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The Impact of Corporate Social Responsibility on Sustainable Financial Performance: The Mediating Role of Brand Value in Nepalese Commercial Banks

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ABSTRACT

Corporate social responsibility lies in its ability to strengthen brand value, leading to increased customer trust, competitive advantage, and sustainable financial performance over time. Corporate social responsibility strengthens brand value by demonstrating a company's commitment to ethical practices, social welfare, and environmental sustainability, which enhances its reputation and customer loyalty. This study aims to investigate how brand value impacts the relationship between corporate social responsibility and sustainable financial performance in Nepalese commercial banks. To accomplish this objective, data were collected from 252 respondents using a structured questionnaire, which was distributed via a convenience sampling method. The participants consisted of employees at managerial and officer level employees from various commercial banks. Data analysis was conducted using Process Macro 4, applying a 95% confidence interval and 5,000 bootstrapping samples. The findings reveal that brand value serves as a complete mediator in the relationship between corporate social responsibility and sustainable financial performance. This study demonstrates that organizations that are investing in corporate social responsibility play a pivotal role in enhancing brand value by demonstrating the organizational commitment to social and environmental well-being. Implementing corporate social responsibility initiatives can enhance sustainable financial performance by strengthening brand value, which fosters customer trust and loyalty, ultimately supporting long-term profitability and resilience.

Keywords: Corporate social responsibility, brand value, customer loyalty, social welfare, sustainable financial performance

1. INTRODUCTION

Corporate social responsibility (CSR) refers to a company's commitment to ethical practices and sustainable development, aiming to minimize or eliminate any adverse social or

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environmental effects stemming from its operations. CSR initiatives focus on balancing profitability with a positive impact on society and the environment. CSR reflects a company's voluntary commitment to addressing social, environmental, and ethical concerns, extending beyond mere profit-making (Wachira & Mathuva, 2022). Through initiatives like sustainable practices, philanthropy, and ethical governance, companies aim to create positive effects on stakeholders, communities, and the environment. The adoption of CSR is often linked to enhanced brand reputation, increased stakeholder trust, reduced risks, and potential long-term financial gains. CSR is described as an organization's strategic choice to voluntarily engage with social issues that may otherwise hinder the achievement of its corporate goals (Amponsah-Tawiah & Dartey-Baah, 2016). Today, CSR is no longer an isolated practice but is integrated into every facet of business operations, with many companies explicitly including CSR in their mission, vision, and values (Ofori & Hinson, 2007). Businesses are expected to act responsibly, maintain accountability, and contribute positively to society. Rhou et al. (2016) emphasized that CSR has grown into a key concern for business leaders, as companies are now evaluated not only on financial performance but also on their commitment to society. Modern corporate strategies no longer focus exclusively on profitability; they deliberately incorporate CSR into their broader objectives (Cho et al., 2019). This shift has led to CSR gaining significant global attention, fostering increasing interest from both business leaders and researchers exploring its wide-ranging impacts.

Brand value is a vital component of a company's success, as it encompasses the overall perception that consumers have about a brand, shaped by their experiences, beliefs, and interactions with it. A positive brand value is often linked to higher consumer trust and loyalty, which in turn boosts customer retention and long-term profitability. According to Mishra and Modi (2016) brand value comprises both functional and emotional benefits, where consumers not only assess the product's practical features but also form emotional connections based on their perception of the brand's values and identity. In the current digital landscape, where consumers are constantly exposed to various brands, maintaining a consistent and positive brand value has become even more critical. Social media platforms play a significant role in shaping public perception and amplifying brand messages. Moreover, firms with a strong and well-managed brand value are more likely to differentiate themselves from competitors, especially in highly saturated markets, leading to increased consumer preference and brand equity (Aaker, 2020). A brand value can also serve as a buffer during times of crisis, as brands with strong emotional resonance and trustworthiness are better positioned to recover from negative publicity (Tong et al., 2023).

