Corporate Social Responsibility of Commercial Banks in Nepal: Expectation or Dilemmas

Raghu Bir Bista, Ph.D.
Associate Professor, Department of Economics,
Patan Multiple Campus, Tribhuvan University
Post Box No: 9137, Kathmandu, Nepal
E-mail: bistanepal@gmail.com

Abstract

This study examines the practices and dilemmas of the corporate sectors to CSR in Nepal. Using explorative and descriptive methods, the study analyzes secondary and primary combo data sets covering only the financial sector, particularly private commercial banks to unlock CSR issues of the corporate sectors. As a result, the study finds a positive perception, higher awareness level and good adoption of the private commercial banks on CSR. In practice, the study gets CSR as voluntary social responsibility in almost all private commercial banks. Similarly, the study finds the least CSR size. Its flow is discrete and irregular without priority. Lastly, the satisfaction level of almost all stakeholders is poor and says that it should be obligatory to banks for encouraging implications. Since CSR practices is a dilemma to the corporate sector and the government in the imperfect open market in developing countries like Nepal, the government should come beyond the policy frameworks of CSR to transform voluntarily CSR to mandatory CSR in the practices. Furthermore, the government should improve the monitoring and evaluation system for CSR to make mandatory additional resource mobilization for social causes for improving social welfare and socio-economic justice in society for reducing have and have-not gaps.

Keywords: CSR, Corporate sector, Commercial bank, Value, Ethical business, Social responsibility

1. Introduction

Market economy, corporate sector, and corporate social responsibility (CSR) are interdependent issues to check and balance within the system of an open economy for economic growth, stability, and welfare. CSR of the corporate sector is a good stabilizer factor for goodwill of the corporate sector and the welfare of needy people and society. Despite a provision, the malpractices of CSR reveal a big dilemma of the corporate sectors. In this context, CSR has become a key issue in Nepal, where the deregulation of the economic reform in 1992 Nepalese economy has increased corporate investment in the banking sector and the number of commercial banks and development banks (Bista, 2011, 2016 & MoF, 2017). As the surprise achievement, the growth of commercial banks and development banks jumped up with four hundred times and eight hundred times more than the base year of the 1990s respectively (NRB, 2017 & MoF, 2017). Similarly, NRB (2017) has accounted for a significant growth of net profit in the banking industry, along with the increasing competition in banking services and products in the banking industry and freedom and choice to the customers of the banking industry. These financial indicators have shown the financial growth of the banking industry, financial stability, and financial health. To some extent, almost all commercial banks have initiated their CSR at a limited level, although CSR is voluntary in nature in the industrial policy. In India, 2 percent of total profit is obligatory to CSR in the community. This practice in the USA is 1 percent of their profit as legal and ethical mandatory. Despite voluntary CSR, the consumer expects a huge CSR contribution and investment from these banks by global corporate governance’s standards and principles so the corporate sector should be responsible to the consumer and the people to reduce the gap between the corporate sector and the society and disparity in the society and to promote fair competition for a win-win situation between producer and consumer.
Despite the importance of CSR issues in policy, market, and institutional aspects, a handful of relevant literature is available. They are Bista (2005), FNCCI (2006), and Bista (2016). The available literature has covered only the issues of foreign direct investment (FDI) and multinational corporation (MNC). In the banking industry, this issue is still new having a big scope of new knowledge and policy initiation. In the limitation of the relevant literature, the CSR of the commercial bank is itself a relevant issue. Besides, these banks have started a practice of CSR activities investing in different socially sensitive issues in their own format. This practice has made it relevant to this study. In this context, the study examines types, characters, magnitude, drift and shape of CSR for its advancement and growth in the banking sectors with the expectation of new knowledge.

The board objective of the study is to inspect the CSR’s types and practices of the commercial banks in Nepal. Specific objectives are to analyze the structure and trend of their CSR budget in Nepal and explore CSR size and CSR and profit ratio and identify their primacy areas.

