The Influence of Corporate Social Responsibility on Competitive Advantage: *Evidence from the Manufacturing Industry in Kathmandu Valley*

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Abstract

The purpose of this study is to examine the influence of corporate social responsibility on competitive advantages in the manufacturing industry, along with the mediating roles of dynamic capabilities and responsible innovation. By employing a convenience sampling technique, data were gathered from a sample of 215 respondents (i.e., factory managers, production engineers, and others) working in the manufacturing companies located in the Kathmandu Valley. The study found that corporate social responsibility (CSR) practices significantly enhance competitive advantage by improving reputation, strengthening stakeholder engagement, and supporting financial performance. It also confirmed positive relationships among CSR, dynamic capabilities (DC), responsible innovation (RI), and competitive advantage (CA). Overall, the findings suggest that ethical conduct, stronger stakeholder ties, and innovation help organisations achieve long-term competitive benefits. The study further recommends that regulators promote CSR initiatives-such as community development, employee welfare, and environmental protection-through incentives like tax benefits, subsidies for sustainable technologies, and recognition programmes.

Keywords: competitive advantage, corporate social responsibility, dynamic capabilities, responsible innovation

INTRODUCTION AND STUDY OBJECTIVES

The Nepalese manufacturing sector plays a crucial role in national economic development by contributing to employment generation, industrial growth, and exports. However, it is burdened with several unique challenges, such as resource scarcity, environmental degradation, limited technological adoption, and operational inefficiencies, which hinder its sustainable growth. In this context, Corporate Social Responsibility (CSR) has emerged as more than just an ethical obligation. It is a strategic approach that can address both internal inefficiencies and external pressures. CSR practices such as ethical business conduct, environmental sustainability, employee welfare, and community engagement are

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increasingly recognised as tools for enhancing organisational resilience and competitive advantage (Steininger et al., 2021).

While CSR is gaining momentum globally as a driver of sustainable development and innovation, its adoption within Nepal's manufacturing sector has remained relatively limited. Some progressive manufacturing firms have initiated waste management systems, energy-efficient production processes, or have supported local communities through education and health programmes (Sharma & Shrestha, 2022). However, these efforts are often irregular and not embedded into core strategic frameworks. The sector continues to struggle with short-term profit orientation, which overshadows long-term sustainability planning. Despite international discourse pushing for sustainable business practices, CSR implementation in Nepal is inconsistent, and often perceived as a voluntary act rather than a strategic necessity.

In comparison, Nepal's banking sector has made more notable progress in integrating CSR due to regulatory requirements imposed by Nepal Rastra Bank (Aryal et al., 2025). which mandates banks to allocate at least 1% of their net profit toward CSR activities. This regulatory push has led to greater transparency and institutionalisation of CSR in banks. Unfortunately, similar mandates or structured incentives are lacking in the manufacturing sector, resulting in low CSR awareness, poor stakeholder engagement, and limited support from government bodies. This reduces the effective utilisation of CSR for long-term value creation. Conversely, responsible innovation ensures that companies design sustainable business models to encourage long-term success by coordinating their innovative endeavours

with societal and environmental demands (Anser et al., 2018). CSR improves a company's reputation by encouraging creativity and flexibility, which also makes it more equipped to handle changes in the market, laws, and customer demands (Zhao et al., 2021). A lack of awareness and resources further constrains the effective implementation of CSR. Limited financial and technical resources, coupled with inadequate governmental support and stakeholder pressure, restrict the ability of firms to adopt and scale CSR practices, thereby missing opportunities to enhance economic, social, and environmental performance (Pathak et al., 2023).

Low support from regulatory and institutional bodies leads to poor CSR initiation in Nepal's manufacturing firms (Pathak et al., 2023). Weak and irregular CSR practices result in low internal capacity development and a failure to build long-term stakeholder trust (Sharma & Shrestha, 2022). Consequently, this weak CSR integration limits the firm's ability to gain a sustainable competitive advantage (Malik et al., 2021). Firms that do not embed CSR within their strategic framework struggle to adapt to evolving market demands and global sustainability trends (Ferrero-Ferrero et al., 2015). Furthermore, the absence of structured CSR incentives discourages companies from investing in innovation, human capital, and environmental sustainability, critical pillars for achieving long-term value and competitiveness (Anser et al., 2018; Roszkowska-Menkes, 2020). Traditional business models in Nepal exacerbate these challenges, with a predominant focus on short-term financial gains over long-term sustainability and innovation. Many firms neglect the broader implications of environmental and social

responsibility, which limits the scope for adopting innovative and sustainable practices (Ferrero-Ferrero et al., 2015).

Similarly, there remains a gap in understanding how specific CSR practices such as community engagement, environmental sustainability, and ethical business conduct directly translate into tangible competitive advantages for Nepalese manufacturing firms. While the theoretical frameworks of CSR, dynamic capabilities, and responsible innovation are acknowledged (Su, 2023), there is a need for empirical research that quantitatively assesses these relationships within the context of Nepal's unique socio-economic and regulatory environment. Long-term success in Nepal's manufacturing industry depends on the strategic application of corporate social responsibility (CSR), since businesses function in a continually evolving legal and economic environment. CSR affects competitive advantage not just directly but also indirectly through mediating components like responsible innovation (RI) and dynamic capacities (DC). Additionally, the mediating roles of dynamic capabilities and responsible innovation in the CSR, competitive advantage link remain under-investigated in this context. The ability of an organisation to adjust, integrate, and reorganise resources in response to shifting market conditions is referred to as dynamic capabilities. This gives businesses the flexibility they need to stay ahead of the competition (Zhao et al., 2019).

Therefore, this study seeks to fill these gaps by investigating the mediating function of dynamic capacities and responsible innovation in Nepal's manufacturing industry as well as the empirical relationship between CSR practices and competitive advantage. This investigation attempts to offer useful insights into how businesses might use CSR as a strategic tool for long-term commercial success by evaluating the attitudes and tactics of manufacturing enterprises. In addition to making suggestions for Nepalese companies to include sustainability and innovation into their core strategies for gaining a sustainable competitive advantage, the findings will add to the expanding body of information on the impact of CSR in business performance.

In the context of Nepal's manufacturing industry, strategically integrating Corporate Social Responsibility (CSR) is crucial for securing long-term benefits and performance (Malik et al., 2021). This study therefore aims to examine how CSR practices directly influence competitive advantage, and to evaluate the dual mediating roles of Dynamic Capabilities (DC) and Responsible Innovation (RI) in this relationship. The objectives include analysing the links between CSR and DC, and CSR and RI, to ultimately test a full mediation model connecting CSR to competitive advantage through these two pathways.

