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Original Research Article

Mandated Corporate Social Responsibility in Nepalese Commercial Banks: A Qualitative Perspective

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Abstract

Purpose: CSR have been traditionally viewed as a voluntary undertaking, however, in recent times CSR becomes mandatory as per the Nepal Rastra Bank (NRB) and Industrial Enterprise Act (IEA) directives. Thus, this research aims to find out the status of mandated Corporate Social Responsibility in Nepalese Commercial Banks, how Nepalese banks are practicing, perceiving and facing challenges with mandated CSR policies/regulations.

Design/methodology/approach: This study uses qualitative content analysis, using the NVIVO 14 software to measure the banking CSR reporting practices, regulatory response, and challenges in implementing CSR initiatives. Participants were selected based on their roles, CSR heads, compliance officers, sustainability managers, and senior executives responsible for CSR portfolios. The analysis draws from five in-depth interviews with CSR professionals across Nepalese commercial banks. Similarly, the analysis process involves three phases preparation, organization, and reporting.

Findings: The finding reveals that banks are implementing CSR guidelines/rules set by the Nepal Rastra Bank and the Industrial Enterprise Act. Similarly, the finding demonstrated that all category of banks is majorly focused on financial literacy. The majority of the challenges faced by Banks are challenges in finding suitable CSR projects, more effectively monitoring, Challenges with group funding and INGOs, issues with regulatory planning timelines, difficulty in finding projects in some regions.

Conclusion: Banks have institutionalized CSR reporting through annual reports, websites, and other disclosure platforms, the process remains largely procedural, focused on compliance rather than measurable societal impact. Similarly, banks struggle with geographically mandated allocations and thematic quotas that do not always reflect contextual realities or institutional capacities.

Implications: Enabling cross-sectoral partnerships, including with INGOs and private foundations, could unlock new resources, expertise, and scalability. Moreover, integrating monitoring and evaluation (M&E) protocols into CSR guidelines would shift the policy architecture from compliance-centered to outcome-oriented governance

Originality: This study offers novel perspectives on the institutionalization of mandated CSR in Nepal's banking sector, revealing a crucial gap between regulatory compliance and strategic social impact while highlighting the unintended constraints of rigid policy frameworks in emerging economies.

JEL Classification: M14, O35, D91, E58

Introduction

Corporate Social Responsibility (CSR) has evolved from a voluntary ethical initiative to a regulated mandate in many emerging economies (Lin, 2021; Balon et al., 2022; Berger-Walliser & Scott, 2018; Subramaniam et al., 2017; Shrestha & Rai, 2022), reflecting a global shift toward institutionalizing corporate accountability and sustainability (Shakil et al., 2025; Sthapit et al., 2025). In countries like India, Indonesia, and Nepal, CSR has been formalized through legislative directives (Nepal Rastra Bank, 2021; Bihari & Shajahan, 2023), requiring businesses, particularly in the financial sector, to allocate a portion of their profits toward socially beneficial projects (Gowda, 2013; Waagstein, 2011; NRB, 2016). In Nepal, this transformation was institutionalized in fiscal year 2016/17 when the Nepal Rastra Bank (NRB) mandated that all A, B, and C class banks and financial institutions (BFIs) allocate at least 1% of their net profits to a CSR fund (NRB, 2017; Pant, 2016), with specific provisions for social, environmental, and developmental initiatives (Republica, 2017). The directive includes clear stipulations on fund utilization, geographical and sectoral diversification, disclosure practices, and regulatory compliance, creating a framework that blends ethical commitment with governance requirements (Acharya, 2018).

