development, religious activity, games and sport activities, blood donation were also among the thrust area for CSR reporting. He also recommends the development of uniform standards and framework for reporting of CSR activities which could be applied to compare it at national levels with other banks and industries as well as for the international comparisons. Banks can play a leading role to establish the CSR concepts in Nepalese business and corporations. In addition to tracing the trend of social disclosure impact of social and economic development on CSR practices there is also a need to develop a framework for CSR reporting. Kafle and Tiwari (2014), he examine the relationship between the bank and its role in fulfilling its social obligations. He found the CSR activities are slowly and steadily carried out, its focusing area is increasing day by day and employees are satisfied with the role of banks towards initiating CSR activities by educating employees and society about the positive impact of such activities.

Chaudhary (2016), study found all levels respondents show an awareness of and positive expectation towards CSR activities in Nepal. Further, it appears that the concept of CSR is emerging in Nepal and is inflected with the different motives of the companies. Therefore, the growth of CSR is required to be linked with the growth of consumerism. In addition, state role at all levels to maintain and strengthen the CSR activities is a crying need. Moreover, legal and ethical domains are of CSR are quite low in the Nepalese context, so a new CSR strategy and its practice are required for building awareness among business houses, general people as well as governmental

bodies. Finally, the way forward for all academicians, business community, and government are to embrace CSR in more innovative and strategic ways.

Chapagain (2013), trace the evolutionary path of definitions and perspectives on corporate social responsibility particularly during the last fifty years or so and then examine the Nepalese financial services and manufacturing sectors' manage' strategic and moral views on CSR. Besides he also seeks to measure the CSR performance of companies and examine the relationship between management view on CSR and actual CSR performance. The study finds that the trend on CSR thinking has moved from philanthropy to better stakeholder's relations and competitive advantage of organizations and even nations. In Nepalese the way forward for all academicians, business community, and government are to embrace CSR in more innovative and strategic ways.

Chalise (2014), investigate the relation of CSR and corporate governance with corporate reputation of bank in Nepal. He found CSR has positive effect on banks reputation; CG and corporate reputation don't have significant relationship in commercial banks of Nepal. Bidari (2016), examine the extent of corporate social responsibility disclosure made by Nepalese's banks in their annual report based on GRI G4 guidelines. Also investigate the relationship between the influencing factors (bank size, bank age, bank profitability and ownership) and CSR disclosure level (economic, social, environmental and overall CSR disclosures). He found Nepalese commercial banks have disclosed CSR information in their annual report but the overall quantity and quality of information is low and weak. Also, bank size, banks age have positive relation with bank profitability and banks disclosed on all aspect of CSR regardless of their ownership structures.

Chaudhary (2016), identify CSR domains based on Carroll's Model (1979) practiced by Nepalese business. Similarly the study explored the CSR mandatory issue in Nepal. He concluded the government role has not been effective to maintain its policy on CSR so that legal and ethical domains of CSR are found to be poor in practice of Nepalese business society. Furthermore, diverse views of experts on CSR are found mandatory issues in Nepal. Hence, it can be conclude that, it is not enough to just a making CSR policy mandatory. However, along with policy, CSR has to be accountable and transparent which shows their fund allocation and observed sectors.

2.3.3 Literature Review on Relation between CSR and Employees Satisfaction

McDonald & Lynette (2011), employee-centered CSR can take several forms. These include management creating a good working environment whereby employees are developed so as to realize their potential. Empowering employees especially the middle management and also establishing good communication channels throughout the organization are other forms. There should be a balance between work, family, and leisure for employees to be more productive in the long run. Continuing employee education and training, job security and profit sharing to enhance employee turnover can also be implemented. The result of such action includes improved organization performance through increased profit and productivity and higher quality of life in the workplace. They can also make skilled and committed employees to be retained in the organization. Studies also shows that employees' satisfaction can lead to customer satisfaction.

Muhammad et al. (2015), explore the impact of awareness of corporate social responsibility on employee satisfaction and performance. From research he found there is significance positive relationship. Also investigate relationship between CSR with employee's satisfaction and organizational commitment of banking industry in Pakistan using correlation and regression analysis. They found that there is a positive impact of CSR and employee's satisfaction and organizational commitment. Brammer and Millington (2007), CSR policies can lead employers to form favorable perceptions of the organization. Such policies influences employee commitment on the organization as they make them feel proud to be associate with the good that the organization does to its constituents and may make them more eager to share the good deed that the organization does with other outside the organization.

The organizational involvement in CSR activities can positively boost up the positive perceptions of employees towards their organization (Brown & Dacin, 1997). Gavin and Maynard (1975) also explained significant associations between the degree to which an organization fulfils its societal obligations and the extent to which employees are satisfied with their job. Some other CSR literature also suggests that employees expectations from the organization to demonstrate social responsibility towards them by guaranteeing considerable rewards and recognition, offering personal development

opportunities and work-life balance, ensuring occupational health and safety, involvement and empowerment as well as good retirement benefits (Maignan et al, 2005) which signifies the existence of a positive relationship between the involvement of companies in social responsibility practices on attitudes and behaviors.

2.3.4 Literature Review on Relation between CSR and Customer Loyalty

Aaker (1991), identifies five levels of brand loyalty and groups customers accordingly: non loyal buyers- who are completely indifferent to brands, each brand being perceived to be adequate if the price is accepted, satisfied or at least not dissatisfied buyers- with no dimension of dissatisfaction sufficient enough to stimulate a change, especially if that change involves effort; satisfied buyers with perceived switching costs (loss of time, money, or acquired loyalty advantages, performance risks associated with switching etc.),likers of the brand they have an emotional attachment to the brand, based upon associations such as a symbol, a set of use experiences, or a high perceived quality; committed customers- to whom the brand is very important both functionally as an expression of their personality, the value of this category of customers stays in the impact they have upon others through their recommendations. Garcia & Rodriguez (2017), based on a study conducted on the mobile telephone industry argued that CSR seems to have a compelling edge on consumers' valuation service which in effect has a positive impact on customer loyalty.

Bhattacharya et al. (2006), revealed that the awareness of CSR initiatives of a company made customers willing to be associated with the company by seeking for employment opportunities and buying their products or service rather than customers who are unaware of CSR. Liu & Fenglan (2010), conducted a similar study in the Chinese diary market which revealed that although there was no considerable connection between CSR and customer loyalty the antecedent of loyalty such as product satisfaction, image, trust and quality however showed a positive influence. These findings convinced the researchers that perceived CSR might have a resultant effect on customer loyalty.

Ali et al. (2010), the process of corporate social responsibility activities matters a lot for the firms because sometimes customer can buy products from those that are involved in these activities although they are not willing to pay high prices. For increasing the firms value it is necessary for them to aware their customers about their involvement in corporate social responsibility functionally. Ochoti et al. (2013), CSR

has positive effect on customers in the sense that they feel included in the society when consuming such goods and services. As a result, a strong bond is formed between the company and customers who increases the value perception of the company as compared to other companies who are regarded as less responsible.

2.3.5 Literature Review on Relation between CSR and Reputation

Corporate reputation has been defined as a “set of collectively held beliefs about firm’s ability to satisfy the interests of stakeholders” (Beheshtifar & Korouki, 2013), they argued that it also means “collective judgments of a corporation based on assessment of its financial, social, and environmental impacts attributed to the firm”, this, indeed, means that a firm that is positively perceived by the stakeholders and independent observers would most likely have a better image than other firms that are less responsive to stakeholders demands. Beheshtifar and Korouki, (2013) also argued that reputation can be as success contributing factor as failure as well if not well-established and sustained.