The manufacturing industry in Nepal faces significant challenges in integrating Corporate Social Responsibility (CSR) into its strategic framework, a critical step for achieving sustainable growth and competitiveness. Operational inefficiencies, such as cost overruns and project delays, are pervasive issues that not only result in financial losses for firms but also hinder economic growth and infrastructure development at a national level (Pathak et al., 2023).The information underscores the interconnectedness of these challenges and highlights how integrating CSR with strategic management, dynamic capabilities, and responsible innovation could address these issues effectively. For example,

aligning CSR initiatives with dynamic capabilities can enhance firms' adaptability to market and environmental changes, mitigating operational inefficiencies and fostering competitive advantage. Similarly, the integration of green HR practices with CSR can help reduce the environmental impact of manufacturing activities while promoting innovation and long-term value creation. Raising awareness about the strategic benefits of CSR and investing in innovative approaches can bridge the gap between short-term goals and long-term sustainability. Thus, the interplay between CSR, green practices, and strategic innovation is crucial for overcoming these challenges and unlocking the full potential of Nepal's manufacturing sector.

LITERATURE REVIEW

These programmes frequently go above and beyond regulatory obligations, demonstrating a business's proactive attitude. CSR emphasises how crucial it is for businesses to understand and uphold their responsibilities to a range of stakeholders (Carroll & Brown, 2021). These stakeholders include workers, local communities, investors, customers, and the environment in the manufacturing industry. Corporate Social Responsibility (CSR) in the manufacturing industry refers to the deliberate efforts made by manufacturing companies to conduct their business operations with an emphasis on ethical considerations, environmental sustainability, and community welfare. This entails taking steps to ensure the health and safety of employees, minimise the environmental impact of manufacturing processes, source resources sustainably, and actively engage with local communities to promote growth (Bocquet et al., 2021). It shows a dedication to moral corporate conduct that goes beyond simply obeying the law.

Previous research has highlighted the critical importance of Corporate Social Responsibility (CSR) within the manufacturing industry, emphasising its vital role in promoting sustainable development and ensuring ethical corporate practices (Zhang et al., 2019). Several studies have also investigated the necessity of CSR specifically in Nepal's manufacturing sector, pointing out the various ethical, social, and environmental challenges faced by the industry and illustrating how CSR initiatives can address and mitigate these issues effectively. By focusing on these areas, CSR can play a pivotal role in enhancing the overall well-being of the community and the environment, while fostering ethical business operations

Several prior studies have emphasised the significance of Responsible Innovation (RI) in Nepal's manufacturing sector. This study specifically focuses on the brick factories, cement factories, Himalayan Distillery Limited (HDL), and steel industries within the Kathmandu Valley, as these sectors collectively represent a substantial portion of Nepal's manufacturing output and demonstrate growing attention toward sustainability, product quality, and community welfare (Sharma & Shrestha, 2022).

Earlier research has examined how RI contributes to fostering sustainable manufacturing practices in Nepal (Adomako & Tran, 2022). The foundational concepts of Responsible Innovation (RI) include ethical innovation, sustainable development, and corporate social responsibility (CSR) (Shayan et al., 2022). These principles emphasise the need to blend innovation with ethical values, societal needs, and environmental considerations. Integrating these concepts is crucial for promoting ethical and sustainable

innovation within Nepal's manufacturing industry. More recently, Meijer et al. (2023) emphasised that Responsible Innovation ensures technological advancement aligns with ethical and environmental standards, fostering trust and competitive advantage. Similarly, Nahar and Khurana (2023) underlined that incorporating CSR into innovation strategies enhances both sustainability and competitiveness in manufacturing firms.

CSR practices in Nepal remained largely philanthropic, with limited integration into strategic business objectives. The study revealed that although stakeholder awareness of CSR was increasing, customers and employees increasingly valued socially responsible firms, many organisations still showed ambiguity in CSR understanding and had weak adherence to business codes of conduct. The government's move toward mandatory CSR provisions marked a positive shift, but effective implementation required stronger corporate commitment and stakeholder engagement. For manufacturing industries in Kathmandu Valley, aligning CSR beyond philanthropy toward strategic, stakeholder-oriented initiatives enhanced reputation, employee commitment, and ultimately competitive advantage in the long run (Sthapit, 2021).

The research emphasised that in today's globalised business environment, Corporate Social Responsibility (CSR) had evolved from a philanthropic activity to a strategic necessity for achieving sustainable growth. The study indicated that CSR directly influenced customer satisfaction, purchasing behaviour, reputation, and profitability, reinforcing its role in creating shared value and competitive advantage. However, challenges such as cultural diversity, weak implementation, and policy imitation remained significant in Nepal's context. Adopting globally informed yet locally relevant CSR strategies could strengthen brand reputation, stakeholder trust, and long-term competitiveness in an increasingly interconnected marketplace in manufacturing industries (Sthapit, 2023).

The research highlighted that strong corporate governance (CG) practices formed the foundation for effective CSR implementation, transparency, and business sustainability in both India and Nepal. Their comparative analysis showed that while India had advanced in adopting robust CG frameworks, Nepal was still developing its governance and CSR systems but held significant potential due to its growing business ecosystem and regional linkages. The authors emphasised that transparency, accountability, and responsibility, the key pillars of CG, enhanced stakeholder trust and organisational reputation, which were also critical drivers of competitive advantage for manufacturing firms. Therefore, integrating sound corporate governance with culturally informed CSR helped manufacturing industries in Kathmandu Valley build long-term trust, ensure ethical operations, and strengthen their competitive position (Sthapit & Vaidya, 2024).

Recent study strengthened the argument that culturally embedded CSR and RI were not just ethical imperatives but strategic levers for competitive advantage in Nepal's manufacturing sector. Their empirical themes showed that cultural fit operationalised through stakeholder co-creation, linguistic inclusivity, temporal alignment, and strategic resource allocation enhanced legitimacy, reduced resistance to innovation, and built local social capital, all of which were

likely to improve performance outcomes for manufacturers in Kathmandu Valley. Future empirical work on CSR's effect on competitive advantage in the Valley would have benefited from operationalising Sthapit et al.'s cultural constructs and testing their mediating or moderating roles between CSR/RI and firm-level competitiveness (Sthapit et al., 2025).

Research Gap

Research in the Nepalese manufacturing industry often highlights the importance of Corporate Social Responsibility (CSR) in enhancing competitive advantage through dynamic capabilities and responsible innovation (Anser et al., 2018). However, there remains a gap in understanding how specific CSR practices, such as community engagement, environmental sustainability, and ethical business conduct, directly translate into tangible competitive advantages for Nepalese manufacturing firms. While existing studies acknowledge the theoretical frameworks of CSR, dynamic capabilities, and responsible innovation, there is a need for empirical research that quantitatively assesses these relationships within the context of Nepal's unique socio-economic and regulatory environment (Su, 2023) environmental sustainability, and CSR with firm performance (FP. Additionally, exploring how different sizes and types of manufacturing firms in Nepal perceive and implement CSR strategies could provide insights into effective CSR practices tailored to the diverse needs of the industry, thereby bridging the gap between theory and practical application. According to Mitra and Schmidpeter (2016), targeted research is required to determine and assess the efficacy of customised CSR initiatives in Nepal's various manufacturing subsectors**.**

The influence of sector-specific CSR practices on competitive advantage in the Nepalese manufacturing industry is notably lacking, despite the well-documented nature of broad CSR concepts. Research that has already been done frequently combines results from many industries, which could not fully capture the special opportunities and problems that manufacturing presents. The integration of regional cultural values and international CSR norms is another crucial gap. While Nepalese firms frequently adopt international CSR frameworks, it is unclear how well these frameworks connect with the socio-cultural dynamics and legislative requirements of the region. In order to improve competitive advantage, research is required to determine how local cultural circumstances affect how CSR actions are implemented and perceived as well as how to reconcile them with global CSR standards (Visser, 2011).