Given the central role of banks in shaping economic and social infrastructure, mandated CSR in the Nepalese banking sector presents a critical institutional experiment (Upadhyay & Dhungel, 2013). Banks are no longer merely encouraged to engage in CSR for reputational or philanthropic reasons; they are legally required to do so as part of their broader obligation to stakeholders and society (Wagle, 2023). While similar mandates have been extensively studied in countries like India (Kansal et al., 2018; Taneja et al., 2022)s, Pakistan (Ahmed, 2006), and Bangladesh (Khan et al., 2010), the empirical literature on Nepal remains scarce, fragmented, and largely descriptive. Existing Nepal-focused studies (e.g., Chapagain, 2020; Bidari & Djajadikerta, 2020; Kandel, 2018) tend to assess the presence or visibility of CSR activities but lack critical evaluations of regulatory compliance, reporting quality, and implementation challenges in the banking industry. This creates a pressing research gap: despite the regulatory shift from voluntary to mandatory CSR, it remains unclear how Nepalese commercial banks are operationalizing, disclosing, and strategically aligning their CSR initiatives within this mandated framework. More specifically, there is limited empirical understanding of (i) how banks report and comply with NRB's CSR guidelines, (ii) the institutional response to regulatory enforcement, and (iii) the practical barriers banks face in implementing mandated CSR activities. These knowledge gaps are particularly significant in the Nepalese context, where institutional capacity, regulatory infrastructure, and stakeholder expectations differ substantially from more mature economies.

Accordingly, this study seeks to address these gaps by examining the status of mandated CSR in Nepalese commercial banks. It investigates the nature and quality of CSR reporting, evaluates the regulatory and organizational responses to CSR mandates, and identifies the key implementation challenges faced by the banking sector. In doing so, this research contributes to the global discourse on mandated CSR by offering evidence from an underexplored South Asian economy and highlighting the complexities of translating policy into practice in transitional regulatory environments.

Literature Review

State-Mandated Corporate Social Responsibility: A Global Synthesis of Policy Frameworks, Banking Sector Practices, and Theoretical Insights

CSR has evolved significantly from being a voluntary ethical initiative driven by corporate goodwill to a regulated mandate in many emerging and developed economies (Halkos, G., & Nomikos, 2021; Berger-Walliser & Scott, 2018). This evolution reflects a global shift toward institutionalizing corporate accountability and sustainability, particularly in sectors with high social and economic impact such as banking and financial institutions (BFIs). Mandated CSR refers to legal or regulatory obligations imposed on corporations, including banks, to undertake social responsibility activities (Mares, 2010; Giannopoulos et al., 2024; Sharma & Sathish, 2022). These mandates are often framed through national legislation, central bank directives, or financial sector regulations that require firms to allocate budgets, report publicly on CSR, and focus on specific social or environmental goals (Jamali et al., 2020).

The transition from voluntary to mandated CSR in the banking sector marks a fundamental institutional shift in how financial corporations are held accountable to society (Sallyanne Decker, 2004). While CSR was traditionally driven by moral imperatives and stakeholder expectations, the contemporary policy landscape is increasingly characterized by legal compulsion (Ghosh, 2016; Scholtens, 2009). The critical socio-economic role of BFIs, as intermediaries of capital and risk bearers, positions them under intense scrutiny by regulators aiming to ensure that banking profits contribute to social welfare and sustainable development. Theoretical frameworks such as stakeholder theory (Freeman, 1984), institutional theory (DiMaggio & Powell, 1983), and legitimacy theory (Suchman, 1995) provide foundational perspectives for understanding why banks comply with mandated CSR. Stakeholder theory posits that banks must balance the interests of shareholders, customers, regulators, and communities (Freeman et al., 2010). Institutional theory emphasizes the role of coercive, mimetic, and normative pressures, especially legal mandates and industry norms, in shaping CSR adoption (DiMaggio & Powell, 1983; Oware & Mallikarjunappa, 2022). Legitimacy theory suggests that CSR activities are engaged in to maintain public trust and organizational legitimacy amid growing societal expectations (Suchman, 1995)

Empirical evidence indicates that mandated CSR has led to more institutionalized and standardized CSR practices in BFIs worldwide. India pioneered this regulatory shift with the Companies Act 2013, which requires firms meeting specified profit thresholds, including most commercial banks, to allocate 2% of their average net profits over three years to CSR activities aligned with national development priorities such as education, health, and environmental sustainability (KPMG, 2020). Similarly, Bangladesh's central bank mandates that banks allocate a minimum percentage of profits towards CSR initiatives focused on underserved sectors like education and health (Rahman et al., 2013). The United Kingdom, though not imposing direct CSR spending requirements, enforces quasi-mandatory obligations through the Modern Slavery Act (2015) and non-financial ESG disclosure requirements that affect financial institutions. These regulations mandate transparency and accountability in social and environmental impacts, integrating CSR within the governance frameworks of BFIs (UK Government, 2015).

