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Corporate Social Responsibility (CSR) In Nepal: A Literature Review

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Abstract

Corporate sustainability is key for the success of corporate organizations including commercial banks. Investment in the social responsibility of the bank improves the reputation and ownership of the public towards the bank. This study has determined the relationship of corporate social responsibility (CSR) on the performance of commercial banks in Nepal. To bridge the gap, this study intends to clarify the basic tenets of CSR focusing on banking institutions as a center. Descriptive and archival design is used in the article process to analyze the archive. Secondary data is used in the research. This research was based on corporate governance and its implications within commercial institutions of Nepal. This research examined previous literature.

Key Words: CSR, Literature, Nepal, Banking, Responsibility

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Introduction

Strong CSR is the commitment and delivery results in the increased cost to competitiveness and decreased hidden cost of the shareholders of the bank (Darik, 2021). Some stakeholders have regarded this corporate social responsibility as a sign of the organization's reputation (Siswanti, Sharif & Indrajaya, 2021). In the case of Nepal, it is to be evident whether this holds. It is required to investigate companies that have been engaged in CSR for a longer time to see if their organizational performance is affected by their CSR actions. The more companies are involved in social activities the more they can influence their perceived brand equity by the consumer. These kinds of activities also can improve their perceived quality which in turn contributions to the enhancement of brand equity (Hassan, 2013).

Corporate Social Responsibility (CSR) has been an obligatory practice among the financial institutions in Nepal since the introduction of the rule by Nepal Rastra Bank (NRB), the central bank of Nepal. This is one of the emerging strategies whereby financial institutions try to connect with the society and general public. The history of corporate social responsibility starts with the concept of business. It is a social part of corporate houses. It is an outlined absorption to the commercial conducts and costs, whereby the weal of all stakeholders encompassing imbues, stakeholders, users, and the

ecology are allowed policies, acts, and actions of the organization (CSRwire, 2014). CSR is a framework for the role of business in society, setting standards of behavior to which a company must subscribe to impact society positively and productively (Chapagain, 2008). Most managers believe that corporate social responsibility has a positive relationship with the shareholder's value and contributes to building a strong social image (McKinsey, 2010). This indicates the growing attention from professionals as well as researchers regarding the issue of corporate social responsibility.

The banking sector is regarded as a leading sector in modern economics with its role in domestic resource mobilization, foreign savings, and contribution to the financial economy (Tawafik, Kamar & Bilal, 2021). CSR is the ability of a company to be socially responsible for the growth and development of the environment in which it operates. It is the service provided by companies where they incorporate environmental and social concerns into their business operations voluntarily (EU, 2013). CSR is the legal, economic, and ethical unrestricted expectations of society at the point of the organization (Archie, 1979). According to World Bank (2004), "CSR is the attachment of trade and commerce to present to supportable financial development. It further adds that CSR calls for going for job holders, their family concerns, the affiliate bunch, and association bulky to ameliorate the well-being, towards agreeable to the commerce and blessed in sustainability. An entity whether it is government, Private Corporation, or public organization has a responsibility towards society, and the responsibility is called social responsibility is a factor that increases the brand and reputation and reduces costs and risks of the organization.

Methodology

CSR-related literature was borrowed as secondary data for the research study. Published and unpublished journals, books, reports, and archives are known as secondary sources of data. The previous literature was the key material for the study. Secondary data is very useful for the research. The secondary data sources involved an array of materials. Commonly, the blueprint depreciates prejudice at the same moment accelerates the reliability of data composed and calculated is taken as a suitable research design (Kothari, 2004).

Previous research studies discussed only the comparative's responsibilities of the organization. To bridge the gap, this study intends to clarify the basic tenets of CSR focusing on banking institutions as a center. Though CSR is not a new thing in Nepali organizations it is not mandatory for implementing the CSR in Nepali context.

We can find research was carried out in the banking sector on CSR in international research academic institutions. But we can find that very few types of research have been made on CSR in Nepali commercial banks, hence it is hard to meet. The global research works on CSR can be an example to commercial houses all around the globe and almost the research works have been conducted in the requirement for conducting something in payback to the community by the commercial institutions.

CSR an Outlook

Reviews from various literature sources provide an overview of the theoretical and conceptual framework used in the research work. It highlights theories on Corporate Social Responsibility, the empirical studies, the conceptual and theoretical framework used in the research work, conclusions derived from the review of previous research works, and also the existing research gap. It plays an important role in corporate life in the (Lazishvili, 2017) Nepal as well as in the world.

Corporate Social Responsibility as an activity, it is integrating social demands (Morales-Parragué, et al, 2022). It is also an outcome from researchers and compares very emerging categories with already established ones (Žydzīūnaitė & Tauginienė, 2021). Major of the dominant components in the reporting of the banks is regarding Corporate Social Responsibility, whereby individual banks have their own set of policies regarding corporate social responsibility (Jahid, Rashid, Masud & Yaya, 2022).