Reputation is important to a business organization. Without a good reputation, success is limited and an organization’s long-term future is cast in doubt. Reputation has a large influence on the stakeholders perception to the organization, many things can be done by organization to enhance them reputation such as the professions ethics, familiarity with organization social activities and environmental interests, and concerns within the communities where they operate. So for good organizational reputation, organizations should align the interests of society with the business concerned at the same time it is interest. Loss of reputation is now a major concern for corporate, accompanied by the loss of reputation is always a big financial loss in the short term and sometimes in the long term (Aula, 2010).

2.3.6 Literature Review on Relation between CSR and Profitability

In relation to profitability, different scholars have given varying views on how CSR affects profitability. For instance, Berkhout (2005), argues *that* CSR is a crucial element in enhancing profitability, especially in current dynamic business environment. *Lately*, most companies have embraced CSR in their business model because it is perceived that it is an impetus of increasing profits. According to Bendell (2005), CSR contribute to increasing profits through various ways. For instance, by embracing CSR, an organization earns respect in the marketplace, which is likely to attract higher sales. Specifically, it is easy for an organizations engaging in CSR activities to earn customer

loyalty in the market. Campbell (2007) asserts that, through embracing the spirit of CSR, consumers tend to believe that a company is concerned with their needs, and is ready to modify its business motives to cater for these needs. Consequently, consumers will always identify with the company, consuming their products and services from time to time; hence contributing to the company's profitability.

Waddock and Graves (1997) studied the linkage between corporate social performance (CSP) and financial performance; they hypothesized a positive relationship between CSR and financial performance using CSP as a measure of CSR and return on investment (ROI), return on assets (ROA) and return on equity (ROE) as measures of profitability or the firm's financial performance. The study reported that the improved financial performance leads to increase in the CSP. Moreover, firms that engage in CSP have good financial performance since the ability to invest in socially responsible activities signals good managerial performance that provides the firm with resources that can be used for discretionary investments (Waddock and Graves, 1997).

Table 2. 1 *Summary of literature review*

Year & Name of Author	Source	Topics	Methodology	Findings
Bidari (2016)	Edith Cowan University Research Online	Factors affecting CSR disclosure in Nepalese banks: A global reporting initiatives prospective	Descriptive and correlation	Nepalese commercial banks have disclosed CSR information. Banks size, banks age have positive relation with bank profitability and banks disclosed.
Chalise (2014)	The Journal of Development and Administrative studies	Impact of corporate social responsibility on corporate	Multiple regression	CSR has positive effect on banks reputation.

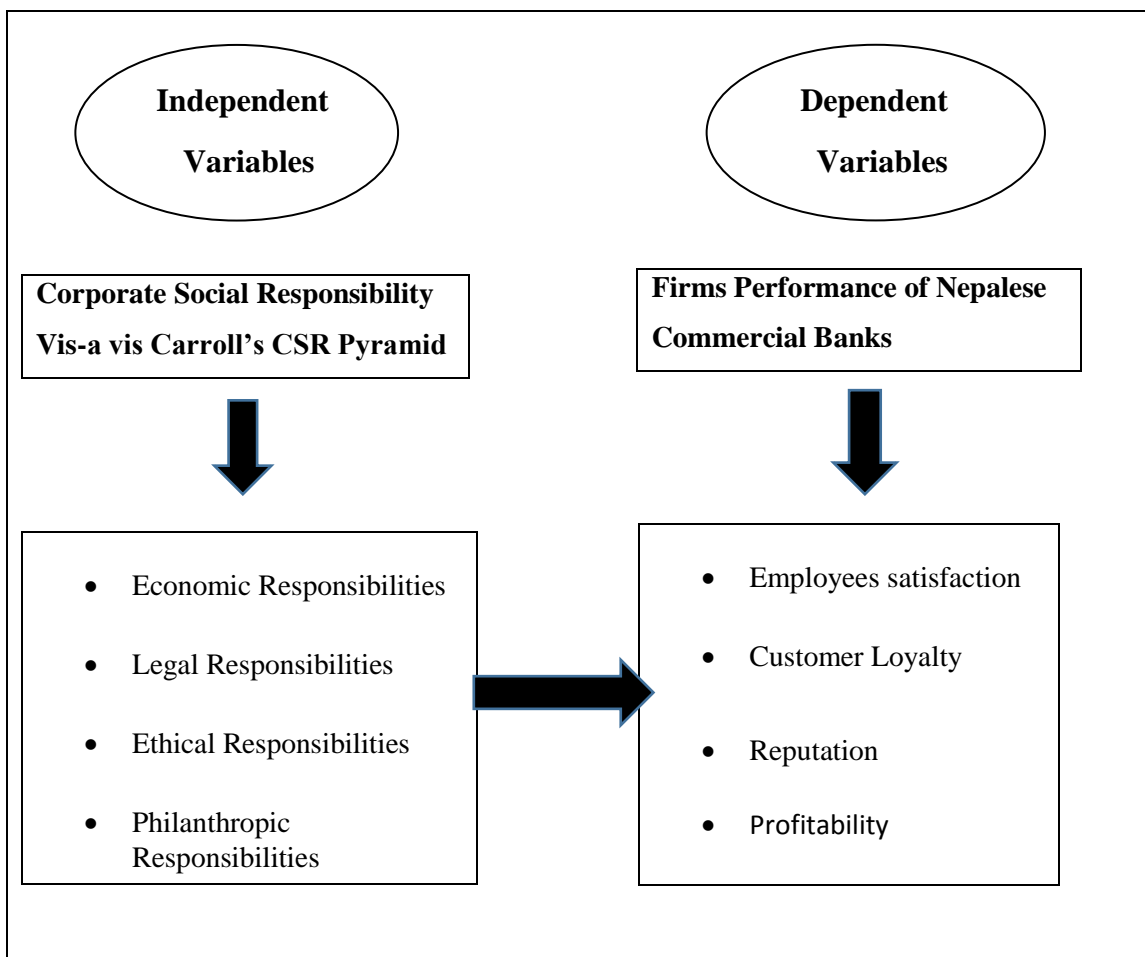
		governance and reputation in Nepalese commercial banks		
Chapagain (2013)	Unpublished M.Phil. Thesis	Corporate social responsibility in financial service and manufacturing sectors of Nepal	Descriptive statistics	The trend on CSR thinking has moved from philanthropy to better stakeholder's relation and competitive advantage
Chaudhary (2016)	National Journal of Arts, Commerce & Scientific Research Review	Corporate Social Responsibility in Nepal: Is CSR doing good for business and society	Descriptive Statistics	CSR has to be accountable and transparent
Kafle and Tiwari (2014)	International Journal of Pharmaceutical science and business Management	The assessment of A Nepalese Bank in terms of corporate social responsibility	Descriptive statistic and correlation	CSR positively affect employee satisfaction
Upadhaya Dhungel and Dhungel (2013)	Banking Journal	Corporate social responsibility reporting practices in the	Correlation and regression analysis	Banks play a leading role to establish the CSR concepts in Nepalese business and corporation

		banking sector of Nepal		
Muhammad and Hasen (2015)	Pakistan Journal of commerce and social science	Corporate social responsibility and organizational performance: Empirical evidence from banking sector	Correlation and regression analysis	CSR has positive impact on employee's satisfaction and organizational commitment
McDonald and Lyntee (2011)	International Journal of bank Marketing	Impact of corporate social responsibility	Experimental survey design	Customer-centric initiatives more powerfully impacted banking customer's attitude to the bank and behavioural intentions than environmental or philanthropic initiatives.
Brammer and Millington (2007)	Corporate Governance and International Review	Board diversity in the United Kingdom: An empirical analysis	Descriptive statistics and correlation analysis	CSR policies lead employee to form favorable perception of the organization. CSR has positive relationship with gender diversity.
Gavin and Maynard (1975)	Personnel Psychology	Perception of corporate	Correlation analysis	Employee job satisfaction is positively affiliated

		social responsibility		with organizational CSR practices
Aaker (1991)	The Free Press	Managing brand equity: Capitalizing on the value of a brand name	Descriptive analysis	Successful brands provide competitive advantage that are critical to the success of companies
Beheshtifar & Korouki (2013)	International Journal of Academic research in business and social science	Reputation: An important component of corporation's value	Correlation coefficient	The study found a significant relationship between public relation (PR) and corporate reputation
Aula (2010)	Strategy and Leadership	Social media, reputation risk and ambient publicity management	Descriptive statistics	The study finds that CSR provides advantage to shareholders, employee and help in product improvement, promotion and reputation
Waddock and Graves (1997)	Strategic management Journal	The corporate social performance-financial performance link	Correlation and regression analysis	The finding of this study shows that there is positive relation between CSR and financial performance(ROA, ROE, Profitability)

