

# **ROLE OF FINANCIAL INSTITUTIONS IN PROMOTING SUSTAINABLE DEVELOPMENT GOALS**

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

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## CERTIFICATION OF AUTHORSHIP

I hereby corroborate that I have researched and submitted the final draft of dissertation entitled “**Role of Financial Institutions in Promoting Sustainable Development Goals**”. The work of this dissertation has not been submitted previously for the purpose of conferral of any degrees nor it has been proposed and presented as part of requirements for any other academic purposes.

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

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**REPORT OF RESEARCH COMMITTEE**

Ms. Mina Poudel has defended research proposal entitled “**Role of Financial Institutions in Promoting Sustainable Development Goals**” successfully. The research committee has registered the dissertation for further progress. It is recommended to carry out the work as per suggestions and guidance of supervisor Mr. Deepak Basnet and submit the thesis for evaluation and viva voce examination.

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## APPROVAL SHEET

We, the undersigned, have examined the dissertation entitled “**Role of Financial Institutions in Promoting Sustainable Development Goals**” presented by Ms. Mina Poudel for the degree of Master of Business Studies (MBS Semester) and conducted the Viva voce examination of the candidate. We hereby certify that the dissertation is worthy of acceptance.

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## ABBREVIATIONS

CEI	:	Clean Energy Investments
EL	:	Educational Loans
FFHP	:	Funds for Health Programs
HBL	:	Himalayan Bank Limited
NBL	:	Nabil Bank Limited
NBL	:	Nepal Bank Limited
NIMB	:	Nepal Investment Mega Bank Limited
PEF	:	Poverty Elimination Funds
RDI	:	R&D Investments
SCBNL	:	Standard Chartered Bank Nepal Limited
SDGI	:	SDG Index
SDGs	:	Sustainable Development Goals
SPSS	:	Statistical Package for the Social Sciences
TU	:	Tribhuvan University

## ABSTRACT

This study investigates the role of financial institutions in promoting sustainable development goals (SDGs) in Nepal focusing on five major banks: Nepal Investment Mega Bank Limited (NIMB), Nabil Bank Limited (NBL), Standard Chartered Bank Nepal Limited (SCBNL), Himalayan Bank Limited (HBL) and Nepal Bank Limited (NBL). It examines the impact of investments in Poverty Elimination Funds (PEF), Funds for Health Programs (FFHP), Educational Loans (EL), R&D Investments (RDI), and Clean Energy Investments (CEI) on the SDG Index (SDGI). Using panel data from 2013/14 to 2022/23 and employing both descriptive and inferential statistics, the study assesses the banks' contributions towards achieving SDGs. Descriptive statistics reveal considerable variability in investments, with PEF and EL showing high dispersion, while SDGI has a more clustered distribution. Correlation analysis highlights strong positive relationships between FFHP, EL, RDI, CEI, and SDGI, indicating that increased investments in these areas are associated with better SDG outcomes. Regression analysis further confirms that FFHP, EL, RDI, and CEI positively impact SDGI, while PEF shows no significant effect. These findings underscore the significant role of FFHP, EL, RDI and CEI in advancing SDGs, suggesting that PEF may need reassessment to enhance its effectiveness.

*Keywords: Poverty Elimination Funds, Funds for Health Programs, Educational Loans, R&D Investments, Clean Energy Investments, SDG Index.*

# CHAPTER – I

## INTRODUCTION

### 1.1 Background of the study

Financial institutions played a crucial role in the global effort to achieve the Sustainable Development Goals (SDGs) by mobilizing and allocating financial resources to sustainable projects. Adopted by the United Nations in 2015, the SDGs encompass 17 goals aimed at addressing global issues such as poverty, inequality, climate change, and environmental degradation by 2030 (United Nations, 2015). The participation of financial institutions was essential for achieving these objectives through green finance, impact investing, and promoting financial inclusion.

Green finance involved making financial investments that delivered environmental benefits in the broader context of sustainable development. This included financing renewable energy, improving energy efficiency, managing water resources, and supporting sustainable agriculture. Meo and Abd Karim (2022) highlighted the critical role of green finance in lowering carbon emissions, emphasizing that the financial sector's support for green projects was vital for significant CO<sub>2</sub> emission reductions and promoting a low-carbon economy.

The connection between green finance and economic inclusion was essential for sustainable development. Van Niekerk (2024) investigated how green finance could alleviate economic exclusion and mitigate resource degradation. By financing projects that improved both environmental sustainability and economic inclusion, financial institutions encouraged inclusive growth and lessened the negative impacts of environmental issues on disadvantaged populations. This integration of green finance and economic inclusion was vital for establishing a sustainable and fair economic system.

Addressing climate-related risks was another essential role of financial institutions in promoting the SDGs. Heinen et al. (2016) explored the impact of climate change on financial stability, particularly in agricultural economies prone to extreme weather events. Financial institutions had to adjust their risk management strategies to address

both physical risks (such as natural disasters) and transition risks (associated with the shift to a low-carbon economy). This adjustment was crucial for ensuring the resilience of financial systems in the face of climate-related challenges.

Financial inclusion, a crucial element of sustainable development, guaranteed that every person and business could access necessary and affordable financial services and products. Chibba (2009) underscored its significance in achieving the Millennium Development Goals (MDGs) that preceded the SDGs. By delivering financial services to underserved groups, financial institutions could mitigate poverty and foster inclusive economic growth, thereby supporting various SDGs focused on reducing poverty and enhancing economic parity.

Evidence supported the positive impact of green finance on sustainability efforts. Muganyi et al. (2021) presented case studies from China demonstrating that green finance initiatives, supported by financial technology (fintech), significantly improved environmental protection. This research underscored the importance of integrating innovative financial solutions to achieve sustainability goals and highlighted fintech's role in facilitating green investments.

Financial institutions also played a pivotal role in channeling investments towards sectors that made substantial contributions to the SDGs. Investments in renewable energy and energy-efficient technologies were critical for environmental sustainability. Chen et al. (2022) emphasized the significance of these investments in enhancing energy efficiency and advancing sustainable financial inclusion, particularly in developed economies such as the United States. Such investments were crucial for achieving SDG objectives related to affordable and clean energy, as well as sustainable industrialization.

Financial institutions played a vital role not only in raising capital and managing risks but also in encouraging innovation and entrepreneurship aligned with the SDGs. They provided essential financing and assistance to startups and small and medium-sized enterprises (SMEs) focusing on sustainable solutions. This support stimulated economic growth, generated employment opportunities, and addressed social and environmental challenges. Such assistance was crucial for promoting SDGs related to

decent employment and economic growth, industry innovation, and infrastructure (World Bank, 2020).

The commitment of financial institutions to the SDGs was evident in their participation in global initiatives and networks promoting sustainable finance. Initiatives like the Principles for Responsible Banking, the United Nations-supported Principles for Responsible Investment (PRI), and the Sustainable Banking Network encouraged collaboration and knowledge sharing among financial institutions worldwide. These initiatives guided financial institutions in aligning their operations with the SDGs and measuring their impact (UNEP Finance Initiative, 2019).

In Nepal, financial institutions played a crucial role in advancing Sustainable Development Goals (SDGs) through environmentally-friendly finance, improving financial inclusion, and establishing strategic partnerships. By investing in renewable energy initiatives such as hydropower and solar energy projects, these institutions contributed to reducing the country's carbon footprint and fostering economic growth. Programs like mobile banking and microfinance expanded access to financial services for underserved communities, promoting economic empowerment and poverty alleviation. Moreover, partnerships with international development banks facilitated large-scale sustainable development initiatives, addressing critical challenges in infrastructure, healthcare, and education (Thapa, 2021).

In conclusion, financial institutions are crucial to achieving the Sustainable Development Goals. Through their roles in green finance, financial inclusion, risk management, corporate social responsibility, and strategic collaborations, they mobilize essential resources, support sustainable investments, and foster innovations that contribute to global development. The continuous efforts and strategic initiatives by financial institutions highlight their pivotal role in promoting the SDGs and achieving a sustainable and equitable future for all.

This study aims to assess the role of Nepalese financial institutions in promoting sustainable development goals focusing on variables like funds for eliminating poverty, funds for health program, education loan, clean energy investment and research and development investment.

## **1.2 Problem statement**

The role of financial institutions in promoting sustainable development goals (SDGs) was a critical area of study, as these institutions possessed the financial resources and strategic influence necessary to drive significant progress in sustainability efforts. This thesis explored the multifaceted impact of financial institutions on the achievement of SDGs, with a focus on different geographic and economic contexts.

Mezher et al. (2002) highlighted the crucial role of Lebanese financial institutions in the post-war reconstruction of Lebanon, emphasizing the necessity of integrating sustainable practices into their development strategies to protect the environment and natural resources. Their study underscored how financial institutions in emerging economies have the potential to lead sustainable development initiatives, not only through financial investments but also by shaping policies and practices that prioritize environmental sustainability alongside economic growth.

Streimikiene et al. (2023) provided empirical evidence from the Baltic Sea states, demonstrating a positive correlation between sustainable finance and the effective implementation of SDGs. Their research model illustrated that countries with robust sustainable financial models tended to achieve better outcomes in sustainability goals. This finding highlighted the critical role of specialized financial mechanisms, such as green bonds and impact investing funds, in driving SDG progress by directing investments towards projects that contribute to environmental protection, social equity, and economic resilience.

Kenny (2019) discussed the challenges faced by Development Finance Institutions (DFIs) in mobilizing private investments for SDG priority areas, especially in the poorest countries. The paper outlined how DFIs struggled to attract sufficient private sector capital for infrastructure projects critical to sustainable development, despite their mandate to catalyze investments in these sectors. This challenge emphasized the need for innovative financing mechanisms and stronger public-private partnerships to bridge the funding gap and accelerate progress towards SDGs in less developed regions.

Santoso et al. (2020) investigated the role of Islamic Finance Institutions (IFIs) in supporting Micro, Small, and Medium Enterprises (MSMEs) towards achieving SDGs. The study highlighted how IFIs could promote economic growth, poverty alleviation, and financial stability through Sharia-compliant financial products and services. Despite challenges such as low utilization rates by MSMEs, Islamic finance emerged as a viable tool for fostering inclusive economic development aligned with SDGs, particularly in regions where conventional banking services are limited or inaccessible.

Garcia (1997) discussed the eco-efficiency and sustainability strategies of Corporacion Andina de Fomento (CAF), a multilateral financial institution in Latin America. CAF's integration of social and environmental considerations into its financial operations served as a model for promoting sustainable development through financial intermediation. By incorporating sustainability criteria into project evaluation and financing decisions, CAF demonstrated how financial institutions can leverage their influence to drive positive environmental and social impacts while ensuring financial profitability.