Corporate social responsibility, financial performance, and brand value are deeply interrelated, as CSR initiatives often enhance a company's reputation, positively impacting its financial performance and brand value. Companies that actively engage in CSR practices, such as environmental sustainability, ethical labor practices, or community engagement, tend to foster trust and loyalty among consumers. This strengthened brand value, in turn, attracts more customers and investors, leading to improved financial performance (McWilliams & Siegel, 2000). Moreover, companies that perform well financially are better positioned to invest in CSR activities, creating a virtuous cycle where social responsibility boosts brand value, which in turn drives profitability (Carroll & Shabana, 2010). In competitive markets, a strong CSR-driven brand value can differentiate a company, allowing it to command customer loyalty and long-term financial success (Porter & Kramer, 2006).

In Nepalese commercial banks, integrating CSR into business practices not only enhances their public perception but also contributes to financial success by building trust with customers and fostering brand loyalty (Pokharel, 2023). As these components become more intertwined, they drive a sustainable business model where social responsibility, profitability, and brand equity are mutually reinforcing (Gautam & Amatya, 2016). In Nepal, corporate social responsibility practices within the banking sector have been shown to enhance brand reputation, foster customer loyalty, and support sustainable financial growth (Shakya & Manandhar, 2022). CSR investments foster positive brand perception, leading to financial advantages within competitive markets (Adhikari & Joshi, 2023). Additionally, CSR-driven brand value serves as a critical pathway to sustainable finance, reinforcing the role of responsible practices in the Nepalese banking sector (K.C. & Shrestha, 2023). Dahal (2018) highlighted that Nepalese banks are leveraging CSR as a strategic tool to differentiate themselves in a highly competitive market, while also fulfilling regulatory requirements set by the Nepal Rastra Bank. As CSR practices become more widespread, they contribute significantly to the sustainability and reputation of the banking and financial institutions for the developing countries like Nepal (Shrestha & Subedi, 2019). Based on the above justifications, this study aims to explore how the corporate social responsibility influences the sustainable financial performance of Nepalese commercial banks, considering the mediating influence of brand value.

2. LITERATURE REVIEW

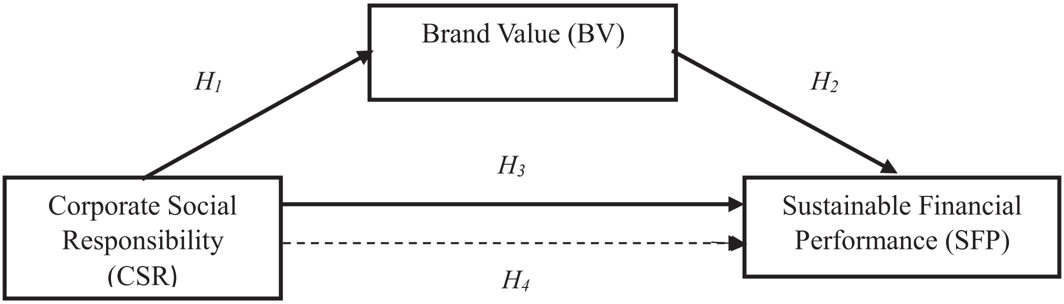
2.1 Theoretical Review

Stakeholder theory, proposed by Freeman (1984), emphasized that corporations should create value for all stakeholders such as employees, customers, suppliers, communities, and shareholders who directly or indirectly impact or are impacted by the organization. According to this theory, CSR initiatives (e.g., fair labor practices, environmental protection, and community investment) build stronger relationships with stakeholders, which can enhance corporate reputation, customer loyalty, and employee satisfaction. These positive relationships can contribute to financial stability and sustained profits over time as the business mitigates social and environmental risks while establishing itself as a responsible entity (Freeman, 1984). The Resource-Based View, developed by Barney (1991), argues that sustainable competitive advantages arise from unique, valuable, and difficult-to-imitate resources. CSR initiatives can contribute to creating such resources by building intangible assets like brand loyalty, employee commitment, and customer trust. These resources and capabilities foster a resilient business model that contributes to long-term financial performance, as they're challenging for competitors to replicate (Barney, 1991).

