

# Hurdles Faced by Nepalese Commercial Bank in Practicing Corporate Social Responsibility Activities

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## ABSTRACT

**Background:** Corporate Social Responsibility (CSR) is responsibility of corporate industry to work for society. Like many sister nations of Asia, Nepal industries are not obliged for CSR. In Nepal, CSR is considered as burden of organization. So, lots of corporate house, especially banking sector totally want to ignore their corporate responsibility towards society. Nepalese banking industry considered CSR as charitable work done by corporate for society but actually this is not what CSR really means for. Additionally, CSR in banking sector are measured on size of fund or grant contribution that is provided to society. However, providing grant and fund are considered as conventional models of CSR but concept have changed a lot with pace of splitting time. Thus, CSR in today's globalized world means creating sustainable business environment through involvement of society. Thus, CSR means moving business side by side with society and enhancing business by public relation. Without legal binding, Nepalese banking sectors are on their own for CSR practices. Thus, banker has to adopt CSR practice as of interest. On other hand, Nepalese nationals also do not care about CSR activities performed by bank. So, poorly develop Nepalese society need to change its perception before tackling other aspect of CSR activities. The banking sector pertain with society grows faster but still Nepalese banking sector are not able to cope up with CSR activities as essence for business. Consequently, many CSR activities performed by banking sector are averted due to misunderstanding between nationals. Therefore, this research tries to stick out the lacking of CSR activities performed by banking industry. It also highlights the hurdles of Nepalese bank on execution of CSR activities.

**Objective:** The main purpose of this research is to analyze the hurdles faced by Nepalese commercial banking in practicing Corporate Social Responsibility activities.

**Methods:** Researcher has collected data through questionnaire method which is considered as best method for collecting primary data. Thus, quantitative research method is perfect for this research because this method provides liberty for researcher to analyze data through statistical tools. It also help researcher to justify the facts through statistical analysis which is core of this study.

**Result:** This research reveals the unique and untouched sector of Corporate Social Responsibility activities hence it is sole article in Nepalese banking sector. The result in this research shows that there are many intact

*and unblemished sectors of Corporate Social Responsibility activities performed by banking sector. Apathetic mindset of Nepalese has to be change for enhancing CSR activities.*

**Conclusion:** *Nepal is a country with multiversity of culture, language, tradition and ethical value. In context of CSR penetration in banking sector of Nepal, there is misconception that investing hefty investment is Corporate Social Responsibility. But, in reality CSR activities can be ethical work practices, friendly working environment and socially intact programs as free health campaigns which have to understand by banking sector. Beside that society also has to understand the importance of Corporate Social Responsibility activities which can overcome hurdles of CSR performed by banking sector.*

**Implication:** *This research helps to develop CSR culture in Nepalese banking sector. This research also leads path for new researcher to follow on for their research to carry on. Since, there is limited research on this arena so this research can open grounds to work on for Nepalese banking industry. CSR practices can bring balance between corporate sector and society. Thus, this research provide new paradigm for banking sector to enhance business.*

**Key Words:** *Corporate Social Responsibility, Apathetic.*

## 1. Introduction

Bank has significant roles in society. Global recognition of bank has widened its reach in multiple sectors such as human resources sector, stakeholders, competitors, partners, customers and communities. Banking sectors thus has to contribute their wealth for societal development. With bound of increasing strategies adopted by banking sectors for improvement of its image. Corporate Social Responsibilities (CSR) can be best strategy to connect with customer and compete with rivals. CSR therefore is fruitful for both business houses and society. CSR activities integrate society and helps on inclusive development of overall sector. CSR helps to build trust and can be cutting edge in connecting customer in banking sector. Additionally, CSR add value in business entity as it ensure banking sector to perform array of activities in economic, legal, ethical and discretionary activities. CSR is ongoing concern of corporate world which emphasis on ethical elements of corporate growth. However, in Nepalese corporate sector; it is not yet consider as mandatory aspect of business growth. It is neither bound by law nor taken into consideration by organization. Nepalese banking sector as of now has analyze CSR as burden for organization rather taken as essence for growth. Nepalese corporate sector, especially banking sector has many hurdles on performing CSR activities. Political, social and economical aspect has been major causes behind such obstacles. CSR is not clearly understood by Nepalese society itself which is one of the prime reason on performing CSR activities. Even large corporate houses understood CSR as contribution of funds. So, Nepal still is in conventional and traditional approach on adopting CSR activities whereas world has already been move ahead. CSR is not only contribution of fund but is adopting friendly and ethical environment in business has to be understood. Therefore, this research tries to study various hurdles on performing CSR activities by banking sector. It also tries to highlight various obstacles faced by banking sector in overall CSR activities implementation.