Oluwoyo and Peter (2019) explored the role of informal financial institutions in poverty reduction in Nigeria, using Kogi State as a case study. Their findings suggested that non-financial institutions could be pivotal in achieving SDGs, particularly poverty reduction, by bridging the gap between formal financial institutions and low-income populations. The study highlighted the complementary role of informal finance in providing accessible credit and financial services to underserved communities, thereby contributing to economic empowerment and sustainable livelihoods.

Kozenkow (2018) critiqued the underrepresentation of institutional factors in international development policies. The study argued for a stronger emphasis on both formal and informal institutions to enhance the effectiveness of development programs led by international organizations like the World Bank and the United Nations. By advocating for inclusive development policies that recognize the diverse roles and capacities of different types of institutions, Kozenkow emphasized the need

for holistic approaches to achieving SDGs that address institutional barriers and leverage institutional strengths.

Elobeid (2012) underscored the importance of institutional quality in economic and sustainable development. Drawing insights from Sudan's development history, the study highlighted how stable and effective institutions were crucial for long-term growth and achieving sustainability targets. By examining the role of governance structures, regulatory frameworks, and institutional capacities, Elobeid underscored the fundamental role of institutions in creating an enabling environment for sustainable development initiatives to thrive.

The studies reveal that financial institutions significantly impact Sustainable Development Goals (SDGs) through diverse strategies. They emphasize the importance of integrating sustainability into development practices, the effectiveness of specialized financial models like green bonds and Islamic finance, and the challenges faced by Development Finance Institutions in mobilizing investments. Additionally, they underscore the role of institutional quality and the contribution of informal finance in supporting economic and social development. This study aims to provide a comprehensive analysis of these dynamics, offering insights and recommendations to enhance the contribution of financial institutions to sustainable development globally.

The research questions for this study are as follows:

- i. What is the current roles situation of financial institutions for promoting Sustainable Development Goal (SDG) in Nepal?
- ii. Is there any relationship between the independent variables such as funds for eliminating poverty, funds for health program, education loan, clean energy investment and research and development investment with the dependent variable Sustainable Development Goal?
- iii. How do the independent variables including funds for eliminating poverty, funds for health program, education loan, clean energy investment and research and development investment influence the dependent variable Sustainable Development Goal?

### **1.3 Objectives of the study**

The main objective of the study is to examine the role of financial institutions in promoting sustainable development goals. The following specific objectives are designed to guide this exploration:

- i. To assess the current situation of financial institution's role for promoting Sustainable Development Goal (SDG) in Nepal.
- ii. To examine the relationships between independent variables such as funds for eliminating poverty, funds for health program, education loan, clean energy investment and research and development investment with the dependent variable Sustainable Development Goal.
- iii. To analyze the influence of independent variables including funds for eliminating poverty, funds for health program, education loan, clean energy investment and research and development investment on the dependent variable Sustainable Development Goal.

### **1.4 Rationale of the study**

The motivation for this study stems from the essential role financial institutions play in furthering Sustainable Development Goals (SDGs), especially in a context like Nepal where there is both a pressing need and a substantial opportunity for sustainable development. Financial institutions have significant influence over economic, social, and environmental outcomes through their investment choices, policy actions, and corporate practices. It is crucial to understand how these institutions can effectively support SDGs to maximize their impact and ensure their resources and strategies are aligned with sustainable development goals. This study aims to explore how different institutional commitments such as sustainability, accountability, transparency, responsibility, and governance affect the achievement of SDGs. By examining these relationships, the research seeks to provide actionable insights that could enhance the role of financial institutions in promoting sustainable development. This research not only fills a gap in the existing literature but also offers practical recommendations for better aligning financial practices with global sustainability objectives, thus contributing to more effective and equitable development outcomes in Nepal.

### 1.5 Limitations of the study

This study has investigated the role of financial institutions in promoting Sustainable Development Goals (SDGs) in Nepalese commercial banks, and the following limitations have been identified:

- i. **Sample Limitation:** Data have been gathered from five specific banks Nepal Investment Mega Bank Limited (NIMB), Nabil Bank Limited (NBL), Standard Chartered Bank Nepal Limited (SCBNL), Himalayan Bank Limited (HBL) and Nepal Bank Limited (NBL). This selection has potentially limited the representativeness of the broader banking sector, thereby constraining the generalizability of the findings.
- ii. **Data Period:** The study has covered data from FY 2013/14 to FY 2022/23. This period may not have captured recent developments or changes that could influence the role of banks in advancing SDGs.
- iii. **Variable Focus:** The research has concentrated on Funds for Eliminating Poverty, Funds for Health Programs, Educational Loans, Research and Development Investments, and Clean Energy Investments. Other potentially influential factors, such as regulatory changes or macroeconomic conditions, have not been considered.
- iv. **Data Sources:** Secondary data from annual reports and financial documents have been relied upon. These sources may have inherent limitations in accuracy and completeness, which could affect the reliability of the findings.
- v. **Research Design:** A descriptive and causal comparative research design has been employed. While this design has provided valuable insights, it may not have established definitive causation or accounted for all influencing factors.

## **CHAPTER – II**

### **LITERATURE REVIEW**

The aim of this chapter is to examine existing research within the selected field and formulate a framework for the research design. Reviewing past studies is essential as they provide a basis for the current investigation and maintain research continuity. This link is made by relating the current study to previous research. To accomplish this, a range of books, journals, and articles pertinent to the topic have been analyzed. The review is structured into two sections: theoretical review and empirical review.

#### **2.1 Theoretical review**

The theoretical review for the thesis on the roles of financial institutions in promoting Sustainable Development Goals (SDGs) has examined essential theories that provide a framework for understanding how the roles and commitments of financial institutions have influenced the advancement of SDGs.

Some related theories for this study are as follows:

##### **Stakeholder Theory**

Stakeholder Theory provides a framework for how financial institutions can support Sustainable Development Goals (SDGs) by focusing on the interests of all relevant parties. Freeman (1984) argues that organizations should balance the needs of diverse stakeholders such as employees, customers, suppliers, and the community to achieve social and environmental objectives. By integrating these stakeholder interests into decision-making, organizations can enhance their sustainability and make more meaningful contributions to societal goals. Clarkson (1995) reinforces this idea, showing that engaging proactively with stakeholders can lead to improved organizational performance and sustainability outcomes. Thus, financial institutions are encouraged to include SDG considerations in their strategic plans to ensure their operations contribute to comprehensive development and societal well-being.

##### **Institutional Theory**

Institutional Theory examines how the behavior of financial institutions is shaped by their institutional contexts, including the norms, values, and regulations that define

acceptable practices. DiMaggio and Powell (1983) argue that organizations adapt to these institutional pressures to achieve legitimacy and gain support from stakeholders. This adaptation helps organizations meet societal expectations and secure essential resources and endorsement. Meyer and Rowan (1977) build on this by demonstrating that institutional pressures lead organizations to adopt formal structures and practices that align with societal norms, thereby enhancing their legitimacy. For financial institutions, aligning their operations with current norms related to sustainability and SDGs is essential for making a meaningful contribution to sustainable development.

### **Resource-Based View (RBV)**

The Resource-Based View (RBV) is a strategic management theory that helps explain how financial institutions can leverage their resources to promote SDGs. According to Barney (1991), organizations achieve a competitive advantage by utilizing resources that are valuable, rare, inimitable, and non-substitutable. This theory emphasizes that financial institutions can support sustainable projects by strategically deploying their financial resources, expertise, and networks. Wernerfelt (1984) expands on this by highlighting that effective resource management contributes to long-term sustainability and competitive advantage. For financial institutions, leveraging their unique resources to support sustainable initiatives is essential for advancing SDGs and achieving significant impact.

### **Legitimacy Theory**

Legitimacy Theory examines how financial institutions align their practices with societal expectations to gain acceptance and maintain their operations. Suchman (1995) argues that organizations seek legitimacy to obtain social approval and justify their actions. For financial institutions, integrating sustainability practices and aligning with Sustainable Development Goals (SDGs) enhances their public image and fosters trust with stakeholders. This theory underscores the importance of societal approval for sustaining organizational legitimacy and operational success. Through transparency in sustainability reporting and active stakeholder engagement, financial institutions can address legitimacy issues and demonstrate their commitment to societal and environmental responsibilities.

### **Agency Theory**

Agency Theory explores the interactions between financial institutions and their stakeholders, particularly focusing on the conflicts that arise between principals (shareholders or owners) and agents (managers). Jensen and Meckling (1976) discuss how conflicts of interest between these groups lead to agency costs and how these costs can be reduced by aligning the interests of managers with those of the principals. Effective governance mechanisms are crucial for ensuring that managerial decisions are consistent with the objectives of the principals, including those related to sustainable development. Eisenhardt (1989) expands on this idea, highlighting that well-structured governance frameworks are essential for aligning managerial behavior with Sustainable Development Goals (SDGs), thereby reducing agency costs and improving the institution's overall performance in sustainability efforts.

### **Social Responsibility Theory**

Social Responsibility Theory emphasizes that financial institutions have a duty to contribute positively to societal and environmental well-being beyond their economic pursuits. Carroll (1991) argues that organizations should address social and environmental issues as part of their responsibilities. This theory supports integrating Sustainable Development Goals (SDGs) into the core functions and strategic objectives of financial institutions, thereby reinforcing their commitment to corporate responsibility. Schwartz and Carroll (2003) further elaborate that engaging in social responsibility initiatives can enhance a company's reputation and strengthen its relationships with stakeholders. By adopting SDG-supportive practices, financial institutions can fulfill their responsibilities and contribute to addressing global challenges like climate change and poverty.

## **2.2 Empirical review**

Bhandari et al. (2024) aimed to integrate environmental, social, and governance (ESG) issues into financial choices amidst growing global pressure for sustainable development. Their study sought to understand the adoption of green finance practices in Nepal, a country noted for its natural beauty but grappling with significant environmental challenges. The authors employed a qualitative research methodology, conducting in-depth interviews with senior executives, risk managers, and

sustainability officers from commercial banks in Nepal. The research identified several barriers to implementing green finance practices, including inadequate regulatory frameworks, limited green investment opportunities, perceived financial risks, and a lack of expertise among banking professionals. Additionally, the study highlighted the need for stronger institutional support and leadership commitment to overcome these challenges. The findings underscored the necessity for Nepalese commercial banks to adopt green finance practices more broadly to align with the nation's sustainable development goals and contribute to global environmental efforts. The study concluded with recommendations for enhancing the integration of green finance in Nepal's banking sector to support both national and international sustainability objectives.