Empirical studies suggest that mandated CSR leads to institutionalized practices, often resulting in standardized allocations of funds, structured reporting, and increased visibility of social projects. India pioneered this shift with the Companies Act 2013, which made CSR spending mandatory for firms meeting specified thresholds, including most commercial banks. The Act mandates that 2% of average net profits from the previous three years be allocated to CSR activities, with banking firms like SBI and ICICI aligning CSR projects to national development goals (KPMG, 2020). In Bangladesh, the Central Bank has played an active regulatory role, directing banks to allocate a minimum of 2% of profits toward CSR activities, especially in underserved sectors such as education and health (Rahman et al., 2013). Meanwhile, in the United Kingdom, though CSR remains largely voluntary, sectoral regulations like the Modern Slavery Act (2015) and ESG disclosure requirements have introduced quasi-mandatory obligations. These examples highlight how regulatory mandates, whether direct or indirect, institutionalize CSR within banking operations.

A broader comparative analysis reveals that mandated CSR frameworks differ substantially between developed and developing economies, especially regarding the banking sector (Koirala & Thapa, 2023). Developed economies frequently embed CSR within comprehensive Environmental, Social, and Governance (ESG) frameworks using soft law instruments such as the OECD Guidelines and the EU's Corporate Sustainability Reporting Directive (CSRD), which require disclosures without prescribing fixed financial commitments. Conversely, emerging economies such as India, Bangladesh, and Indonesia adopt explicit, quantified obligations demanding fixed CSR budgetary allocations from banks. However, research highlights that implementation in many developing contexts often suffers from symbolic or ceremonial compliance, wherein banks fulfill regulatory requirements without integrating CSR into their strategic objectives or governance structures (Chatterjee & Mitra, 2017). Furthermore, mandated CSR efforts often focus on community development, financial literacy, and environmental stewardship but lack rigorous outcome-based impact evaluation, thereby limiting the transformative potential of these initiatives (Jamali et al., 2020).

Comparative analyses reveal a divergence between developed and developing economies in the scope and strategic integration of mandated CSR. Developed economies often embed CSR within broader Environmental, Social, and Governance (ESG) frameworks, using soft law instruments like the OECD Guidelines and EU CSRD (Corporate Sustainability Reporting Directive) to regulate responsible conduct without prescribing specific budgets. In contrast, emerging economies such as India, Bangladesh, and Indonesia rely on explicit directives with quantified obligations. However, research indicates that implementation in developing contexts often suffers from symbolic compliance, where banks fulfill legal obligations without integrating CSR into core strategy (Chatterjee & Mitra, 2017). Moreover, mandated CSR in these regions often focuses on community development, financial literacy, and environmental stewardship, but lacks rigorous outcome-based impact evaluation, thus limiting the transformation potential of such initiatives (Jamali et al., 2020).

The intersection of mandated CSR with evolving ESG and sustainability reporting frameworks is a critical development shaping BFIs globally. Increasingly, regulators expect financial institutions not only to undertake CSR activities but also to manage and disclose environmental and social risks embedded within their lending and investment portfolios (GRI, 2022; UN Principles for Responsible Banking, 2019). This regulatory convergence has elevated CSR from a philanthropic or compliance activity to a strategic governance function intertwined with risk management and sustainable finance. However, this complexity also poses challenges in aligning mandates with industry practices, developing standard metrics, and avoiding superficial "greenwashing" (Kotsantonis et al., 2016).

CSR Reporting Practices, Institutional Responses, and Implementation Challenges in Banking

The quality of CSR reporting in financial institutions has become a focal point in global CSR discourse. Empirical research emphasizes that mandated CSR does not automatically translate into improved reporting unless coupled with regulatory oversight, performance metrics, and stakeholder engagement (Christensen, 2021; Haji et al., 2023a). While some banks in India and Indonesia have developed integrated CSR reporting mechanisms aligned with the Global Reporting Initiative (GRI), others have treated CSR disclosures as compliance checklists, often lacking transparency, specificity, or outcome-oriented narratives (Mishra & Banerjee, 2019; Taneja et al., 2022).