Agency theory, introduced by Jensen and Meckling (1976), addresses conflicts between principals and agents within an organization. This theory posits that CSR initiatives can help align the interests of managers with those of shareholders by fostering transparency, reducing risk, and signaling a commitment to long-term value creation. Responsible management practices, such as ethical governance and environmental responsibility, can attract investors who value sustainable practices, ultimately improving the organization's capital access and enhancing financial stability (Jensen & Meckling, 1976). Based on the above theories, figure 1 below illustrates the theoretical model for this study.

Figure 1

Theoretical Framework



2.2 Empirical Review

Corporate social responsibility has gained significant attention for its role in promoting sustainable financial performance. Firms engaging in CSR activities often experience enhanced financial outcomes by building long-term trust and credibility with stakeholders. CSR can foster a positive brand value, which acts as a critical mediating factor between CSR initiatives and sustainable financial performance (Carroll & Shabana, 2010). A strong brand value, resulting from responsible corporate actions, helps organizations differentiate themselves in competitive markets, attracting socially conscious consumers and investors (Fatma & Rahman, 2015). A strong brand value, built through socially and environmentally responsible practices, attracts loyal customers and investors, leading to higher profitability and market share (Singh & Misra, 2021). Moreover, a favorable brand value can cushion firms against market fluctuations and enhance corporate reputation, reinforcing the link between CSR and financial sustainability (Khan et al. 2016). As a result, companies that invest in CSR initiatives benefit from a strengthened brand, which supports for achieving sustainable financial performance.

2.3 Corporate Social Responsibility and Brand Value

Brand value represents the intangible benefits that offers both the company and its consumers by cultivating strong and positive relationships. Corporate social responsibility provides a positive link for creating brand value, with CSR initiatives in several ways. A company that actively engages in CSR, demonstrates a commitment to ethical practices, strengthens its public image, and reinforces its corporate culture. These efforts enhance consumer identification with the brand, improve its reputation, and generate favorable word-of-mouth (Choi et al., 2022; Fauzan, 2022; Khan & Fatma, 2023; Ming et al., 2022). Additionally, by offering high-quality products and services, companies can foster meaningful connections with consumers. This resonates particularly with socially conscious customers, guiding them toward brands that reflect their values while increasing stakeholder satisfaction (Calder, 2022; Jusuf, 2023; Maqbool et al., 2022). Thus, CSR not only boosts economic performance but also helps build a strong brand value system, promoting sustainable and healthy business growth. Accordingly, the following hypothesis has been proposed:
H_1: Corporate social responsibility has a positive impact on brand value.

2.4 Brand Value and Sustainable Financial Performance

The relationship between brand value and sustainable financial performance has garnered substantial academic interest, highlighting the strategic importance of brand equity in driving long-term financial success. Brand value, defined as the premium a company earns due to its brand recognition and reputation, has been linked to enhanced financial outcomes, including profitability and market performance (Aaker, 1996). Research shows that strong brand value not only attracts consumers but also fosters loyalty, which is crucial for sustaining revenue streams (Keller, 2003). Furthermore, brands that clearly demonstrate their commitment to sustainability are more likely to attain higher brand equity, as consumers increasingly prefer companies that align with their values (Bhattacharya & Sen, 2004). This connection indicates that investments in building brand value can yield significant returns in terms of achieving sustainable financial goal (Mishra & Modi, 2016). Thus, a robust brand value serves as a critical asset that contributes to sustainable financial performance by enhancing consumer trust and loyalty. Based on this, the following hypothesis is proposed:

H_2: Brand value has a positive impact on sustainable financial performance.