Loang (2023) explored how corporate governance (CG) and sustainable development goals (SDGs) practices affect financial markets and company performance, making comparisons between Malaysia and more developed countries such as the United States, the United Kingdom, Canada, and Singapore. Using panel data regression models, the research examined how CG and SDG practices influenced financial indicators like stock returns, volatility, investor sentiment, profitability, liquidity, and solvency from 2017 to 2021. The findings indicated that CG and SDG practices had a beneficial impact on financial market outcomes and company performance in both developed and developing nations, though the specifics of these effects differed by country. In developed countries, elements such as board responsibilities, compensation, stakeholder engagement, SDG4 (Quality Education), and SDG10 (Reduce Inequalities) were positively associated with stock returns. On the other hand, in Malaysia and Singapore, factors like audit committee effectiveness, SDG8 (Decent Work and Economic Growth), SDG11 (Sustainable Cities and Communities), and SDG13 (Climate Action) were more influential. The study underscored the significance of country-specific factors in determining the effectiveness of CG and SDG practices and suggested that Malaysia should integrate best practices from developed nations while adapting them to its own context.

Bakare and Gbadamosi (2023) investigated the factors driving and patterns of corrupt practices in Nigeria, specifically evaluating the effectiveness of the Economic and Financial Crimes Commission (EFCC) in addressing corruption. The study, aligned

with the 2030 Agenda for Sustainable Development and SDG 16, focuses on promoting peace, justice, and strong institutions. Employing a qualitative research approach, the researchers analyzed the impact of various determinants—economic, social, cultural, environmental, and legal—on corruption. Data were gathered from 600 public sector employees in Lagos, Ondo, and Osun States using purposively selected questionnaires, and analyzed through descriptive and inferential statistics. The results demonstrated that corruption in Nigeria is influenced by multiple factors: economic ( $t=8.41$ ,  $F=0.00$ ), social ( $t=5.83$ ,  $F=0.00$ ), cultural ( $t=2.81$ ,  $F=2.81$ ), environmental ( $t=1.41$ ,  $F=0.00$ ), and legal ( $t=0.83$ ,  $F=0.00$ ). Despite the EFCC's progress in revealing corrupt practices, its effectiveness is compromised by issues such as an overloaded judiciary, slow trial processes, insufficient political will, selective prosecution, and weak democratic institutions. The authors advocated for enhancing Nigeria's anti-corruption institutions with stronger judicial support to improve their effectiveness.

Zakari et al. (2022) explored the connection between Sustainable Development Goals (SDGs) and energy efficiency across 20 Asian and Pacific countries from 2000 to 2018. Using Data Envelopment Analysis (DEA) and Panel Corrected Standard Error (PCSE) estimates, the study found a positive correlation between sustainable economic development and energy efficiency, suggesting that improvements in sustainable economic practices lead to better energy efficiency. The research also identified a positive relationship between sustainable financial development and energy efficiency, indicating that stronger sustainable financial practices contribute to increased energy efficiency. Additionally, green innovation was found to have a significant positive impact on energy efficiency. The results were validated by the System-GMM (S-GMM) estimator, which confirmed the robustness of the findings across different econometric models. The study recommended implementing policies that foster sustainable economic and financial development to enhance energy efficiency.

Bose and Khan (2022) assessed the extent and progress of Sustainable Development Goals (SDGs) reporting by companies worldwide, examining whether reporting practices varied due to country-specific institutional factors. Analyzing 6,942 company-year observations from 30 countries between 2016 and 2019, the study used

a reporting index based on the 17 SDGs indicators set by the United Nations. The results revealed a gradual increase in SDG reporting over time, beginning from a low baseline in 2016. The study found that SDG reporting varied with institutional factors, noting that companies in countries with strong sustainability regulations and higher SDG performance ratings reported more extensively. Unexpectedly, companies in shareholder-oriented countries reported more on SDGs compared to those in stakeholder-oriented countries. Furthermore, companies in developing countries demonstrated higher levels of SDG reporting compared to those in developed countries. These findings highlight the increasing importance of SDG reporting and its evolving global significance.

Alqashouti (2022) analyzed the contribution of Islamic financial institutions to achieving Sustainable Development Goals (SDGs) in Qatar. The study investigated the impact of various financial activities, such as funding for poverty alleviation, health programs, educational loans, research and development (R&D), and renewable energy investments. Utilizing secondary data from the Organization for Economic Co-operation and Development (OECD) and central bank databases from 1986 to 2020, the Autoregressive Distributed Lag (ARDL) method was applied to assess the relationship between these financial activities and progress toward SDGs. The findings revealed that financial contributions in these areas positively influenced Qatar's advancement towards SDGs, highlighting the significant role of Islamic financial institutions in supporting SDG-related regulations and policies.

Akestoridi (2022) explored the accountability of Multilateral Development Banks (MDBs), with a focus on the World Bank Group (WBG), concerning sustainable development and the Sustainable Development Goals (SDGs). The study applied positivist legal theory to evaluate how the WBG integrates sustainable development into its regulatory framework and operational practices. It emphasized the WBG's responsibility to promote sustainable development and integrate SDGs into its internal governance. The research assessed the WBG's adherence to sustainable development through its Articles of Agreement and the IBRD/IFC safeguards system, which set standards for environmental and social protection. Akestoridi argued that the WBG has a legal obligation to consider the interests of project-affected people (PAP) and

called for more stringent regulatory and accountability frameworks to ensure MDBs and states adhere to a cohesive legal approach to sustainable development.

Kozar (2022) investigated the role of financial institutions in Poland in promoting the green transformation of the economy. The study aimed to identify pro-environmental activities by these institutions and assess their use of specific tools to support environmental sustainability. Employing a theoretical and analytical approach, the research included a review of both domestic and international literature and an analysis of good environmental practices from Polish financial sector institutions between 2016 and 2020. Using qualitative data analysis, including content analysis of these practices, the study reviewed 94 practices from 24 institutions. The findings indicated that financial institutions used environmental activities to improve their public image, with banks playing a key role by offering green banking products to support investments aimed at fostering a more sustainable economic model.

Sapkota and Neupane (2021) explored the role of grassroots sport for development and peace (SDP) organizations in Nepal and their contributions to Sustainable Development Goals (SDGs). The research focused on the impact of 'Youth and Sport'-related non-governmental organizations (NGOs) in Nepal, where research on SDP organizations in least developed countries (LDCs) is limited. The study found that the number of these NGOs had significantly increased from 157 in 1990 to 11,886 by July 2017. However, it also highlighted that the Nepali government had not established an independent and organized SDP policy, and existing policies were inadequately integrated with the national SDG framework and global SDP efforts. The study concluded that to advance the SDP sector in Nepal, it is essential to further investigate the role of 'Youth and Sport' NGOs and develop a comprehensive national SDP policy aligned with the SDGs.

Adhikari and Shah (2021) assessed the role of grassroots sport for development and peace (SDP) organizations in Nepal, focusing on their impact on Sustainable Development Goals (SDGs). The study examined the growth and influence of local 'Youth and Sport'-related non-governmental organizations (NGOs) on socio-economic development in Nepal. It noted a considerable increase in these NGOs, from 157 in 1990 to 11,886 by July 2017. Despite this growth, the study identified a lack of an

independent and organized SDP policy by the government and poor alignment of existing policies with both the national SDG framework and global SDP initiatives. The study recommended further investigation into the 'Youth and Sport' NGOs and the creation of a comprehensive, independent national SDP policy to effectively support and advance the achievement of SDGs in Nepal.

Isa-Olatinwo (2021) investigated the role of Development Finance Institutions (DFIs) in advancing Sustainable Development Goals (SDGs), particularly focusing on poverty reduction. The study aimed to assess how DFIs contribute to SDGs through their specialized services. By critically reviewing recent literature, the research identified essential success factors and highlighted DFIs' critical role in addressing investment gaps in developing nations. The study found that DFIs significantly impact job creation and living standards and are instrumental in mobilizing private investment to achieve SDG targets. The study concluded that DFIs are increasingly crucial in the global fight against poverty. Recommendations included ensuring that DFI funds are utilized efficiently and effectively, enhancing infrastructural development, and resolving policy inconsistencies between multilateral agencies to improve poverty alleviation efforts.

Zheng et al. (2021) analyzed the influence of green finance dimensions on the sustainability performance of financial institutions in developing economies, focusing on Bangladesh. The study aimed to explore how various aspects of green finance affect the sustainability performance of banks and non-bank financial institutions. Through structural equation modeling, the research examined green finance adoption from 2015 to 2020. It was found that private commercial banks were the main contributors to green financing, accounting for 78.12% of the total green finance in Bangladesh. The study revealed that green finance dimensions—social, economic, and environmental—positively impacted the sustainability performance of banks. Approximately 95% of bankers deemed green financing essential for both short- and long-term development strategies. The study enhanced understanding of green finance's role in improving sustainability performance and offered managerial policy implications for emerging economies such as Bangladesh.

Hassan et al. (2021) aimed to explore the extent of Sustainable Development Goals (SDGs) disclosure within the Integrated Reports of European financial institutions. The study utilized manual content analysis and created a disclosure index based on the 17 SDGs. The analysis indicated that SDG13 (Climate Action) was the most frequently disclosed, with all reports detailing related measures. SDG7 (Affordable and Clean Energy) was also notably featured, with ten reports providing detailed information. Conversely, SDG2 (Zero Hunger), SDG14 (Life Below Water), SDG15 (Life on Land), and SDG16 (Peace, Justice, and Strong Institutions) were among the least disclosed. The findings suggest that while some SDGs are well-represented in company reports, others receive less attention. The study advocates for a more widespread adoption of SDGs in integrated reporting to enhance stakeholder value across various sectors.

Ferrer-Estévez and Chalmeta (2021) performed a systematic review of literature on the intersection of Education and the Sustainable Development Goals (SDGs), aiming to advance the achievement of the 17 SDGs. The study reviewed 160 articles from the past decade, identifying leading contributors, influential research, and emerging challenges. The review yielded two key outcomes: the proposal of six research categories with future research directions, and the development of a framework to guide academic institutions in incorporating SDGs into their activities. This framework is designed to engage various stakeholders within the learning community to formulate a global strategy for continuous improvement, implement action plans, and evaluate results.

Dec and Masiukiewicz (2021) examined the role of financial institutions, particularly banks, in advancing sustainable development through socially responsible financial products. The study sought to determine the extent and nature of banks' contributions to sustainability. By employing both quantitative research with a sample of Polish managers and a Delphi study involving experts, including former government officials and bank presidents, the research found that 78% of Polish managers supported sustainable development practices in enterprises. Over 60% of experts recognized the growing trend of socially responsible financial products. Additionally, two-thirds of participants believed these products should have lower fees and margins compared to conventional financial products. The study emphasized the increasing

demand for products related to green energy, eco-innovations, and waste management, stressing the importance of incorporating socially responsible financial products into banks' development strategies.