In the Nepalese context, there is limited empirical scrutiny on the content, format, or auditability of CSR reports by BFIs. Chapagain (2021) and Kandel (2018) document the existence of CSR allocations in annual reports but do not critically assess whether these reports adhere to NRB directives or reflect genuine community engagement. Moreover, existing literature lacks comparative assessment between different classes of BFIs (A, B, and C), despite clear regulatory uniformity in CSR mandates. This represents a critical oversight, especially considering the disparity in resources, governance capacity, and operational scale across institutions.

From a regulatory perspective, the effectiveness of mandated CSR depends not only on the directives issued but also on how institutions internalize and operationalize them (Jusoh et al., 2023). Literature from Pakistan (Ahmed et al., 2018) and Indonesia (Waagstein, 2011) reveals that regulatory ambiguity, administrative inefficiency, and bureaucratic delays often dilute CSR's transformative potential. Similar constraints are reflected in Nepal, where CSR implementation is often hindered by weak institutional coordination, lack of monitoring frameworks, and limited technical capacity within banks to design and evaluate impactful projects (Adhikari, 2020; Upadhya & Dhungel, 2013; Parajuli et al., 2019).

Implementation challenges further include the tension between profit-maximization imperatives and social responsibility mandates, especially when top management lacks intrinsic motivation for CSR. Moreover, smaller BFIs may view CSR as a compliance burden rather than a strategic opportunity, resulting in tokenistic or delayed implementation. The absence of standardized evaluation tools and third-party audits exacerbates this problem, allowing for minimal accountability even under a mandatory regime.

Methods

This study adopts a qualitative research design underpinned by a constructivist paradigm, which posits that realities are socially constructed through human interactions, cultural norms, and institutional contexts. The constructivist lens is particularly suitable for examining mandated CSR in the Nepalese banking sector, as it seeks to understand how CSR is interpreted, practiced, and contested by various stakeholders. The methodological orientation is grounded in qualitative content analysis, enabling a nuanced exploration of perceptions, experiences, and institutional dynamics associated with CSR mandates.

The population for this study comprises professionals engaged in CSR activities within Nepalese commercial banks. The banking sector was purposefully chosen as the site of inquiry due to the regulatory imposition of CSR, governed notably by the NRB's Unified Directive 2017 and the Industrial Enterprises Act (IEA) 2016, which legally mandate CSR contributions and disclosures.

A purposive sampling technique was employed to ensure the inclusion of individuals with direct involvement in CSR policymaking, implementation, and reporting. Participants were selected based on their roles, CSR heads, compliance officers, sustainability managers, and senior executives responsible for CSR portfolios. Efforts were made to capture diverse perspectives by including participants from joint venture banks, private sector banks, and state-owned commercial banks. A total of five semi-structured interviews were conducted, which, although modest in number, offered sufficient depth to uncover meaningful patterns and insights due to the information-rich selection criteria. Information was collected through semi-structured interviews, allowing participants to elaborate on their lived experiences, institutional challenges, and interpretations of mandated CSR practices. The interview protocol consisted of open-ended questions, carefully designed to elicit detailed responses without steering participants toward preconceived notions.

All interviews were conducted in person at the participants' respective bank premises, ensuring a conducive environment for reflection and discussion. Each interview lasted approximately 45 to 60 minutes, and participants were assured of confidentiality and anonymity, in line with ethical research standards. Verbal and written consent was obtained prior to data collection. In addition to interviews, secondary data sources such as CSR policy documents, annual reports, sustainability disclosures, and regulatory guidelines were reviewed to enable triangulation.

The data were analyzed using the qualitative content analysis framework proposed by Elo and Kyngäs (2008). This approach involves both inductive and deductive reasoning, making it well-suited for exploratory research that seeks to build from participant narratives while remaining anchored in institutional CSR frameworks.