2. Literature Review

Concept of CSR

In the market economy, CSR is an automatic stabilizer to check and balance the supernormal profit motives of the corporate sector like in a monopoly market and unfair competition and unequal distribution of resources. This portion of corporate profit reduces corporate profit. Therefore, the corporate sector is in a dilemma on CSR funds and activities to execute either as mandatory or as voluntary. However, this important approach arose in 1917, when Henry Ford started social accountability in forms of the worth of all shareholders’ interests as well as the societal happiness of workers and stakeholders (Lee, 2008). Its nature was a business approach to being a good corporate citizen. Its practices have been popular later across the globe. Instantaneously later World War II, business world approved it as the prerequisite to obligate around of their returns to societal reasons. Such CSR focuses only on social causes (Afful, 2003). In the meantime, there are constructive practices in which the business proprietors taking a humanoid arrogance toward their labors and reinforced community reasons, fix consequently aimed at spiritual or generous drives. But, allocating nutrition and cash toward the deprived through centenaries cannot be entitled CSR (Afful, 2003). Thus, CSR is a philanthropy nature.

Sen et al. (2006) distinguished the progress of CSR events and their effect on trades development, jobs and investment. Carmeli (2005) stated it as a maintainable viable benefit. Therefore, it has converted an ingredient of business power for reasonable benefit.

Besides, the concept is limited only as a part of the corporate governance of the corporate sector. Academically, Dodd (1932) and Berle (1932) raised a query on CSR in his article in a Harvard Law Review in 1932. 20 years later, Bowen (1953) highlighted it in his book concentrating on the association of corporations with humanity and the essential for commercial morals (Carroll, 1979). After the big lap of 19 years, Milton Friedman (1970) raised this issue in 1970 in his article in the New York Times Magazine. So, this evolution has made it an important issue for social interest.

In the existing literature, there are two different supplementary approaches. Borok (2003) and Donohue (2005) argue CSR is the activities of the company to be good citizens contributing to people’s happiness elsewhere their own egocentricities. Differently, Elhauge (2005) argues CSR as forgoing returns in the societal importance, like Graff Ziven and Small (2005), Portney (2005) and Reinhardt (2005). Thus, CSR is an expenditure of the company for social causes including public utilities, environmental activities, and social activities (health, education, and sanitation).

CSR: Mandatory or Voluntarily

CSR dilemma is either mandatory or voluntary, although it is practiced for social interest. On this dilemma, Griffin, (1998); Afful, (2003); Government of Nepal (2017); Kootz and Weihrich, (1990) and Kreitner, (1999) discuss academically. Almost all literatures argue it for mandatory because the social responsibilities of business mean responsibilities of business towards customers, workers, shareholders and the community (Afful, 2003). In India, it is mandatory in the industrial policy in accordance with the government of India (2017). In the USA, it is a mandatory provision. However, the government of Nepal (2017) argues it voluntarily by giving freedom to the corporate sector. Thus, CSR is both mandatory and voluntary in accordance with the country’s perspective and policy on corporate governance.

CSR practices in Nepal

CSR is not a new issue in Nepal. In the medieval and even modern periods, the social responsibility of individuals and business companies is an ingredient of a legacy of history. Merchant uses it to be a good citizen to improve goodwill and value addition of the business particularly in constructing public water taps, scholarships, charity to the
poor, public schools, temples, and public places. It is purely philanthropy and religious nature (Bista, 2016). It is voluntary nature in the absence of the rule and regulation of the government. Its concern is limited. In modern eras, CSR ideas came in Nepal along with corporate investment of private and foreign investors and multinational companies (MNCs) after the 1990s liberalization. The government of Nepal is soft on CSR provisions unlike India. Therefore, CSR practices in Nepal are not better than in India. Thus, CSR is left to the will of the corporate sector in terms of business ethics and responsibility (Bista, 2005). However, the business community in Nepal observes CSR as the promise as of commercial enterprises to maintainable financial growth, making decent employed atmosphere for worker/their relatives and the native communal/humanity wellbeing at great to advance the worth of lifetime. Additionally, the workers must be measured as businesses’ greatest properties and representatives. Employees, owners, clients, régime, and civic people reflect the situation an important component of CSR. Business organizations engage in CSR by taking proactive or preventive measures (FNCCI, 2006). Afful, (2003) explains that the business area in Nepal is captivating societal accountability earnestly. Bista (2005) cited around degree of CSR in MNC companies in Nepal. Legal and policy documents including Foreign Direct Investment Act and One Window Policy 1992, Industrial Policy 1993, and Interim Plan 2007-2010 have said CSR but not obligatory.