2.4 Conceptual Framework

A conceptual framework is the basis or foundation upon which the study is established. It is used to make conceptual distinctions and organize ideas. Conceptual framework of the study describes the systematic explanation of the relationship among the dependent and independent variables for the purpose of clarifying the relationship between firm's characteristics and CSR practices of Nepalese commercial banks. The model demonstrates how CSR dimension (economic, legal, ethical, and philanthropic responsibility) affect firm performances i.e. employee satisfaction, customer loyalty, reputation and profitability. The theoretical basis of the framework lies with Carroll (1991), Muhammad & Hasen (2015), Waddock and Graves (1997) and so on.



2.5 Research Gaps

After reviewing the literature related to CSR and firm performance certain research gap has been found. Even though CSR has received growing interest these days CSR research particularly in the area of CSR and firm performance was found almost untouched by other researchers in Nepal. One of the study was done by Bal Ram Chapagain a Ph.D.scholar at Tribhuvan University, Nepal in the year 2013 entitled “Corporate Social Responsibility in financial service and manufacturing sectors of Nepal. Similarly, another thesis entitled “Corporate Social Responsibility domains activities in Nepalese companies” was done by Dhurba Gautam in the year 2016. This evidence shows that majority of research works related to CSR have been conducted in manufacturing and service sector and there was very few in commercial banking sector. Thus, this study was conducted to know the current status of CSR practices in Nepalese banking industry.

One study was done by Gopi Bidari a master student of Edith Cowan University with a thesis entitled ‘Factor affecting CSR disclosure in Nepalese Commercial Banks’ in the year 2016. In his study, he has examining the relationship between CSR with financial performance and recommended that further study must be done with non-financial performance. Very few studies have attempted to provide the board picture of various issues of CSR including financial as well as non- financial performance. In this study, these issues have been addressed with various measures of CSR practices including financial as well as non-financial performance.

Another study was done by University student Mrinal Gaurav in the year 2015 with a thesis entitled “Corporate Social Responsibility in Commercial banks in Nepal” with limited sample size i.e. 88 and he recommend that further study incorporated larger sample size so that the finding will be more reliable.

Also, most of the researches on CSR has been conducted in well- developed countries like United Kingdom, Japan, Korea, etc. and there is still lack in developing countries like Nepal. This study mainly aims to verify whether the widely accepted propositions particularly in the developed countries context are valid in the developing country

context like Nepal or not. Moreover, the study has included large sample size of employee as compared to previous studies. In additional, the research examining the status of CSR practices on both the financial as well as non-financial performance of the firm which was lack in previous studies and tries to minimize the research gap. Therefore, this study will be fruitful to those interested persons, scholars, students, teachers, society, other stakeholders, businessman and government for academic as well as policy perspective.

CHAPTER III

METHODOLOGY

This chapter identifies the type of design used in this study so to understand this topic and collect required data using suitable techniques. This chapter begins with the research plan and design of the study followed by population and sample. Similarly, data collection procedure, data collection instrument, and the details about the data analysis tools and techniques are presented.

3.1 Research Plan and Design

The study aimed at finding the corporate social responsibility practices of Nepalese commercial banks on their firms' performance. Likewise, the research also tends to test the hypothesis related to relationship between CSR and firm performance. The research used the quantitative methods where the questionnaire was administered to the respondents to find the facts regarding CSR and firms performance. The collected information is presented and analyzed using SPSS. The study has covered a wide range of factual questions about CSR, customer loyalty, employee satisfaction, reputation, and profitability.

3.2 Population and Sample

The study is about the relationship between CSR practices and bank's performance; the population for the study comprises all the employees working in commercial banks in Nepal.

For this study all 28 commercial banks operating in Nepal are the total population. Due to the limited time and resources. It is not possible to study all of them, so sampling has been done. To fulfill objectives of the study, among 28 commercial banks, only 6 commercial banks having large number of branches are selected.

Convenient sampling method is used to select banks for study. The data will be collected through 187 middle level employees from all sample banks. Branches of commercial banks were selected using convenience sampling techniques.

3.3 Data Collection Procedure

The study was conducted using primary data. The data were collected through structured questionnaire method from the employee working in the top six commercial

banks having larger number of branches. A survey was carrying out to collect opinion of employees regarding banks CSR and its impact on banks performance from questionnaire. All the questions included in the survey set was close ended i.e., it restricts the respondents within the given alternatives. The questionnaire was self-administered in nature. Questionnaire was printed and was given to the employees of six commercial banks having largest number of branches.

3.4 Data Collection instrument

The data for the study was collected through the closed ended structured questionnaire. The determinants of CSR and impact on performance issues were incorporated in the questionnaire consisting likert scale with 5 points scale. Respondent will be asked to mark appropriate number on the scale from 1 (least) to 5 (extremely high) which indicate to what extent banks' employee perception towards different CSR activities and their impact on banks' performance.

3.5 Validity Test

Prior to study, a pilot test was conducted to validate the reliability of questionnaire developed to carry out this research with 10% of samples. Then the responses was analyzed using SPSS software to test whether the study tools were valid or not. The questionnaire was distributed randomly to the banks. Feedback and reviews received from them as well as expert's opinion were incorporated and questionnaire was adjusted accordingly.

3.6 Reliability Test

To check internal reliability, this study has performed Cronbach's Alpha Test of Reliability for the purpose of specifying whether the items of each dimension are internally consistent and whether they can be used to measure the same construct or dimension of CSR and banks' performances. According to Nunnaly (1978), the value of Cronbach's alpha should be 0.7 or above.

Table 3.1 Reliability Analysis

Variables	No. of items	Cronbach's Alpha
Economic responsibility	5	0.864
Legal responsibility	5	0.915
Ethical responsibility	5	0.949
Philanthropic responsibility	5	0.934
Employee satisfaction	5	0.748
Customer loyalty	5	0.909
Reputation	5	0.767
Profitability	5	0.841

Source: Field survey 2019

The table 3.1 used Cronbach's alpha coefficient technique to check the reliability and validity of the data collected for the further analysis. The Cronbach's alpha for economic responsibility is 0.864, legal responsibility is 0.915, ethical responsibility is 0.949, philanthropic responsibility is 0.934, employee satisfaction is 0.748, customer loyalty is 0.909, reputation is 0.767 and profitability is 0.841. This indicates that the questionnaire was reliable since all the alpha values were above 0.7 as recommend by Nunnaly (1978).

3.7 Data Analysis Methods

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

The structured questionnaire has been designed to conduct the survey. The questionnaire consists of single response and likert scale questionnaire. Statistical tools are used for data analysis. Data analysis method is used with significance level set to 0.05. The following statistical tool is utilized for data analysis.

- i. Cronbach's alpha for reliability statistics
- ii. Frequency and descriptive analysis.
- iii. Inferential analysis (Pearson's coefficient of correlation and multiple regression)

3.7.1 Descriptive Statistics

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

3.7.2 Pearson's correlation coefficient

Pearson's correlation coefficient is used in this research in order to examine the relationships between two or more research variables. If the value of the correlation coefficient is 1.0, then there is a perfect positive correlation between two variables (they increase together). In contrast, if the value of correlation coefficient is -1.0, it can be concluded that there is a perfect negative correlation between two variables (one increases while the other decreases). In addition, there is no relationship between two variables if the value of correlation coefficient is zero.