The analysis process unfolded in three key phases:

- **Preparation Phase:** All interviews were transcribed verbatim. Familiarization with the data was achieved through iterative reading, noting preliminary patterns and context-specific terminologies.
- **Organization Phase:** Data were imported into NVivo 14 software for systematic coding. An initial round of open coding was conducted to identify emergent concepts. These codes were grouped into higher-order categories and themes, reflecting shared perceptions and institutional practices.
- **Reporting Phase:** Thematic relationships were then analyzed to explore deeper meanings, contradictions, and interconnections among codes. Themes such as compliance versus commitment, stakeholder engagement, and resource constraints were refined through multiple iterations and peer debriefings.

This systematic and rigorous analytic process ensured trustworthiness, enhancing credibility, transferability, dependability, and confirmability of the findings (Lincoln & Guba, 1985). Reflexivity was maintained throughout, with the researchers critically reflecting on their role in the interpretation process.

Findings

The findings of this study are organized around three overarching themes that emerged through qualitative content analysis: CSR Reporting Practices, Regulatory Responses, and CSR Implementation Challenges. These themes reflect both institutional and individual-level perceptions of mandated CSR within the Nepalese banking sector. Each theme is comprised of two interlinked sub-themes. The analysis draws from five in-depth interviews with CSR professionals across Nepalese commercial banks and is supported by verbatim quotes from participants (denoted P1–P5), offering grounded insight into how mandated CSR is enacted, interpreted, and negotiated in practice.

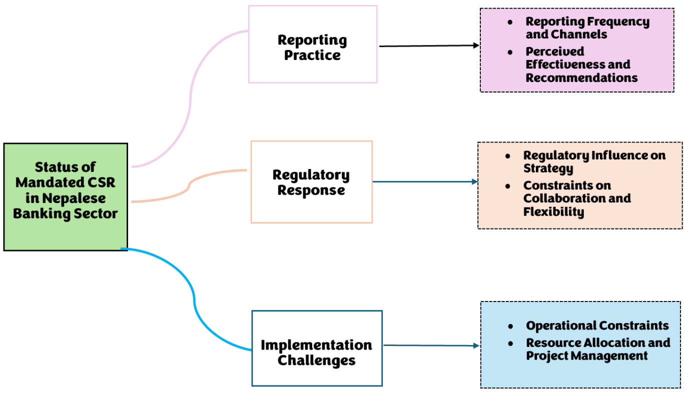

Figure 1: Mind Map of the Data Analysis

Theme 1: CSR Reporting Practices

This theme captures how banks approach the documentation, communication, and dissemination of their CSR activities, including the nature and frequency of reporting and the perceived effectiveness of existing frameworks. Two sub-themes emerged:

Reporting Frequency and Channels: All five participants described well-institutionalized systems for reporting CSR activities. Reporting is typically performed quarterly to the regulator and annually through the publication of CSR disclosures in bank reports and websites.

> *"Every year at the end of the fiscal year, we segregate our CSR expenses and report them to NRB according to the prescribed format. It's a very structured process." (P1)*

> *"Apart from annual reporting, we also publish standalone CSR reports and update our website regularly with project photos and summaries." (P3)*

These responses reflect a highly compliance-driven CSR environment where reporting is embedded within routine organizational processes. The use of multiple platforms, print, digital, and regulatory submissions signals a strong commitment to transparency. However, the focus remains procedural, with less emphasis on the impact or outcomes of the CSR initiatives.

Perceived Effectiveness and Recommendations: Participants generally endorsed the value of mandated CSR reporting but raised concerns regarding the depth of evaluation and follow-up.

> *"The CSR policy is suitable, but implementation should be strictly monitored. Banks should not just tick the box." (P2)*

> *"There's a need to review whether the allocated funds are making real impacts on communities or just fulfilling formalities." (P5)*

These reflections reveal a growing skepticism about the effectiveness of reporting requirements in driving real change. While procedural compliance is ensured, there is limited scope for impact evaluation or performance auditing. This suggests a need to evolve CSR from a transactional activity (i.e., reporting) to a transformational practice (i.e., outcome evaluation and adaptive strategies). Participants also called for stronger monitoring mechanisms, indicating a perceived gap between regulation and on-ground enforcement.

