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Determinants of Corporate Social Responsibility in Nepalese Commercial Banks

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Abstract

The study attempts to examine the determinants of corporate social responsibility in Nepalese commercial banks. Corporate social responsibilities (CSR) is the dependent variable and the selected independent variables are return on assets (ROA), return on equity (ROE), bank age (BA), bank size (BS) and liquidity. The study is based on primary as well as secondary data. The primary data consists of questionnaires to 125 respondents from 18 commercial banks. The secondary data includes the observations from 18 commercial banks for the period of 2014/15 to 2020/21. The secondary data were collected from Banking and Financial Statistics published by Nepal Rastra Bank and the annual report of respective banks. The correlation coefficients and regression models are estimated to test the significance and importance of ROA, ROE, BA, BS and liquidity on determining CSR activities in Nepalese commercial banks.

The result showed that ROA has a positive impact on CSR of Nepalese commercial banks. It indicates that increase in ROA of bank would leads to increase in CSR activites. Likewise, the results also showed that ROE has a positive impact on CSR. It means that higher the ROE, higher would be the CSR related activities. Similarly, the study also found that bank size is positively related to the bank CSR. This indicates that the larger the bank size, greater would be the CSR of such banks. Moreover, bank age also has a positive impact on CSR. It suggests that older banks are likely to perform greater CSR activities than newer banks. In addition, the study showed that liquidity has a negative impact on CSR. This means that higher the level of liquidity in the banks, lower would be the CSR activities of Nepalese commercial banks. The study revealed that the most dominant factor that determines the CSR is liquidity followed by ROE in the context of Nepalese commercial banks.

Keywords: Corporate social responsibility, Nepalese commercial banks, return on assets, return on equity, bank size, bank age and liquidity.

1. Introduction

Corporate Social Responsibility (CSR) is referred as corporate activities that are beyond economic motives and legal requirements, adding ethical and voluntary responsibilities of business towards society (Chapagain, 2012). CSR is a concept whereby companies integrate social and environmental

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concerns in their business operations and interactions with their stakeholders (Carroll, 1991). CSR refers to a company's sense of responsibility for the impacts of its decisions and activities on society and the environment, beyond its legal obligations (Aras and Duru, 2015). CSR is a type of self-regulatory mechanism integrated into a business model which reflects the firm's attitude and behavior toward stakeholders, including consumers, employees, shareholders, communities, and the environment (Kim and Lee, 2011). CSR is an organization or a corporate firm being socially accountable to itself, its stakeholders, and the public. Corporate social responsibility is "a commitment to improve community well-being through discretionary business practices and corporate resources (Kotler & Lee, 2005). CSR is a business principle and/or practice which integrates legal, economic, ethical, social and environmental concerns and seeks to fulfill the interests of all stakeholders including the interest of business itself (Chapagain, 2020). CSR is the deliberate integration of social and environmental concerns in the business practices and operations of an organization, leading to a positive impact on stakeholders and the environment (Pirsch and Kwon, 2012). CSR activities includes reducing carbon footprints, improving labor policies, participating in fair trade, diversity, equity and inclusion, community and virtual volunteering, corporate policies that benefit the environment, socially and environmentally conscious investments and many more.

The financial sector, in particular the banking industry, is considered as a high visibility sector with a very large stakeholder's base. Banks use, amongst other communication channels, their annual reports to interact with the wider society and convey their stance on social responsibility. This behavior by corporations, including banks, is referred to as corporate social disclosure (CSD) defined as "a manifestation of the practice by which organizations communicate their social and environmental impacts and responsibilities to different stakeholders" (Menassa, 2010). Several studies documented the evolution and characteristics of this phenomenon in developed and developing banking sectors (Aljifri *et al.*, 2014; Menassa & Brodhäcker, 2017). If a bank pays more attention to social responsibilities, the bank can get profits for themselves through better risk management, employee loyalty and higher reputation (Rai, 2020). CSR is of particular relevance in the banking sector because it promoted several competitive advantages, the most important of which is the enhancement of the bank's reputation, which is a determining factor in attracting and retaining customers, increasing employee retention, and yielding better financial results (Lorena, 2019). A corporation is generally encouraged to adopt CSR because of its perceived benefits. In long-term perspective CSR should improve companies' competitiveness and reputation and positively affect relationship between CSR activities of a company and its financial performance (FP). Although vast studies has been undertaken in CSR area, the related studies have focused on the existence of the relationship between CSR and FP (Ambec & Lanoie, 2008; Dixon-Fowler *et al.*, 2013; Orlitzky *et al.*, 2003).