There are still a number of study gaps, especially when considering Nepal's manufacturing sector, despite tremendous advancements in our understanding of how Corporate Social Responsibility (CSR) enhances competitive advantage through dynamic capacities and responsible innovation. Initially, although the general principles of Corporate Social Responsibility (CSR) have been extensively recorded, studies that focus on the specific CSR activities that are pertinent to Nepal's manufacturing industry are scarce. Research that has already been done sometimes combines results from many industries, which could not fully represent the unique opportunities and difficulties that manufacturing presents. This gap calls for targeted research to determine the efficacy of customised CSR strategies for

various manufacturing sub-sectors, hence yielding more accurate and useful findings. Second, the majority of recent research employ cross-sectional approaches, providing merely a momentary view of the connection between competitive advantage and corporate social responsibility. There is still much to learn about the long-term effects of CSR initiatives on responsible innovation and dynamic capacities. In the context of Nepalese manufacturing, which is always changing, longitudinal studies are crucial to comprehending how persistent CSR activities contribute to long-term competitive advantages and business resilience.

As a result, Nepalese manufacturing businesses work in a complicated and diverse environment where corporate social responsibility (CSR) programmes need to be thoughtfully planned and carried out to consider both regional and global factors. To close the gap between theory and real-world application, empirical research that statistically evaluates these links within the socio-economic and regulatory environment of Nepal is required. To help Nepalese manufacturing firms strategically leverage corporate social responsibility (CSR) to enhance their competitive advantage through dynamic capabilities and responsible innovation, future studies can address these research gaps and provide practical recommendations that will ultimately contribute to sustainable development and business success.

Theoretical Review

Dynamic Capabilities Theory: The primary theoretical framework for this study is based on the dynamic capabilities' theory. This theory posits that an organisation can achieve a competitive edge by effectively leveraging its internal resources and competencies.

The goal of this research is to create a model based on Dynamic Capabilities Theory that explains how the processes of sensing,
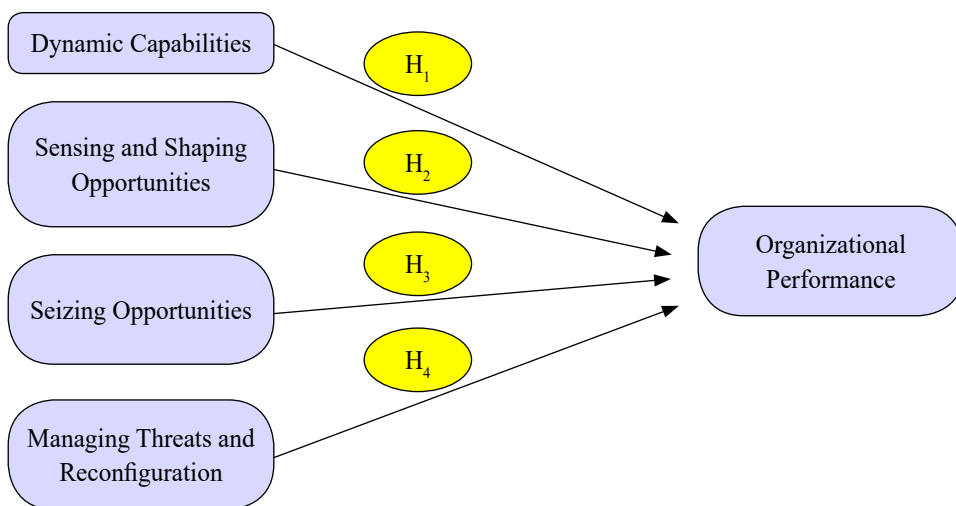

Figure 1. *Dynamic Capabilities Theory*
Note. Field Survey, 2024

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seizing, and reconfiguring are how Corporate Social Responsibility (CSR) increases competitive advantage. The framework states that CSR practices improve a company's capacity to recognise new opportunities and threats, take advantage of strategic chances by making ethical decisions, and arrange internal resources to increase flexibility. Businesses are better positioned to create long-term competitive advantage by incorporating CSR into these dynamic capability dimensions, which represent the connections shown in Figure 1.

Dynamic Capabilities Theory focuses on an organisation's ability to sense, seize, and shape opportunities and threats in its environment, as well as its capability to reconfigure and manage these elements to maintain or achieve competitive advantage. For instance, CSR-driven innovations and stakeholder engagement can lead to improved organisational performance, brand differentiation, and market leadership. The integration of CSR into the strategic framework can thus be seen as a dynamic capability that fosters competitive advantage by aligning organisational practices with evolving market demands and societal expectations (Sarwar et al., 2023).

Hypothesis Formulation

CSR and Competitive Advantage: Corporate Social Responsibility (CSR) involves a company's commitment to running ethically and sustainably, addressing social, environmental, and economic issues beyond its profit-making activities. It reflects a company's dedication to providing positively to society and the environment while maintaining economic viability. Recent research emphasises CSR as a strategic approach that not only fulfils ethical obligations but also enhances a company's

reputation and stakeholder relationships (Tomar et al., 2024). Corporate Social Responsibility (CSR) includes actions that reflect a company's dedication to ethical and responsible business practices. This commitment can boost the company's reputation, strengthen stakeholder relationships, and enhance brand image. Consequently, these benefits can lead to competitive advantages such as higher customer loyalty, better access to capital, and a more positive organisational culture (Mahmood & Bashir, 2020). Therefore, it is hypothesised that:

H_1: CSR practices have no significant influence on Competitive Advantage.

CSR and Dynamic Capabilities: Dynamic Capabilities is the process of a firm's capacity to adapt, reconfigure, and innovate its resources and capabilities in response to changing market conditions and technological advancements. Teece's theory of dynamic capabilities highlights the importance of a company's ability to attach, build, and re-design internal and external competences to address and shape changing business environments (Teece et al., 2009). CSR initiatives can foster innovation, learning, and adaptability within companies, reflecting the principles of Dynamic Capabilities Theory. When executed well, CSR practices boost an organisation's capacity to navigate evolving business landscapes. Businesses that prioritise CSR often gain the agility needed to respond to emerging challenges and opportunities, thereby strengthening their Dynamic Capabilities. Therefore, it is hypothesised that:

H_2: There is no significant relationship between CSR Practices and Dynamic Capabilities.

Dynamic Capabilities and Competitive Advantage: Competitive Advantage refers to the factors that allow a company to outperform its competitors, often through superior products, services, or operational efficiencies. It is a central concept in strategic management and is needed for achieving long-term business success. Michael Porter's framework identifies cost leadership and differentiation as key strategies for gaining competitive advantage (Porter, 2008). Organisations that can effectively learn, adapt, and innovate in response to shifting environments are more likely to gain a competitive edge over their rivals. Numerous empirical studies across various industries validate this assertion (Ferreira et al., 2021) considering the mediating role of innovation capabilities (hereafter ICs. In the context of Nepal, this ability is particularly crucial due to the unique socio-economic and regulatory challenges faced by the manufacturing sector. However, the required hypothesis is given that:

H_3: There is no significant relationship between Dynamic Capabilities and Competitive Advantage.