Theme 2: Regulatory Responses

This theme captures how the regulatory environment, mainly governed by the NRB and the Industrial Enterprises Act (IEA), influences CSR design, implementation, and bank-level autonomy. It explores both enabling and constraining effects of legal mandates on CSR practices. Two sub-themes emerged:

Regulatory Influence on Strategy: The NRB guidelines were generally viewed as facilitative in setting strategic direction, offering structured areas for intervention such as digital inclusion and financial literacy.

> *"The regulation is beneficial and well-defined. It gives us strategic clarity, especially on priority areas like digital inclusion and literacy." (P4)*

This quote reflects a positive perception of regulatory scaffolding. By identifying thematic priority areas, such as the mandatory allocation of 5% of the CSR budget to financial literacy, NRB enables banks to align their social initiatives with national priorities. This helps in institutionalizing CSR and ensures coherence across the sector.

Constraints on Collaboration and Flexibility: Some participants criticized the rigidity of the regulatory framework, especially in limiting partnerships with international agencies and curbing flexibility in project selection.

> *"The regulation does not allow partnerships with INGOs anymore. Earlier, we used to do impactful cross-border projects. Now, that's not possible." (P3)*

> *"We have to work with NGOs registered in Nepal only. It's not always easy to find the right partner in remote areas." (P2)*

These views underline a critical tension between compliance and collaboration. While the local partner requirement aims to support domestic capacity, it also constrains global knowledge transfer and funding opportunities, particularly for joint venture banks. This rigidity could hinder scalability and innovation, particularly in regions with limited civil society infrastructure.

Theme 3: CSR Implementation Challenges

This theme outlines the practical difficulties faced by banks in implementing CSR projects under mandated regulations. It covers logistical, financial, and strategic constraints that arise due to the prescriptive nature of CSR laws. Two sub-themes emerged:

Operational Constraints: Participants described difficulties in executing CSR programs across all provinces, a requirement that poses significant logistical burdens.

> *"Strict fund allocation across provinces is limiting. Sometimes we struggle to find eligible projects in Karnali or Sudurpaschim." (P5)*

> *"The requirement to spend at least 10% in each province adds logistical complexity. It's not always need-based." (P1)*

These insights reflect the misalignment between geographical mandates and local realities. While equitable distribution is a noble intent, a uniform provincial allocation model overlooks the variability in needs, institutional capacities, and available partnerships. This results in project inefficiencies, with banks sometimes funding low-impact initiatives merely to satisfy compliance requirements.

Resource Allocation and Project Management: Participants expressed frustration with inflexible budget allocations for specific themes (e.g., 10% for financial literacy), which limit their ability to align CSR with institutional priorities.

> *"One major challenge is aligning our internal CSR strategy with the NRB's strict thematic allocations. It affects the continuity of our long-term projects." (P4)*

> *"Balancing regulatory requirements with our own strategic CSR goals is tricky. We sometimes have to divert funds from impactful projects to satisfy compliance." (P2)*

> *"We had to halt a large-scale education project because we couldn't fulfill the per-province fund allocation requirement. It was frustrating." (P3)*

These statements highlight the strategic misalignment created by top-down mandates. Participants describe a conflict between regulatory compliance and strategic autonomy, where banks are compelled to compromise long-term projects in favor of rigid short-term quotas. This leads to the fragmentation of CSR portfolios, making it difficult to pursue holistic, high-impact interventions.

The details of the CSR laws introduced by the IEA 2016 and the NRB Directive 2017 and 2020 are presented in Table 1:

Table 1: Summary of CSR Laws in Nepal

Basis	Industrial Enterprises Act 2016	Nepal Rastra Bank Directive 2017 & 2020
Applicability of Law	The CSR requirement applies to industries having: • investment in fixed capital > NPR 10 crore • Annual turnover > NPR 15 Crore.	• BFIs: Class A, Class B, Class C, Class D
Amount for CSR	• The Industrial Enterprise Act (IEA) makes it mandatory to allocate at least one percent (1%) of the annual profit to be utilized for CSR. • The Central Bank also makes it mandatory to spend 1% of their profit by Banks in CSR activities.	• 1% of net profit • a minimum of 10 percent of the CSR fund in each province (except for Class D)
Coverage of Banking and Financial	• This law does not directly cover the Banking sector. • No such CSR requirement has been prescribed for insurance businesses and other non-industrial sectors (for example, trading businesses).	Introduced solely for BFIs No such CSR requirement has been prescribed for insurance businesses and other non-industrial sectors (for example, trading businesses).
Standardized Process, Framework and Guideline	• Not specific standardized process has been mentioned in the law. Bank are doing as per their own believes. • CSR policy framework and guideline of CSR areas is not formulated.	• Specified standardization process is there including separation of CSR fund at the year end. • CSR policy framework and guideline on areas where CSR fund can be used. • Financial literacy has been given importance with at least 5% of CSR fund to be invest in this area.
Reporting	• Reporting has to be done in Annual Report. • Reporting to Regulator is not mentioned.	• Reporting to Annual reports and Separate website for developed CSR • Regular CSR reporting to regulator is required.

Note. Compiled by the Authors

Summary of Interview Response

Table 2 provides a summary of the CSR in the Nepalese context. Respondents have provided the regulatory role and response, and implementation challenges; the details are provided below.

Table 2: Summary of Interviews on CSR in Nepalese Commercial Banks

Bank	CSR Reporting Practices	Regulatory Role and Response	CSR Implementation Challenges
A	Annually reports CSR as per NRB directives.	Regulatory bodies are crucial in shaping CSR strategy.	Challenges in finding suitable CSR projects.
	Uses Annual Reports, social media, and websites.	Focus on Financial Literacy by NRB.	Suggests more effective monitoring.
	Believes reporting effectively showcases impact.		
B	Quarterly and annual reporting.	Finds the regulatory framework beneficial and well-defined.	Challenges with group funding and INGOs.
	Due diligence in internal documentation.	Regulation affects group funding and partnerships.	Issues with regulatory planning timelines.
	Communication via social media, annual reports.	Focus on financial literacy and digital initiatives.	
C	Detailed CSR in annual reports; regular web updates.	Regulations focus on financial literacy.	Balancing regulatory requirements with bank goals.
	Advocates for real-time reporting.	Framework beneficial but needs flexibility.	Difficulty finding projects in some regions.
D	Emphasizes transparency and accountability.	The regulatory framework provides clear direction.	Aligning diverse CSR projects with guidelines.
	Detailed reporting on the website.	Influences sector prioritization.	Maintaining global agenda alignment.
	Recommends more stakeholder feedback.		
E	Reports through annual reports, website, and events.	Regulations address key areas like sustainability.	Challenges with strict fund allocation.
	Suggests more qualitative impact data.	Aligns with bank values.	Advocates for greater collaboration.

Note. Compiled by the Authors

Discussions

This study critically examined the quality of CSR reporting, the efficacy of regulatory frameworks, and the operational challenges of mandated CSR in Nepalese commercial banks. Guided by a constructivist perspective and grounded in qualitative insights, the findings highlight a paradox: while CSR has been structurally institutionalized, it remains functionally constrained, more performative than transformative.

CSR activities have become bureaucratically embedded within banks' routines, driven by compliance with NRB's periodic disclosure requirements and formalized through multi-platform reporting. While this institutionalization appears to signal legitimacy (Suchman, 1995), it reflects coercive isomorphism (DiMaggio & Powell, 1983) rather than intrinsic organizational commitment. Reporting practices are largely transactional, focusing on documenting financial outlays rather than evaluating social outcomes. This aligns with Taneja et al. (2022) and Hickmen et al. (2021), who critique mandated frameworks for promoting frequency over efficacy in CSR disclosures.

The lack of robust evaluation mechanisms was a recurrent concern. Participants highlighted a symbolic-substantive divide: CSR is implemented as an obligatory ritual rather than a vehicle for measurable community transformation. This mirrors Mishra and Banerjee's (2016) contention that regulatory mandates often reinforce superficial compliance, marginalizing impact assessment and accountability. Despite structural alignment, banks lack strategic incentives to assess the long-term social value of CSR investments.