Several studies have tried to look at the impact of various financial and non-financial variables as a determinant of CSR. Hassan and Musa (2013) found that factors such as dividend, institutional ownership, leverage, and firm growth had a positive and significant influence on CSR of listed deposit money banks in Nigeria, with economic profit and firm size also having a positive and significant impact on CSR. The firm characteristics such as size, industry, profitability and corporate governance are the main drivers of CSR disclosure in both developed and developing countries (Ali *et al.*, 2017). Political, social and cultural factors also play a role in influencing CSR disclosure. In developed countries, stakeholders such as regulators, shareholders, creditors and investors are found to be important drivers of CSR disclosure, while in developing countries, external forces such as international buyers, foreign investors, international media and international regulatory bodies are found to be the main drivers. Additionally, firms in developing countries face relatively little pressure from the public to disclose CSR information (Ali *et al.*, 2017). Menassa & Dagher (2020) studied the determinants of corporate social responsibility disclosures of UAE national banks. The study revealed that size and financial performance variables were significant explanatory factors for the extent of CSD. Likewise, Mamun *et al*. (2013) found that banking firms with larger size will be more CSR-minded compared to the firms with smaller size.

In the case of other companies other than banks, the CSR is well related to different measurable factors. The financial characteristics (ROA), corporate governance characteristics (board size) and firm-specific characteristics are positively related to CSR disclosures, but the presence of female board members negatively related to CSR disclosures in the context of insurance companies listed in the Gulf Cooperation Council (GCC) countries (Kukreja *et al.,* 2023). Moreover, Handoyo (2020) revealed that firm size, earning per share and stock price significantly influenced CSR disclosure. Dyduch & Krasodomska (2017) examined elements such as company size, profitability, financial leverage, industry environmental sensitivity, board size, women on the board, internationalization, and reputation. The study found a relationship between company turnover, duration of stock exchange listing, inclusion in the Respect Index portfolio, and foreign capital share and the level of CSR disclosures. Faris *et al*. (2012) studied that size and growth are significantly and positively related and influencing CSR of listed industrial companies in Jordan, while Institutional ownership is positively associated with CSR. Cowen *et al*. (1987) found that company size has a significant impact on CSR disclosure elements. While, Patten (1991) investigated the contribution of size, industry and profitability and found in the result that size and industry except for profitability were significant explanatory variables. Also, Trotman and Bradely (1981) studied the impact of four different explanatory variables inclusive of size and found that size is positively and significantly associated with CSR disclosure.

Socially responsible activities are gaining increasing momentum in developed and developing countries. The financial sector is widely known as the backbone of the economy, where CSR plays a vital role. Prior studies investigating CSR disclosure in financial sectors have mainly focused on western countries (Branco & Rodrigues, 2008; Gamerschlag *et al.*, 2011; Menassa, 2010) except for a few studies that focus on developing countries (Hossain & Reaz, 2007). Majumdar & Sinha (2018) found that various macro-environmental conditions, country specific CSR policies, and contextual determinants influence the CSR practices in developing countries. Regulatory regime, government-business relationship, level of economic development, the role of civil society and media, organizational readiness, and managerial perception are the main determinants that affect CSR practices in developing countries (Majumdar & Sinha, 2018). Jennifer Ho & Taylor (2007) examined the influence of size, profitability, industry membership, leverage and liquidity on CSR reporting and found empirically that corporate size is significantly and positively associated with CSR disclosure while corporate profitability, liquidity and industry membership is significantly and negatively associated with CSR disclosure. Whereas there is no significant relationship between leverage and CSR reporting. Bank age, financial performance and State shareholding are the main factors that impact on CSR disclosure in the Tunisian listed banks' annual reports, while the bank size, foreign shareholding and the type of auditors are unrelated to the listed banks' CSR disclosure (Raida *et al.*, 2017).