## 2. Statement of Problem

Contrary to the traditional approach of profit maximization today's banking industry focuses on wealth maximization. The banking sectors in contemporary world ensure link with multi aspect of legal, ethical and economical dimensions. Corporate Social Responsibility activities are byproduct of today's changing scenario of business world. It helps to provide legitimacy to banking sector and develop bond with customer. With enhancement of business sense, ethical matter of business is taken care with utmost obligation. Although, Nepalese corporate industry are on crumbling phase of development but with integration of corporate market with international agency like UNDP and WTO has provide platform for Nepalese business houses to understand global business effectively. So far many corporate, especially banking sectors know the ethical values of conducting business. The banking sectors are involved with various parties which are shown in figure below:



Source: Mallen Baker Online <http://www.mallenbaker.net/csr/>

Figure 2: CSR Diagram of Banking Sector

The figure reveals how management of bank has to deal with various parties of society. With banking sector now leading the approaches of social audit, formation of ethical committee, and practice of human rights and ensuring shareholder satisfaction through objectives of wealth maximization. Nepalese banking sectors are more or less being concerned about the Corporate Social Responsibility activities. In this aspect, banks are adopting culture of CSR practices in various approaches. However, there are lots of ground challenges for performing CSR activities in Nepal. In particular, political hurdles are prime hurdle on performing CSR activities. The ongoing and continuous political hindrance always has impact on business and banking sector is no exception. Likewise, influence of NGO also undergoes side by side on adding difficulty for CSR activities. Furthermore, CSR activities are also intact with public aspiration but in Nepalese society CSR is not constituencies as factor. To embrace and perpetuate, CSR activities this research investigate various aspect and add chapter for conducting new research. This research can become milestone for filling research gaps on peculiar area of CSR. The finding of research sought to analyze driving factors for overcoming hurdle on performing CSR activities by banking sector.

### 3. Objective of the Study

The objectives of the topic entitled "**Hurdles Faced by Nepalese Commercial Bank in Practicing Corporate Social Responsibility Activities**" are described below:

- To analyze the hurdles faced in practicing CSR activities.
- To assess hurdles like political hindrances, co-operation from NGO'S and appreciation from public while practicing CSR activities.

### 4. Literature Review

The review of the literature is related to the objective of the study. Literature review is organized according to the objectives which are studied as per the necessity of study. Literature review is prior review which is studied by research scholar for ensuring their relevance of answering research question. The literature review draws the path for understanding the subject value more precisely. It helps to gain ideas for research on the base of understanding existing research work. The main reason behind studying prior studies in this research is to mitigate duplication and to analyze core value of subject matter in contemporary world. Contemporaneous literature review of this study is based on authentic, undertow, and native work published on various journals, books and dissertations.

#### 4.1. Hurdles faced in practicing CSR activities

Corporate Social Responsibility (CSR) is related to conscience of corporate sector towards society. CSR is related to self-regulatory mechanism where banking sector ensure active initiative for society (Afande, 2015).