Dynamic Capabilities as a Mediator: When CSR practices are embedded into an organisation's strategic framework, they significantly enhance its Dynamic Capabilities, ultimately leading to the achievement of Competitive Advantage. These CSR practices promote innovation, learning, and adaptability within the organisation, aligning seamlessly with the fundamental principles of Dynamic Capabilities Theory (González-Ramos et al., 2022) environmental and social dimensions of corporate social responsibility (CSR). Lastly, hypothesis can be written in the form of that:

H_4: Dynamic Capabilities do not mediate the relationship between CSR practices and Competitive Advantage.

CSR and Responsible Innovation: Responsible Innovation involves integrating ethical considerations, societal impact, and environmental sustainability into the innovation process. It ensures that innovations not only advance technology but also contribute positively to society and mitigate negative impacts. It emphasises the importance of aligning innovation activities with societal needs and values to promote sustainable development and ethical practices (Meijer et al., 2023). Organisations that emphasise CSR initiatives are more likely to cultivate Responsible Innovation, which includes the adoption of sustainable and ethical practices, product development, and operational strategies. There is a strong connection between CSR practices and Responsible Innovation, as companies dedicated to corporate responsibility typically incorporate ethical and sustainable principles into their innovation processes (Zhou et al., 2020) employee involvement and supplier collaboration, and compare how this mechanism works in the service and manufacturing industries. Design/methodology/approach: The conceptual model was built on stakeholder theory, the resource-based view (RBV. Based on these findings, it is proposed that:

H_5: There is no significant relationship between CSR Practices and Responsible Innovation.

Responsible Innovation and Competitive Advantage: This relationship emphasises how important it is for innovation to be sustainable and ethical in order to increase an

Mediator Variable

Dynamic
Capabilities

Independent Variable

Dependent Variable

Corporate Social
Responsibility

Competitive
Advantage

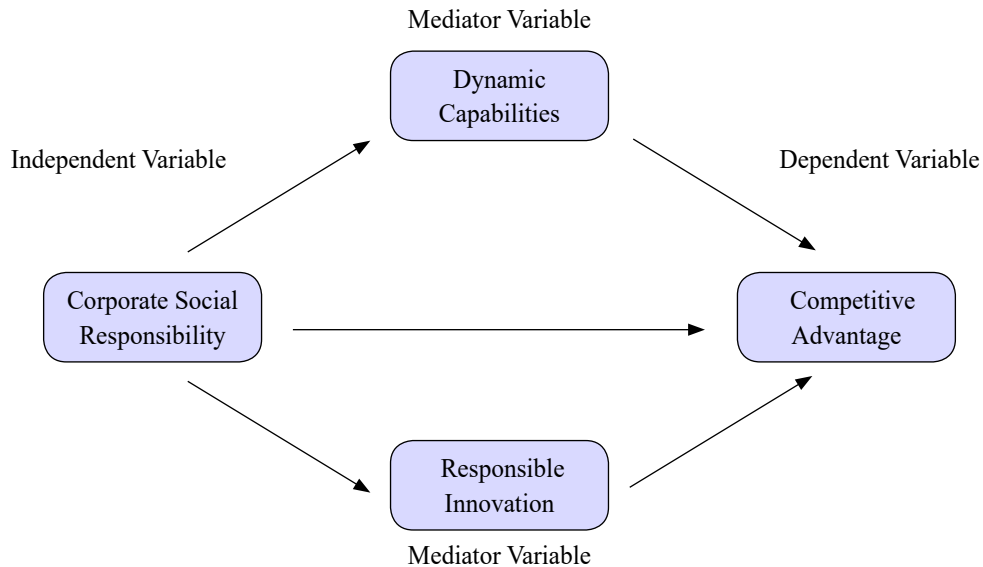Responsible
Innovation

Mediator Variable

Figure 2. *Conceptual Framework*

organisation's competitive edge. Developing goods, services, and business procedures with an emphasis on social, ethical, and environmental considerations is known as responsible innovation. This strategy appeals to consumer tastes in addition to being in line with global sustainability goals (Nahar & Khurana, 2023). Based on these findings, it is proposed that:

H$_6$: There is no significant relationship between Responsible Innovation and Competitive Advantage.

Responsible Innovation as a Mediator: According to the concept of "responsible innovation," businesses should make a conscious effort to develop and employ socially and ecologically conscious goods, services, and procedures. While an organisation's commitment to moral and sustainable behaviour is based on its CSR practices, responsible innovation is the process that turns CSR activities into a real competitive advantage (Aluchna &

Roszkowska-Menkes, 2019). Based on these findings, it is proposed that:

H$_7$: Responsible Innovation does not mediate the relationship between CSR practices and Competitive Advantage.

Conceptual Framework

Corporate social responsibility (CSR) is the independent variable and competitive advantage (CA) is the dependent variable, according to the conceptual framework, with responsible innovation (RI) and dynamic capabilities (DC) serving as mediators. This model shows the mediating variables' intermediary function in generating the relationship between CSR and competitive advantag*e*. It was adapted from Modified from previous studies (Hadj et. al., 2019; Zhao et. al., 2019).

RESEARCH METHODS

A quantitative approach was used to collect the data in numeric form. The research area

of the study was the Kathmandu Valley, which includes Kathmandu, Lalitpur, and Bhaktapur. The fact that the Kathmandu Valley, the capital (centre) of Nepal, is home to a sizable number of the nation's manufacturing and consulting enterprises, served as the driving force behind this choice. Furthermore, the head offices of high-ranking authorities and project managers are situated in the Kathmandu Valley. Due to its practical advantages and accessibility, a convenience or judgmental sampling technique was adopted for this study.

The population of the study comprised employees working in Nepalese manufacturing industries, including factory managers, production engineers, and other staff actively involved in CSR activities across brick factories, cement factories, Himalayan Distillery Limited (HDL), and steel industries. This approach facilitated the rapid and cost-effective selection of factory managers, production engineers and other staff members actively engaged in corporate social responsibility, ensuring a targeted and pertinent dataset. According to the guidelines for structural equation modelling (SEM) (Hair et al., 2019), a sample size of 215 was determined.

This study specifically focused on the brick factories, cement factories, Himalayan Distillery Limited (HDL), and steel industries within the Kathmandu Valley and its growing focus on sustainability. The 215-person sample size was chosen to ensure adequate statistical power and accuracy in parameter estimation, following Hair et al. (2019), which recommends a minimum of 10 respondents per indicator for SEM models. Among the 215 respondents, there were 147 males (68.4%), 64 females (29.8%), and 4 others (1.9%). Region-wise,

112 respondents were from Kathmandu, 61 from Lalitpur, and 42 from Bhaktapur. The 215-person sample size was selected to optimise statistical power, parameter estimation accuracy, and generalisability of the results, thereby fortifying the study's overall robustness and relevance in relation to CSR and competitive advantage in Nepal's manufacturing industry.

