

STATUS OF CORPORATE SOCIAL RESPONSIBILITY IN COMMERCIAL BANK OF NEPAL WITH REFERENCE TO PRABHU BANK LIMITED

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Abstract

The purpose of the study is to assess the status and practices of CSR and to find out whether the commercial banks perform the CSR activities as per their capability or not by investigating why companies engage in CSR and how CSR can affect financial performance and employee motivation. This study follows exploratory and descriptive research design. Primary data are collected through the structured questionnaires. Prabhu bank Ltd is taken as the case study out of total commercial bank. It was found that all the respondents were very positive and energized by the CSR activities provided by the Bank. Majority of the respondents' views that CSR activities has the positive relationship with employee motivation and could positively contribute to the financial performance of the company as it increases the good image and goodwill of the organization. Education program, health facilities and environment protection activities are taken as important desired CSR factor by the respondents. In Nepalese context the organization should shifted their priorities from earning more profit to give priorities to CSR activities and flourish their business.

Key words:

Corporate social responsibilities; employees; performance; philanthropic; environment

Introduction

Corporate social responsibility is a business commitment that supports sustainable economic development and

contributes to the quality of life, local community and society in general (The World Business Council for Sustainable Development, 2000). Similarly, Social responsibility is a duty every individual

has to perform, to maintain a balance between the economy and the ecosystems (Palmer et al., 1995).

The 21st century encountered many challenges for businesses such as globalization, new markets, customer satisfaction, tough competition and many more. Nowadays, it is important for companies to participate in environmental conservation values and be socially active in the communities in order to be prosperous and keep up economic growth and development (McWilliams & Siegel, 2001). Corporate Social Responsibility (CSR) is also called corporate citizenship, corporate philanthropy, corporate giving, Corporate Conscience, corporate community involvement, community relations, community affairs, community development, corporate responsibility, global citizenship and corporate social marketing.

Kanj and Chopra, 2010 revealed that People, planet and profit known as the triple bottom line to evaluate CSR. Again, El-Garaihy et al, 2014 describes that the importance of CSR initiatives as it is due to their relation to competitive advantage, financial result, customer behavior and corporate reputation. Similarly, A bank undertakes to maximize profit for stakeholders who contributed funds to set it up. It must obtain optimum liquidity to meet depositor demand. It is obliged to satisfy the legitimate deficit sector demand for credits. The bank must comply the regulators' requirements to continue

in business. Above all, for the bank to be seen as a good corporate citizen, it has to contribute to the maximum development of the economy as well as satisfy its immediate community (Nwankwo,1991; Joseph, 2008).

The six criteria discussed by Young and Tilley are eco-efficiency, socio-efficiency, eco-effectiveness, socio-effectiveness and sufficiency and ecological equity which corporations can follow for sustainable business practices and reap profiles as well as be conscious in their business practices. The point here is that only when corporations realize the economic benefits of conscious capitalism would they embrace the paradigm of CSR wholeheartedly (Young & Tilley, 2006).

In summary, the aim of any responsible business is to improve quality of life, increase standards of living and make profit for stakeholders without compromising future generation needs. CSR practices are essential for today's business activities, and they have many benefits for organizations, such as improving organizations' performance, increasing customer's satisfaction and employee's engagement, helping to develop competitive advantage and improving organizations' image and reputation.

Statement of the problem

CSR is accepted and effective concepts for business to help in society and at the same time strengthen their core

business activities. CSR is an important tool in increasing the goodwill of the company and eventually achieving

profits to the company. How a Bank meets its corporate responsibility goals is influenced by its history, vision of the founder, culture, experience, philosophy and its laws and regulations. However, Banks are under enormous pressure from its stakeholders, investors, media along with its customers to carry out business in a socially responsible and ethical way. CSR is not mandatory in Nepal and all the bank that have made the disclosure of social responsibility have been doing it in voluntary basis. Among the disclosed information; Education, Training, and Welfare of underprivileged; Arts/heritage and Culture protection; Contribution to healthcare and environment; Contribution to Associations, Clubs and other organizations, etc. were the most commonly reported CSR activities. Religious activities, Child and women development, sports and games activities, blood donations were also the major area for CSR reporting. Despite numerous studies conducted in the Nepalese context, it is thus clear that there is a lack of studies exploring the status of CSR practices which cover the wide array of firms operating in Nepal. This research mainly tries to solve the following questions.