In a nutshell, scholars analyzing relationship between CSR and FP formulate mixed results. Much of studies and literature on CSR has been focused on developed markets, where organizations and institutions are more efficient and effective while research in emerging markets on the subject is limited (Dumitrescu & Simionescu, 2015). Therefore, there is a need for critical CSR research agenda focusing on developing economies, especially in the South Asian countries that do not have a long CSR tradition and practice. According to Albu *et al.* (2016), CSR has evolved differently depending on the economic, legal and social condition of each country. Thus, various empirical CSR studies is needed to understand the differences in CSR applications and effects and to explain the existing differences in certain countries.

In the context of Nepal, activities related to CSR were mainly concerned with philanthropic activities, and the main concerns were associated with social and religious values. The Industrial Enterprise Act, 2020 has made CSR mandatory for industrial enterprises of certain size and types, while NRB regulations have made the CSR activities mandatory to the Nepalese banking industry. Majority of Banking and Financial Institutions (BFIs) (69.8 percent) carry out their CSR activities on their own without any outside influence. 45.6 percent of the respondents ranked first 'Image building' as the driver of CSR. Some companies in Nepal, such as the Chaudhari Group, Nepal Telecom, Ncell, Panchakanya Group, and commercial banks, have consistently been involved in CSR activities. CSR is now mandatory for industries, banks, and financial institutions in Nepal as governed by the Industrial Enterprises Act 2016 and Nepal Rastra Bank circular from Act 2017 onwards (Shah, 2012; Sharma, 2016). Further, Bidari & Djajadikerta (2020) found a positive and significant relationships between both bank size and profitability and the extent of CSR disclosures in the Nepalese banks, while bank age was a partial determinant. Pradhan and Chaudhary (2020) revealed that increased firm profitability, customer retention, employee involvement, shareholders contribution, and community participation led to increased CSR. The study concluded that firm profitability, followed by customer retention, is the most significant factor in explaining the impact of CSR on organizational performance in Nepalese commercial banks. Likewise, Wagle (2020) found that there is a negative correlation between CSR activities and return on assets, but no significant correlation between CSR activities and return on equity or net income. A recent study by Chapagain (2020) concluded that the overall status of CSR in Nepal is above the moderate level. The study found that CSR practices are significantly higher in large firms compared to small and medium enterprises.

In view of this, the present study aims to investigate the determinants of CSR in the banking sector in the context of a developing country Nepal. The specific objectives of this study are to analyze the perception of respondents of Nepalese commercial banks regarding CSR activities; to analyze the impact of bank size, bank age, ROA, ROE, liquidity in the CSR activities of Nepalese commercial banks examine the structure and pattern of CSR in Nepalese commercial banks; and to assess the most significant variables affecting CSR in Nepalese commercial banks. This study will provide valuable insights into the current state of CSR in the Nepalese banking sector, and will contribute to the ongoing debate on the role of CSR in developing countries.

The above discussion shows that empirical evidences vary greatly across the studies on the determinants of CSR activities. Though there are above mentioned empirical evidences in the context of other countries and in Nepal, no such findings using more recent data exist in the context of Nepal. Therefore, in order to support one view or the other, this study has been conducted.

The main purpose of the study is to investigate the determinants of corporate social responsibilities in Nepalese commercial banks. Specifically, it examines the relationship of bank size, bank age, ROA, ROE and liquidity with CSR activities in Nepalese commercial banks.