The study employed an explanatory research design with the objective of elucidating the causal links between the variables. The explanatory design was chosen because it helps uncover the cause-and-effect relationships between CSR, dynamic capabilities, responsible innovation, and competitive advantage, allowing for a deeper analysis of their interdependencies. 50 % of the questionnaires were printed in English and distributed to respondents in nearby manufacturing companies for convenience. The remaining 50% were sent electronically using Kobo Toolbox and disseminated via Facebook, Messenger, Viber, WhatsApp, and Gmail. When necessary, researchers and interviewers conducted the questionnaires to collect data. The survey employed various question styles, such as Likert scale and single-response questions.

The primary tool utilised for this research was a well-structured questionnaire designed to gather comprehensive cross-sectional and primary data. Employing a combination of open-ended and closed-ended questions, the questionnaire was meticulously crafted to ensure clarity and alignment with the study's objectives. Emphasis was placed on the questionnaire's sequencing and design to facilitate a logical progression of inquiries. A total of 260 questionnaires were distributed via various channels (printed copies, email, Facebook, Messenger, Viber, WhatsApp, and

Google Forms via Kobo Toolbox) resulting in the return of 240 responses. Among these, 25 printed responses were incomplete and, therefore, excluded from the analysis. This left 215 valid responses, achieving a strong response rate of 83.69%. According to Babbie (2010), a survey response rate of 70% or higher is considered very comprehensive.

Variables and Its Measurements

In the study, a five-point Likert scale was employed, ranging from 1 (strongly disagree) to 5 (strongly agree). The measurement scales for Corporate Social Responsibility (CSR), Competitive Advantage (CA), Dynamic Capabilities, and Responsible Innovation were adapted from established methodologies developed by respected scholars The 9 elements from Zhao et al. (2019) that make up Corporate Social Responsibility (CSR) have a Cronbach's Alpha of 0.918 and centre on strategies that improve community welfare and lessen their influence on the environment. Competitive Advantage evaluates the capacity to create creative, high-quality products using 6 items from Zhao et al. (2019) and a reliability score of 0.887. The six items on the Dynamic Capabilities scale ($\alpha = 0.897$), which are also based on Zhao et al. (2019), indicate how a company reallocates its resources in response to changes in the environment. Finally, the 4-item ($\alpha = 0.770$) Responsible Innovation scale, which was modified from Hadj et al. (2020), examines the creation of morally and socially responsible innovations.

DATA ANALYSIS AND DISCUSSION

In this section the data has been analysed through different techniques like descriptive analysis, KMO (Kaiser-Meyer-Olkin) and Bartlett's Test, Correlation Analysis, path analysis, Model Specification, Assessment of the Measurement Model, and Mediating Analysis.

These techniques (Descriptive analysis, KMO and Bartlett's Test, Correlation, Path, and SEM analysis) were used to ensure data accuracy, reliability, and validity. Descriptive analysis helped in summarising demographic data; KMO and Bartlett's verified data adequacy for factor analysis; Correlation measured interrelationships; Path and SEM were used to examine direct and mediating effects among CSR, DC, RI, and CA, aligning with the study's causal framework.

Descriptive Analysis

The descriptive analysis section showed, namely socio-demographic characteristics which includes age, gender, and marital status, type of industry or organisation respondents worked for, current roles in the manufacturing company, and years of experience in the manufacturing industry. Tables were used to present the data analysed.

Among the 215 total respondents, there were 147 males (68.4%), 64 females (29.8%), and 4 individuals identifying as other (1.9%). The results indicated that a significant majority of the respondents were male. Similarly, the majority of the respondents belong to the 31-40 age group (50.7%) of the total participants, followed by the 41-60 age range (%), accounting for (33.0%), 20-30 age group (10.7%) of the sample, 60 and above consisting of 12 respondents, making up (5.6%) of the total. Further table 1 shows that most respondents were married (179 or 83.3%), followed by unmarried individuals (34 or 15.8%), and a small portion (2 or 0.9%) were divorced or widowed. Among the 215 respondents, the highest number of

Table 1.
Socio Demographic Characteristics

Gender	Frequency	Percent (%)
Male	147	68.4
Female	64	29.8
Others	4	1.9
Total	215	100
Age	Frequency	Percent (%)
20-30	23	10.7
31-40	109	50.7
41-60	71	33
60 and above	12	5.6
Total	215	100
Marital Status	Frequency	Percent (%)
Married	179	83.3
Un-married	34	15.8
Others	2	0.9
Total	215	100
Type of Industry or Organisation	Frequency	Percent (%)
Private	126	58.6
Joint Venture	27	12.6
Others	62	28.8
Total	215	100
Current Role (Position)	Frequency	Percent (%)
Factory Manager	85	39.5
Production Engineer	75	34.9
Others	55	25.6
Total	215	100
Years of Experience	Frequency	Percent (%)
Less than 1 Years	0	0
1 to 5 Years	25	11.7
6 to 10 Years	65	30.2
11 to 15 Years	65	30.2
15 Years Above	60	27.9
Total	215	100

Note. Field Survey 2024

respondents worked in private organisations (58.6%), in other types, such as non-profits or startups, 62 (28.8%) and 27 (12.6%) were in joint ventures. Similarly, of 215 respondents, 85 (39.5%) were factory managers, 75 (34.9%) were production engineers, and 55 (25.6%) held other roles. Additionally, A total of 25 participants (11.7%) had 1-5 years of experience, while 65 respondents

each (30.2%) fell into the 6-10- and 11-15-years categories. Meanwhile, 60 respondents (27.9%) had over 15 years of experience. This sample reflects a highly experienced workforce in this study.

KMO and Bartlett's Test

The dataset was assessed for factor analysis suitability using the KMO and Bartlett's tests.

Table 2
Descriptive Statistics

Items	Mean	Std. Dev (σ)
CSR_1	3.572	1.153
CSR_2	3.586	1.282
CSR_3	3.818	1.218
CSR_4	3.711	1.211
CSR_5	3.693	1.187
CSR_6	3.776	1.221
CSR_7	3.814	1.216
CSR_8	3.6	1.241
CSR_9	3.507	1.226
CA_1	3.562	1.091
CA_2	3.73	1.16
CA_3	3.581	1.152
CA_4	3.479	1.187
CA_5	3.516	1.324
CA_6	3.53	1.206
DC_1	3.483	1.126
DC_2	3.307	1.307
DC_3	3.679	1.181
DC_4	3.744	1.137
DC_5	3.627	1.264
DC_6	3.651	1.224
RI_1	3.907	1.054
RI_2	4.069	1.131
RI_3	3.786	1.184
RI_4	3.637	1.252

Note. Field Survey 2024

Table 3
Correlation Analysis

Components	CA	CSR	DC	RI`
CA	1	0.697	0.743	0.705
CSR		1	0.765	0.693
DC			1	0.725
RI				1

Note. Field Survey 2024; CA: Competitive Advantage, CSR: Corporate Social Responsibility, DC: Dynamic Capabilities, RI: Responsible Innovation.