3. Methodology

Conceptual Framework

Carroll (1999) explains CSR as having economic responsibility, legal compliance, ethical, and philanthropy. It has three objectives: value creation, risk management, and philanthropy (Figure 1).

Figure 1: CSR Framework

Despite the CSR concept and practice, MNCs are completely guided by profit motive. The profit function of an MNC is to optimize net profit at a large scale. In order to check and balance, the CSR approach argues that MNCs must be accountable to the people for maintainable corporate with worth, sales, and goodwill sacrificing a definite fraction of return for social cause. So, CSR hang on business supremacy and return. Subsequently making worth, CSR has progressive effects on transactions development and return. Consequently, return rest on CSR. Based on the concept of CSR, the conceptual framework of CSR is constructed for further analysis as follows (Figure 2).

Figure 2: Conceptual Framework of CSR

Source: Bista (2018)
Data Sets and Data Collection Method

In accordance with the conceptual framework, the study covers the objectives in the study area of Nepal including the commercial banks. Selecting the commercial banks, the study has three major reasons: commercial banks have vertical and horizontal financial growth in Nepal, these banks have initiated CSR and spent CSR funds for different activities for social causes, and almost all banks have published their CSR funds, and expenditures annually in their websites.

Employing an explorative and descriptive method to understand the nature and practices of CSR of the commercial bank, the study uses mainly secondary data sets of CSR based on the data gathered from the printed papers of the commercial banks, predominantly their printed audit statement from 2008 to 2017.

The 28 commercial banks are the universe of the study. We nominated six commercial banks employing Daniel (1999)’s Sampling methods. Mathematically, it is

\[ n = \frac{z^2 \cdot p \cdot (1-p)}{d^2} \]

Where,

- \( n \) is sample size i.e. 6
- \( z \) = confidence level i.e. 95%
- \( p \) = proportion i.e. 0.02 %
- \( d \) = margin of error i.e. 8 %

The sample include three types of banks: partnership banks (NABIL), private banks (Nepal Investment Bank, Mega Bank, Siddhartha Bank and Civil Bank), and state banks (Nepal Bank Limited). Nepal Bank delivers amenities across the country. The partnership and private banks have reached out 70 percent of total districts, except Himalayan districts. Besides, sample of stakeholders is calculated using Daniel’s Sampling Method.

As supplementary, the study uses the primary data. The survey method is used for data collection. Its tool is a questionnaire. In 2016, the survey team conducted a telephone and questionnaire survey to 60 staffs of the sample Banks in the initial phase and 100 shareholders in the next phase. The initial level of information was gathered through telephone interview method. The additional level of information was gathered through a structured questionnaire survey in Kathmandu. The survey was held in March 15- March 30, 2016.

4. Results and Discussion

CSR Characteristics

The CSR of the commercial bank is essential to business governance. Since 1990s, bank has been using CSR as philanthropy irregularly and voluntarily. Such CSR funds and activities are crucial for value addition, goodwill and sales as per the context of global standards of Multi-national Companies and Social Development Goals (SDGs). It may raise a query about their CSR characteristics for understanding CSR activities, status, pattern, size and institution. In order to capture the CSR characteristics, the study uses eight indicators: No of Years for CSR, Regularity in some years, CSR size, percentage of profit, CSR team, CSR events, CSR disclosure and the year of establishment. Its details are presented in Table 1.

<table>
<thead>
<tr>
<th>Indicators</th>
<th>NABIL</th>
<th>Nepal Investment Bank</th>
<th>Mega Bank</th>
<th>Siddhartha Bank</th>
<th>Civil Bank</th>
<th>Nepal Bank</th>
</tr>
</thead>
<tbody>
<tr>
<td>CSR activities (No of Years)</td>
<td>5</td>
<td>3</td>
<td>4</td>
<td>2</td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td>Consistency of CSR (yes/no)</td>
<td>yes</td>
<td>yes</td>
<td>yes</td>
<td>yes</td>
<td>no</td>
<td>no</td>
</tr>
<tr>
<td>CSR Magnitude (Rs.)</td>
<td>41,43,094</td>
<td>38,04,000</td>
<td>0</td>
<td>610,000</td>
<td>60,000</td>
<td>53,00,000</td>
</tr>
<tr>
<td>% of Return</td>
<td>0.04</td>
<td>0.14</td>
<td>0</td>
<td>0</td>
<td>0.013</td>
<td>0.18</td>
</tr>
<tr>
<td>CSR group(Yes/no)</td>
<td>No</td>
<td>No</td>
<td>No</td>
<td>No</td>
<td>No</td>
<td>No</td>
</tr>
<tr>
<td>CSR actions(mean)</td>
<td>5</td>
<td>12</td>
<td>4</td>
<td>6</td>
<td>2</td>
<td>1</td>
</tr>
<tr>
<td>CSR confession (yes/no)</td>
<td>yes</td>
<td>yes</td>
<td>yes</td>
<td>yes</td>
<td>yes</td>
<td>yes</td>
</tr>
</tbody>
</table>