The remainder of this study is organized as follows: Section two describes the sample, data and methodology. Section three presents the empirical results and the final section draws the conclusions and discusses the implications of the study findings.

2. Methodological aspects

This study is based on primary as well as secondary data. The primary data was collected through questionnaires from 125 respondents of 18 commercial banks of Nepal. Likewise, the secondary data was collected from 18 commercial banks for the period from 2014/15 to 2020/2021. The sources of secondary data include Banking and Financial statistics published by Nepal Rastra Bank, reports published by Ministry of Finance and annual report of respective banks. The primary and secondary data are collected and analyzed to determine the relationship of dependent and independent variables. The study is based on descriptive and causal comparative research designs. Table 1 shows the list of sample commercial banks selected for the study along with number of observations.

Table 1: List of commercial banks selected for the study along with number of observations

S. N.	Name of the banks	Observations
1	Agricultural Development Bank Limited	6
2	Bank of Kathmandu Limited	7
3	Civil Bank Limited	9
4	Everest Bank Limited	8
5	Global IME Bank Limited	10
6	Himalayan Bank Limited	6
7	Kumari Bank Limited	5
8	Laxmi Bank Limited	6
9	Machhapuchchhre Bank Limited	6
10	Mega Bank Nepal Limited	7
11	Nabil Bank Limited	9
12	Nepal Bank Limited	7
13	NIC Asia Bank Limited	5
14	NMB Bank Limited	5
15	Prabhu Bank Limited	8
16	Rastriya Banijya Bank Limited	5
17	Sanima Bank Limited	12
18	Siddhartha Bank Limited	4
Total number of observations		**125**

Thus, this study is based on 125 observations.

The model

The model estimated in this study assumes that CSR activities depends on ROA, ROE, bank size, bank age and liquidity. Therefore, the model estimated in this study takes the following form:

CSR = f (ROA, ROE, bank size, bank age and liquidity)

More specifically,

$$CSR = \beta_0 + \beta_1 ROA + \beta_2 ROE + \beta_3 BS + \beta_4 BA + \beta_5 LIQ + e$$

Where,

ROA = Return on assets defined as net income divided by total assets, in percentage.

ROE = Return on equity defined as net income divided by total equity, in percentage.

BS = Bank size defined as total assets of bank, Rs. in billion.

BA = Bank age defined as number of years in operation, in years.

LIQ = Liquidity defined as ratio of current assets to current liabilities, in percentage.

β_0 = Intercept

$\beta_{1,}$ $\beta_{2,}$ $\beta_{3,}$ β_4 and β_5 = Coefficient of the variables

The following section describes the independent variables used in this study along with hypothesis formulation.

Bank size (BS)

Bank size is the total assets of the bank in billion rupees. The bigger the size, the greater the pressure from the community (Darwis, 2009). Companies must give trust to the community by carrying out their responsibilities to society, the community, and the environment. The size of the company will determine the implementation of CSR activities and CSRD. Similarly, Udayasankar (2008) found that larger the size of the company, the higher is the level of CSR activity and CSRD carried out. Axjonow et al. (2018) argued that the increase in company size also leads to increase in the CSR activities of the company. Likewise, Bidari & Djajadikerta (2020) revealed that bank size has a positive correlation with the CSR disclosure. In addition, Handoyo (2020) found that the firm size significantly influenced the corporate social responsibilities disclosure. Similarly, Bulut Sürdü (2020) and Ali et al. (2017) also revealed that the firm size has a positive impact on CSR. Based on it, this study develops following hypothesis;

H_1: There is a positive relationship between bank size and CSR activities.

Return on assets

Return on assets is often called the return on investment. Return on assets shows the profit generated by the assets of banks annually. Return on assets is an indicator of how much an organization is earning over its total assets. ROA is the major ratio that indicates the profitability of a bank, which is defined as net profit over average total assets (ROA = Net profit/Average of total assets). It measures the ability of the bank management to generate income by utilizing bank assets at their disposal.