2.5 Corporate Social Responsibility and Sustainable Financial Performance

Corporate social responsibility refers to the ethical obligations that organizations have towards both their internal and external stakeholders. This includes commitments to protecting the environment, ensuring employee rights, and contributing to the overall well-being of society. These obligations are balanced with the goal of safeguarding shareholder interests (Bichta, 2003; D'amato et al., 2009; Low, 2016; Smith, 2011). Financial performance refers to the financial outcomes that an organization achieves over a specific period, driven by the strategic management decisions made by its leadership team. These outcomes are typically measured using accounting indicators (Fwamba, 2017; Neu, 1998; Otley, 1999). Previous studies posit a positive relationship between CSR and sustainable financial performance. By meeting stakeholder needs and delivering value to both society and the organization, CSR transforms into a valuable strategic advantage. The research shows that companies engaging in CSR initiatives can strengthen their reputation, build brand loyalty, increase employee productivity, reduce financing costs, and cultivate better relationships with government regulators. These efforts reduce business risks and generate significant commercial value (Dhar et al., 2022; Liu et al., 2022; Xue et al., 2022; Xu & Woo, 2023). Therefore, CSR is not simply an act of altruism but a mutually beneficial strategy that balances social responsibility with business interests, leading to long-term financial gains and advancing a company's sustainable development objectives. Based on this, the following hypothesis is proposed:

H_3: Corporate social responsibility has a positive direct impact on sustainable financial performance.

2.6 Brand Value mediates the relationship between Corporate Social Responsibility and Sustainable Financial Performance

Brand value not only mediates the relationship between CSR and sustainable financial performance, but it also serves as a critical driver of competitive advantage in today's marketplace. Companies that prioritize CSR initiatives are often rewarded with enhanced brand loyalty, as consumers increasingly favor brands that demonstrate social and environmental responsibility (Sen

& Bhattacharya, 2001). When companies engage in CSR activities, they enhance their brand equity, which, in turn, positively influences consumer perceptions and loyalty (Bhattacharya & Sen, 2004). This increased brand value can lead to greater market share and customer retention, ultimately driving financial performance (Martinez & del Bosque, 2013). Furthermore, firms that effectively communicate their CSR efforts are often perceived as more trustworthy, which further strengthens brand value and contributes to sustainable financial outcomes (Gurlek et al., 2017). Moreover, research indicates that a strong brand can buffer firms against economic downturns, as loyal customers are less likely to switch to competitors during challenging times (Keller, 2001). This resilience is particularly important for achieving sustainable financial performance, as it enables firms to maintain steady revenue streams despite fluctuations in the market (Aaker, 1992). Additionally, effective CSR strategies contribute to positive word-of-mouth marketing, which further amplifies brand value and drives sales growth (Homburg et al., 2015). Based on this, the following hypothesis is proposed:

*H*4: Brand value mediates the relationship between corporate social responsibility and sustainable financial performance.

3. METHODS

This research is based on the causal-comparative design to attain its objectives. This approach helps establish relationships between CSR practices and financial outcomes without direct manipulation, providing insights into the natural effects of CSR initiatives on organizational performance (Gay et al., 2011; Kothari, 2004). With a sample size of 252 respondents, the population of this study included all the officer and managerial level employees in Nepalese commercial banks. Questionnaires were distributed to officer and managerial-level employees because they play key roles in carrying out CSR initiatives and are knowledgeable about how these efforts influence brand image and financial results (Neuman, 2014). The questionnaire was distributed through personal visits, email, and social media applications, providing participants with flexible access and encouraging diverse responses (Dillman et al., 2014). Adopting the convenience sampling method, altogether 295 questionnaires were distributed, of which 260 were returned, yielding a strong response rate of 88.14 % (Babbie, 2016). However, only 252 responses were used for final analysis, as 8 responses were discarded due to incomplete responses. Convenience sampling was employed in the study because it allows for easy access to respondents, particularly when time and resources are limited, making it a practical approach in organizational research (Etikan et al., 2016; Saunders et al., 2019). The research items were measured using a 5-point Likert scale, ranging 1 (strongly disagree) to 5 (strongly agree). PROCESS Macro Model 4 is used for mediating analysis as it estimates the indirect effect of an independent variable on a dependent variable through a mediator, providing bootstrapped confidence intervals that enhance the accuracy of mediation effects, especially in smaller or non-normally distributed samples (Hayes, 2022). To assess the internal consistency of the variables, Cronbach's alpha test (Cronbach, 1951) was conducted. The items for corporate social responsibility, sustainable financial performance and brand value were 5, 5 and 7 respectively. The Cronbach's alpha values for all variables were above 0.7 (0.877 to 0.926), confirming their reliability for further analysis (Taber, 2018). The validity is often assessed by examining the significance of indirect effects (using bootstrapped confidence intervals) and model fit through R-squared values and model assumptions (Hayes, 2020). Table 1 presents the Cronbach's alpha values for each variable.