Table 1 shows the CSR characteristics of the commercial bank. These banks are major pillars and players in the financial market and its fair competition, growth and stability. As an indicator of establishment year, these banks of 28 commercial banks are well established with more than 15 years old age. The establishment years of the commercial bank are two categories: the first structural adjustment program (SAP) in the 1980s and the second structural adjustment program in the 1990s. In the first SAP, Nepal Bank (1937), NABIL (1984) and Nepal Investment Bank (1986) were founded. In the second SAP, Mega Bank (2010), Siddhartha Bank (2002) and Civil Bank (1993) are established. By age, Nepal Bank is 81 years’ old. Similarly, NABIL is 34 years old. Nepal Investment Bank is 32 years old. Civil Bank is 25 years old. Mega Bank is 18 years old. Siddhartha Bank is 16 years’ old. Their ages are sufficient for a good history of CSR funds and activities. However, CSR funds and activities are not well-functioned. In accordance with the CSR disclosure of these banks, CSR activities are conducted for few years. It is noted that Nepal Bank has conducted CSR for a year. It shares 1.23 percent per year. It is a least one. It is followed by 4 percent of Civil Bank, 9 percent of Nepal Investment Bank, 12.5 percent of Siddhartha Bank, 14 percent of NABIL and 22 percent of Mega Bank. Top three banks for CSR are Mega Bank, NABIL and Siddhartha Bank for time allocation. It reveals that CSR is irregularly and voluntarily and its size is negligible.

Let’s analyze the CSR of multinational companies alike Apple, Google, MacDonald, Microsoft, etc. We can find consistent and consistent CSR activities, alike their operative actions so that CSR has contributed to the society, the business community and the regime. Its unplanned result will promote business, sales and client (www.microsoft.com; www.google.com; www.macdonald.com & www.apple.com). However, in Nepal, CSR activities are asymmetrical and unreliable since their establishment. However, when these banks initiated CSR events, consistent and constant CSR was found in four banks: Mega Bank, NABIL, Siddhartha Bank and Nepal Investment Bank, except Civil Bank and Nepal Bank.

In general, the business sector sets CSR department as global practices for whole-year CSR activities. Almost all commercial banks do not include CSR department as institutional structures, functions, and policies for CSR activities. These means CSR activities are not important to the banks in Nepal because of their voluntary nature and provision. Further, it is validated by negligible CSR size as a percent of profit and discretionary character, although the profit of these banks is double-digit billion rupees per annum. However, social sacrifice for social cause is less than 1 percent which is 0.05 percent. Thus, CSR characteristics of commercial banks are issues of ignorance without clarity, certainty, regularity, reliability, and causality.

**CSR Status and Trends of the Commercial Bank**

It is claimed that CSR is an instrument of the commercial bank to create ethical business as well as value creation. Statistics of CSR in the world show such practices to value creation, goodwill and sales. It is a curiosity whether the commercial bank has CSR practice to understand their CSR status and trend for value creation, goodwill and sales of six commercial banks (NABIL, Nepal Investment Bank, Mega Bank, Siddhartha Bank, Civil Bank and Nepal Bank). Its details are in Figure 3.

![Figure 3: CSR status and trend of Commercial Banks](image-url)

*Source: Audit Report of the commercial Banks, 2008-2017 and Official Websites of the Banks*

Figure 3 shows the CSR status and trend of commercial banks in which almost all commercial banks have CSR funds and activities to some extent. Out of these commercial banks, NABIL, Nepal Investment Bank, and Nepal Bank have a noticeable size of CSR relative to Mega Bank, Civil Bank, and Siddhartha Bank. NABIL Bank maintains the top
rank but Siddhartha Bank is the least one. These mixed and scattered commercial banks on CSR funds and activities have indicated awareness about CSR funds and activities.