- Does CSR activities motivate the employees and encourage to associate proudly with their organization?

- What Are the CSR activities carried out by the bank?
- Can the CSR contribute in the financial performance of the company and benefits to the society?

Objectives of the study

The general objective of this study is to assess the status and practices of CSR and to find out whether the commercial banks perform the CSR activities as per their capability or not. The specific objective is to:

- To assess the CSR activities carried out by prabhu bank.
- To analyze the impact of CSR activities on employee motivation and performance of the business.
- To provide suggestion and recommendation for further improvement in CSR activities.

Significance of the study

In the context of increasing access of financial services, assurance of relatively stable financial reforms and (still) living nearly one third of population under poverty (Ferrari et al, 2007), public can expect a lot from banks in Nepal. This study gives an influential awareness to the public about the commercial bank's willingness and real contribution to the society and to internal management systems. An integrated presentation of CSR performance of commercial bank provides valuable information to the general public to evaluate and

make key decisions for doing their regular transactions. Many stakeholders like employees, customers, suppliers, shareholders, civil society and the society at large can be aware of banks stance on improving the quality of life. They can understand the manager's attitude in terms of sustainable development of the financial sector and outer environmental protection. Furthermore, policy makers of the nation, for example, personals of NRB, can understand the manager's actual level of awareness and the real contribution in the field of social development.

This study provides further insights for researchers who are looking into the CSR in developing countries and specialized in the financial sectors. The policymakers of the central bank of Nepal can update its policies towards its banking institutions in terms of employee relation, work safety, environment and other social aspects of the CSR. This will also contribute to the CSR literature in developing country context.

Literature Review

Earlier corporate entities mainly focused on their economic objectives; profitability, cost of production, margins etc. Corporate entities are now posed with the challenge pertaining to the social responsibility of business (Swapna, 2011). There are countless definitions of CSR but the most widely cited definition is provided by Carroll (1979) stating that 'The social responsibility of business

encompasses the economic, legal, ethical, and discretionary expectations that society has of organizations at any given point in time'. He argues that these social responsibilities carried by the firm are for the sake of both the society at large and the firm itself. So, firms are obligated to take the society's interest into consideration when taking its decision because at last the society is greatly affected by those decisions. The World Bank (2004) defines CSR as "the commitment of business to contribute to sustainable economic development by working with employees, their families, the local community and society at large to improve their lives in ways that are good for business and for development".

Chapagain (2010), mention that Corporate Social Responsibility (CSR) is the continuing obligation of a business to behave ethically and contribute to the economic development of the organization. It improves the quality of life of the organization. The meaning of CSR has two folds. On one hand, it exhibits the ethical behavior that an organization behaves towards its internal and external stakeholders. And on the other hand, it denotes the responsibility of an organization towards the environment and society in which it operates. Thus, CSR makes a significant contribution towards sustainability and competitiveness of the organization and competitiveness of the organization.

Katuwal (2010), states that, “CSR in Nepal is new concept and even most of the successful business enterprises understand it as charitable activities. Thus, it is considered as philanthropy effort in Nepal”. In his view, Nepalese business professionals are not well aware of the broader concept of CSR which have to cover the interest of stakeholders (customers, suppliers, employers, shareholders, civil society, environmentalists etc.). Visser (2008) studied CSR disclosures in developing countries from all continent and found that country’s policy towards CSR, poverty, corruptions, lack of awareness, profit motive are the primary factors for not disclosing CSR.

In recent years, CSR or Corporate Social Responsibility has become the latest buzzword among the companies. This refers to the practice of the corporate in “giving back” to society in the form of programs that benefit the less privileged members of the society. They can take form of outreach programs that adopt schools; communities etc and provide funds for their upkeep as well as promote socially conscious business practices that lead to the betterment of society (Caroll, 1999).