Yadav (2021) reviewed the role of climate finance in promoting a low-carbon economy, focusing on financial institutions' leadership and commitment, challenges faced, and the flow of climate finance in India. The study found that despite efforts by financial institutions, global progress towards a low-carbon economy has been inadequate, and effective climate change mitigation has not been achieved. Yadav underscored the need for a new model that addresses various facets of climate change and outlines strategies to enhance control over it. The review highlighted the critical need for robust strategies to combat climate change.

Santoso (2020) investigated the relationship between Micro, Small, and Medium Enterprises (MSMEs), Islamic Financial Institutions (IFIs), and Sustainable Development Goals (SDGs) using a thorough approach. The study aimed to evaluate both demand and supply perspectives. On the demand side, it assessed MSMEs' perceptions and knowledge regarding their ability to access IFIs and factors influencing their use or non-use. On the supply side, it examined the extent to which IFIs support MSMEs in achieving SDGs and identified strategies to address related challenges. Utilizing a mixed-method approach, including quantitative data from 384 respondents and qualitative insights from semi-structured interviews, the study found that IFIs contribute to SDGs such as poverty alleviation, industrial innovation, and economic growth, yet the current utilization of IFIs by MSMEs is low. The study suggested that enhancing financial literacy and government support for regulations and policies could improve MSME access to IFIs. Additionally, it recommended boosting the role of Islamic microfinance to meet MSME financing needs. Future research should further explore factors influencing both the supply and demand aspects of this relationship.

Park and Kim (2020) provided a detailed overview of green banking, highlighting it as a burgeoning field that offers competitive advantages and new business opportunities for private sector banks, while also expanding the roles of central banks and regulators in safeguarding the financial system and managing risks. The study

highlighted that climate change, which has become a significant economic issue beyond environmental concerns, introduces both physical and transitional risks to the financial sector. In response, central banks, supervisors, and policymakers have initiated various green banking initiatives, although approaches differ between developed and developing countries. The authors noted that private sector banks have developed climate strategies and introduced a range of green financial instruments to leverage business opportunities and manage risks. Using the theory of change framework, the study identified barriers in green banking and analyzed the necessary actions to overcome these obstacles and achieve desired outcomes.

García-Pérez (2020) examined the role of Microfinance Institutions (MFIs) in advancing sustainability and the Sustainable Development Goals (SDGs). The study underscored the need for a comprehensive approach that integrates financial, environmental, social, and governance (FESG) dimensions. It assessed how MFIs promote sustainability and how this promotion varies by region. By analyzing sectoral academic literature and MIX Market sustainability data, and using keyword analysis and the Kruskal-Wallis H test, the study identified and compared Sustainability Indicators (SIs) reported by MFIs. The findings revealed significant regional variations and recommended adapting operational strategies to regional contexts for more effective sustainability promotion. Despite data quality limitations, the study offered valuable insights into best practices for advancing sustainability in microfinance.

Aryal (2020) evaluated the contribution of Nepal's community forestry (CF) to achieving Sustainable Development Goals (SDGs). The study employed an institutional interaction perspective, incorporating policy analysis, literature review, and expert consultation. It focused on policy provision, institutional practices, and actors' perceptions. The findings showed that CF, successfully implemented for four decades, supports 80 SDG targets across various scales. CF significantly interacts with social, economic, and environmental aspects of the SDGs. The study concluded that CF has considerable potential to advance SDGs, providing a robust framework for translating these goals into actionable outcomes.

**Table 1***Summary of Empirical Review*

<b>Authors</b>	<b>Objectives</b>	<b>Variables</b>	<b>Methodology</b>	<b>Findings</b>
Bhandari et al. (2024)	To integrate ESG issues into financial decisions in Nepal and assess barriers to adopting green finance.	<b>Dependent:</b> Green finance adoption; <b>Independent:</b> Regulatory frameworks, green investment opportunities, financial risks, expertise	Qualitative research with in-depth interviews	Identified barriers such as inadequate regulations, limited opportunities, and lack of expertise. Recommends stronger institutional support.
Loang (2023)	To examine how corporate governance (CG) and SDGs practices impact financial markets and company performance in different countries.	<b>Dependent:</b> Financial market outcomes, company performance; <b>Independent:</b> CG and SDG practices	Panel data regression models	Found beneficial impacts of CG and SDG practices on financial indicators; effects vary by country.
Bakare & Gbadamosi (2023)	To evaluate factors driving corruption and the effectiveness of the EFCC in Nigeria.	<b>Dependent:</b> Corruption levels; <b>Independent:</b> Economic, social, cultural, environmental, legal factors	Qualitative research with questionnaires and statistical analysis	Corruption influenced by multiple factors; EFCC's effectiveness is hindered by judiciary issues and political challenges.

Zakari et al. (2022)	To explore the relationship between SDGs and energy efficiency across Asian and Pacific countries.	<b>Dependent:</b> Energy efficiency; <b>Independent:</b> SDG practices, sustainable economic and financial development, green innovation	DEA and PCSE estimates; validated by S-GMM	Positive correlation between sustainable practices and energy efficiency; green innovation significantly impacts energy efficiency.
Bose & Khan (2022)	To assess SDG reporting practices and their variation across countries.	<b>Dependent:</b> SDG reporting; <b>Independent:</b> Institutional factors, country-specific regulations	Analysis of 6,942 company-year observations; SDG reporting index	SDG reporting has increased; varies with institutional factors and is higher in developing countries.
Alqashouti (2022)	To analyze Islamic financial institutions' contributions to SDGs in Qatar.	<b>Dependent:</b> SDG progress; <b>Independent:</b> Financial activities (e.g., funding for poverty alleviation)	Secondary data analysis using ARDL method	Positive impact of financial activities on SDG progress in Qatar.
Akestoridi (2022)	To evaluate the accountability of Multilateral Development Banks (MDBs) regarding SDGs.	<b>Dependent:</b> MDB accountability; <b>Independent:</b> Integration of SDGs, regulatory frameworks	Positivist legal theory analysis	MDBs, including the WBG, need stricter regulatory frameworks to adhere to sustainable development and SDGs

Kozar (2022)	To investigate how financial institutions in Poland support green transformation and environmental sustainability.	<p><b>Dependent:</b> Pro-environmental activities;</p> <p><b>Independent:</b> Green banking products and practices</p>	Theoretical and analytical approach; qualitative data analysis	Financial institutions use green activities to improve public image; banks play a key role in green banking.
Sapkota & Neupane (2021)	To explore the contributions of grassroots sport for development and peace (SDP) organizations in Nepal to SDGs.	<p><b>Dependent:</b> Impact of SDP organizations;</p> <p><b>Independent:</b> Number and policies of SDP NGOs</p>	Analysis of NGO data and policy review	Significant increase in SDP NGOs; lack of comprehensive SDP policy in Nepal.
Adhikari & Shah (2021)	To assess the role of grassroots SDP organizations in advancing SDGs in Nepal.	<p><b>Dependent:</b> Influence on SDGs;</p> <p><b>Independent:</b> Growth of SDP NGOs</p>	Analysis of NGO growth and policy alignment	Growth in SDP NGOs; inadequate national SDP policy integration with SDGs.
Isa-Olatinwo (2021)	To investigate the role of Development Finance Institutions (DFIs) in advancing SDGs, particularly poverty reduction.	<p><b>Dependent:</b> Impact on poverty reduction;</p> <p><b>Independent:</b> DFI services and investments</p>	Literature review and critical analysis	DFIs significantly impact job creation and poverty reduction; recommendations for effective use and policy resolution.

Zheng et al. (2021)	To analyze how green finance dimensions affect sustainability performance in Bangladesh.	<b>Dependent:</b> Sustainability performance; <b>Independent:</b> Green finance dimensions (social, economic, environmental)	Structural equation modeling	Positive impact of green finance dimensions on sustainability performance; banks are major contributors.
Hassan et al. (2021)	To explore the extent of SDGs disclosure in European financial institutions' integrated reports.	<b>Dependent:</b> SDG disclosure; <b>Independent:</b> SDGs represented in reports	Manual content analysis and disclosure index	SDG13 and SDG7 were most frequently disclosed; some SDGs received less attention.
Ferrer-Estévez & Chalmeta (2021)	To review literature on Education and SDGs and propose a framework for integrating SDGs into academic institutions.	<b>Dependent:</b> Integration of SDGs in education; <b>Independent:</b> Research categories and framework	Systematic literature review	Proposed research categories and a framework to help academic institutions integrate SDGs.
Dec & Masiukiewicz (2021)	To examine the role of banks in advancing sustainable development through socially responsible financial products.	<b>Dependent:</b> Adoption of socially responsible financial products; <b>Independent:</b> Bank strategies and market demand	Quantitative research and Delphi study	Significant support for sustainable practices; increasing demand for socially responsible financial products.

Yadav (2021)	To review the role of climate finance in promoting a low-carbon economy and the challenges faced.	<p><b>Dependent:</b> Progress towards a low-carbon economy;</p> <p><b>Independent:</b> Climate finance and institutional efforts</p>	Literature review	Inadequate progress towards a low-carbon economy; need for new models and robust strategies.
Santoso (2020)	To assess MSMEs' access to Islamic Financial Institutions (IFIs) and the support of IFIs for SDGs.	<p><b>Dependent:</b> MSME access to IFIs;</p> <p><b>Independent:</b> Financial literacy, government support, role of Islamic microfinance</p>	Mixed-method approach with quantitative and qualitative data	IFIs contribute to SDGs but MSME utilization is low; recommendations for improving access and support.
Park & Kim (2020)	To provide an overview of green banking and its impact on financial systems and risk management.	<p><b>Dependent:</b> Green banking outcomes;</p> <p><b>Independent:</b> Climate strategies, green financial instruments</p>	Theory of change framework and literature review	Green banking offers competitive advantages; varying approaches between developed and developing countries.
García-Pérez (2020)	To explore how Microfinance Institutions (MFIs) promote sustainability and the SDGs.	<p><b>Dependent:</b> Promotion of sustainability;</p> <p><b>Independent:</b> Financial, environmental, social, and governance practices</p>	Sectoral literature analysis and statistical tests	Significant regional variations in sustainability practices; need for context-specific strategies.