Similarly, Figure 3 reveals CSR trends of the commercial banks in which all the commercial banks have discrete and irregular natures in the nine-year time series data from 2009 to 2017. In these trend lines, all these banks have not shown a strong practice of CSR funds and activities. NABIL bank claims best for CSR. This has only a six-year trend with fluctuation. Similarly, Nepal Investment Bank has three years CSR trends in the meantime Mega Bank, Siddhartha Bank, Civil Bank, and Nepal Bank have not their trend line with a discrete CSR fund and activities. These trend lines which are erratic and unpredictable are unlike to positively inclining CSR trend lines of the USA and Europe. Therefore, CSR funds and activities of the commercial bank have not been impactful in society and the economy.

**CSR Pyramids**

Indicators of CSR Pyramids that are measures of CSR funds and activities in the CSR practice of the commercial bank include worth formation, humanity, lawful delivery, and moral accountability. In industrialized countries, the corporate sector has practiced these indicators as CSR. However, developing countries do have not such good practices. In this study, the small size and irregular activities of CSR raise the question of whether indicators of CSR Pyramids are effective in understanding their CSR’s structure and composition and what about four indicators: ethical responsibility, legal provision, philanthropy, and value creation in the commercial bank based on dual option in form of Yes and No. Its detail is presented in Table 2.

<table>
<thead>
<tr>
<th>CSR Pyramids</th>
<th>NABIL</th>
<th>Nepal Investment Bank</th>
<th>Mega Bank</th>
<th>Siddhartha Bank</th>
<th>Civil Bank</th>
<th>Nepal Bank</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ethical responsibility (Yes=1, No=0)</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Legal provision (Yes=1, No=0)</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Philanthropy (Yes=1, No=0)</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td>Value creation (Yes=1, No=0)</td>
<td>1</td>
<td>1</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
</tbody>
</table>

*Source: Audit Report of the commercial Banks, 2008-2017 and Official Websites of the Banks*

Table 2 presents the indicators of CSR Pyramids of the commercial bank in which there are four indicators ethical responsibility, legal provision, philanthropy, and value creation. Out of four indicators, CSR funds and activities of almost all commercial banks concern only philanthropy. This indicator reveals that 100 percent of commercial banks have a top priority in this irregular and small size of CSR, ignoring ethical responsibility and legal provisions. Similarly, the value creation indicator shows NABIL and Nepal Investment Bank having such approaches and practices, except the remaining four commercial banks (Mega Bank, Siddhartha Bank, Civil Bank, and Nepal Bank).

Let’s analyze the CSR practices of the commercial banks assuming 100 percent for four indicators’ weightage of the CSR pyramid. In Table 2, philanthropy receives 25 percent weightage, whereas value creation receives 12 percent weightage only. Thus, the commercial bank has not followed the international practices of CSR. Thus, the practice of CSR pyramids cannot be said as an effective measure in the commercial bank.

**CSR size of the so-claimed CSR Bank, NABIL**

For in-depth analysis, NABIL is selected based on its long length and significant size of CSR funds and activities for a case study in accordance with the CSR revelation. Despite voluntary types of CSR, there is a enquiry around CSR magnitude in the fraction of NABIL’s Return per annum. The study uses three indicators: CSR fund, CSR size of profit, and profit per annum. Its detail is presented in Figure 4.

Figure 4 shows the status and trend of NABIL’s CSR size. When we see nine years’ time series data of CSR and Return of the bank from 2008 to 2017, the bank has continued 2.12 billion mean profit. But, the bank spends 0.11 percent of total profit on CSR. It is nominal. It is less than 1 percent CSR provision. Because of voluntary and non-ethical practices, whatsoever size of CSR is inspiring. When we see other banks, their situations are worse more than NABIL. It shows no education and performance of the bank on CSR.

For in-depth analysis, NABIL is selected based on its long length and significant size of CSR funds and activities for a case study by CSR revelation. Despite the voluntary type of CSR, there is a query about CSR magnitude as the percent of NABIL’s Profit per annum.
Figure 4: Status and Trend of CSR size of NABIL

The relationship between CSR and the profit of NABIL bank is a curiosity. To capture the relationship, descriptive statistics and correlation analysis are used. The result of descriptive statistics is presented in Table 3.