Malik & Nadeem (2014) found a positive relationship between CSR and ROA for eight banks in Pakistan. Likewise, Matuszak & Różańska (2017) showed a positive correlation between CSR and ROA in the case of banks in

Poland. A bank's profitability is governed by its ROA. Moreover, Ali *et al.* (2017) found that the CSR activities are positively affected by ROA of firms. In addition, Naser *et al.* (2013) concluded that increase in ROA of bank also increases the CSR activities. Based on it, this study develops the following hypothesis;

H_2: There is a positive relationship between return on assets and CSR activities.

Bank age

The existence of a business under legitimacy theory depends upon the acceptance by the community where they operate (Deegan, 2002). Legitimacy theory assumes that the firm's age is related to its reputation and its history of involvement in CSR practice (Bidari & Djajadikerta, 2020). Since older firms may take relatively more legitimacy and may have higher reputations, they will be more involved in CSR disclosure activities than younger firms. Therefore, it is expected that older banks listed on the NEPSE are more likely to have a greater impact on CSR than younger firms. Bulut Sürdü (2020) revealed that the firm's age has a positive impact on its CSR activities. Similarly, Waluyo (2017) also stated that the CSR disclosure of firms are significantly positively affected by the age of firms. Likewise, Withisuphakorn & Jiraporn (2016) stated that as firms get older, they became much more responsible in terms of diversity and environmental awareness and hence CSR. However, Činčalová & Hedija (2020) concluded that firm age is not a factor affecting the CSR practice. Based on it, this study develops the following hypothesis;

H_3: There is a positive relationship between the bank age and CSR activities.

Return on equity

Return on equity measures the return earned on both preferred and common stockholders' investment in the financial institution annually. It shows the ability of generating profits from every unit of shareholders' equity. ROE is also another financial ratio that indicates the profitability of a bank, which is calculated as net profit divided by average total equity capital (ROE = Net profit/Average of total equity capital). It represents the rate of return earned on the funds invested in the bank by its stockholders.

Shoukat Malik & Nadeem (2014) found that the CSR has a positive relationship with ROE for banks in Pakistan. Matuszak & Różańska (2017) also revealed a positive correlation between CSR and ROE in the case of banks in Poland. However, Wagle (2020) revealed that ROE has a neutral relationship with CSR. However, Hidayat (2017) pointed out that ROE has a negative impact on the CSR activities for the study carried out in different manufacturing companies. Based on it, this study develops the following hypothesis;

H_4: There is a positive relationship between ROE and CSR activities.

Liquidity

Liquidity is a measure that can be used to measure a company's ability to meet or pay off short-term debts. It is the ratio of total loan to the total deposit. The relationship between liquidity and CSR disclosure is based on the theory of legitimacy in which disclosure of corporate social responsibility is carried out to obtain positive value and legitimacy from the community. Based on the theory of legitimacy, it is believed that the strength of the company, which is indicated by a high liquidity ratio, will be associated with a high level of disclosure of social responsibility. Companies with high liquidity ratios will be attractive to investors and will also have an impact on share prices because of strong demand, share prices tend to rise (Santosa & Ayu, 2021)

According to Putri & Christiawan (2014), high company liquidity will attract investors to invest because the large number of CSR disclosures made will show that the company is increasingly credible. Wasito *et al.* (2016) stated that liquidity has a positive effect on CSR disclosure. In addition, Putri *et al.* (2017) showed that liquidity has a positive effect on CSR disclosure. Likewise, Santosa & Ayu (2021) also found that the liquidity has a positive effect on CSR disclosure. Moreover, the study by Bidari & Djajadikerta (2020) concluded that liquidity is positively correlated with the CSR disclosure. Based on it, this study develops the following hypothesis;

H_5: There is a positive relationship between liquidity and CSR activities.