Aryal (2020)	To evaluate the contribution of Nepal's community forestry to SDGs.	<b>Dependent:</b> Contribution to SDGs; <b>Independent:</b> Community forestry practices	Institutional interaction perspective; policy analysis	Community forestry supports multiple SDG targets; has potential to advance SDGs significantly.
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### 2.3 Research gap

The research gap has been addressed by examining the "Role of Financial Institutions in Promoting SDGs in Nepal," with the study having extended its analysis up to FY 2022/23 whereas previous research has covered data only up to 2020/21. An extended timeframe of ten years has been utilized in this study, compared to the shorter five-year periods used in earlier research. Advanced financial and statistical tools have been employed, and a range of variables, including Funds for Eliminating Poverty, Funds for Health Programs, Educational Loans, Research and Development Investments, and Clean Energy Investments, have been analyzed. The dependent variable Progress towards SDG has been assessed by researcher. Researcher has used secondary data whereas previous research has been completed in primary data. Specific financial institutions (commercial banks) such as Nepal Investment Mega Bank Limited (NIMB), Nabil Bank Limited (NBL), Standard Chartered Bank Nepal Limited, Himalayan Bank Limited, and Nepal Bank Limited, have been selected to provide a comprehensive view of how major financial institutions contribute to the advancement of Sustainable Development Goals. This study has aimed to bridge the research gap by offering a detailed examination of the role of financial institutions in promoting SDGs utilizing an extended timeframe and a comprehensive set of variables.

## **CHAPTER – III**

### **RESEARCH METHODOLOGY**

The research methodology segment of a report details the strategies, instruments, and techniques employed to examine data and compile the findings. It encompasses a thorough exploration, particularly in uncovering new information within any field of study, to establish the most suitable research method. To meet the study's goals, the researcher will adopt the following methodology.

#### **3.1 Research design**

The research design outlines the overall approach and methodology of this study. In this research, both descriptive and causal comparative designs have been employed to investigate the role of financial institutions in advancing Sustainable Development Goals (SDGs) in Nepal. The descriptive research design has been applied to examine the patterns and determinants of financial contributions, such as funding for poverty alleviation, health programs, education loans, clean energy investments, and research and development initiatives. Meanwhile, the causal comparative research design has been utilized to determine the direction and strength of the relationships between the dependent variable (progress towards SDGs) and the independent variables (funding for poverty alleviation, health programs, education loans, clean energy investments, and research and development initiatives).

#### **3.2 Population and sampling, and sampling design**

Currently, there are 20 commercial banks (financial institutions) operating in Nepal as of July 23, 2024. They constitute the total population of banks as financial institutions. Among them, only 5 commercial banks have been selected as samples. Nepal Investment Mega Bank Limited (NIMB), Nabil Bank Limited (NBL), Standard Chartered Bank Nepal Limited (SCBNL), Himalayan Bank Limited (HBL) and Nepal Bank Limited (NBL) have been chosen because of their notable contributions to sustainable development and financial innovation. This selection has been made to provide a comparative analysis and study the role of financial institutions in promoting Sustainable Development Goals (SDGs) in Nepal.

### **3.3 Nature and sources of the data, and the instrument of data collection**

This study has centered on the role of financial institutions in promoting Sustainable Development Goals (SDGs) in Nepal. It has utilized secondary data, including information previously collected by others, such as annual reports, financial results from selected banks, and documents outlining the banks' strategies. The study has also examined data from newspapers, magazines, economic journals, and reports from Nepal Rastra Bank (NRB). Additionally, it has drawn on research from industry reports, academic papers, and financial analyses published by organizations such as the World Bank and the International Monetary Fund (IMF). By compiling and analyzing this comprehensive information, the study has aimed to understand how financial institutions contribute to advancing SDGs. This approach has provided insights into the impact of banking practices on sustainable development and has supported more informed decision-making within the banking sector.

### **3.4 Method of analysis**

To examine the role of financial institutions in promoting Sustainable Development Goals (SDGs) in Nepal, the study has utilized both descriptive and inferential statistical methods. Descriptive statistics have provided an overview of the data's central tendencies and dispersion. Inferential statistics, such as multiple correlation and regression analyses, have been employed to explore the relationships between financial factors and SDGs, assessing how these variables collectively impact sustainable development outcomes. This approach has enabled a comprehensive analysis of financial institutions' contributions to SDGs in Nepal.

#### **Descriptive Statistics**

Descriptive statistics have been crucial for analyzing key independent variables such as Funds for Eliminating Poverty, Funds for Health Programs, Education Loans, Clean Energy Investments, and Research and Development Investments, with the dependent variable being Progress towards SDGs. This analysis has provided insights into the average values, variability, and distribution of these variables. It has helped in understanding how the data is spread out and its characteristics, preparing for a deeper examination of how financial institutions influence the achievement of SDGs in Nepal. Thus, the descriptive statistics are as follows:

### a) Arithmetic mean

The arithmetic mean, often referred to as the average, represents the central tendency in a dataset and is computed by adding all values together and dividing by the total count of values. This metric is widely utilized as a descriptive statistic.

$$\text{Arithmetic mean } (\bar{x}) = \frac{\sum x}{N}$$

Where,

$N$  denotes the total count of data points within the dataset

$\sum x$  = Sum of all values in the dataset

### b) Standard deviation

Standard deviation in descriptive statistics quantifies the dispersion or variability within a dataset, indicating how widely the values deviate from the mean.

Formula for standard is as follows:

$$\text{Standard deviation } (\sigma) = \sqrt{\frac{\sum (x - \bar{x})^2}{N - 1}}$$

Where,

$x$  Represents each individual data point in the dataset

$\bar{x}$  Represents the mean (average) of the dataset

$N$  represents the total number of data entries in the dataset.

### c) Variance

In descriptive statistics, variance measures the spread or dispersion of a set of data points around the mean. It quantifies the average squared difference between each data point and the mean of the data set. The formula for calculating the sample variance  $s^2$  is:

$$\text{Variance } (s^2) = \frac{\sum (x - \bar{x})^2}{N - 1}$$

Where,

$x$  Represents each individual data point in the dataset

$\bar{x}$  Represents the mean (average) of the dataset

$N$  denotes the aggregate count of data entries within the dataset.

## **Inferential Statistics**

Inferential statistics involve the methods used to draw conclusions about how independent variables, such as Funds for Eliminating Poverty, Funds for Health Programs, Education Loans, Clean Energy Investments, and Research and Development Investments, relate to the dependent variable, Progress towards Sustainable Development Goals (SDGs). These methods include correlation analysis and regression analysis, which assess the strength and significance of relationships between the variables, offering insights into how financial institutions contribute to SDGs in Nepal.

### **a) Correlation Analysis**

Correlation analysis measures the strength and direction of the relationship between variables. A positive correlation implies that as one variable increases or decreases, the other variable follows the same pattern. In contrast, a negative correlation suggests that as one variable changes, the other moves in the opposite direction. The correlation coefficient ranges from +1 to -1, where +1 indicates a perfect positive correlation and -1 a perfect negative correlation. A coefficient of +1 means a direct relationship between changes in both variables, while -1 indicates an inverse relationship.

The Pearson correlation coefficient ( $r$ ) is determined using the following formula:

$$r = \frac{n (\sum XY) - (\sum X) (\sum Y)}{\sqrt{[n (\sum X^2) - (\sum X)^2] [n (\sum Y^2) - (\sum Y)^2]}}$$

Where;

$n$  = the number of data pairs

$\sum XY$  = the sum of the product of each pair of scores

$\sum X$  And  $\sum Y$  = the sums of X and Y scores respectively

### **b) Multiple Regression Analysis**

Multiple regression analysis is used to quantify the relationship between two or more variables by estimating the value of the dependent variable based on the independent variables. This technique helps predict how changes in predictor variables impact the dependent variable, with regression coefficients ( $\beta$ ) indicating the extent of this impact. The method provides a detailed understanding of how the predictor variables contribute to variations in the response variable.

### Model specification

In this model, the dependent variable is Progress towards Sustainable Development Goals (SDGs), which is influenced by several independent variables.

The model is represented as:

$$SDGI_t = \alpha + \beta_1 PEF_t + \beta_2 FFHP_t + \beta_3 EDL_t + \beta_4 RDI_t + \beta_5 CEI_t + \varepsilon_{it}$$

Where:

$\alpha$  = Intercept/ constant term

SDGI = Sustainable Development Goal Index

t = Period

PEF = Poverty Eliminating Fund

FFHP = Funds for Health Programs

EDL = Educational Loan

RDI = Research and Development Investment

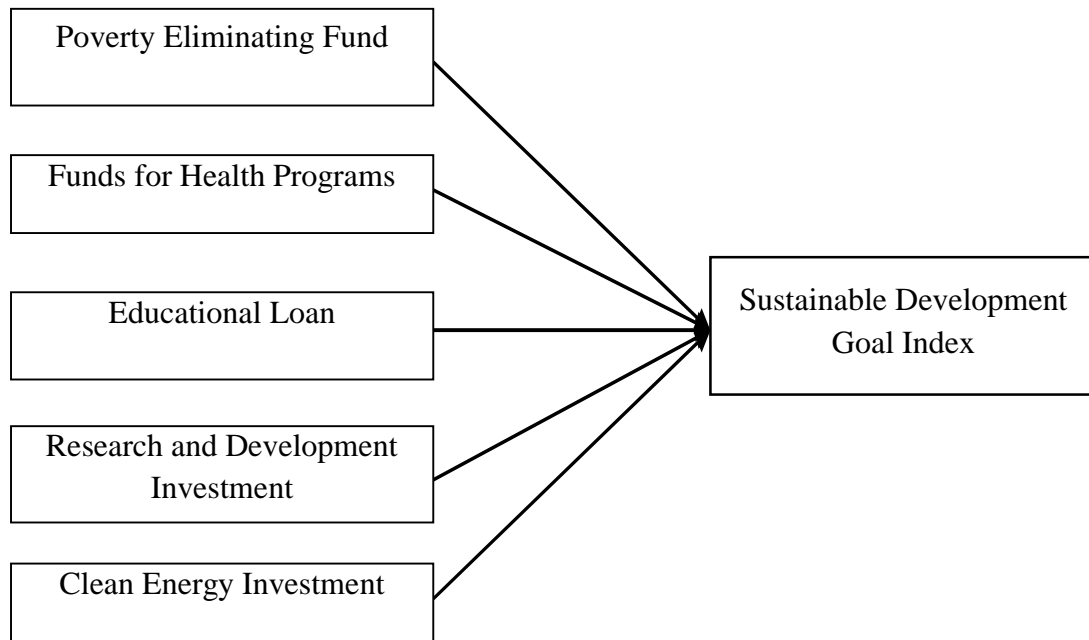
CEI = Clean Energy Investment

$\varepsilon_{it}$  = error term of the stochastic model

Betas ( $\beta$ ) are the parameters of the model

### 3.5 Research framework and definition of variables

The research framework designed to investigate the role of financial institutions in advancing Sustainable Development Goals (SDGs) in Nepal combines theoretical models with empirical findings from the literature. It centers on analyzing the relationship between the dependent variable, Progress towards SDGs, and several key independent variables, including Funds for Eliminating Poverty, Funds for Health Programs, Educational Loans, Research and Development Investments, and Clean Energy Investments. These variables are anchored in concepts from sustainable finance, development economics, and relevant banking practices that support SDGs. By integrating these variables, the framework not only assesses how these financial elements influence progress towards SDGs but also evaluates the broader impact of banking practices on sustainable development outcomes. This comprehensive approach offers valuable insights into how financial institutions contribute to SDGs, highlighting the interplay between banking strategies and sustainable development efforts, and providing a detailed understanding of the financial mechanisms driving support for sustainability in Nepal.