It is related to embrace corporate ethical value and their participation in public development. CSR are consider as burden in Nepalese corporate society since embark financial cost for corporate houses. But, CSR by many studies has suggested as the factor for ensuring long term profit (Pushpam, Karthi, & Daisy, 2015). Developed countries of world after deepen research has enrolled the value of CSR activities. So, developed nation has made obligatory law for performing CSR activities. In Nepal, CSR activities are not enlisted in law and political consciousness for implementing such act is not yet since. CSR in Nepal thus has become unveiled cover which is hovering around the business world but has not got its distinct place (Bidari, 2016). CSR in banking industry is generally undertaken as factor of interest but many bankers still does not know its importance for enriching business entity (Dhingra & Mittal, 2014). CSR provide ground for encompassing discretionary activities which involve social goods. It is related with concept of plenty for platter. CSR perspective focuses on embracing positive vibe through flaw empirical analysis (Ashkar, 2016). The prime suspect for disrupting CSR activities are political hindrance, civic consciousness and influence of cooperation in power sharing role. CSR is beyond compliance and engagement has to be understood first (Ahmed, 2013). The hurdles of CSR activities can be reverted through support of government, civil society and corporate integration. CSR activates has to be the activities of priorities for development of country. So collaborate effort can mitigate obstacles of CSR.

#### **4.2. Political hindrances**

Banking yields a sluggish growth in various sectors but social welfare related sector is underprivileged (Miah, Saha, & Karim, 2019). One basic factor behind this is political scenario of country. In country like Nepal where change in government is activities happening every now and then. Corporate Social Responsibilities is issue of secondary concern. Mostly, political align groups are focused on how to be on government social responsibility are far sighted. So, corporate is also unknowingly involved in political game resulting CSR activities for political benefit rather than for concern of society. It is established fact that entities with CSR initiatives are more likely to reveal positive earnings (Tulcanaza-Prieto, Shin, Lee, & Lee, 2020). Unlikely in Nepal, it is regarded as financial burden for banking sector. The reason behind such hindrance is due to political games which undergo behind the Corporate Social Responsibility activities. The better understanding of CSR practices in banking sector is possible only through dynamic effort of political alertness (Szegedi, Khan, & Lentner, 2020). So, political hindrances have become hurdles on CSR activities performed by bank. This can be overcome by leading mainstreaming concept of CSR which can be extended through political vigilant only (Kandel, 2018).