3.7.3 Multiple regression analysis

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

$$\text{Performance} = \beta_0 + \beta_1 (\text{ER}) + \beta_2 (\text{LR}) + \beta_3 (\text{ETR}) + \beta_4 (\text{PR}) + e$$

Using above information following regression model were formulated

$$\text{ES} = \beta_0 + \beta_1 (\text{ER}) + \beta_2 (\text{LR}) + \beta_3 (\text{ETR}) + \beta_4 (\text{PR}) + e$$

$$\text{CL} = \beta_0 + \beta_1 (\text{ER}) + \beta_2 (\text{LR}) + \beta_3 (\text{ETR}) + \beta_4 (\text{PR}) + e$$

$$\text{R} = \beta_0 + \beta_1 (\text{ER}) + \beta_2 (\text{LR}) + \beta_3 (\text{ETR}) + \beta_4 (\text{PR}) + e$$

$$\text{P} = \beta_0 + \beta_1 (\text{ER}) + \beta_2 (\text{LR}) + \beta_3 (\text{ETR}) + \beta_4 (\text{PR}) + e$$

Where,

ES = Employees' satisfaction

CL= Customer Loyalty

R = Reputation

P = Profitability

ER = Economic Responsibility

L = Legal Responsibility

ETR= Ethical Responsibility

PR = Philanthropic Responsibility

β_0 = Y intercept

β_1 = slope of performance with variable ER, holding variables LR, ETR and PR constant

β_2 = slope of performance with variable LR, holding variables ER, ETR and PR constant

β_3 = slope of performance with variable ETR, holding variables LR, ER and PR constant

β_4 = slope of performance with variable PR, holding variables LR, ETR and ER constant

e = Error term

CHAPTER IV

RESULT AND DISCUSSION

This chapter discusses the study results. The research intend to find out whether CSR contributes positively to employee satisfaction, customer loyalty, reputation and profitability in Nepalese banking industry. The research is designed to operationalize the aim of study by analyzing the relationship and impact between dimensions of CSR with bank's performance. The research aimed to find out the correlation between the variables designed for the study in the banking sector.

4.1 Status of Corporate Social Responsibility Practices

4.1.1. Status of Economic Responsibility

Meeting the economic responsibility is the first layer responsibility where customers should be provided with quality goods and services at a reasonable price. In this process of economic responsibility, respondents were provided with large range of option to express their opinion with the question relating to different economic initiation taken by the banks. It includes reasonable pricing policy, additional benefits that banks provide on various heading, service charge in relation to the transaction made, discount and the flexible interest rate on the different account targeting every group of customers.

Table 4. 1 *Descriptive Status of Economic Responsibility*

Particular	N	Mean	Std. Deviation
The primary goal of your bank is to make as much profit as possible	187	4.223	0.907
My bank has maintained low level of operational costs.	187	3.812	1.053
My bank strive for the highest returns to their shareholders.	187	3.807	1.002
My bank is not distracted from economic functions by solving social problems.	187	3.657	1.000
My bank is committed to consistent with maximizing earning per share.	187	4.160	0.676
Aggregate Score		3.933	0.928

Source: Field survey 2019

The table 4.1 shows the mean and standard deviation on economic responsibility of bank CSR. In this study higher mean 4.223 is for "The primary goal of your bank is to make as much profit as possible", which indicate that the majority of respondent were highly agreed with this particular statement among the other statement of economic responsibility. Similarly, lower mean 3.657 is for "My bank is not distracted from economic functions by solving social problems" which indicates that the commercial banks are less focusing on solving social problem through economic corporate social responsibility because the majority of respondents were less agreed with this statement.

Likewise, higher standard deviation of 1.002 on "My bank has maintained low level of operational costs" indicates that there is more variation in responses from mean. On the contrary, low standard deviation of 0.676 on "My bank is committed to consistent with maximizing earning per share" shows that there is less variation on mean and have unified response to the particular factor. Aggregate mean for economic CSR is 3.933 which is moderately high and aggregate standard deviation is 0.928. This shows commercial banks organize events, enhance customer satisfaction, increase further investment and promote sports and related activities and grow and foster business in the society.

4.1.2 Status of Legal Responsibility

According to the legal responsibility of CSR, it is not only the society sanction the organizations to run their businesses for seeking profit while they are expected to comply with the laws and regulations under which they have to operate (Lantos, 2002).It mainly demands the business to abide by the law of land and to play by the rule of the game. Laws are the codification of do's and don'ts in the society. Abiding by laws is the prerequisite for any corporation to be socially responsible.

Under legal responsibility, employees were asked about to what extent banks comply with the legal aspect in its operation. It includes respecting customers rights beyond legal requirements, following guidelines assigned by the concerned bodies, demanding all necessary documents promptly as per the legal ground, showing high responsiveness towards Central bank's instructions and creating transparency in its operation.

Table 4. 2 *Descriptive Status of Legal Responsibility*

Particulars	N	Mean	Std. Deviation
My bank strive to comply with all the state laws and regulations.	187	3.663	1.072
My bank operate strictly within the legal framework of the society.	187	3.770	1.202
My bank comply with various federal, state and local regulation.	187	3.866	0.938
My bank adhere to all state rules and regulations even though it may be costly.	187	3.941	0.734
My bank provide goods and services that at least meet minimal legal requirement.	187	4.069	0.776
Aggregate Score		3.861	0.9445

Source: Field survey 2019

The table 4.2 shows that mean and standard deviation on legal responsibility. In this study, higher mean 4.069 is for the statement "My bank provide goods and services that at least meet minimal legal requirement" indicates that banks appreciated and valued the legal aspect associated with the banks services and products because the particular statement is most agreed by the respondents. Similarly, lower mean 3.663 on "My bank strive to comply with all the state laws and regulations" shows that Nepalese commercial banks give low priority to the state laws and regulation.

Likewise, higher standard deviation of 1.202 on the factor "My bank operate strictly within the legal framework of the society shows that there is a high deviating responses from employees. Whereas, the lower standard deviation of 0.734 on " My bank adhere to all state rules and regulations even though it may be costly" indicates that there is less variation of responses from mean and most employees have almost same understanding and experience. Aggregate score of mean and standard deviation is 0.9445 and 3.861 respectively. This indicates that banks involvement in CSR through legal responsibility is significant and banks follows local, state and central government's laws and regulation properly.

4.1.3 Status of Ethical Responsibility

Ethical component is beyond legal requirements by considering in terms of standards, norms, and expectations which in turn reflect a concern for doing what is right, just, fair and to avoid harms to others (Ramasamy & Yeung, 2009). It mainly consists of what is generally expected by society from corporations over and above economic and legal expectations.

Under ethical responsibility, the respondent's views were taken on the ground of to what extent banks respects stakeholders beyond economic and legal expectations. Various factors have been introduced to measure the ethical aspect such as following ethical standard, maintaining privacy of the customers, equal treatment irrespective of an economic performance and gender, regarding ethical advertisement and on following system and procedures in an un-biased manner.