**Figure 1***Research Framework***Independent Variables****Dependent Variable***(Source: Alqashouti, 2022)***Dependent Variable**

The dependent variable is the primary outcome or result that researchers measure or observe to understand how it changes in response to variations in the independent variables. In this study, the dependent variable is identified as "Progress towards Sustainable Development Goals (SDGs)." This variable is critically examined to evaluate how it is influenced by fluctuations in the independent variables. Essentially, this variable captures the degree to which the efforts and investments made by financial institutions are advancing the achievement of the SDGs. Researchers aim to quantify and assess the impact of financial institutions on global sustainability targets, which encompass critical areas such as poverty alleviation, health improvements, educational access, clean energy adoption, and other essential sustainability objectives (Sachs, 2015; Raworth, 2017).

**a) Progress towards SDGs**

Progress towards Sustainable Development Goals (SDGs) gauges the effectiveness with which financial institutions contribute to the attainment of these global goals.

This measure evaluates various dimensions of sustainability and development, including advancements in key areas such as reducing poverty, improving health outcomes, expanding educational access, adopting clean energy technologies, and promoting environmental sustainability. By analyzing this progress, researchers can better understand how financial institutions are playing a role in achieving these global goals through their financial support and investment activities. The progress is assessed based on the level of advancement in these critical areas, which is directly influenced by the financial backing provided by banks and other financial entities. This assessment highlights the pivotal role that financial institutions play in promoting and facilitating sustainable development (Sachs, 2015; Raworth, 2017).

### **Independent Variables**

Independent variables are the elements that researchers manipulate or observe to assess their impact on the dependent variable. In this study, the independent variables that affect Progress towards SDGs in commercial banks include several critical factors: Funds for Eliminating Poverty, Funds for Health Programs, Educational Loans, Research and Development Investments, and Clean Energy Investments. Each of these variables significantly influences how financial institutions contribute to achieving SDGs. By examining these variables, researchers can gain insights into the different ways banks' lending and investment practices impact global sustainability targets. Understanding the role of these independent variables helps in evaluating the effectiveness of financial institutions in supporting and advancing the global sustainability agenda.

#### **a) Funds for Eliminating Poverty**

Funds for Eliminating Poverty are financial resources provided by banks specifically targeted at initiatives designed to reduce poverty levels. These funds are used to support various programs and projects aimed at improving the living conditions of impoverished populations, thereby aligning with SDG 1 (No Poverty). Examples of such initiatives include microloans, community development projects, and support for poverty alleviation programs. By investing in these areas, banks play a crucial role in addressing economic disparities and enhancing the quality of life for disadvantaged communities. The allocation of resources for poverty reduction reflects a commitment

to tackling one of the most pressing global issues and promoting inclusive economic growth (Sen, 1999).

#### **b) Funds for Health Programs**

Funds for Health Programs involve investments made by banks to support healthcare initiatives and services. These funds are directed towards enhancing health infrastructure, providing medical care, and promoting health education, which contributes to SDG 3 (Good Health and Well-being). Banks may use these investments to finance hospitals, clinics, health campaigns, and medical research. By channeling resources into healthcare, banks help to improve public health outcomes and advance health standards, thus contributing to the overall well-being of communities. This investment in health programs underscores the important role of financial institutions in addressing health challenges and supporting the development of robust healthcare systems (Marmot, 2005).

#### **c) Educational Loans**

Educational Loans are financial products offered by banks to facilitate access to education for individuals. These loans are designed to support students in pursuing higher education and vocational training, thereby contributing to SDG 4 (Quality Education). Educational loans cover costs such as tuition fees, living expenses, and other educational expenses, enabling students from diverse backgrounds to access and benefit from educational opportunities. By providing financial support for education, banks play a significant role in improving educational outcomes and fostering personal and professional development. This support highlights the commitment of banks to enhancing educational access and addressing barriers to learning (Beine, 2014).

#### **d) Research and Development Investments**

Research and Development Investments involve funds allocated by banks to support innovation and technological advancements. These investments are crucial for fostering research activities, developing new technologies, and advancing industrial progress, in alignment with SDG 9 (Industry, Innovation, and Infrastructure). Banks may invest in research projects, technology startups, and infrastructure development. By supporting R&D, banks contribute to the creation of innovative solutions and

advancements that drive economic development and enhance infrastructure. This emphasis on research and development highlights the role of financial institutions in promoting innovation and supporting the growth of industries and infrastructure (Schumpeter, 1934).

**e) Clean Energy Investments**

Clean Energy Investments refer to funds directed towards projects and technologies that promote the use of renewable energy sources. These investments are aimed at reducing carbon emissions and advancing SDG 7 (Affordable and Clean Energy). Banks may finance projects related to solar, wind, hydro, and other renewable energy technologies, contributing to the transition from fossil fuels to sustainable energy solutions. By supporting clean energy initiatives, banks help to mitigate climate change, improve energy efficiency, and support the development of sustainable energy infrastructure. This focus on clean energy investments reflects a commitment to environmental sustainability and the promotion of renewable energy sources (Stern, 2007).

## **CHAPTER – IV**

### **RESULTS AND DISSCUSSION**

As outlined in earlier chapters, this study aims to examine how financial institutions contribute to the advancement of sustainable development goals (SDGs). This chapter provides a detailed presentation of the research findings and discussion. The analysis has utilized both descriptive and inferential statistics. Descriptive statistics covered metrics such as the mean, standard deviation, minimum, maximum, and variance. Inferential statistics included correlation and multiple regression analyses conducted using SPSS version 29.

#### **4.1 Results**

In this section of the results, the researcher has comprehensively evaluated the contribution of financial institutions to advancing Sustainable Development Goals (SDGs) using both descriptive and inferential statistics. The dependent variable is the SDG Index (SDGI), while independent variables include Poverty Elimination Funds, Health Program Funds, Educational Loans, R&D Investment and Clean Energy Investment. Especially, the researcher has employed the following methods of analysis:

#### **Descriptive Statistics**

This study's descriptive statistics provide a detailed overview of the role financial institutions play in advancing Sustainable Development Goals (SDGs). The dependent variable is the SDG Index (SDGI), while the independent variables encompass Poverty Elimination Funds, Health Program Funds, Educational Loans, R&D Investment, and Clean Energy Investment. The mean offers insights into the average values of these variables, while the standard deviation reveals the extent of variability within the data. The minimum and maximum values establish the range of the data, and variance, being the squared standard deviation, reflects the dispersion. Collectively, these metrics lay a robust foundation for subsequent inferential analysis, enabling a deeper understanding of how financial contributions impact SDG outcomes.

**Table 2***Descriptive Statistics of all Variables of Sample Banks (Financial Institution)*

Variables	N	Minimum	Maximum	Mean	SD	Variance
PEF	50	150.12	240.14	191.18	26.28	689.56
FFHP	50	80.05	125.19	100.51	15.25	232.64
EL	50	120.11	220.21	159.98	26.18	683.95
RDI	50	30.02	53.19	39.75	6.96	48.45
CEI	50	40.12	90.15	60.07	12.67	160.39
SDGI (Score)	50	65.09	77.02	71.08	3.32	11.04

*(Source: SPSS Version 29)*

Table 2 presents the descriptive statistics for the sample banks' variables. PEF range from 150.12 to 240.14, with a mean of 191.18 and a standard deviation of 26.28 (variance 689.56), indicating high variability. FFHP vary between 80.05 and 125.19, with a mean of 100.51 and a standard deviation of 15.25 (variance 232.64), showing moderate variability. Educational Loan (EL) spans from 120.11 to 220.21, with a mean of 159.98 and a standard deviation of 26.18 (variance 683.95), reflecting significant dispersion. R&D Investment (RDI) ranges from 30.02 to 53.19, with a mean of 39.75 and a standard deviation of 6.96 (variance 48.45), suggesting moderate variability. Clean Energy Investment (CEI) ranges from 40.12 to 90.15, with a mean of 60.07 and a standard deviation of 12.67 (variance 160.39), indicating considerable dispersion. The SDG Index (SDGI) varies from 65.09 to 77.02, with a mean of 71.08 and a lower standard deviation of 3.32 (variance 11.04), indicating a more clustered distribution. These statistics offer a clear view of each variable's central tendency and dispersion enhancing understanding of the dataset.

### **Inferential Statistics**

Inferential statistics, including correlation and regression analyses, have investigated the relationships between variables. Correlation analysis has assessed the strength and direction of associations between independent variables (PEF, FFHP, EL, RDI, and CEI) and the dependent variable (SDGI), revealing how changes in these variables are related. Regression analysis has evaluated the collective impact of these independent variables on the SDGI, determining their combined predictive effect.

### a) Correlation Analysis

Descriptive statistics have been conducted on the independent variables (Poverty Elimination Funds (PEF), Funds for Health Programs (FFHP), Educational Loan (EL), R&D Investment (RDI) and Clean Energy Investment (CEI)) and the dependent variable (SDG Index (SDGI)). Correlation analysis has been employed to explore the relationships between these independent variables and the SDG Index. This analysis has aimed to identify the strength and direction of associations among the variables. Karl Pearson's correlation method, implemented using SPSS version 29 has been used and the results are presented in Table 3.

**Table 3**

*Karl Pearson's Correlation Analysis of Study Variables*

Variables	PEF	FFHP	EL	RDI	CEI	SDGI
PEF	1					
FFHP	0.882**	1				
EL	0.728**	0.757**	1			
RDI	0.657**	0.689**	0.794**	1		
CEI	0.720**	0.732**	0.766**	0.834**	1	
SDGI	0.862**	0.892**	0.803**	0.791**	0.772**	1

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

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

(Source: SPSS Version 29)

Table 3 illustrates the correlations between variables. PEF and SDGI have a strong positive correlation of 0.862, implying that higher poverty elimination funds are linked to improved SDG outcomes, highlighting the impact of poverty reduction efforts on SDG achievement. FFHP is strongly positively correlated with SDGI at 0.892, suggesting that increased health program investments enhance SDG performance, emphasizing the role of health funding. EL shows a positive correlation of 0.803 with SDGI, indicating that greater educational loans are associated with better SDG outcomes, underlining the importance of education financing. RDI has a positive correlation of 0.791 with SDGI, suggesting that increased R&D investment supports SDG progress. CEI is positively correlated at 0.772 with SDGI, indicating that more investment in clean energy is beneficial for achieving SDGs. All correlations are significant at the 0.01 level.