Corporate Social responsibilities businesses bearing a responsibility to society (Wang, et al, 2017) have been a key part of the annual report of commercial banks. These factual observations are to be studied to find out the basic motives of managers' involvement in CSR activities. Another observation, about CSR, is managers are more rigorous to communicate their CSR activities to get favor and support from society. In the context of Nepal, there is very limited knowledge in the field of managerial concentration to use CSR as an important publicity tool to create a reputation, image, and brand value to enhance the brand's performance. Although the financial sector is the backbone of the economy, the nonfinancial sector gets more attention in CSR research due to the reason that these non-financial sectors are directly related to society and the environment (Cowton, 2000). To establish that CSR is at an infant stage of development, additional intensity must be provided to underprivileged nations like Nepal (Upadhya & Dhungel, 2013). This also indicates the need for further studies on the development and growth of corporate social responsibility in Nepal with an emphasis on its sustainability and future implications.

CSR helps commercial banks to know the role of social responsibility in corporate positioning, assess the impact of their organization on society and stakeholders, measure the impact on corporate reputation as a whole, evaluate its effectiveness, review existing rules through existing information and current principles and policies (Dierkes, 1985). It is carried out through benevolent activities for society by targeting the environment, employees, community, deprived sector, and so on (Nepal Rastra Bank, 2021). With globalization, especially in the banking sector managers are compelled to balance the paradoxical demand to think globally and act locally. Moreover, conflicting expectations of different stakeholders have made the phenomenon more complex (Chapagain, 2008).

Banks play a significant role in the allocation of economic resources of nations by mobilizing resources for dynamic activities. Currently, around the world, the financial arenas are under huge coercion by investors, stock owners, non-governmental organizations, and the press, besides from its clients to bear trade affairs operations responsibly to the ethical activity (Bhattacharya, 2006).

The positive mindsets resulting from CSR initiatives may generate rewards in the form of brand equity, and the credibility of a brand as a signal can increase perceived quality, decreased perceived risk associated with brand awareness, improve brand image, build

brand credibility, promote brand sentiments, creating a sense of brand community, and creating brand engagement (Hoeffler, 2002). Many countries around the world have enacted CSR laws and reporting standards to ensure a more socially responsible banking industry, as the banking industry is well-linked to society with many stakeholders (Nepal Rastra Bank, 2021). Conceptually CSR is a brevity abstraction to an inarguable ambit; additionally, no one could perfectly demarcate its areas yet. It does not breathe in each invariant meaning. Due to corporate beliefs and profits visions, companies do this voluntarily. Companies and their stakeholders always develop their own CSR concepts. The concept of CSR includes legal, ethical, economic, service, and philanthropic expectations from the company (Classon, 2006). The bond of trust and authentic relationships with customers facilitates companies' ability to attain their common goals, as identified by Mattson (2012). Customers' autonomy, honesty, dignity, and vulnerability represent the basic presumptions for decent access to services, which constitute the ethical basis for the principle of a 'good life for customers'.

As a result of shareholder, investor, media, and customer pressure, the modern banking sector conducts its business ethically and responsibly, and an international organization like the WB alike often pushes financial institutes to examine the society-related risks associated with projects they are planning to finance. The CSR practices of organizations have been shown in numerous research studies to have a significant impact on both their reputation and ultimately the profitability of the company as a result of their sustainability practices (Maignan, 2004). Corporate reputation is very difficult to imitate since it develops over a long period. Moreover, corporate reputation restricts competitors from entering the market by creating consumer trust (Yeo, 2010). This relates to the need for this research to make the relationship of CSR with the smooth functions of the commercial banking institutions of Nepal. However, Carroll's four-part idealization is unbreakable and broadly mentioned in the previous research (Crane & Matten, 2004) notwithstanding the appearance of the multifold connotations/miniature and CSR analog. As a pyramid 1991, Carroll presented it for the first time.

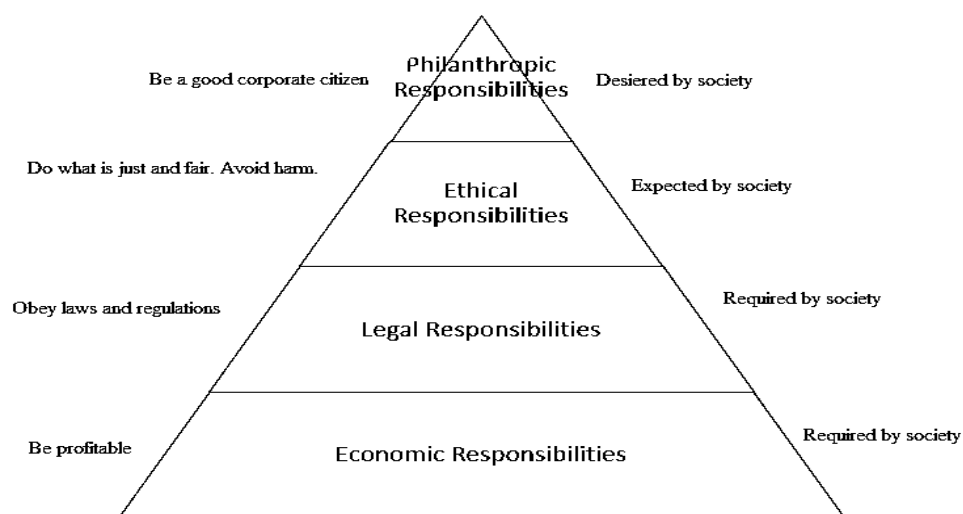


Fig: Carroll's pyramid of CSR (Sources for the figure were taken from various literature).