Table 4. 3 *Descriptive Status of Ethical Responsibility*

Particulars	N	Mean	Std. Deviation
My bank never compromise ethical norms of the society in order to achieve corporate goal.	187	3.529	1.043
My bank always do what is right, fair, and just.	187	3.395	1.028
My bank avoid doing harm at all cost.	187	3.652	0.804
My bank do what is expected morally or ethically.	187	3.604	0.812
My bank's corporate integrity and ethical behavior go beyond mere compliance with laws and regulations.	187	3.390	0.811
Aggregate Score		3.514	0.899

Source: Field survey 2019

The table 4.3 shows the mean and standard deviation on ethical responsibility. In this study, higher mean 3.652 on "My bank avoid doing harm at all cost" shows that there is high level of acceptability towards the ethical aspects of community. Banks avoid activities that harm to customers, employees, society and nation which is agreed by the

majority of respondents. On the contrary, lower mean 3.390 on "My bank's corporate integrity and ethical behavior go beyond mere compliance with laws and regulations" indicates that this factor is less prioritized than other factors of ethical CSR by Nepalese commercial banks.

Likewise, higher standard deviation of 1.043 on "My bank never compromise ethical norms of the society in order to achieve corporate goal" shows that there is high deviation of responses from mean and also indicates employees have different experience on this particular statement. On the other, lower standard deviation 0.804 on "My bank avoid doing harm at all cost" implies that there is less variation of responses from mean. Employees have a high degree of mutuality on this factor which indicates many employees felt the authenticity in the activities of banks.

Similarly, the aggregate mean and standard deviation on ethical responsibility is 3.514 and 0.899 respectively which shows Nepalese commercial banks do what is right and fair, avoid harm to any stakeholders, and maintains transparency in financial sectors.

4.1.4 Status of Philanthropic Responsibility

Philanthropic responsibility responses to society's expectation by performing to be a good corporate citizen by contributing to society in terms of money and time voluntarily improve quality of life such as education support and donation (Swaen & Chumtaz, 2008). These volunteering activities are animated only by the desire of the enterprise to involve it in community activities which are not imposed or requested by law and which generally are not to be expected from an enterprise, in an ethical way. Such activities can include donations of goods and services, volunteering activity, the involvement of the enterprise or of its employees in the community or of the stakeholders.

Under the philanthropic responsibility, questions relating to how far customers have knowledge and interest about contribution made by banks towards the society were posed. It includes the charities, donations to the underprivileged groups, about non-profit contribution to society, celebration of special occasions and ultimately creating the better society.

Table 4. 4 *Descriptive Status of Philanthropic Responsibility*

Particulars	N	Mean	Std. Deviation
My bank perform in a manner consistent with the philanthropic and charitable expectations of society.	187	3.133	0.679
My bank assist to the fine and performing arts.	187	2.978	0.867
My bank contribute resources to the community.	187	3.064	0.878
My bank strive to provide assistance to private and public educational institutions.	187	2.930	1.072
My bank assist voluntarily those projects that enhance a community's "quality of life."	187	3.112	0.721
Aggregate score		3.043	0.843

Source: Field survey 2019

The table 4.4 shows the mean and standard deviation on philanthropic responsibility. The higher mean of 3.133 on "my bank perform in a manner consistent with the philanthropic and charitable expectations of society" indicates that a bank provides financial and non-financial resources to the society because majority of respondents are agreed with this statement. Similarly, lower mean 2.930 on " My bank strive to provide assistance to private and public educational institutions " indicates that the banks give less importance on providing support on educating public and involving them in different programs.

Likewise, higher standard deviation of 1.072 on "My bank strive to provide assistance to private and public educational institutions" shows that the responses are highly deviated which implies employees have different views regarding this factor. On the other hand, lowest standard deviation 0.679 on " My bank perform in a manner consistent with the philanthropic and charitable expectations of society " means that responses are less deviated from mean. Employees have a high degree of mutuality on this factor.

Similarly, the aggregate mean and standard deviation of philanthropic responsibility is 3.043 (which is moderately high) and 0.843 respectively. This implies that banks participate in community programs, provides resources to community, help to improve quality of life etc.

4.2 Relationship between Corporate Social Responsibility Practices and Firm Performance

4.2.1 Correlation Analysis

Correlation Analysis provides a measure of degree of association between variables used in a regression model. Linear regression used in this study predict banks' performances base on other independent variables economic responsibility, legal responsibility, ethical responsibility and philanthropic responsibility. Also it identify the type of mathematical relationship that exists between a dependent and independent variables. The level of significance is 5%.

4.2.1.1 Correlation between Corporate Social Responsibility and Firm Performance

Table 4. 5 *Correlation between Dimensions of Corporate Social Responsibility and Firm Performance*

	Corporate Social Responsibility	Employee satisfaction	Customer loyalty	Reputation	Profitability
Economic CSR	Pearson Correlation	0.54	0.49	0.62	0.82
	Sig.(2-tailed)	0.002	0.000	0.001	0.005
	N	187	187	187	187
Legal CSR	Pearson Correlation	0.902	0.74	0.703	0.433
	Sig.(2-tailed)	0.000	0.000	0.001	0.006
	N	187	187	187	187
Ethical CSR	Pearson Correlation	0.56	0.530	0.59	0.64
	Sig.(2-tailed)	0.001	0.003	0.000	0.000
	N	187	187	187	187
Philanthropic CSR	Pearson Correlation	0.86	0.756	0.48	0.541
	Sig.(2-tailed)	0.000	0.002	0.000	0.000
	N	187	187	187	187

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

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

The table 4.5 shows the correlation between dimensions of CSR with performances of commercial banks in Nepal. It shows the extent to which the dimensions of CSR are associated with each different performance indicators. The correlation coefficient between legal CSR of bank and employee satisfaction is 0.902, which implies there high degree of positive association among them. However, the correlation coefficient between legal CSR of bank and profitability is 0.433, which implies legal CSR has low and weak corresponding relation with profitability of bank.

4.2.2 Impact of CSR practices on Employee Satisfaction

Table 4. 6 *Model Summary of Independent Variables with Employee Satisfaction*

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	0.157	0.25	0.03	0.90248

a. Predictors: (Constant), ER, LR, ETR, PR

The table 4.6 shows the simple correlation coefficient 0.157 which indicates a low degree of positive correlation. The adjusted R^2 is 0.03 which means 3% of the total variation in employee satisfaction is explained by independent variable whereas 97% is explained by other variables.

Table 4. 7 *ANOVA of Independent Variables with Employee Satisfaction*

	Model	Sum of Squares	df	Mean Square	F	Sig.
	Regression	3.752	4	0.938	1.152	0.004
1	Residual	148.233	182	0.814		
	Total	151.986	186			

a. Predictors: (Constant), ER, LR, ETR, PR
b. Dependent Variable: Employee Satisfaction

The table 4.7 shows the value of F-stat is 1.152 and significant at 5% significance level, because P-value < 0.05. This indicates that the overall model is reasonable fit and there is a statistically significant association between CSR dimensions and employee

satisfaction. Additionally, this also indicate that the hypotheses is accepted i.e. banks' CSR has significant positive relationship with employee satisfaction.

Table 4. 8 *Beta Coefficients of Independent Variables with Employee Satisfaction*

Model	Unstandardized Coefficients		Standardized Coefficients		t	Sig.
	B	Std. Error	Beta			
(Constant)	3.317	0.520			6.374	0.000
ER	0.080	0.091	0.066		0.872	0.005
1 LR	0.171	0.089	0.157		1.914	0.007
ETR	0.138	0.098	0.126		1.415	0.019
PR	0.003	0.102	0.003		0.031	0.025

a. Dependent variable: Employee Satisfaction

The table 4.8 shows that legal responsibility ($\beta= 0.157$, $t= 1.914$ and $P<0.05$) have the highest influence on employee satisfaction, whereas philanthropic responsibility ($\beta= 0.003$, $t= 0.031$ and $P<0.05$) have significant lowest positive impact on employee satisfaction. Thus, based on the hypotheses test result, it can be concluded that the CSR practices of Nepalese commercial banks positively influence employee satisfaction. Subsequently the multiple regression is equation is:

$$\text{Employee Satisfaction} = 3.317 + 0.066(\text{ER}) + 0.157(\text{LR}) + 0.126(\text{ETR}) + 0.003(\text{PR})$$

4.2.3 Impact of CSR practices on Customer Loyalty

Table 4. 9 *Model Summary of Independent Variables with Customer Loyalty*

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	0.244	0.0595	0.217	0.69722

a. Predictors: (Constant), ER, LR, ETR, PR

The table 4.9 shows R value is 0.244 which suggest that there is low degree of positive association between CSR and customer loyalty. R^2 value is 0.0595. The adjusted R^2 is 0.217 which means 21.7% of the total variation in customer loyalty is explained by independent variable (CSR) where as 78.3% is explained by other variables.