Table 3: Descriptive statistics of CSR and Profit of Bank

<table>
<thead>
<tr>
<th>Description</th>
<th>CSR</th>
<th>Profit of Bank</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mean</td>
<td>0.00027</td>
<td>2.18888</td>
</tr>
<tr>
<td>Standard Error</td>
<td>0.00021</td>
<td>0.30039</td>
</tr>
<tr>
<td>Median</td>
<td>0.00025</td>
<td>2.1</td>
</tr>
<tr>
<td>Mode</td>
<td>0</td>
<td>3.62</td>
</tr>
<tr>
<td>Standard Deviation</td>
<td>0.006576</td>
<td>0.90118</td>
</tr>
<tr>
<td>Sample Variance</td>
<td>0.0000043</td>
<td>0.812136</td>
</tr>
<tr>
<td>Range</td>
<td>0.002013</td>
<td>2.48</td>
</tr>
<tr>
<td>Minimum</td>
<td>0</td>
<td>1.14</td>
</tr>
<tr>
<td>Maximum</td>
<td>0.002013</td>
<td>3.62</td>
</tr>
<tr>
<td>Sum</td>
<td>0.0024507</td>
<td>19.7</td>
</tr>
<tr>
<td>Count</td>
<td>9</td>
<td>9</td>
</tr>
</tbody>
</table>

Table 3 shows descriptive statistics of CSR and profit of the bank in which the profit of NABIL bank is a great figure in the small financial market in Nepal. Its range is 2.28 Billion Rupees in the capital investment of 8 Billion Rupees. Out of the capital investment, net annual profit is approximately 27 percent. It is higher profit and higher return in such size of investment. Its range is 2.48 Billion Rupees. In this range, the minimum profit is 1.14 Billion Rupees and the maximum profit is 3.62 Billion Rupees. However, CSR funds are only in the thousand and million figures. It is less than 1 percent voluntary provision of CSR. It is quite a discouraging and demotivating factor to measure the goodwill of NABIL Bank.

The result of correlation analysis is presented in Table 4.

Table 4: Result of Correlation Analysis

<table>
<thead>
<tr>
<th>Description</th>
<th>CSR of Profit</th>
<th>Profit of Bank</th>
</tr>
</thead>
<tbody>
<tr>
<td>CSR of Profit</td>
<td>1</td>
<td>0.011</td>
</tr>
<tr>
<td>Profit of Bank</td>
<td>0.011</td>
<td>1</td>
</tr>
</tbody>
</table>

Table 4 shows the result of the correlation analysis in which there is 0.011 correlation coefficient value ($\rho$). It lies between -1 and 1. Further, its value is positive lying between 0 and 1. Furthermore, it lies at nearly zero. It indicates a very weak correlation between CSR and Profit of the bank. In another way, it means the profit of the bank is increasing but the CSR of the bank is declining. It means the elasticity of profit to CSR is nearly inelastic. It means the CSR policy of the bank is not effective as per the rule and regulation of industrial policy. Therefore, value
addition, goodwill, and sales of banks have not gained as targeted, whereas the satisfaction of the customer is not convincing for reducing risk for improving the sustainability of the bank.

**CSR provision of the Industrial policy**

Since in the market economy, CSR is an instrumental to the corporate sector to reach out the society for goodwill, popularity and brand. CSR provision in the policy must be mandatory in terms of 1 percent of annual profit. This is found 2 percent CSR as a mandatory provision in the USA, European countries, and India. In 2017, Microsoft counted 8 billion US$ profit, out of which the company generated 1 billion US$ funds for CSR. It was closely 12.5 percent of the profit. It was not mandatory but also moral and worth-formation activities. Microsoft was motivated by the positive implications on sales and profit. In Nepal, it is voluntary. In this context, there is a curiosity about what is a CSR provision in Industrial Policy and which type of CSR is in the practice of the commercial bank. In the telephone survey, there are asked questions related to mandatory, voluntary and need of mandatory to the corporate professionals. Its result is presented in Table 5.