Kaiser-Meyer-Olkin (KMO) measures sampling adequacy to determine whether the variables are suitable for factor analysis. It assesses how much variance among variables might be common variance. KMO values above 0.90 are considered excellent (Kaiser, 1974). Bartlett's Test of Sphericity checks whether correlations between variables are sufficient for factor analysis. A significant p-value ($p < 0.05$) indicates that the data are factorable. A high KMO value of 0.956 indicated excellent sampling adequacy, while Bartlett's test was significant ($p < 0.05$), confirming that the correlation matrix is factorable and the variables are sufficiently interrelated for factor analysis.

The table 2 revealed that respondents nearly agreed on CSR, Competitive Advantage (CA), Dynamic Capabilities (DC), and Responsible Innovation (RI), with mean scores ranging from 3.3 to 4.1 (on a 5-point scale). CSR indicators averaged around 3.5–3.8, similarly, the participants believed that manufacturing companies engaged in socially responsible practices. CA and DC indicators also nearly agreed, while RI, especially RI_2 (mean = 4.07), was rated highest, indicating strong value placed on sustainable innovation. Standard deviation values showed moderate variability, with

the highest seen in CSR_2 (1.282), CA_5 (1.324), and DC_2 (1.307), while RI showed the least variability, indicating more consistent responses regarding responsible innovation.

In the context of Corporate Social Responsibility (CSR) and its impact on Competitive Advantage (CA) in the manufacturing sector, correlation analysis revealed significant and positive relationships among key variables. CSR showed a moderately strong correlation with CA (r = 0.697), suggesting that higher CSR engagement is associated with improved competitiveness. Additionally, CSR was moderately correlated with Responsible Innovation (RI) (r = 0.693) and strongly correlated with Dynamic Capabilities (DC) (r = 0.765), indicating its influential role in enhancing these mediating factors.

Dynamic Capabilities also had a strong positive relationship with CA (r = 0.743), showing that firms leveraging adaptability and innovation are better positioned to achieve competitive advantage. Similarly, RI showed a moderate positive correlation with CA (r = 0.705), reinforcing its contribution to a firm's market leadership. All correlations were statistically significant at the 0.05 level (2-tailed), confirming meaningful

connections among CSR, DC, RI, and CA in strengthening competitiveness within the manufacturing industry.

Model Specification/PLS - SEM Analysis

To evaluate the research model in this study, the structural equation modelling (SEM) approach, specifically using the Partial Least Squares (PLS) Package 4.0, was employed. The Partial Least Squares Structural Equation Modelling (PLS-SEM) approach was used because it is suitable for complex models with multiple constructs and mediation effects, even with relatively small sample sizes. It allows simultaneous analysis of measurement and structural

models and focuses on maximising explained variance (Hair et al., 2017; Purwanto & Sudargini, 2021). This method was ideal for examining both direct and indirect (mediated) relationships among CSR, DC, RI, and CA.

As outlined by Hair et al. (2017), a path model consists of two main components: the measurement model and the structural model. The sample data demonstrates how empirical observations enable researchers to practically implement theoretically defined measurement and structural models. The assessment of the model followed a two-stage process. In the first stage, the measurement

Table 4.

Reliability and Validity

Constructs	Cronbach's Alpha	Composite Reliability (CR)	Average Variance Extracted (AVE)
CA	0.914	0.934	0.703
CSR	0.95	0.958	0.717
DC	0.883	0.912	0.634
RI	0.831	0.887	0.664

Note. Field Survey 2024; CA: Competitive Advantage, CSR: Corporate Social Responsibility, DC: Dynamic Capabilities, RI: Responsible Innovation.

Table 5.

Discriminant Validity

Components	CA	CSR	DC	RI
CA				
CSR	0.743			
DC	0.821	0.832		
RI	0.799	0.763	0.827	

Note. Field Survey 2024; CA: Competitive Advantage, CSR: Corporate Social Responsibility, DC: Dynamic Capabilities, RI: Responsible Innovation.

Table 6
Fornell-Lacker Criterion

Components	CA	CSR	DC	RI
CA	0.838			
CSR	0.697	0.847		
DC	0.743	0.765	0.796	
RI	0.705	0.693	0.725	0.815

Note. Field Survey 2024; CA: Competitive Advantage, CSR: Corporate Social Responsibility, DC: Dynamic Capabilities, RI: Responsible Innovation.

model was examined, while the structural model was analysed in the second stage, as recommended by Hair et al. (2017) and Anderson and Gerbing (1988).

Assessment of the Measurement Model

The study applied Hair et al. (2010) method to define four reflective constructs with 25 observed items, focusing on unidirectional predictive relationships between each latent construct and its indicators. To assess the measurement model, various tests were conducted, including standardised factor loading (SFL), internal consistency, and construct validity (convergent and discriminant validity). Reflective measurement was evaluated at both first-order (outer loading) and second-order (inner loading) levels. Following Hair et al. (2014), items with loadings between 0.40 and 0.70 were retained, although one Dynamic Capabilities (DC) item with low loading was excluded. All other items met the 0.70 level, confirming satisfactory individual item reliability. Internal consistency was measured as well using the Cronbach Alpha (CA) and composite reliability (CR) values.

To evaluate reliability and validity, Average Variance Extracted (AVE) values were implemented (Fornell & Lacker, 1981). An AVE value of at least 0.50 indicated

sufficient convergent validity, meaning that the variable could explain more than half of its indicators on average. The results of this study showed that the AVE values ranged from 0.634 to 0.717 for the constructs Dynamic Capabilities (DC), Responsible Innovation (RI), Corporate Social Responsibility (CSR), and Competitive Advantage (CA). Specifically, CA, CSR, DC, and RI demonstrated AVE values of 0.703, 0.717, 0.634, and 0.664, respectively. Since all AVE values exceeded the 0.50 level, the results confirmed adequate convergent validity for each construct, supporting that each construct explained a substantial portion of its indicators (Fornell et al.,1981).

The Heterotrait-Monotrait (HTMT) ratio table 5 displayed values between the constructs Competitive Advantage (CA), Corporate Social Responsibility (CSR), Dynamic Capabilities (DC), and Responsible Innovation (RI) to assess discriminant validity. Each HTMT value 0.743 between CA and CSR, 0.821 between CA and DC, 0.799 between CA and RI, 0.832 between CSR and DC, 0.763 between CSR and RI, and 0.827 between DC and RI fell below the recommended threshold of 0.85 (Henseler et al., 2015). This indicated that each construct was sufficiently distinct. These results confirmed that the constructs

measured unique aspects within the model, thereby supporting discriminant validity. Discriminant validity was evaluated through several approaches, including the Fornell-Lacker criterion Heterotrait-Monotrait ratio (HTMT), and cross-loading (Harasudha, 2019). Discriminant validity was evaluated using multiple methods Fornell-Lacker criterion, HTMT ratio, and cross-loading to ensure that each construct was distinct from the others. These tests validate that measurement items correlate strongly with their intended constructs and weakly with unrelated ones, thereby ensuring the accuracy of model interpretation (Henseler et al., 2015).