Table 4. 10 ANOVA of Independent Variables with Customer Loyalty

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	1.873	4	0.468	0.963	0.029 ^a
	Residual	88.474	182	0.486		
	Total	90.347	186			

a. Predictors: (Constant), ER, LR, ETR, PR
b. Dependent Variable: Customer Loyalty

Table 4.10 shows the value of F-stat is 0.963 and significant at 5% significance level, because P-value < 0.05. This indicates that the overall model is reasonable fit and there is a statistically significant association between CSR dimensions and customer loyalty. Additionally, this also indicate that the hypotheses is accepted i.e. banks' CSR has significant relationship with customer loyalty.

Table 4. 11 Beta Coefficients of Independent Variables with Customer Loyalty

Model	Unstandardized Coefficients		Standardized Coefficients			
	B	Std. Error	Beta	t	Sig.	
1	(Constant)	2.945	0.402		7.325	0.000
	ER	0.026	0.070	0.028	0.362	0.008
	LR	0.056	0.069	0.066	0.807	0.021
	ETR	0.134	0.075	0.159	1.775	0.018
	PR	0.001	0.079	0.001	0.010	0.000

a. Dependent Variable: Customer Loyalty

In table 4.11 it shows that ethical responsibility ($\beta= 0.159$, $t= 1.775$ and $P<0.05$) have the highest influence on customer loyalty, whereas philanthropic responsibility ($\beta=$

0.001, $t = 0.010$ and $P < 0.05$) have significant low impacts on customer loyalty. Thus, based on the hypotheses test result, it can be concluded that the CSR practices of Nepalese commercial banks positively influence on customer loyalty. Subsequently the multiple regression is equation is:

$$\text{Customer Loyalty} = 2.945 + 0.028(\text{ER}) + 0.066(\text{LR}) + 0.159(\text{ETR}) + 0.001(\text{PR})$$

4.2.4 Impact of CSR practices on Reputation

Table 4. 12 *Model Summary of Independent Variables with Reputation*

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	0.158	0.25	0.04	0.74929
a. Predictors: (Constant), ER, LR, ETR, PR				

The table 4.12 shows R value is 0.158 which suggest that there is low degree of positive association among CSR and reputation. R^2 value is 0.25. The adjusted R^2 is 0.04 which means 4% of the total variation in reputation of bank is explained by independent variable where as 96% is explained by other variables.

Table 4. 13 *ANOVA of Independent Variables with Reputation*

	Model	Sum of Squares	df	Mean Square	F	Sig.
1	Regression	2.630	4	0.658	1.171	0.025
	Residual	102.181	182	0.561		
	Total	104.811	186			
a. Predictors: (Constant), ER, LR, ETR, PR						
b. Dependent Variable: Reputation						

The table 4.13 shows the value of F-stat is 1.171 and significant at 5% significance level, because $P\text{-value} < 0.05$. This indicates that the overall model is reasonable fit and there is a statistically significant association between CSR dimensions and reputation. Additionally, this also indicate that the hypotheses is accepted i.e. Banks' CSR has significant relationship with reputation.

Table 4. 14 *Beta Coefficients of Independent Variables with Reputation*

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
(Constant)	3.264	0.432		7.555	0.000
ER	0.038	0.076	0.038	0.495	0.021
1 LR	0.147	0.074	0.162	1.984	0.049
ETR	0.090	0.081	0.099	1.105	0.001
PR	0.054	0.085	0.054	0.634	0.027

a. Dependent Variable: Reputation

The table 4.14 shows that legal responsibility ($\beta= 0.162$, $t= 1.984$ and $P<0.05$) have the highest influence on reputation, whereas economic responsibility ($\beta= 0.038$, $t= 0.495$ and $P<0.05$) have significant lowest positive impact on reputation. Thus, based on the hypotheses test result, it can be concluded that the CSR practices of Nepalese commercial banks positively influence on reputation. Subsequently the multiple regression is equation is:

$$\text{Reputation} = 3.264 + 0.038(\text{ER}) + 0.162 (\text{LR}) + 0.099(\text{ETR}) + 0.054(\text{PR})$$

4.2.5 Impact of CSR Practices on Profitability

Table 4. 15 *Model Summary of Independent Variables with Profitability*

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	0.161	0.26	0.05	0.83060

a. Predictors: (Constant), Profitability

The table 4.15 shows R value is 0.161 which suggest that there is weak positive relationship among CSR and profitability and R square value is 0.26. The adjusted R^2 is 0.05 which means 5% of the total variation in profitability is explained by independent variable where as 95% is explained by other variables.

Table 4. 16 ANOVA of Independent Variables with Profitability

Model	Sum of Squares	df	Mean Square	F	Sig.
1 Regression	3.346	4	0.836	1.212	0.007
Residual	125.562	182	0.690		
Total	128.908	186			

a. Predictors: (Constant), ER, LR, ETR, PR
b. Dependent Variable: Profitability

The table 4.16 shows the value of F-stat is 1.212 and significant at 5% significance level, because P-value < 0.05. This indicates that the overall model is reasonable fit and there is a statistically significant association between CSR dimensions and profitability. Additionally, this also indicate that the hypotheses is accepted i.e. banks' CSR has significant relationship with profitability.

Table 4. 17 Beta Coefficients of Independent Variables with Profitability

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
(Constant)	2.820	0.479		5.888	0.000
ER	0.130	0.084	0.118	1.552	0.002
1 LR	0.076	0.082	0.076	0.929	0.004
ETR	0.158	0.090	0.157	1.758	0.000
PR	0.099	0.094	0.090	1.053	0.001

Dependent Variable: Profitability

The table 4.17 shows that ethical responsibility ($\beta= 0.157$, $t= 1.758$ and $P<0.05$) have the highest influence on profitability, whereas philanthropic responsibility ($\beta= 0.090$, $t= 1.053$ and $P<0.05$) have significant lowest positive impact on profitability. Thus, based on the hypotheses test result, it can be concluded that the CSR practices of

Nepalese commercial banks positively influence profitability. Subsequently the multiple regression is equation is:

$$\text{Profitability} = 2.820 + 0.118(\text{ER}) + 0.076(\text{LR}) + 0.157(\text{ETR}) + 0.090(\text{PR})$$

4.3 Summary of the Results of Hypothesis Testing

	Hypothesis	Accepted/Rejected
H1	Banks' CSR practices has significant relationship with employee satisfaction.	Accepted
H2	Banks' CSR practices has significant relationship with customer loyalty.	Accepted
H3	Banks' CSR practices has positive relation and impacts on Reputation.	Accepted
H4	Banks' CSR practices has significant relation and impact on Profitability.	Accepted

Table 4.18: *Summary of Hypothesis Testing*

4.4 Major Finding

Following are the major finding of the study:

- i. Aggregate mean of economic CSR of commercial banks of Nepal is 3.933, which is above the average. This implies commercial banks has provided financial supported to public and society in different aspects. Similarly, legal CSR, ethical CSR and philanthropic CSR have aggregate mean 3.861, 3.514 and 3.043 respectively, which were above the average. This mean commercial banks has given priority on CSR activities.
- ii. Correlation between CSR dimensions and dependent variables is positive, which implies CSR has positive influence in dependents variables. Here economic CSR has high degree of relationship with profitability i.e. correlation

coefficient 0.82. Similarly, ethical CSR and employee satisfaction has high degree of correlation with correlation coefficient 0.902. Furthermore, ethical CSR has high degree of association with profitability with 0.64 degree of association and philanthropic CSR has high degree of relation with employee satisfaction, correlation coefficient 0.86.