Table 1

Reliability Analysis

Variables	Cronbach's Alpha	No. of items	Remarks
Corporate Social Responsibility	0.877	5	Reliable
Sustainable Financial Performance	0.898	5	Reliable
Brand Value	0.926	7	Reliable

4. RESULTS AND DISCUSSION

4.1 Demographic Profile of the Respondents

The respondents in this study have a wide range of demographic and socio-economic backgrounds. Out of 252 respondents, 55.95 percent are male and 43.25 percent are female. Out of them 84.92 percent respondents are married and 15.08 percent are unmarried. Out of the respondent 8.33 percentage belongs to the age group 25-35 years, 40.48 percent belongs to 36-45 years, 34.92 percent belongs to 46-55 years and 16.27 percent belongs to above 55 years. Regarding academic qualifications, 21.03 percent have bachelor degree and remaining 78.97 percent have above bachelor degree. Regarding work experience, 28,97 percent respondents have up to 5 years' experience, 32.54 percent have 6-10 years' experience, 26.98 percent have 11-15 years' experience and 11.51 percent have more than 15 years' experience. Similarly, out of the total respondents, 45.24 percent respondents are holding managerial level position and remaining 54.76 percent are holding officer level position.

Table 2

Demographic Profile of Respondents

Variables	Frequency	Percent
Gender		
Male	141	55.95
Female	111	44.05
Marital Status		
Married	214	84.92
Unmarried	38	15.08
Age		
25-35	21	8.33
36-45	102	40.48
46-55	88	34.92
Above 55	41	16.27
Academic Qualification		
Bachelor	53	21.03
Above Bachelor	199	78.97
Work Experience		
Up to 5 years	73	28.97
6-10 years	82	32.54
11-15 years	68	26.98
Above 15 years	29	11.51
Job Position		
Manager Level	114	45.24
Officer Level	138	54.76

Note. Field Survey, 2024.

4.2 Descriptive Analysis

Table 3 displays the descriptive statistics and correlation coefficients for the variables examined in this study. The mean values and standard deviations for corporate social responsibility were (*M* = 3.37, *SD* = 0.92), sustainable financial performance (*M* = 2.97, *SD* = 0.94) and brand value (*M* = 3.30, *SD* = 0.96). The mean value of the variables reveal that the respondents perceive the state of all three variables in average positions except sustainable financial performance slightly below this. Additionally, the relationships among the variables were examined using the Pearson correlation coefficient test. CSR is positively correlated with both sustainable financial performance *(r = 0.188, p < 0.00)* and brand value *(r = 0.206, p < 0.00),* but the relationship between brand value and sustainable financial performance is much stronger *(r = 0.651, p < 0.00).* All correlations are statistically significant at the 1 percent level.