<table>
<thead>
<tr>
<th>CSR provision</th>
<th>NABIL</th>
<th>Nepal Investment Bank</th>
<th>Mega Bank</th>
<th>Siddhartha Bank</th>
<th>Civil Bank</th>
<th>Nepal Bank</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mandatory (Yes=1, No=0)</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Voluntarily (Yes=1, No=0)</td>
<td>60</td>
<td>60</td>
<td>60</td>
<td>60</td>
<td>60</td>
<td>60</td>
</tr>
<tr>
<td>Need to Mandatory (Yes=1, No=0)</td>
<td>60</td>
<td>60</td>
<td>60</td>
<td>60</td>
<td>60</td>
<td>60</td>
</tr>
</tbody>
</table>

Source: Field Survey, 2018

Table 5 shows CSR provisions in the commercial bank. Almost all respondents (100% of 60 respondents) consider voluntary CSR, the CSR practice in commercial banks, instead of mandatory CSR. This is a strong reason behind the small size of CSR. In addition, almost all respondents opine the need for CSR mandatory as the best alternative to regulate CSR funds and activities and its growth. Therefore, this result would be a valuable input to reform the corporate law for improving CSR funds and activities.

**CSR Survey with Stakeholders**

The perception of stakeholders about CSR is a key determinant factor in finding an alternative to the CSR practice of the bank. In this regard, four indicators include perception of CSR, understanding of CSR, satisfaction level on CSR practice, and suggestions to improve CSR practices are used. Similarly, stakeholders include five categorical people: politicians, professionals, businesses, general customers, and general people. The result of the CSR survey is presented in Figure 5.

Figure 5 shows the result of the CSR survey in which customers and general people of commercial banks have less knowledge about CSR relative to politicians, professionals, and business people. About 20 percent of general customers and 5 percent of general people know about CSR. The policymakers have sufficient awareness level but the target people do not. This means the knowledge of these policymakers is not transformed into CSR funds and activities. CSR information is significant to shareholders to mark operative CSR events. If we accept all shareholders take data and information about CSR, it will be mistaken. The survey shows customers, and people have the least information about CSR, except politicians, professionals, and business people. It may be due to poor, small, and irregular CSR.

Figure 5 displays that politicians, professionals, and business people have some extent of knowledge about the CSR activities of the bank except for customers and people, however, most of the respondents have no information about the CSR activities of the bank, although most respondents including politicians, professionals, and business people have approved that they are CSR shareholders.

Similarly, most of the stakeholders reject the CSR activities of commercial banks relative to politicians, professionals, and business people. It indicates poor coverage, nature, and size of CSR. It is supplemented by the frequency of CSR activities. Almost all respondents underrate the frequency of CSR activities. It is validated with the CSR disclosure of the commercial banks.

Furthermore, the study explores the perception of stakeholders on CSR events of the bank. Four categorical respondents including politicians, professionals, business people and customer accept it but general people reject it. May be the general people do not feel CSR activities and their cascading effects at individual level as well as the community level. Its reflection can be found in terms of satisfaction level. Major of all respondents opine poor satisfaction on CSR activities of the commercial bank, although they expect higher satisfaction level. Figure 5...
displays their poor satisfaction level. Almost all shareholders have said need of CSR and banks should initiate CSR. Therefore, minor CSR of the banks is still inadequate to make respectable impress to the shareholders.

Figure 3: Result of CSR survey  
Source: Field Survey, 2018

5. Conclusion

This study aims to examine the practices and dilemmas of the corporate sectors to CSR in Nepal based on primary and secondary data employing explorative and descriptive methods. As a result, the commercial bank has a positive perception, higher awareness level, and good adoption of CSR. In practice, CSR is effective as a voluntary social responsibility of the commercial bank. Similarly, CSR size is unexpectedly at least one. Its flow is discrete and irregular without priority. Lastly, the satisfaction level of almost all stakeholders is poor and says that it is mandatory for its positive implications. Since CSR is still a dilemma for the corporate sector and the government in Nepal, the government should go beyond the policy frameworks of CSR to transform voluntary CSR into mandatory CSR in the practices. Furthermore, the government should improve the monitoring and evaluation system for CSR to make mandatory additional resource mobilization for social causes for improving social welfare and socio-economic justice in society for reducing have and have-not gaps and sustaining corporate governance and culture.

References