- iii. CSR explained the 3% variation in employee satisfaction and remaining 97% changes is explained by other factors, which is significant at 5% significance level. This means that banks investment in CSR has contributes positive impacts on employee satisfaction of banks.
- iv. Banks CSR has significant positive influence on customer loyalty because, adjusted R-square is 0.217 and significant at 5% significance level. This means 21.75 variation in customer loyalty is bank's CSR and remaining changes were explained by other factors. Further this mean bank's CSR is contributing on retaining customer.
- v. Banks CSR explained 4% variation in reputation of commercial banks and other changes is determined by other factors, which is significant at 5% level of significance. This mean banks reputation is positively influence by banks CSR.
- vi. Profitability is influence by bank's CSR because adjusted R-square is 0.05 and is significance at 5% significance level. This indicate that 5% variation in profitability of banks is explained by banks CSR. Further it indicates banks involving more in CSR has high profitability and vice-versa.
- vii. In overall commercial banks of Nepal has invest and involved in CSR. CSR of banks has positive impacts on different performance indicators of banks, like customer loyalty, employee satisfaction, reputation and profitability.

4.5 Discussion

This study was conducted to examine the relationship of corporate social responsibility with customer loyalty, reputation, employee satisfaction and profitability of bank. Primary data were collected using questionnaires from 187 respondents and data were

analysis using SPSS 22. The empirical result shows that banks CSR have positive significance relationship with dependent variables i.e. firms performances.

The first hypotheses of this study "Banks' CSR has positive significant impacts on employee satisfaction" is accepted. The result is supported by Muhammad et.al (2015), Brown & Dacin (1997), who have found significance positive relationship between corporate social responsibility and employee satisfaction. Additionally, the results of this study is also supported by the previous CSR studies by Maigan et.al. (2005), Millington (2007) whose result concluded that there was a significant positive relationship between CSR and employee satisfaction.

The second hypotheses "Banks' CSR has positive significant impacts on customer loyalty" is accepted in this study. This results is supported by Garcia, & Rodriguez (2017), Ochoti et.al. (2013) that there is positive impact of CSR on customer loyalty. But the results concluded by Liu & Fengalan (2010) there was no considerable connection between CSR and customer loyalty is opposite to the result concluded by this study.

The next hypothesis is also accepted that "Banks' CSR has significant positive impacts in reputation". This indicates commercial banks in Nepal were practicing investing on different dimension of CSR to improve banks reputation. Especially banks invest in philanthropic and economic dimension of CSR for this purpose. This result is similar to the result concluded by Beheshtifar & Korouki (2013) that a firm that is positively perceived by the stakeholders and independent observers would most likely to have better image.

Similarly fourth hypotheses "Banks' CSR has positive and significant relation with profitability" is also accepted by this study which supports those past studies that found positive linkages between CSR and financial performance concluded by (Waddock and Graves, 1997; McGuire (1963).

Chapter V

Conclusions

This chapter summarizes and concludes the dissertation and the research study. It describes the contribution of this research to the body of knowledge and also to managerial practices based on the research framework and survey results. Then, the recommendations for the model and the banks in the study are provided and future research opportunities are discussed.

5.1 Conclusions

As specified earlier the primary aim of this study is to examine the relationship between CSR practices in relation with firm performance in Nepalese commercial banks. The various studies related to the topic was reviewed in the context of developed and developing countries were presented in chapter 2. Based on the review, appropriate variables were selected and included in the analysis. This study used four dimension of Carroll's CSR Pyramid as independent variables i.e. economic, legal, ethical and philanthropic responsibilities. Whereas, employee satisfaction, customer loyalty, reputation and profitability were used as dependent variable. Each of the variables were defined and the rationale of choosing them was put forward. The result of this study is based on the respondents response on 187 questionnaires filled by the middle level employees of six commercial banks having largest number of branches (NMB Bank Limited, Nepal Bank Ltd, Nabil bank limited, NIC Asia Bank Limited, Siddhartha Bank Limited, and Prabhu Bank Ltd) and response rate is 100%. Descriptive analysis is done using mean and standard deviation. Similarly, Pearson correlation is used to find out relationship among CSR dimensions and banks performances. Furthermore, multiple regression analysis is done to determine the level of impacts of independents variables on dependents variables using SPSS. Hypotheses are tested using ANOVA analysis at significance level 5%.

The analysis revealed that corporate social responsibility (CSR) has a positive and statistically significant relationship and impact on firm's performance of Nepalese commercial banks. The research result showed the CSR has contributed positively to employee satisfaction, customer loyalty, reputation and profitability. All the aggregate mean score of this study were above the average (i.e. above 2.5 out of 5) which shows

that the current status of CSR practices in Nepalese commercial banks is growing. The result shows banks give higher importance for economic responsibility with aggregate mean 3.933 which shows commercial banks take advantage of low-wage workers, organize events, increase further investment etc, and less importance for philanthropic responsibility with least aggregate mean 3.043 which shows commercial banks are less involved in charity and donations, create and provide employment opportunity, reduce poverty, and so on. Similarly, the study shows that economic responsibility has maximum association with profitability. Likewise, legal responsibility has high degree of correlation with employee satisfaction and ethical responsibility with profitability. Furthermore, there is a strong positive relationship between philanthropic responsibility and employee satisfaction as well as customer loyalty but overall study reveals that there is positive significant relationship between CSR practices and overall bank performance. One reason for this practices is that highly educated and informed managers are entering in Nepalese commercial banks who have clear concept of CSR and its consequences.

Likewise, the study concluded CSR dimension have positive impact on firm performance in Nepalese commercial banks. The result reveals highly positive correlation coefficient between CSR and customer loyalty i.e. 0.244 which indicate that bank must give preference to its customers and provide services for the welfare of its customers. Similarly, result shows there is low impact between CSR and employee satisfaction having correlation coefficient 0.157 which indicate less degree of association among them.

In the past, empirical research was used to test the influence of CSR on financial and non-financial performances, perhaps through building satisfaction, corporate reputation or competitive advantage (Aaker, 1991). The research result provided insight into the importance of different CSR dimension by linking them to the needs of different employees, customers, stakeholders and bank. The result of this study shows that there is good practice of CSR in Nepalese commercial banks.

Similarly, research result also justified that to be the large extent CSR is responsible for creating a loyalty among the customer. We can also derive the conclusion that it is the system and procedures upon which the customer mostly trust the bank for. On the other hand, they disliked the behavioral aspects of the employee associated while delivering

the services such as the biasness that exists among various customers and with the rude behavioral and gesture. Finally, by emphasizing the corporate strategy based on CSR banks can retain their competitive advantage for long period.

5.2 Implications

5.2.1 Theoretical and Practical Implications

This study examined the impacts of Nepalese commercial banks' corporate sustainability (CSR) practices. This study also investigates current degree of relationship between CSR and various banks' performances in case of Nepalese commercial banks.

The empirical results shows that an employees perceived bank CSR have significant impact on employee satisfaction, customer loyalty, reputation and profitability. These results indicate that CSR practices are advantageous in improving organizational performance. Thus, bank managers should develop CSR-related strategy proactively to improve employee satisfaction, customer loyalty, reputation, profitability and banks performance. Also the result of the study may provide valuable insight to the government and policy makers for designing policy instruments in order to create win-win situation between business and society.