Table 3

Descriptive Analysis and Correlation Coefficients

Variables	Mean	SD	1	2	3
1. Corporate Social Responsibility	3.36	0.92	1		
2. Sustainable Financial Performance	2.97	0.94	0.188**	1	
3. Brand Value	3.30	0.96	0.206**	0.651**	1

Note. **Correlation is significant at the 0.01 level.

4.3 Test of Hypotheses

This study aims to examine the direct and indirect effects of CSR on SFP, with the mediating effect of BV. Therefore, CSR is the independent variable, SFP is the dependent variable, and BV is the mediating variable. The results of the analysis are presented in the subsequent tables. Table 4 presents that 4.26 percent of the variance in BV is explained by CSR. The model is statistically significant (F (1, 203) = 9.0413, p = .0030). It further reveals a significant effect of CSR on BV (β = 0.217, p = 0.003, LLCI = 0.074, ULCI = 0.359). Therefore, H_1, which states that CSR affects BV is accepted. Corporate social responsibility can significantly enhance brand value by fostering consumer trust and loyalty, as companies seen to uphold ethical and social commitments are often preferred by consumers (Khan & Fatma, 2023). Furthermore, CSR initiatives contribute to brand differentiation and positive brand associations, which can lead to increased competitive advantage and long-term brand equity (Ming et al., 2022).

Table 4

Impact of Corporate Social Responsibility on Brand Value

R	R Square	MSE	F	df1	df2	P
0.206	0.042	0.893	9.041	1	250	0.003
Model	Coefficient	SE	T	P	LLCI	ULCI
Constant	2.574	0.252	10.21	0.001	2.077	3.071
CSR	0.217	0.072	3.006	0.003	0.074	0.359

Note. CSR – Corporate Social Responsibility, BV – Brand Value.

Table 4 presents the regression outputs where SFP is the outcome variable and CSR and BV are the predictors. The analysis revealed a significant indirect effect of brand value (BV) on sustainable financial performance (SFP) (β = 0.6246, t = 11.7420, p = 0.001; LLCI = 0.5197, ULCI = 0.7294). The absence of zero within the lower limit confidence interval (LLCI) and upper limit confidence interval (ULCI) indicates the significance of this pathway, thereby supporting hypothesis H2, which asserts that brand value significantly influences sustainable financial performance. Brand value significantly impacts sustainable financial performance by enhancing customer loyalty and reducing price sensitivity, leading to more stable revenue streams and long-term profitability (Aaker, 1991). Additionally, strong brand value supports a company's resilience during market fluctuations, contributing to sustained competitive advantage and financial growth (Mishra & Modi, 2016). Table 5 shows that corporate social responsibility does not exert a significant effect on sustainable financial performance (β = 0.058, t = 1.033, p = 0.303; LLCI = -0.052, ULCI = 0.168), leading to the rejection of hypothesis H3. Corporate Social Responsibility does not always produce a significant effect on sustainable financial performance (McWilliams & Siegel, 2000). Additionally, the impact of CSR on financial performance can be contingent upon external factors such as industry type and market conditions (Margolis & Walsh, 2003). Conversely, the indirect effect on corporate social responsibility on sustainable financial performance through brand value is significant (β = 0.135; LLCI = 0.0264, ULCI = 0.2465) as shown in Table 6. This indicates that CSR influences SFP exclusively through its effect on BV. The findings support a full mediation model in which BV entirely mediates the relationship between CSR and SFP, thus accepting hypothesis H4, which posits that BV mediates the relationship between CSR and SFP. Brand value mediates the relationship between corporate social responsibility and sustainable financial performance by converting CSR efforts into a stronger brand reputation, which can increase customer loyalty and competitive advantage (Sen & Bhattacharya, 2001). Brand perception allows CSR initiatives to contribute indirectly to financial performance, as customers often favor brands they perceive as socially responsible (Homburg et al., 2015).