Using CSR as one of the tools to attain sustainable development is not enough if the formulation and implementation of the policies does not involve the recipients of such developments. “the promotion of social development issues must also be

one of partnership between government and private and non-governmental actors and, in particular, the corporate sector” (Hopkins, 2004).

CSR or sustainability is not simply following the law. It is not philanthropy, being much more than that. It implies that business organizations should be considered to be partners in their communities, not simply profit-centric operations promoting the interest of their shareholders. Rather, businesses must be seen to have obligations towards their various stakeholders. Matten and Moon (2004) stated that CSR and sustainable development have a close relationship, and have highlighted a generic label for CSR programs and business ethics research in various studies. However, Gallie (1956, cited in Moon 2002) suggested that CSR and sustainable development are both contested concepts; in addition, Moon (2002) argued the application of these two terms is always debatable. In the firms’ CSR outline which often shows its sustainability. The sustainability for the company, the environment, and the society.

Porras and Collins (1994); Rothman and Scott (2004), defines that Organizations constantly seek elements to differentiate them from their competitors, since these elements could become resources that generate long-term sustainable competitive advantages. These advantages may enable organizations to survive as well as

to obtain an acceptable profitability rate and economic equilibrium.

Diana, (2006), states that the demand for companies that invest in CSR has increased in recent year from: Customers; employees, suppliers, community groups, governments as well as some shareholders. As the concern for global warming has increased rapidly the past years this has led to a further increase in demand for CSR. Similarly, several companies have responded by increasing their CSR investments (Mc Williams & Siegel, 2000). Due to this there are an increasing number of companies continuously working with CSR related issues. However, other companies have resisted investing in CRS as they believe that it contradicts their aim to maximize profits (Mc Williams & Siegel, 2000).

CSR practices are in emerging stage in Nepal and there is few theoretical and empirical research regarding CSR activities. Banking sector is under considerable pressure from its stakeholders, investors, media as well as its customers to carry out business in a socially responsible and ethical manner. CSR is not mandatory in Nepal and all the banks that have made the disclosure of social responsibility have done it voluntarily. Due to the research work regarding CSR in National and International level, it has been successfully focusing on the demand and need of doing something in return to the society by firms/organizations. Business with ethics and conscience have been performing the CSR activities on their capability and have even benefited from

the corporate good image which in turn helps in the success of the core business operation. This implies that the CSR is still as emerging problem for researcher, this gap motivates the study.

Methods and Material

This study follows exploratory and descriptive research design to describe the status and practices of CSR in Nepalese commercial Banks. Both secondary and primary data are used in this research. Secondary data are collected from previous researches, articles and annual reports of the bank. Whereas, primary data are collected through the structured questionnaires. The population for this study was composed of all the 28 commercial banks functioning all over the country and most of them have initiated the CSR activities as per their knowledge, conscience and capability and here, Prabhu bank Ltd is taken as the case study. In this case study all employees working in all branches of Province 2 taken as sample using convenient sampling method and 150 questionnaires were distributed to the selected respondents and only 134 usable questionnaires were returned and used for statistical analysis. Means, standard deviation, t-value, multiple regression and correlation analysis were employed in this study. The bank has performed various CSR related activities and contributed to its stakeholders like other related banks. Thus, the data from 2015 A.D to 2019A.D. are studied and analyzed for the fulfillment of the objective.

Results and Discussion

In this section the data collected through primary sources have been represented in the suitable formats/tables,

and are being analyzed. Finally, certain inferences and interpretation have also been made.