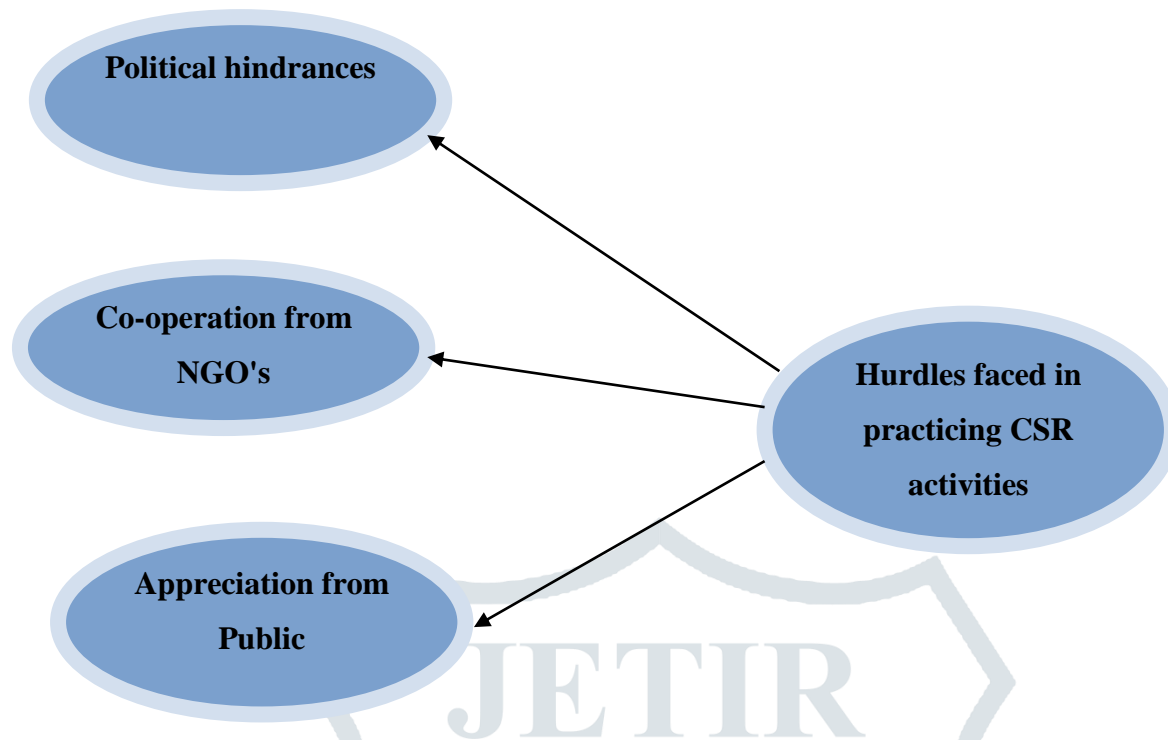
#### **4.3. Co-operation from NGO's**

In today's competitive corporate sector, new constraints have been imposed on banking sector by several parties involved in various sector having vested interest (Poret, 2019). This somehow adds responsibility towards bank while in other hand it pressurize bank to generate revenue anyhow. In this situation of dilemma,

Banks and NGO combined together to ensure development of society through CSR activities (Ditlev-Simonsen, 2017). Bank generally associates with NGO because of its impact on society. Since, they are the organization in which nationals has most confidence in country like Nepal. This help to counter balance the situation of banking agenda of rendering service to society. It is one of the best effort banks in Nepal has put on for providing initiative to society but it has not always shown the blooming light. In many cases, this cooperation between NGO and Banks has been seen as strategic CSR for word to mouth publicity. Hence, result for cooperation has reveal cons of partnership rather than glorified initiation. Almost in every CSR activities, NGO become standard setters (Poret, 2014). So, work differences between both parties, causes hurdles in performing CSR activities. With enhancement in consent of social development, participative CSR activities has flourish but their fruitfulness on objective achievement of societal development is question marked till date (Rana, 2015). This initiation of partnership has only result the greenwashing of social responsibility. So, NGO Corporation is not providing progressive initiation in CSR activities of banking sector in Nepal.

#### **4.4. Appreciation from Public**

Conventional research has stated that CSR activities have to be supported by customer (Kenssel, Semejin, Schenkel, & Ghijsen, 2014). Almost there are chunk of research work carried in field of CSR activities but almost none of them are focused on how CSR value public (Rekom, Berens, & Halderen, 2013). With change of time, public appreciation for CSR activities are also constantly rising. But, in context of Nepal contrary situation are seen. Public generally does not focuses on CSR activities performed by banking sector in Nepal which demoralize corporate sector to focus on CSR activities. This can be because of poor understanding of CSR or due to lack of strategically weak management. CSR activities have to be informed for triggering customer attention. But till now, Nepalese corporate sector are not playing trump card on revealing information of CSR activities. Hence, social values for CSR activities are limited in Nepal. Although, many corporate houses and banking institutions around the world, present CSR activities as appealing advertisement of institution. Nepal still is in primitive era in this aspect. Hence, for positive impact of CSR activities public has to support corporate houses and corporate houses also has to be manifest their social work to get positive initiation. The public appreciation for CSR activities can be raised through voluntary and non-voluntary public participation in CSR activities. Nepalese also has to support Corporate Social Responsibility and commitment put by bank for positive impact on societies.



**Figure 4: Research Framework of the Study**

## 5. Research Methodology

The research is focused to find the hurdles faced in practicing CSR activities in commercial bank in Nepal. Researcher used primary method of data collection for interpreting the results. The research is based on commercial bank in Nepal. The respondent in the present study is from the top level management. As there are several hindrances in practicing CSR activities, researcher uses political hindrances, co-operation from NGO's and appreciation from public as the factors in the study. There are 85 respondents in the present research work. Quantitative method is used to analyze the data to find the hurdles faced in practicing CSR activities.

## 6. Results and Discussion

Researcher studies descriptive analysis and the multiple regression analysis for the study. Multiple regressions help to analyze the predicted factors which are not included in the study.

### 6.1. Descriptive Analysis

Descriptive analysis is prepared following quantitative techniques through SPSS software. The analysis is the description of the summary of the data that is gained from the respondents. Descriptive analysis explains data of each variable. The variable that is used in the study are hurdles faced in practicing CSR activities, political hindrances, co-operation from NGO'S, appreciation from public.