3. **Results and discussion**

Descriptive statistics

Table 2 presents the descriptive statistics of the selected dependent and independent variables during the period 2014/15 to 2020/21.

Table 2: Descriptive Statistics

This table shows the descriptive statistics of independent variables of 18 Nepalese commercial banks for the study period from 2014/15-2020/21. The independent variables are ROA (Return on assets defined as net income divided by total assets, in percentage), BS (Bank size defined as total assets of bank, Rs. in billion), BA (Bank age defined as number of years in operation, in years), ROE (Return on equity defined as net income divided by total equity, in percentage) and LIQ (Liquidity defined as ratio of current assets to current liabilities, in percentage).

Variables	Minimum	Maximum	Mean	Std. Deviation
ROA	0.34	15.06	2.050	2.70
ROE	9.02	26.38	15.91	3.75
BS	57.83	212.21	122.65	37.29
BA	5.00	80.00	21.25	17.49
LIQ	68.48	93.02	86.37	5.82

Source: SPSS output

Correlation analysis

Having indicated the descriptive statistics, Pearson's correlation coefficients are computed and the results are presented in Table 3.

Table 3: Pearson's correlation coefficients matrix

This table shows the bivariate Pearson's correlation coefficients of dependent and independent variables of 18 Nepalese commercial banks for the study period from 2014/15 to 2020/21. The dependent variable is CSR (Corporate social responsibility). The independent variables are ROA (Return on assets as measured by the ratio of net income to total assets, in percentage), ROE (Return on equity as measured by the ratio of net income to total shareholders' equity, in percentage), BA (Bank age as measure by number of years in operation, in years), BS (Bank size as measured by the total assets, Rs. in billion) and LIQ (lLquidity as measured by the ratio of total loan to total deposit).

Variables	ROA	ROE	BS	BA	LIQ	CSR
ROA	1					
ROE	0.151*	1				
BS	0.340**	0.734**	1			
BA	0.062	0.382**	0.503**	1		
LIQ	-0.014	-0.731**	-0.718**	-0.579**	1	
CSR	0.024	0.08	0.087	0.097	-0.162*	1

Note: The asterisk signs (**) and (**) indicate that the results are significant at one percent and five percent levels respectively.

Table 3 shows that ROA has a positive relationship with CSR. It shows that increase in ROA leads to increase in CSR. Likewise, ROE is positively correlated to CSR. It means that increase in ROE leads to increase in CSR. Similarly, there is a positive relationship between bank size and CSR indicating that increase in bank size leads to increase in CSR. However, there is a negative relationship between liquidity and CSR. It implies that higher the liquidity ratio in the bank, lower would be the CSR activities. Further, this study reveals that there is a positive relationship between bank age and CSR. It means that older the bank are involved in more CSR activities.

Regression analysis

Having indicated the Pearson's correlation coefficients, the regression analysis has been carried out and the results are presented in Table 4. More specifically, the estimated regression results of ROA, ROE, liquidity, bank age and bank size on CSR activities of Nepalese commercial banks.

Table 4: Estimated regression results of ROA, ROE, bank size, bank age and liquidity on CSR activities

The results are based on panel data of 18 commercial banks with 125 observations for the period of 2014/15-2020/21 by using the linear regression model and the model is $CSR = \beta_0 + \beta_1 ROA + \beta_2 ROE + \beta_3 BS + \beta_4 BA + \beta_5 LIQ + e$ *where, the independent variable is ROA (Return on assets as measured the ratio of net income to total assets, in percentage), ROE (Return on equity as measured by the ratio of net income to total shareholders' equity, in percentage), BA (Bank age as measure by number of years in operation, in years), BS (Bank size as measured by the total assets, Rs. in billion) and LIQ (Liquidity as measured by the ratio of total loan to total deposit). The dependent variable is CSR (Corporate social responsibility).*