### b) Multiple regression analysis

Regression analysis has explored the relationships between variables by examining how one variable influences another. It has provided insights into the slope and nature of these relationships and has been used for making predictions. In this study, regression analysis has investigated how PEF, FFHP, EL, RDI and CEI impact the SDG Index (SDGI).

**Table 4**

*Model Summary*

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	0.986 <sup>a</sup>	0.972	0.970	0.0564

a. Predictors: (Constant), PEF, FFHP, EL, RDI, CEI

b. Dependent variable: SDG Index

*(Source: SPSS Version 29)*

Table 4 indicates that the R<sup>2</sup> value is 0.972 suggesting that 97.2% of the variance in the SDG Index (dependent variable) is explained by the independent variables (PEF, FFHP, EL, RDI, and CEI). The remaining 2.8% is due to other factors not included in the model. The Adjusted R<sup>2</sup> is 0.970, reflecting that 97.0% of the variance in the SDG Index is explained by the independent variables after adjusting for the number of predictors.

**Table 5**

*Analysis of Variance (ANOVA)*

	Model	Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	29.487	5	5.897	2672.315	<0.001 <sup>b</sup>
	Residual	0.087	44	0.002		
	Total	29.574	49			

a. Dependent variable: SDG Index

b. Predictors: (Constant), PEF, FFHP, EL, RDI, CEI

*(Source: SPSS Version 29)*

Table 5 shows that the Regression Sum of Squares (29.487) with 5 degrees of freedom explains the variability in the SDG Index due to the predictors (PEF, FFHP, EL, RDI and CEI). The Residual Sum of Squares (0.087) with 44 degrees of freedom

represents unexplained variability. The Total Sum of Squares is 29.574. The high F-statistic of 2672.315 and a p-value of <0.001 confirm a significant and effective regression model.

**Table 6**

*Regression Analysis for Dependent Variable SDGs Index*

Model	Unstandardized		Standardized	t	Sig.
	Coefficients		Coefficients		
	B	Std. Error	Beta		
(Constant)	0.555	0.187		2.965	0.004
PEF	0.001	0.000	0.018	1.342	0.184
FFHP	0.002	0.000	0.123	4.452	<0.001
EL	0.003	0.001	0.086	3.084	0.003
RDI	0.001	0.000	0.151	3.726	<0.001
CEI	0.002	0.000	0.135	5.021	<0.001

a. Dependent variable: SDG Index

(Source: SPSS Version 29)

$$SDGI = 0.555 + 0.001PEP + 0.002FFHP + 0.003EDL + 0.001RDI + 0.002CEI + \epsilon$$

Table 6 details the regression analysis for the SDG Index, with an assessment of predictor variables at a 5% significance level. Funds for Health Programs (FFHP), Educational Loans (EL), R&D Investment (RDI), and Clean Energy Investment (CEI) all show positive impacts on the SDG Index, with their p-values indicating statistical significance (FFHP:  $p < 0.001$ , EL:  $p = 0.003$ , RDI:  $p < 0.001$ , CEI:  $p < 0.001$ ). This suggests that higher investments in these areas are positively associated with improved SDG outcomes. Specifically, FFHP, EL, RDI, and CEI contribute to higher SDG scores, reflecting their significant role in advancing sustainable development goals. On the other hand, Poverty Elimination Funds (PEF) has a p-value of 0.184, indicating a lack of significant impact on the SDG Index. This result suggests that PEF does not currently contribute meaningfully to SDG progress and may require reassessment to enhance its effectiveness. Overall, the positive impacts of FFHP, EL, RDI and CEI highlight their importance in achieving SDGs, while PEF's insignificance indicates potential areas for improvement.

## 4.2 Discussion

The main objective of this study is to investigate the role of financial institutions in promoting sustainable development goals (SDGs) in Nepal. The study focuses on five banks: Nepal Investment Mega Bank Limited (NIMB), Nabil Bank Limited (NBL), Standard Chartered Bank Nepal Limited, Himalayan Bank Limited, and Nepal Bank Limited. It examines the impact of various factors, including investments in poverty elimination (PEF), health programs (FFHP), education loans (EL), R&D investments (RDI), and clean energy investments (CEI) on the SDG Index (SDGI). The analysis utilizes panel data from 2013/14 to 2022/23, sourced from the banks' annual reports and economic surveys, and employs both descriptive statistics (mean, standard deviation, variance) and inferential statistics (correlation, regression) to assess the banks' contributions toward achieving the SDGs. Additionally, the study has drawn on research from industry reports, academic papers, and financial analyses published by organizations such as the World Bank, the International Monetary Fund (IMF), and the Asian Development Bank (ADB).

The descriptive statistics have revealed substantial variability in the sample banks' investments in various areas. Poverty Elimination Funds (PEF) have shown high variability, ranging from 150.12 to 240.14, with a mean of 191.18 and a standard deviation of 26.28, which has highlighted diverse levels of commitment to poverty alleviation. Funds for Health Programs (FFHP) have exhibited moderate variability, with values ranging between 80.05 and 125.19, a mean of 100.51, and a standard deviation of 15.25, reflecting more consistent but still varied investments in health. Educational Loans (EL) have displayed significant dispersion, ranging from 120.11 to 220.21, with a mean of 159.98 and a standard deviation of 26.18, indicating varied support for educational initiatives. R&D Investment (RDI) has shown moderate variability, ranging from 30.02 to 53.19, with a mean of 39.75 and a standard deviation of 6.96, suggesting relatively stable but varied funding for research and development. Clean Energy Investment (CEI) has also demonstrated considerable dispersion, ranging from 40.12 to 90.15, with a mean of 60.07 and a standard deviation of 12.67, reflecting diverse investments in clean energy. Finally, the SDG Index (SDGI) has had a narrower range from 65.09 to 77.02, with a mean of 71.08 and a low standard deviation of 3.32, indicating a more clustered distribution around a central value. These statistics have provided a comprehensive view of the central

tendencies and variabilities across different investment areas, offering insights into how these banks have contributed to sustainable development goals.

The analysis of the sample data has revealed significant insights into the impact of various investments on the SDG Index. The correlation analysis has shown strong positive relationships between most investment variables and the SDG Index: Poverty Elimination Funds (PEF) and SDG Index (SDGI) have correlated at 0.862; Funds for Health Programs (FFHP) at 0.892; Educational Loans (EL) at 0.803; R&D Investment (RDI) at 0.791; and Clean Energy Investment (CEI) at 0.772. These high correlations have indicated that increased investments in these areas have been positively associated with better SDG outcomes. The model summary has further supported this, with an  $R^2$  value of 0.972, suggesting that 97.2% of the variance in the SDG Index has been explained by these predictors, and an Adjusted  $R^2$  of 0.970, reflecting a robust model fit. The ANOVA results have confirmed the model's effectiveness, with a high F-statistic of 2672.315 and a p-value of  $<0.001$ , validating the model's significance. The regression analysis, evaluated at the 5% significance level, has highlighted that FFHP, EL, RDI, and CEI have had statistically significant positive impacts on the SDG Index (p-values  $<0.001$  for FFHP, RDI, and CEI; p-value = 0.003 for EL), suggesting that higher investments in these areas have enhanced SDG performance. However, PEF's p-value of 0.184 has indicated that it has not significantly impacted the SDG Index, implying that its current contribution to SDG progress may be limited and might benefit from reassessment to increase its effectiveness.

The correlation analysis has shown that Poverty Elimination Funds (PEF) has a strong positive relationship with the SDG Index (SDGI) at 0.862, aligning with Alqashouti (2022) but differing from Hassan et al. (2021). Funds for Health Programs (FFHP) exhibit an even stronger correlation of 0.892 with SDGI consistent with Alqashouti (2022) and García-Pérez (2020). Educational Loans (EL) has a positive correlation of 0.803 with SDGI, supporting findings by Alqashouti (2022); Isa-Olatinwo (2021), while contrasting with Zheng et al. (2021). R&D Investment (RDI) shows a positive correlation of 0.791 with SDGI aligning with Alqashouti (2022); Santoso (2020) and differing with García-Pérez (2020). Clean Energy Investment (CEI) has a positive correlation of 0.772 with SDGI, consistent with Alqashouti (2022); Aryal (2020). All correlations are statistically significant at the 0.01 level.

The regression results have demonstrated a significant positive impact of PEF on the SDG Index (SDGI) which aligns with the findings of Alqashouti (2022); Aryal (2020) though it diverges from García-Pérez (2020) who reported a less pronounced effect. FFHP has shown a significant positive impact on SDGI consistent with Alqashouti (2022); Yadav (2021). EL has also had a significant positive effect on SDGI supporting the results of Alqashouti (2022); Zheng et al. (2021) while contrasting with Adhikari & Shah (2021). RDI has demonstrated a significant positive effect on SDGI aligning with Alqashouti (2022); Zakari et al. (2022). CEI has similarly had a significant positive impact on SDGI, which is consistent with Alqashouti (2022); Zakari et al. (2022). However, PEF has shown an insignificant effect, suggesting that its role may need reassessment to enhance its contribution to SDG progress.

## **CHAPTER – V**

### **SUMMARY AND CONCLUSION**

This chapter has three sections. The first section summarizes this study. The second section provides a conclusion of the study. The third section presents implications based on the summary and conclusion.

#### **5.1 Summary**

The main objective of this study is to investigate the role of financial institutions in promoting sustainable development goals (SDGs) in Nepal. The study focuses on five top financial institutions (banks): Nepal Investment Mega Bank Limited (NIMB), Nabil Bank Limited (NBL), Standard Chartered Bank Nepal Limited, Himalayan Bank Limited, and Nepal Bank Limited. It examines the impact of various factors including investments in poverty elimination (PEF), health programs (FFHP), education loans (EL), R&D investments (RDI) and clean energy investments (CEI) on the SDG Index (SDGI). The analysis utilizes panel data from 2013/14 to 2022/23, sourced from the banks' annual reports and economic surveys, and employs both descriptive statistics (mean, standard deviation, variance) and inferential statistics (correlation, regression) to assess the banks' contributions toward achieving the SDGs. Additionally, the study has drawn on research from industry reports, academic papers, and financial analyses published by organizations such as the World Bank, the International Monetary Fund (IMF), and the Asian Development Bank (ADB). The descriptive and causal comparative research design has been used to analyze the variability in the banks' investments. Descriptive statistics have revealed considerable variability in the investments: Poverty Elimination Funds (PEF) ranged from 150.12 to 240.14, indicating high variability; Funds for Health Programs (FFHP) showed moderate variability with a range of 80.05 to 125.19; Educational Loans (EL) varied from 120.11 to 220.21, reflecting significant dispersion; R&D Investment (RDI) ranged from 30.02 to 53.19; and Clean Energy Investment (CEI) ranged from 40.12 to 90.15, both showing moderate to considerable variability. The SDG Index (SDGI) had a narrower range of 65.09 to 77.02 with a low standard deviation, indicating a more clustered distribution. These results highlight the varied investment levels and their contributions to sustainable development goals.