History of Corporate Social Responsibility

The concept of CSR has a long and diverse history. It has revolved from a very constricted and reserved perspective to a broad and all-inclusive concept over a period. It is clear from the literature that CSR has been around for many decades before it became a buzzword in today's corporate world. Each time, CSR has evolved and been supported by the definition of each time.

There are various terms were coined between the 1920s and 1950s. Windsor (2001) assumes that since the 1920s leading persons in commercial sectors have been a portion of the thoughts in accountability practices. Another discourse has been made that it is beginning on the 30th of the nineteen.

The scope of businesses in CSR is not current; this process can be seen since the great industrial revolution. Industrialists began to worry about laborers' productivity and well-being in the mid-18th century.

The rise of philanthropy in the late 18th was also making an appearance. Carnegie spent most of his wealth on education and scientific research. He was an industrialist who made most of his fortune in the steel industry. A great deal of money was donated to religious, educational, and scientific causes by oil production commerce magnate Jhon D.R. The committee for economic development introduced the connotation of the 'social contract' between commerce and the community in 1971. He also followed in the footsteps of Carnegie. This concept very conveyed the idea that companies are necessary to work on social contributions since their stakeholders started making social interest for many organizations, with multimillion corporations, such as Toyota, Ford, Coca-Cola, and Pepsi collaborating this concept into their business processes.

CSR in Nepal a Glimpses

Nepalese corporations and businesses are not exceptional with CSR. In the Nepalese context, CSR is a compulsory condition, which is regulated by NRB through a particular policy. While Nepal has the same threats as our neighbor country India in terms of issues related to society like unemployment, sanitation and health, poverty, education, resources, and infrastructure development, India is more forward in terms of CSR. Nepal needs to construct a strong rule of law and codes of conduct to implement, not only in CSR but also sound public administration with corporative governance. By semantics by Chapagain (2008), Nepali corporation's quiet trust which surpluses are preliminarily concerned, at the same moment process and functions like CSR are secondary.

Due to labor over politicization, lockouts, and hydropower production problems, Nepal's corporate history is short compared to its neighboring countries. But many reforms were seen in recent years in the Nepalese productive sector. In Nepal, production houses have begun embracing CSR as a tool to create brand value rather than to benefit society, thanks to a growth in consumption and demand. It is in its preliminary steps.

CSR in the Nepalese context is a popular practice. Compulsory law is implied by NRB to follow CSR protocol. Companies have been engaging in CSR activities. The actions that companies perform as part of these activities have helped them build an image in the eyes of their customers as a socially responsible institution. It is significant for the monetary sector of Nepal, where one % of the total profit of financial institutions must be allocated

to CSR. In Nepal, CSR is in the very initial stage, but it is widespread and commonly practiced in the international scenario.

Conclusion

Researchers across the globe have argued that corporate social responsibility has a positive relationship with the financial success of the organization (Weber, 2008) as it can aid the competitiveness of the banks in the long run (Darik, 2021). Organizational performance has been narrowed to financial performance in most of the previous studies. It would be insightful to perform research comparing the effects of CSR activities in Nepal and other developing countries, which will provide organizations in Nepal with ideas on how it can be done better. A study to find out the impact of CSR activities in society and how society perceives these activities could be interesting to find out too. Now for Nepalese companies CSR is a compulsory protocol. In the Nepalese context, different financial institutions are continuously contributing towards CSR due to the demand of the government, pressure groups, and the general public. These institutions are using both strategic CSR and moral principles. The financial institutions' performance was reviewed and analyzed concerning CSR. The supporting studies are required to relate the intangible benefits of CSR to brand equity. The contribution of this existing knowledge and contribution from this study may provide grassroots knowledge regarding the tangible and intangible benefits of CSR in the Nepalese context.

Several researches define Corporate Social Responsibility in their ways. It is an ethical theory that describes the obligation of each entity to act in such a way that the actions would benefit the society where it operates. The activities of corporate social responsibility could be grouped into economic, legal, ethical, and philanthropic (Abidin, 2021). Carroll (1991) furnished hereby "Corporate social responsibility involves the conduct of a business so that it is economically profitable, law-abiding, ethical and socially supportive. To be socially responsible then means that profitability and obedience to the law are foremost conditions when discussing the firm's ethics and the extent to which it supports the society in which it exists with contributions of money, time, and talent" (p.608). Researchers from developed nations have tried to advance conceptual, honorable right-minded realities for CSR actions (Dusuki, 2008).

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