Distribution of data as per demographic factor

Table 1. Distribution of data as per demographic factor

| | No. of Respondent | Percentage |
|---------------------------|-------------------|------------|
| Gender | | |
| Male | 74 | 55.22% |
| Female | 60 | 44.78% |
| Total: | 134 | 100% |
| Marital Status | | |
| Married | 32 | 23.88% |
| Unmarried | 102 | 76.12% |
| Total: | 134 | 100% |
| | No. of Respondent | Percentage |
| Age | | |
| 20-30 | 78 | 58.21% |
| 30-40 | 26 | 19.40% |
| 40-50 | 18 | 13.43% |
| Above-50 | 12 | 8.96% |
| Total: | 134 | 100% |
| Education Levels | | |
| Intermediate | 12 | 8.96% |
| Bachelors | 65 | 48.50% |
| Masters | 57 | 42.54% |
| Others | 0 | 0 |
| Total | 134 | 100% |
| Level of Employees | | |
| Managerial Level | 36 | 26.87% |
| Non-Managerial Level | 98 | 73.13% |
| Total | 134 | 100% |

| Years of Experience | | |
|---------------------|------------|-------------|
| 0-5 | 98 | 73.13% |
| 5-10 | 18 | 13.43% |
| 10-15 | 12 | 8.96% |
| 15 Above | 6 | 4.48% |
| Total | 134 | 100% |

Impact on employees' motivation in relation with company's CSR

Table 2: Impact on employees' motivation in relation with company's CSR

| Responses | No. of Participants | Percentage |
|--------------|---------------------|-------------|
| Satisfied | 18 | 13.43% |
| Motivated | 86 | 64.18% |
| Neutral | 30 | 22.39% |
| Total | 134 | 100% |

Source: Field survey, 2019

Table 2 shows that 64.18% of the employees positively motivated by the implementation of CSR activities. 13.43% of the employees are satisfied and happy with the CSR activities of their company. While 22.39% of the employees neither satisfied nor motivated towards CSR activities performed. The analysis shows that majority of employees get motivated with the different CSR activities perform by bank.

Relation of CSR with the financial performance of the company

Table 3: Relation of CSR with the financial performance of the company

| Responses | No. of respondent | Percentage |
|--------------|-------------------|-------------|
| Positive | 112 | 83.58% |
| Negative | 8 | 5.97% |
| Indifferent | 14 | 10.45% |
| Total | 134 | 100% |

Source: Field survey, 2019

From the above table 3, it is revealed that 83.58% of the respondent believes that the CSR have the good impact on the financial performance or in the core business of the company. However, 10.45% of the respondents were neutral or indifferent regarding the impact on the financial performance of the company whereas 5.97% respondents thought that CSR did not affect the performance. So, majority of employees believe in the fact that CSR have better contributes in the financial performance of the company.

Impact of CSR on company's goodwill /image

Table 4: Impact of CSR on company's goodwill /image

| Responses | No. of respondent | Percentage |
|--------------|-------------------|-------------|
| Positive | 116 | 86.57% |
| Negative | 12 | 8.96% |
| None | 8 | 5.97% |
| Total | 134 | 100% |

Source: Field survey, 2019

The above table shows that 86.57% of the respondents believe that the CSR activities positively contribute on the company's goodwill/ image and company would be benefited for long term. However, 8.96% of the respondents were indifferent on this matter. It shows that there is positive impact of CSR activities on the company's goodwill/image.

Implemented CSR Activities

Table 5: CSR Activities

| Responses | No. of respondent | Percentage |
|-------------------------|-------------------|-------------|
| Philanthropic nature | 22 | 16.42% |
| Sustainable development | 26 | 19.40% |
| Social awareness | 50 | 37.31% |
| Employee welfare | 36 | 26.87% |
| Total | 134 | 100% |

Source: Field survey, 2019

As mention in table 5, it is concluded that social awareness program has considered more important by employees followed by employee welfare, sustainable development and finally philanthropic activities. It implies that the main focus of the employee on social awareness and employee welfare.