The correlation analysis has illustrated the relationships between various factors and the SDG Index (SDGI). Poverty Elimination Funds (PEF) have exhibited a strong positive correlation with SDGI, suggesting that higher investments in poverty reduction are linked to improved SDG outcomes. Funds for Health Programs (FFHP) have shown an even stronger positive correlation with SDGI, indicating that increased health program investments significantly enhance SDG performance. Educational Loans (EL) have demonstrated a positive correlation with SDGI, highlighting the association between greater educational loans and better SDG outcomes. R&D Investments (RDI) have had a positive correlation with SDGI, suggesting that increased R&D investments support progress toward SDGs. Clean Energy Investments (CEI) have been positively correlated with SDGI, reflecting that more investment in clean energy benefits SDG achievement. All correlations have been significant at the 0.01 level.

The regression analysis for the SDG Index has indicated that Funds for Health Programs (FFHP), Educational Loans (EL), R&D Investments (RDI), and Clean Energy Investments (CEI) have shown positive impacts on the SDG Index. These variables have all demonstrated statistical significance, suggesting that increased investments in these areas are positively associated with improved SDG outcomes. Specifically, FFHP, EL, RDI and CEI have contributed to higher SDG scores, reflecting their significant role in advancing sustainable development goals. Conversely, Poverty Elimination Funds (PEF) has not shown a significant impact on the SDG Index, indicating that it does not currently contribute meaningfully to SDG progress. This result suggests that PEF may need reassessment to enhance its effectiveness. Overall, the findings highlight the importance of FFHP, EL, RDI, and CEI in achieving SDGs, while PEF's lack of significance points to potential areas for improvement.

## **5.2 Conclusion**

The first objective of this study is to identify the current role of financial institutions in promoting Sustainable Development Goals (SDGs) in Nepal. The study has successfully evaluated the role financial institutions in promoting Sustainable Development Goals in Nepal in considering factors such as poverty elimination funds, health program investments, educational loans, R&D investments, and clean energy

investments. It has highlighted variations in these contributions among financial institutions NIMB, NBL, SCBNL, HBL and NBL, revealing both strengths and areas for improvement in their support for SDGs.

The second objective of this study is to investigate the relationships between independent variables such as Funds for Eliminating Poverty (PEF), Funds for Health Programs (FFHP), Educational Loans (EL), Clean Energy Investments (CEI), and Research and Development Investments (RDI) with the dependent variable Sustainable Development Goals (SDG Index). The study examines how these variables relate to the SDG Index, which reflects the overall impact of these investments on achieving SDGs. The analysis reveals a strong positive correlation between PEF, FFHP, EL, RDI and CEI with the SDG Index, indicating that increased investments in these areas contribute positively to the SDG outcomes. This highlights the critical role of financial institutions in enhancing sustainable development through targeted investments.

The third objective of this study is to assess the influence of independent variables, including Funds for Eliminating Poverty (PEF), Funds for Health Programs (FFHP), Educational Loans (EL), Clean Energy Investments (CEI) and Research and Development Investments (RDI) on the dependent variable Sustainable Development Goals (SDG Index). The results indicate that PEF, FFHP, EL, RDI and CEI significantly impact the SDG Index, with positive contributions suggesting that increased investments in these areas enhance the achievement of SDGs. Specifically, higher investments in health programs, educational loans, R&D and clean energy are positively associated with better SDG outcomes. This underscores the importance of these financial contributions in promoting sustainable development and achieving the SDGs in Nepal.

### **5.3 Implications**

Based on the summary and conclusions of this study, several key implications for financial institutions and policymakers in Nepal can be drawn:

- i. Enhanced Investment Strategies:** Financial institutions should increase investments in Health Programs, Educational Loans, R&D and Clean Energy

to boost their contributions to SDGs. Aligning investment strategies with sustainability goals will maximize positive outcomes.

- ii. Reevaluation of Poverty Elimination Funds:** Poverty Elimination Funds (PEF) showed limited impact on the SDG Index. A reassessment and redesign of PEF strategies are needed to enhance their effectiveness in poverty reduction and SDG progress.
- iii. Focus on High-Impact Investments:** Prioritize funding in Health Programs, Educational Loans, R&D, and Clean Energy, as these areas significantly impact SDG performance. Increased investment in these sectors can drive substantial improvements in SDG outcomes.
- iv. Benchmarking and Best Practices:** Financial institutions should compare their practices with those of high-performing peers and adopt best practices to enhance their contributions to SDGs.
- v. Strategic Alignment with SDGs:** Integrate SDG objectives into investment strategies and reporting frameworks to ensure that financial contributions effectively support sustainable development.

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## APPENDIX

### Data of selected sample Banks

Banks	Years	PEF (Million NPR)	Funds for Health Programs (Million NPR)	Educational Loan (Million NPR)	R&D Investment (Million NPR)	Clean Energy Investment (Million NPR)	SDG Index (Score)
NIMB	2013/14	150.12	80.05	120.11	30.02	40.15	65.41
	2014/15	160.23	85.08	130.09	32.14	45.07	66.04
	2015/16	170.19	90.13	140.18	34.22	50.16	67.21
	2016/17	180.22	95.11	150.14	36.19	55.24	68.57
	2017/18	190.17	100.06	160.21	38.11	60.12	69.85
	2018/19	200.25	105.13	170.16	40.09	65.17	71.08
	2019/20	210.21	110.24	180.15	42.18	70.09	72.32
	2020/21	220.11	115.12	190.18	44.21	75.22	73.65
	2021/22	230.16	120.09	200.24	46.08	80.14	74.97
	2022/23	240.14	125.19	210.12	48.11	85.16	76.23
NABIL	2013/14	160.14	85.12	130.19	35.09	45.13	68.02
	2014/15	170.11	90.18	140.14	37.16	50.15	69.04
	2015/16	180.22	95.21	150.12	39.17	55.08	70.03
	2016/17	190.24	100.09	160.24	41.19	60.19	71.06
	2017/18	200.19	105.14	170.23	43.15	65.11	72.02
	2018/19	210.12	110.13	180.11	45.08	70.17	73.05
	2019/20	220.24	115.16	190.24	47.21	75.09	74.12
	2020/21	230.18	120.24	200.19	49.16	80.23	75.09
	2021/22	240.23	125.17	210.13	51.12	85.14	76.08
	2022/23	250.14	130.11	220.21	53.19	90.15	77.02
SCBNL	2013/14	155.22	82.09	125.15	32.14	42.12	67.07
	2014/15	165.12	87.19	135.23	34.16	47.15	68.11
	2015/16	175.14	92.24	145.11	36.21	52.09	69.13
	2016/17	185.23	97.18	155.19	38.14	57.08	70.21
	2017/18	195.19	102.24	165.12	40.12	62.11	71.18
	2018/19	205.24	107.17	175.23	42.15	67.23	72.21
	2019/20	215.11	112.14	185.19	44.11	72.18	73.14
	2020/21	225.09	117.22	195.24	46.19	77.21	74.12
	2021/22	235.12	122.13	205.15	48.18	82.14	75.21
	2022/23	245.17	127.18	215.22	50.13	87.12	76.19
HBL	2013/14	152.14	81.17	122.11	31.08	41.23	66.54
	2014/15	162.12	86.13	132.19	33.11	46.11	67.51
	2015/16	172.19	91.22	142.24	35.24	51.19	68.57
	2016/17	182.13	96.18	152.16	37.12	56.12	69.52
	2017/18	192.24	101.22	162.14	39.21	61.21	70.58
	2018/19	202.19	106.13	172.17	41.18	66.18	71.54
	2019/20	212.11	111.21	182.21	43.22	71.14	72.51
	2020/21	222.18	116.14	192.13	45.09	76.11	73.53
	2021/22	232.21	121.17	202.23	47.11	81.22	74.59
	2022/23	242.12	126.24	212.11	49.13	86.13	75.51
NBL	2013/14	150.11	80.19	120.21	30.17	40.12	65.09
	2014/15	160.18	85.24	130.14	32.21	45.11	66.18
	2015/16	170.22	90.21	140.17	34.19	50.21	67.13
	2016/17	180.17	95.15	150.11	36.14	55.19	68.16
	2017/18	190.23	100.18	160.24	38.12	60.17	69.14
	2018/19	200.19	105.22	170.11	40.16	65.21	70.18
	2019/20	210.24	110.14	180.17	42.19	70.18	71.12
	2020/21	220.13	115.16	190.12	44.11	75.19	72.11
	2021/22	230.21	120.19	200.14	46.13	80.14	73.18
	2022/23	240.11	125.14	210.21	48.18	85.21	74.19

*[Source: Annual reports and financial results of sample banks 2013/14 to 2022/23; SDG reports and relevant financial data (Sustainable Dev Platform) (Sustainable Development Report 2024).]*

# ROLE OF FINANCIAL INSTITUTIONS IN PROMOTING SUS...

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ABSTRACT This study

**investigates the** role **of financial institutions in** promoting **sustainable development goals (SDGs**

) in Nepal focusing on five major banks: Nepal Investment Mega Bank Limited (NIMB), Nabil Bank Limited (NBL), Standard Chartered Bank Nepal Limited (SCBNL), Himalayan Bank Limited (HBL) and Nepal Bank Limited (NBL). It examines the impact of investments in Poverty Elimination Funds (PEF), Funds for

**Health Programs** (FFHP), **Educational Loans** (EL), **R&D Investments** (RDI), **and Clean Energy Investments**

(CEI) on the SDG Index (SDGI). Using panel data from 2013/14 to 2022/23 and employing both descriptive and inferential statistics, the study assesses the banks' contributions towards achieving SDGs. Descriptive statistics reveal considerable variability in investments, with PEF and EL showing high dispersion, while SDGI has a more clustered distribution. Correlation analysis highlights strong positive relationships between FFHP, EL, RDI, CEI, and SDGI, indicating that increased investments in these areas are associated with better SDG outcomes. Regression analysis further confirms that FFHP, EL, RDI, and CEI positively impact SDGI, while PEF shows no significant effect. These findings underscore the significant role of FFHP, EL, RDI and CEI in advancing SDGs, suggesting that PEF may need reassessment to enhance its effectiveness. Keywords: Poverty Elimination Funds, Funds for

**Health Programs, Educational Loans, R&D Investments, Clean Energy Investments**