Based on the results, we suggest that the banks should involve the employees more actively in practicing CSR, and incentivize and reward them to induce their citizenship behaviors. Thus, banks should develop strategies to help employees transfer their organizational commitment to organizational citizenship behavior. Companies should try their best to keep their employees happy and engage them in CSR practices to create shared value for society.

5.2.2 Scope for the Future Studies

Though my study has some limitations, these limitations can be seen as fruitful avenues for future CSR and firm performances research. For example, as this study was conducted in Nepal and selected top six commercial banks having largest number of branches, it is clear that my results pertain specifically to the Nepalese context. Future studies incorporating respondents from other countries can be done to give a wider and more global perspective on the issue. In addition, increasing the sample size should improve the generalizability of future studies.

This study has tried to cover the issue related with CSR and banks' performances of Nepalese commercial banks. Therefore, further studies can be carried out on the basis of the finding of this study. Some of the future scopes of this study are listed as below:

In this study only "A" class commercial bank's employees were taken as sample respondent where for further studies other financial institution like development banks, finance company and cooperative can be include. As there are many employees and customer who are in relation with those institutions.

Also, in this research Carroll's (1979) four dimensions of CSR (i.e. economic, legal, ethical and philanthropic) were used to measure the CSR activities of the firm, future research can incorporate environmental dimension of CSR.

This study has taken only six Nepalese commercial banks (out of 28) so it can be recommended that the further studies can be done by including more numbers of banks to go in depth study. The study examined CSR relation with limited variables of non-financial performance and only one variable related to financial performances. Thus further studies can be carried out by considering more variables in both financial as well as non-financial performances like earning per share, net income, operating profit, net interest margin, employee retention, brand equity, innovation etc.

I hope that through this study, others can have a clearer understanding of the CSR climate in Nepalese commercial banks and be encouraged to delve into the dynamics of CSR and its benefits.

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APPENDIX 1

I am conducting a study on Corporate Social Responsibility and Firms' Performance as a part of my graduate research project to fulfill the course requirement of MBS Tribhuvan University. I expect your valuable participation and cooperation by answering the questionnaire.

I assure you that the information and the responses that you have provided in this questionnaire will be kept highly confidential and will be used for my academic purpose only.

Sincerely,

Kabita Khadka

Research Scholar

Section A

In the given table, types of corporate social responsibility (CSR) are presented to examine the relationship with firms' performances. Please tick (\checkmark) any one number for each statements that comes closest to your opinion. Where (Strongly Agree = 5, Agree = 4, Neutral = 3, Disagree = 2, and Strongly Disagree = 1).

Economic Responsibilities		Rating scale				
		Strongly disagree....Strongly agree				
1.	The primary goal of my bank is to make as much profit as possible.	1	2	3	4	5
2.	My bank has maintained low level of operational costs.	1	2	3	4	5
3.	My bank strive for the highest returns to their shareholders.	1	2	3	4	5
4.	My bank is not distracted from economic functions by solving social problems.	1	2	3	4	5
5.	My bank is committed to consistent with maximizing earning per share.	1	2	3	4	5

Legal Responsibilities		Rating scale				
		Strongly disagree....Strongly agree				
1.	My bank strive to comply with all the state laws and regulations.	1	2	3	4	5
2.	My bank operate strictly within the legal framework of the society.	1	2	3	4	5
3.	My bank comply with various federal, state and local regulation.	1	2	3	4	5
4.	My bank adhere to all state rules and regulations even though it may be costly.	1	2	3	4	5
5.	My bank provide goods and services that at least meet minimal legal requirement.	1	2	3	4	5

Ethical Responsibilities		Rating scale				
		Strongly disagree....Strongly agree				
1.	My bank never compromise ethical norms of the society in order to achieve corporate goal.	1	2	3	4	5
2.	My bank always do what is right, fair, and just.	1	2	3	4	5
3.	My bank avoid doing harm at all cost.	1	2	3	4	5
4.	My bank do what is expected morally or ethically.	1	2	3	4	5
5.	My bank's corporate integrity and ethical behavior go beyond mere compliance with laws and regulations.	1	2	3	4	5

Philanthropic Responsibilities		Rating scale				
		Strongly disagree.....Strongly agree				
1.	My bank perform in a manner consistent with the philanthropic and charitable expectations of society.	1	2	3	4	5
2.	My bank assist to the fine and performing arts.	1	2	3	4	5
3.	My bank contribute resources to the community.	1	2	3	4	5
4.	My bank strive to provide assistance to private and public educational institutions.	1	2	3	4	5
5.	My bank assist voluntarily those projects that enhance a community's "quality of life."	1	2	3	4	5

Section B

B1: Firms Non-Financial Performance

1. Please indicate the extent to which you agree/disagree with the following statement. Where (Strongly Agree = 5, Agree = 4, Neutral = 3, Disagree = 2 and Strongly Disagree= 1).

Employee satisfaction		Rating scale				
		Strongly disagree..... Strongly agree				
1.	My bank has provided adequate training and development programs to employees.	1	2	3	4	5
2.	My bank is committed to maintain work life balance of employees (i.e. Flexible work hour child care center etc.)	1	2	3	4	5
3.	My bank has provided appropriate working environment to increase efficiency, effectiveness, productivity and commitment of employees.	1	2	3	4	5
4.	My bank has provided recognition to employees for the work done so that they are empowered to handle challenges.	1	2	3	4	5
5.	My bank has provided individual support and humanitarian interaction to motivate employee.	1	2	3	4	5

3. Please indicate the extent to which you agree/disagree with the following statements.

Please tick (✓) appropriate value for each statement.

Customer Loyalty		Rating scale				
		Strongly disagree.....Strongly agree				
1.	My existing customers have positive attitude about the firm and likelihood of repeat purchase from them is quite high.	1	2	3	4	5
2.	My existing customers found all the staff members courteous and friendly in handling their grievances and complaints.	1	2	3	4	5
3.	My existing customers likely to recommend our products to their friends and relatives as well.	1	2	3	4	5
4.	My existing customers are fully satisfied by the product and services that we offer.	1	2	3	4	5
5.	My existing customer do not think of changing this firm easily.	1	2	3	4	5

4. Please indicate the rating you believe that the different stakeholders would give your firm on the following attributes of reputation, where (Excellent Performance =5, Good Performance =4, Average = 3, Poor Performance = 2 and Very Poor Performance = 1).

Please tick (✓) appropriate value for each element.

Reputation		Rating Scale				
		Very poor performance		Excellent performance		
1.	Quality of products/services (mainly based on customers' perception.	1	2	3	4	5
2.	Ability to attract, utilize and retain talented people.	1	2	3	4	5
3.	Community and environmental responsibilities.	1	2	3	4	5
4.	Financial soundness.	1	2	3	4	5
5.	Innovativeness (i.e. introducing new thing/ doing same thing differently).	1	2	3	4	5

B2: Firms Financial Performance (vis-a-vis Profitability)

1. How did the net profit of your firm in **FY 2075/2076 (2018/2019)** relate to the previous year?

Substantially decreased 1 2 3 4 5 substantially increased

Please indicate the extent to which you agree or disagree with the following statement (2-4).

2. Relative to the average performance in our industry sector, our firm's Return on assets (ROA) (i.e. firm's net profit relative to its total assets) is substantially better.

Strongly disagree 1 2 3 4 5 strongly agree

3. Relative to the average performance in our industry sector, our firm's Return on Equity (ROE) (i.e. Firm's net profit relative to shareholders equity) is substantially high.

Strongly disagree 1 2 3 4 5 strongly agree

4. Relative to on-an-average future prospect of our industry sector, our firm's future prospect of profitability and growth is substantially high.

Strongly disagree 1 2 3 4 5 strongly agree

5. How would you interpret the overall financial performance of your firm compared with the average performance in your industry sector?

Strongly disagree 1 2 3 4 5 strongly agree

.....**Thank you**