Table 5

Impact of Corporate Social Responsibility and Brand Value on Sustainable Financial Performance

R	R Square	MSE	F	df1	df2	P
0.653	0.426	0.513	75.182	2	249	0
Model	Coefficient	SE	T	P	LLCI	ULCI
Constant	0.717	0.235	3.05	0.002	0.253	1.18
CSR	0.058	0.056	1.033	0.303	-0.052	0.168
BV	0.624	0.053	11.742	0.001	0.519	0.729

Note. CSR–Corporate Social Responsibility, BV – Brand Value, SFP – Sustainable Financial Performance.

Table 6

Indirect Effect of CSR on BV

Path	Effect	Boot SE	Boot LLCI	Boot ULCI
CSR → BV → SFP	0.1357	0.0556	0.0264	0.2465

The analysis supports the hypotheses that CSR positively affects BV (H_1), and that BV positively affects SFP (H_2). However, the direct relationship between CSR and SFP was not significant (H_3). Additionally, BV was found to fully mediate the relationship between CSR and SFP (H_4). Table 7 presents the summary of hypotheses testing results.

Table 7

Summary of Hypothesis Testing

Hypotheses	Paths	Results
H_1	CSR → BV	Supported
H_2	BV → SFP	Supported
H_3	CSR → SFP (Direct)	Rejected
H_4	CSR → BV → SFP (Mediation)	Supported

4.4 Discussion

The findings of this study reveal that corporate social responsibility has no direct effect on sustainable financial performance in Nepalese commercial banks, challenging the traditional belief that socially responsible behavior leads to financial benefits. This aligns with prior research, which suggests that CSR activities, although important for maintaining social legitimacy and responding to stakeholder pressures, do not always generate direct financial returns, especially in developing economies like Nepal (Margolis & Walsh, 2003; McWilliams & Siegel, 2001). One possible explanation for this is that CSR initiatives often involve significant upfront costs, which may not directly translate into improved profitability in the short term (Frynas & Yamahaki, 2016). In the context of Nepalese commercial banks, the limited direct impact of CSR on financial performance could also be attributed to insufficient consumer awareness or a lack of mature CSR frameworks, which prevents banks from reaping the potential financial benefits. Thus, CSR may be viewed more as a long-term investment rather than a direct driver of financial outcomes (Barnett, 2007). This study is based on stakeholder theory suggesting that organizations should go beyond focusing solely on shareholder profit and instead consider the interests and well-being of all stakeholders, including customers, employees, communities, and the environment. This study initiative a strategic approach to address these diverse stakeholder interests. By engaging in CSR, banks can enhance their brand value, which positively influences stakeholder trust and loyalty, thereby leading to improved financial performance that is sustainable in the long run.

Choi et al. (2022) examined the effect of corporate social responsibility on sustainable financial performance within the Korean market, finding that CSR initiatives have a positive impact on financial performance. Their study indicated that firms that engage in higher levels of CSR, as measured by ESG (environmental, social, governance) factors, experience increased value and profitability, primarily due to enhanced stakeholder support and market perception of corporate value (Choi et al., 2022). The study by Choi et al. (2022) utilized the resource-based view theory to examine how corporate social responsibility initiatives contribute to sustainable financial performance. Maqbool et al. (2022) investigated the impact of corporate social responsibility on the financial performance of Indian commercial banks, employing stakeholder theory as their theoretical framework. This theory posits that a firm's success is contingent upon effectively managing relationships with its stakeholders, including customers, employees, and the community.

In contrast, this study establishes a significant direct relationship between CSR and brand value, corroborating the view that CSR positively influences how stakeholders perceive a company's brand (Brammer & Millington, 2005; Melo & Galan, 2011). CSR initiatives, such as environmental sustainability efforts, community development projects, and ethical business practices, have been shown to enhance a company's image and strengthen stakeholder trust. For Nepalese commercial banks, this suggests that CSR initiatives contribute significantly to the overall perception of the brand, making it more attractive to customers, investors, employees and society. Prior research supports this, arguing that CSR boosts brand equity by differentiating firms from their competitors and aligning their identity with positive social values (Hoeffler & Keller, 2002). Thus, CSR serves as a tool for enhancing the intangible value of a brand, which is particularly important in industries like banking, where trust and reputation are paramount.