The regulatory environment, anchored in NRB directives and the IEA 2016, was perceived as both enabling and restrictive. On one hand, mandates like the 5% allocation to financial literacy offer thematic clarity and help align CSR with national development objectives, resonating with stakeholder theory (Freeman, 1984). On the other hand, the rigid stipulations, such as constraints on international partnerships and forced localization—curtail organizational autonomy and stifle innovation. These constraints echo Kansal et al.'s (2018) findings that rigid policy structures in developing contexts often hinder adaptive, collaborative CSR practices.

Participants criticized the inflexible geographic allocation requirement (10% of CSR budgets per province) as operationally impractical. In underdeveloped provinces like Karnali and Sudurpaschim, banks struggle to find viable partners or projects, leading to inefficient budget dispersion. This reflects the limitations of uniform policy architectures in heterogeneous socio-economic contexts, as articulated by Khan et al. (2019). The emphasis on geographic parity over contextual relevance diminishes CSR's developmental logic and dilutes strategic focus.

This institutional rigidity has direct consequences for CSR strategy and performance. Several participants reported being forced to abandon impactful, long-term projects due to non-negotiable budget distribution rules. This trade-off between regulatory compliance and strategic intent exemplifies Oliver's (1991) concept of strategic decoupling, wherein organizations outwardly conform while internally resisting or adapting to mandates. In Nepal's CSR landscape, banks are caught between legitimacy-driven compliance and purpose-driven innovation, often at the expense of meaningful social outcomes.

Conclusion and Implications

This study critically assessed the status of mandated CSR in Nepalese commercial banks, focusing on reporting practices, regulatory responses, and implementation challenges. While banks have institutionalized CSR reporting through annual reports, websites, and other disclosure platforms, the process remains largely procedural, focused on compliance rather than measurable societal impact.

Regulatory frameworks, particularly those mandated by the NRB and IEA, were found to provide strategic clarity. However, their rigid implementation, such as restrictions on partnerships and inflexible fund allocation, limits innovation, disrupts strategic alignment, and impedes high-impact interventions. Implementation challenges further compound these issues, as banks struggle with geographically mandated allocations and thematic quotas that do not always reflect contextual realities or institutional capacities.

The findings highlights a critical need for regulatory reform. Policymakers should aim to recalibrate CSR mandates by introducing greater operational flexibility and mechanisms for outcome evaluation. Doing so would enable banks to align regulatory compliance with strategic CSR objectives, fostering innovation while remaining socially accountable. For banks, the imperative is to move beyond compliance-driven CSR and adopt adaptive, context-sensitive practices that deliver sustainable value to both communities and the institution.

This study deepens the understanding of institutional and stakeholder theories in the context of mandated CSR by highlighting how coercive institutional pressures lead to formalized but often symbolic compliance rather than substantive engagement.

For banking institutions, the study highlights the urgent need to rethink CSR beyond compliance. Managers must transition from procedural reporting toward impact-driven strategies that reflect genuine community needs. Investment in impact measurement frameworks and stakeholder feedback loops will enhance both credibility and value creation. Policymakers, particularly the NRB and the Ministry of Industry, must reform CSR mandates to introduce greater operational flexibility, allowing banks to prioritize needs-based interventions over rigid fund quotas. Enabling cross-sectoral partnerships, including with INGOs and private foundations, could unlock new resources, expertise, and scalability. Moreover, integrating monitoring and evaluation (M&E) protocols into CSR guidelines would shift the policy architecture from compliance-centered to outcome-oriented governance.

Limitations and Further Research

While this study reflects the perspectives of a select group of CSR professionals, it opens pathways for broader research into how evolving policies and stakeholder expectations continue to shape CSR in Nepal's banking sector. A mixed-methods study integrating quantitative content analysis of CSR disclosures and longitudinal tracking of project outcomes could provide more comprehensive insights into the evolution, impact, and effectiveness of mandated CSR over time. Similarly, this research is solely studies the mandated CSR practices related to banking institutions, further research can be run to know the CSR practices and implementation challenges related to other industries such as the Telecom sector (Ncell, NTC), Cement industry, and health sectors.

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Conflict of Interest

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Ethical Statement

This research did not require ethical approval as it does not involve any human or animal experiments.

Authors' Contribution and ORCID iDs

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