The Fornell-Lacker Criterion table 6 demonstrated discriminant validity by showing that each construct's square root of Average Variance Extracted (AVE) was greater than its correlations with other constructs. Specifically, the AVE square root for Competitive Advantage (CA) was 0.838, exceeding its correlations with CSR (0.697), DC (0.743), and RI (0.705). Similarly, CSR's AVE square root was 0.847, higher than its correlations with CA (0.697), DC (0.765), and RI (0.693). For Dynamic Capabilities (DC), the AVE square root was 0.796, which was greater than its correlations with CA (0.743), CSR (0.765), and RI (0.725). Finally, Responsible Innovation (RI) had an AVE square root of 0.815, surpassing its correlations with CA (0.705), CSR (0.693), and DC (0.725). These results indicated that each construct was distinct, thereby supporting discriminant validity within the framework.

Assessment of Structural Models

To analyse the study's structural paths and hypotheses, the structural model was evaluated after a thorough review of the measurement models. The inner model, representing the theoretical framework,
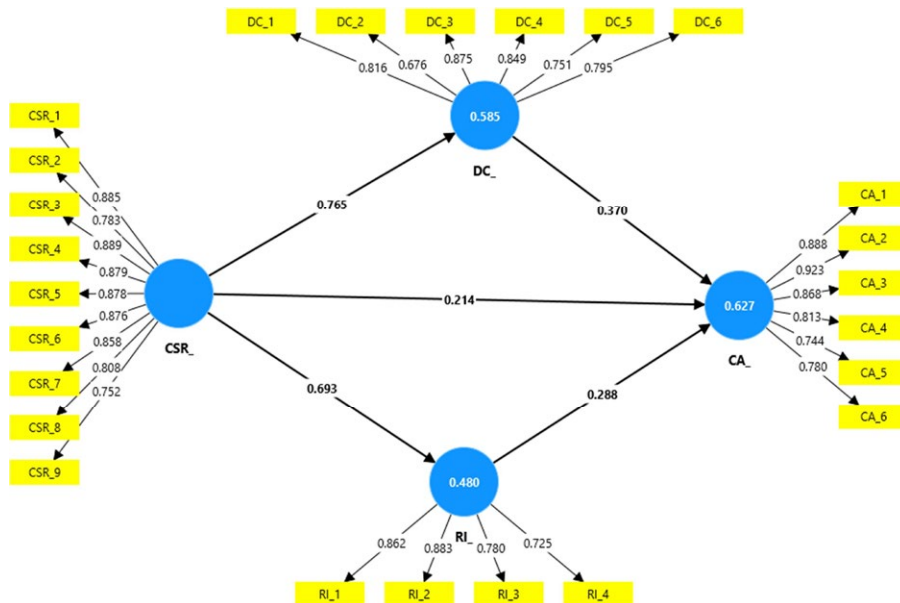

Figure 2. *Path Analysis*
Note. Field Survey 2024

Table 7
Coefficient of Determination (R²)

Components	R-square	R-square adjusted
CA	0.627	0.622
DC	0.585	0.583
RI	0.48	0.478

Note. Field Survey 2024

Table 8.
Hypothesis Testing

Items	Beta Coefficient (β)	Standard Deviation (STDEV)	T- Values	P- Values	Remarks
CSR_ -> CA	0.214	0.082	2.618	0.009	Supported
CSR_ -> DC	0.765	0.053	14.507	0.000	Supported
CSR_ -> RI	0.693	0.052	13.286	0.000	Supported
DC_ -> CA	0.37	0.100	3.720	0.000	Supported
RI_ -> CA	0.288	0.083	3.489	0.000	Supported

Note. Field Survey 2024

included the core relationships between latent variables (Benitez et al., 2020). For this study, a bootstrapping method with 10,000 resamples was applied to test the model. The structural model was assessed by examining key metrics, including the coefficient of determination, predictive relevance, path coefficients, effect sizes, and their significance, which were discussed further in other sections

Path Analysis

Path Analysis is a statistical technique used to examine direct and indirect relationships between multiple variables simultaneously. It is a component of SEM that visually represents hypothesised causal relationships through standardised path coefficients. It was used in this study to evaluate how CSR influences Competitive Advantage both directly and indirectly through Dynamic Capabilities and Responsible Innovation.

The figure 2 reflected the relationships among CSR, DC, RI, and CA, showing that CSR had a strong impact on both DC (0.765) and RI (0.693), while DC demonstrated the strongest direct effect on CA (0.370) compared to RI (0.88) and CSR (0.214). The R-squared values indicated that 58.5% of DC's variance, 48% of RI's variance, and 62.7% of CA's variance were explained by the model. Overall, these findings suggested that, while CSR influenced CA indirectly through DC and RI, DC had the most substantial direct impact on CA.

Exploratory Factor Analysis (EFA)

The Coefficient of Determination (R²) values revealed the percentage of variance explained by the model, showing how

Table 9
Mediating Analysis

Items	Original Sample (O)	Sample Mean (M)	Standard Deviation (STDEV)	T- statistics (|O/STDEV|)	P - Values	Remarks
CSR_ -> RI_ -> CA	0.2	0.203	0.065	3.058	0.002	Supported
CSR_ -> DC_ -> CA	0.283	0.283	0.081	3.495	0.000	Supported

Note. Field Survey 2024

well the independent factors explained the variance in each dependent variable (Hair et al., 2013). R² values of 0.75, 0.50, and 0.25 were deemed substantial, moderate, and weak, respectively. In this study, the R² value for Competitive Advantage (CA) was 0.627, with an adjusted R² of 0.622, indicating that the predictors in the model accounted for 62.2% of the variance in CA. For Dynamic Capabilities (DC), an R² of 0.585 and an adjusted R² of 0.583 showed that CSR explained 58.3% of its variance. Responsible Innovation (RI) showed an R² of 0.480 and an adjusted R² of 0.478, suggesting that CSR contributed to 47.8% of its variance. The model successfully predicted the variation in these elements, with significant R² values (62.2% for CA, 58.3% for DC, and 47.8% for RI), proving its capacity to explain the relationships between the variables and offering moderate predictive power.

Based on the hypothesis testing results, each relationship was found to be statistically significant, as indicated by the T-values above (>) 1.96 and P-values below (>) 0.05. Specifically, the effect of CSR on Competitive Advantage (CA) ($\beta = 0.214$, T = 2.618, P = 0.009) is significant, supporting the hypothesis that CSR positively influences CA. Similarly, CSR has a strong positive impact on Dynamic Capabilities (DC) ($\beta = 0.765$, T = 14.507, P < 0.001) and Responsible Innovation (RI) ($\beta = 0.693$, T = 13.286, P < 0.001), confirming hypotheses regarding CSR's influence on both DC and RI. Additionally, Dynamic Capabilities (DC) significantly impact Competitive Advantage (CA) ($\beta = 0.370$, T = 3.720, P < 0.001), and Responsible Innovation (RI) also positively affects CA ($\beta = 0.288$, T = 3.489, P < 0.001), supporting hypotheses that both DC and RI contribute to enhancing CA. Overall, the data strongly supports the proposed hypotheses, The model's CSR, Dynamic Capabilities (DC), Responsible Innovation (RI), and Competitive Advantage (CA) all have strong positive relationship, as seen by the support for all direct structural linkages (H_1 through H_5).