Model	Intercept	Regression coefficients of					Adj. R_bar²	SEE	F-value
		ROA	ROE	BS	BA	LIQ			
1	3.934 (67.765) **	0.005 (0.27)					0.008	0.517	0.073
2	4.119 (20.436) **		0.011 (0.893)				0.002	0.515	0.797
3	4.091 (25.75) **			0.001 (0.966)			0.001	0.515	0.933
4	4.005 (55.20) **				0.003 (1.085)		0.001	0.514	1.176
5	2.71 (3.977) **					-0.014 (1.815)	0.018	0.510	3.296
6	4.117 (20.348) **	0.007 (0.409)	0.012 (0.941)				0.008	0.517	0.479
7	4.124 (20.303) **	0.011 (0.599)	0.003 (0.174)	0.001 (0.631)			0.013	0.518	0.451
8	4.108 (20.001) **	0.01 (0.513)	0.003 (0.172)	0.001 (0.357)	0.002 (0.606)		0.019	0.519	0.428
9	2.029 (1.336)	0.002 (0.085)	0.009 (0.442)	0.002 (0.166)	0.001 (0.53)	-0.02 (1.382)	0.011	0.518	0.727

Notes:

i. Figures in parenthesis are t-values.

ii. The asterisk signs (**) and (*) indicate that the results are significant at one percent and five percent levels respectively.

iii. CSR is the dependent variable.

Table 4 shows that the beta coefficients for ROA are positive with CSR. It indicates that ROA has a positive impact on CSR. This finding is similar to the findings of Ali *et al*. (2017) and Naser *et al*. (2013). Similarly, the beta coefficients for ROE are positive with CSR. It implies that ROE has a positive impact on CSR. This finding is consistent with the findings of *Shoukat Malik*

& Nadeem (2014). However, the beta coefficients for liquidity are negative with CSR. It indicates that liquidity has a negative impact on CSR. This finding is not consistent with the findings of *Santosa & Ayu (2021*). Likewise, the beta coefficients for bank size are positive with CSR. It indicates that bank size has a positive impact on CSR. This finding is similar to the findings of *Axjonow et al. (2008*). And, the beta coefficients for bank age are positive with CSR. It indicates that bank age has a positive impact on CSR. This finding is consistent with the findings of Bulut Sürdü (2020).

4 Summary and conclusion

Corporate Social Responsibility (CSR) is a concept whereby organizations consider the interests of society by taking responsibility for the impact of their activities on customers, employees, shareholders, communities, and the environment. CSR involves a company taking responsibility for its impact on society and the environment, through initiatives such as ethical business practices, environmental sustainability, and community engagement. CSR is a crucial aspect of business for commercial banks, as it involves the voluntary actions taken by the banks to improve society and the environment. The importance of CSR in commercial banks can be seen in various ways, including enhancing their reputation, building brand loyalty, managing risks, and engaging employees. A bank with a strong CSR reputation is often more attractive to customers, employees, and investors, as it is seen as a responsible and ethical organization. Moreover, CSR initiatives can help banks build brand loyalty among their customers and stakeholders, and reduce the potential negative impact of their operations on society and the environment. These initiatives can also result in higher levels of employee engagement and satisfaction, as employees feel proud to work for an organization that makes a positive impact on society.

The study is based on primary and secondary data which are gathered for 18 commercial banks in Nepal for the period of 7 years from 2014/15 to 2020/21. The secondary data are collected from the Banking and Financial statistics published by Nepal Rastra Bank, reports published by Ministry of Finance and annual report of respective banks.

The major conclusion of this study is that there is a positive impact of return on assets, return on equity, bank's size and bank's age on bank CSR activities. However, liquidity has a negative impact on bank CSR activities. Thus, higher the return on assets, bank size and bank age, higher would be the CSR activities of banks.

Finally, the study concluded that liquidity followed by return on equity are the most influencing factor that explains the changes in CSR activities of commercial banks of Nepal.

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