Focus on Desired CSR activities

Table 6: Focus on Desired CSR activities

| Responses | No. of respondent | Percentage |
|--------------|-------------------|-------------|
| Education | 72 | 60% |
| Health | 32 | 26.67% |
| Environment | 16 | 13.33% |
| Total | 134 | 100% |

Source: Field survey, 2019

From the table 6, it is concluded that 60% of respondents considered education as the most important of CSR activities. 26.67% of the respondents believed that the second major aspect of the CSR activities shifted to the health aspect of the life. However, 13.33% of the respondents believed that the focus of CSR should also be on the environmental aspect as well. This shows that most of the people believe in creating awareness about the education in one's life.

From the above study it is revealed that CSR activities have positive impact on employee motivation, it enhances the goodwill and image of the business. The results show that there is an agreement among respondents on very good practice of CSR variables. This study also concludes that investment in CSR program have positive impact on the financial performance of the business. In this study, social awareness program has considered more important CSR activities by the employees followed by employee welfare, sustainable development and finally philanthropic activities. In this study education, health facilities and environment protection program are considered as most important desired CSR activities.

On the basis of an interview session with Mr. M. Gupta, head of province 2, mention that CSR is a behavior of that organizations behave ethically and morally in all aspect of their activities. He further added that CSR is carried out with the purpose of giving back to the society

from their return to some extent. CSR is about purely working on the betterment and contributing to the society as per the capability of the organization. CSR is performed with the view of building company's positive image and thus increasing the goodwill of the company in the market. Regarding the financial relation with CSR activities performed by his institution, he was opined that his institution performs the CSR activities purely on giving back to the society and their stakeholders thinking that it creates positive relation and enhance the financial performance of the institution. He further added that the organization on yearly basis sets aside the budget for the CSR activities and I personally feel that this activities of Prabhu Bank Ltd need to be appreciated as this shows the pure intention about contributing the people and the society as a whole.

CONCLUSIONS

The study of corporate social responsibility can improve managers' understanding on the status of CSR culture and simultaneously strengthening the Corporate Citizenship Culture and Organizational Performance relationship with stakeholders and boosting organizational performance. The results show that there is an agreement among respondents on very good practice of CSR variables. CSR is connected with corporate behaving ethically, morally and socially responsible towards the society. CSR cannot be performed with the small

amount of money and with the less time spent for the very activities. It needs planning and proper implementation so that the society could actually have positive impact by the CSR activities. This study concludes that CSR has good impact on employee motivation and organizational financial performance. CSR activities also enhance the goodwill/image of companies and investment in CSR activities will boost up the overall performance of business.

Corporate social responsibility is not going to solve the world's problem. But the capable companies can make a difference in life of the people by creating sustainable development opportunity in the society where it operates its business. This study concluded that social awareness program has considered more important CSR activities by the employees followed by employee welfare, sustainable development and finally philanthropic activities.

Corporate social responsibility (CSR) in context of developing countries like Nepal on the preliminary stage of its planning and functioning process and still it is not mandatory in Nepal. However, today's people are aware of the fact that companies need to perform CSR activities as they gain everything from the society then they should invest something for the society and their stakeholders. It is concluded that most of the respondents considered education as the most important desired CSR activities. This

shows that most of the people believe in creating awareness about the education in one's life. Whereas investment in health facilities considered as second major CSR activities. However, respondents also believed that conservation of environment should also be the important CSR activities.

Implications and Limitations

Organizations must build social and ethical considerations into every level of their activities and in their daily practices. CSR activities should not be limited only to the philanthropic and organizations should be creating awareness among the people of the society about CSR. Performing CSR activities by companies is not mandatory in Nepal but companies should perform their business activities ethical and moral basis. The media houses should also play an important role by advocating the need and importance of CSR in today's business world. Managers should design systems and set up appropriate programs for monitoring and managing CSR and related databases. The government should have some plan in order to encourage companies in performing CSR activities as the kind help, support, love, peace and brotherhood within the people of the society.

This study was limited to prabhu bank only as case study. So, generalizing the results of the study to all commercial and other bank of Nepal may be ambiguous. This study could not include all other interesting themes and prospective in the particular topic. In this study only

employees of prabhu bank were taken as respondents therefore, further testing with cross-sectional group from a comparative

perspective will help moderate the issue of generalizing conclusions on other banks.

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