There was statistical significance in both paths, according to the mediating analysis. With an original sample value of 0.200, a sample mean of 0.203, a standard deviation of 0.065, and a t-statistic of 3.058 (p = 0.002), the path from CSR to RI to CA was specifically shown to have significant support. Support was also confirmed by the path from CSR to DC to CA, which showed an original sample value of 0.283, a sample mean of 0.283, a standard deviation of 0.081, and a t-statistic of 3.495 (p = 0.000). The relationship between CSR and CA was found to be considerably mediated by both RI and DC.

Discussion

This study investigated how corporate social responsibility (CSR) influences competitive advantage (CA) in Kathmandu Valley's manufacturing sector. It examined how Responsible Innovation (RI) and Dynamic Capabilities (DC) mediate this link. The findings offered a thorough grasp of how CSR programmes, supported by DC and RI, improve competitive positioning in the manufacturing industry.

CSR significantly influences competitive advantage, indicating that socially responsible practices contribute to improved market positioning, stakeholder trust, and long-term value creation. This finding aligns with previous research (Hadj et al., 2020), which demonstrated that CSR initiatives strengthen stakeholder relationships and improve firm reputation, ultimately leading to competitive gains. The consistency in this study's result may be due to the growing awareness and expectations of consumers and stakeholders in Nepal's manufacturing sector, where firms that demonstrate responsibility are more likely to secure customer loyalty and brand differentiation. Contrary to this, some scholars (e.g., Friedman, 1970; McWilliams & Siegel, 2001) have questioned CSR's immediate impact on profitability, arguing it may impose additional costs.

The path from CSR to DC was strongly supported, suggesting that CSR enhances a firm's ability to integrate, build, and reconfigure internal competencies in response to external changes. This aligns with Teece et al. (1997), who emphasised that dynamic capabilities are critical for responding to volatile environments. CSR practices can stimulate learning, stakeholder engagement, and resource reallocation, enabling firms to adapt more effectively.

The strength of this relationship may be due to the strategic embedding of CSR into operational and managerial frameworks in the Kathmandu Valley's manufacturing firms, which helps create a culture of responsiveness and innovation.

CSR also significantly influenced responsible innovation, confirming that socially responsible firms are more likely to engage in innovation that aligns with ethical and sustainable goals. This finding is consistent with Roszkowska-Menkes (2020), who argued that CSR-driven firms tend to prioritise innovations that benefit society and the environment. The consistency observed in this study may be due to increasing global and local pressure on firms to balance economic performance with social impact, leading to the institutionalisation of RI in manufacturing processes. However, contrasting views suggest that CSR-driven innovation might be limited in resource-constrained environments.

Dynamic Capabilities were shown to significantly influence competitive advantage, supporting the notion that firms with stronger adaptive and learning capabilities are better positioned to outperform competitors. This finding is in line with Banerjee et al. (2018), The consistency here reflects the importance of flexibility and responsiveness in the Kathmandu Valley's industrial sector, where market dynamics and customer preferences are shifting rapidly, making strategic agility a key competitive asset. who highlighted the role of DC in helping firms navigate complex market environments and leverage resources efficiently.

Responsible Innovation also demonstrated a significant positive influence on competitive advantage, indicating that innovation aligned

with ethical values and societal needs can provide a sustainable edge. This supports earlier research by Bocken et al. (2014), who argued that innovation rooted in CSR can lead to new business models and long-term differentiation. The consistency of findings in this study may stem from the growing market value placed on transparency, eco-consciousness, and social impact, which are increasingly influencing consumer and investor decisions in the Nepalese context. In contrast, critics of RI often claim it may hinder profitability by prioritising ethics over efficiency.

This finding indicates that CSR indirectly enhances competitive advantage through the channel of responsible innovation. It aligns with the study by Roszkowska-Menkes (2020), who emphasised that CSR could foster innovation that is ethically grounded and socially responsible, leading to sustainable competitive benefits. The consistency of this result may be due to the growing emphasis in Nepal's manufacturing sector on innovation that addresses societal and environmental concerns while improving market value. In contrast, some critics argue that integrating innovation into CSR might overcomplicate strategic planning or divert resources from profitability (Porter & Kramer, 2011). However, this study challenges such concerns by showing how RI, when embedded within CSR practices, amplifies competitive positioning.

This result suggests that CSR initiatives strengthen a firm's internal dynamic capabilities, which in turn significantly influence competitive advantage. This aligns with the dynamic capabilities' framework proposed by Teece et al. (1997), which asserts that the ability to integrate, build, and reconfigure internal and external resources is vital to achieving strategic success in turbulent environments. The consistency in this finding may be attributed to the adaptive nature of Nepalese manufacturing firms that are increasingly responding to market pressures with CSR-driven agility and innovation. Contrary views, such as those expressed by McWilliams & Siegel (2001), argue that CSR alone may not translate into competitiveness unless fully integrated with organisational routines. The evidence from this study reinforces that when CSR efforts are coupled with dynamic capabilities, they lead to superior strategic outcomes.

Overall, these results confirm that CSR, when complemented by internal enablers like DC and RI, is a powerful mechanism for achieving competitive advantage in the Kathmandu Valley's manufacturing sector.

CONCLUSION AND IMPLICATIONS

This study affirmed that CSR is not just an ethical obligation but a strategic imperative when coupled with strong internal capabilities and responsible innovation. It confirmed that a comprehensive approach to CSR could drive competitive advantage, enhance firm performance, and simultaneously deliver social and economic benefits in Nepal's manufacturing sector. This study revealed that corporate social responsibility (CSR) practices such as moral business conduct, environmental sustainability, and community involvement are strategic instruments for attaining long-term competitive positioning rather than just compliance procedures. Moreover, by incorporating responsible innovation into CSR frameworks, businesses can address environmental and societal issues while gaining distinct competitive advantages. In order to maintain their competitive edge in

a market that is becoming more and more dynamic, manufacturing companies in Nepal are being urged to prioritise innovation and adaptation. These findings show the significance of creating context-specific strategies to optimise the impact of CSR. The study encouraged further applications of CSR's strategic potential and laid the groundwork for future research into the role of CSR in various industrial sectors.

In practical terms, the results indicate that manufacturing companies in Nepal need to incorporate corporate social responsibility (CSR) into their fundamental strategic frameworks, guaranteeing congruence with internal capabilities and innovation objectives. Initiatives that encourage ethical behaviour and develop dynamic capacities inside businesses should be backed by policymakers and business executives. Academically, this study adds to the expanding collection of research that relates corporate social responsibility (CSR) to competitive advantage, particularly in emerging nations. It also lays the groundwork for future comparative or long-term investigations across other industries and geographical areas.

Future research should take a more varied methodological approach to overcome these constraints, incorporating qualitative or mixed techniques like focus groups and interviews with professionals in the field to validate findings and obtain deeper insights. Lastly, to make certain that the findings are more broadly applicable to Nepal's manufacturing sector overall, future research ought to extend their focus beyond the Kathmandu Valley to encompass larger geographic and economic contexts.

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