The study further finds that brand value fully mediates the relationship between CSR and sustainable financial performance. This means that while CSR alone does not directly affect financial performance, it contributes to long-term financial sustainability by enhancing brand value. This finding is consistent with previous literature that highlights the importance of intangible assets like brand value in mediating the effects of CSR on financial outcomes (Fatma et al. 2015; Surroca et al. 2010). Gurlek et al. (2017) explored the influence of corporate social responsibility on customer loyalty and brand value. The findings revealed that CSR positively affects corporate image, which subsequently leads to greater customer loyalty. Additionally, corporate image was found to fully mediate the impact of CSR on loyalty, suggesting that CSR efforts are more effective when they are perceived to improve the corporate image. In the case of Nepalese banks, CSR activities enhance their brand's perceived value, which in turn leads to increased customer loyalty, higher market share, and ultimately improved financial performance (Mishra & Modi, 2016). Therefore, the path from CSR to sustainable financial performance is not direct but operates through the creation of strong brand equity. For Nepalese commercial banks, investing in CSR strengthens their brand's image, which positions them better in the market and drives long-term financial sustainability.

5. CONCLUSION

The findings of this study reveal that corporate social responsibility does not have a direct effect on sustainable financial performance in Nepalese commercial banks. While CSR is widely regarded as an essential element for modern businesses to foster trust and societal goodwill, it does not directly translate into financial gains in the context of long-term sustainability. Instead, CSR's impact is channeled through brand value, which plays a crucial mediating role. The study highlights that CSR initiatives significantly enhance the brand value of banks, reinforcing their reputation and strengthening their market presence. This enhanced brand value, in turn, has a positive and direct influence on sustainable financial performance. Therefore, although CSR on its own does not lead to financial improvements, it plays an essential role in building a strong brand identity, which ultimately drives financial sustainability.

The implication for Nepalese commercial banks is that they should not expect immediate financial returns from CSR activities but instead focus on the long-term benefits of brand enhancement. CSR efforts should be viewed as strategic investments that build a positive brand value, which can lead to sustained competitive advantage and improved financial outcomes over time. As brand value fully mediates the relationship between CSR and sustainable financial performance, banks need to ensure that their CSR initiatives are well-aligned with their brand's values and stakeholder expectations. By leveraging CSR to elevate their brand value, banks can strengthen customer loyalty and trust, which are critical for achieving sustainable financial success. Consequently, CSR should be integrated into broader corporate strategies with a focus on building brand equity, as it is this intangible asset that bridges the gap between responsible corporate behavior and long-term financial viability. In practice, the study suggests that Nepalese commercial banks should strategically integrate corporate social responsibility (CSR) into their business models to enhance their brand value, leading to improved sustainable financial performance. By prioritizing CSR initiatives, banks can strengthen customer trust, loyalty, and reputation, which are key drivers of financial success. This approach encourages banks to view CSR not just as a compliance requirement but as a vital investment in long-term profitability and market competitiveness.

This study has provided valuable insights based on its predetermined research questions. However, it is important to acknowledge its limitations and suggest avenues for further investigation. Firstly, the use of a cross-sectional research design is a significant limitation. Secondly, it focuses on a specific context of Nepalese banking sector limiting the generalizability of results to other regions or industries where CSR norms and consumer expectations may vary.

For future research, exploring CSR's impact across various industries could offer comparative insights and reveal sector-specific patterns in brand value and financial performance. Additionally, examining variables like customer trust, employee engagement, and organizational culture as potential mediators could provide a more nuanced understanding of CSR's role. Finally, the growing significance of digital media in CSR communication suggests that future studies should consider how online CSR efforts influence brand perception and financial outcomes, especially in emerging markets.

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