**Table 6.1****Descriptive Analysis**

	N	Minimu m	Maximu m	Mean	Std. Deviation
Hurdles faced in practicing CSR activities	85	10.00	50.00	26.8588	7.93898
Political hindrances	85	10.00	50.00	27.0941	7.86285
Co-operation from NGO's	85	10.00	50.00	27.9294	7.62482
Appreciation from public	85	10.00	50.00	25.7059	7.25361
Valid N (listwise)	85			26.89705	7.670065

In table 6.1, the average mean from the descriptive analysis of the research on hurdles faced by commercial bank in practicing corporate social responsibility activities are 26.89705. The highest mean is found on co-operation from NGO's with mean 27.9294 and lowest mean is found on appreciation from public with mean 25.7059. From the analysis it is seen that the public are giving more appreciation on CSR activities whereas, it is seen that there is no co-operation from NGO's in CSR related activities. The mean found in hurdles faced in practicing CSR activities is 26.8588. Similarly, the mean found on political hindrances is 27.0941.

## 6.2. Multiple Linear Regression

Multiple linear regressions are also known as the predictive analysis. Multiple regression is used to explain the relationship between hurdles faced in practicing CSR activities as the dependent variable and other independent variable which are political hindrances, co-operation from NGO's and appreciation from public. Multiple regressions analyze those affecting factors of hurdles faced in practicing CSR activities which are not included in the study.



**Table 6.2****Multiple Linear Regression**

Model	Beta	t	Sig.
(Constant)		.532	.596
Political hindrances	.459	4.375	.000
Co-operation from NGO's	.266	1.985	.050
Appreciation from public	.203	1.828	.071
R	.880		
R square	.774		
Adjusted R square	.766		
F	92.628		
P-value	.000		

The p-value which is less than .050 shows the significance level between the variables. In the following research work, it is seen that there is the significant relationship between hurdles faced in practicing CSR activities and political hindrances as the significance level is .000 which is less than .050. The significant relationship between the hurdles faced in practicing CSR activities and co-operation from NGO's are found to be significant as the significance level is .050. The significance relationship between hurdles faced in practicing CSR activities and appreciation from public is not found to be in significant level as the significance level is .071 which is less than .050. The R value denotes 88.0% which states that the independent variables in the study explain dependent variables by 88.0%, where the other factors which are not included in the study is also influenced by 12.0% to dependent variables. The R-square value denotes 77.4% which states that the independent variables in the study explain dependent variables by 77.4%, where the other factors which are not included in the study are also influenced by 22.6% to dependent variables. The Adjusted R-square value denotes 76.6% which states that the independent variables in the study explain dependent variables by 76.6%, where the other factors which are not included in the study is also influenced by 23.4% to dependent variables. The F- value is 92.628 and the p-value is .000 which explains that the regression equation is acceptable.

**7. Conclusion**

The present research concluded that there is significant relationship between hurdles faced in practicing CSR activities and political hindrances. There is significant relationship between hurdles faced in practicing CSR activities and co-operation from NGO'S. But there is no significant relationship between hurdles faced in

practicing CSR activities and appreciation from public. The descriptive research concluded many respondents agreed on the factor that there is appreciation from the public but there is no co-operation from NGO's.

### 7.1. Implications of the Study

The study will be the best research for the further study. It provides the data that is required for many researchers in future. The hurdles in practicing CSR activities faced by commercial bank are studied on depth. Three factors i.e. political hindrances, co-operation from NGO's and appreciation from public are studied. The study provides the data on how corporate social responsibility is carried out and what hurdles are faced by bank to perform the activities. Performing corporate social responsibility activities is found to be the great task as it has to face many problems socially, economically and politically. Great balance in all those factors results to perform the best CSR in commercial bank of Nepal.

### 7.2. Limitation of the Study

As the research is based on analyzing the hurdles faced on practicing CSR activities. The sample size is 85 only, as considering the time limit researcher collects limited sample size only. The factors like political hindrances, co-operation from NGO's and the appreciation of public are only studied in the present research work. Beside this many more factors could have been studied. Only commercial bank's CSR activities are studied, but it can be studied on other companies too.

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