Impact of Corporate Governance on Social Responsibility: A Case of Nepalese Commercial Banks

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Abstract

This study examines the impact of corporate governance on social responsibility in the context of Nepalese commercial banks. Legal corporate social responsibility and philanthropic corporate social responsibility are selected as the dependent variables. The selected independent variables are board size, independent directors, audit committee size, female directors, foreign ownership, and government ownership. The study is based on secondary data of 15 commercial banks with 105 observations for the period from 2015/16 to 2021/22. The data were collected from Banking and Financial Statistics published by Nepal Rastra Bank and annual reports of the selected commercial banks. The correlation coefficients and regression models are estimated to test the significance and importance of corporate governance on social responsibility in the context of Nepalese commercial banks.

The study showed that board size has a positive impact on legal corporate social responsibility and philanthropic corporate social responsibility. It indicates that larger the board size, higher would be the legal corporate social responsibility and philanthropic corporate social responsibility. Similarly, independent directors has a positive impact on legal corporate social responsibility and philanthropic corporate social responsibility. It indicates that increase in independent directors on the board leads to increase in legal corporate social responsibility and philanthropic corporate social responsibility. Likewise, audit committee size has a positive impact on legal corporate social responsibility and philanthropic corporate social responsibility. It indicates that increase in audit committee size leads to increase in legal corporate social responsibility and philanthropic corporate social responsibility. Further, female directors has a positive impact on legal corporate social responsibility and philanthropic corporate social responsibility. It indicates that increase in female directors leads to increase in legal corporate social responsibility and philanthropic corporate social responsibility. In addition, foreign ownership has a negative impact on legal corporate social responsibility and philanthropic corporate social responsibility. It indicates that higher the foreign ownership, lower would be the legal corporate social responsibility and philanthropic corporate social responsibility. Likewise, government ownership has a positive impact on legal corporate social responsibility and philanthropic corporate social responsibility. It indicates that higher the government ownership, higher would be the legal corporate social responsibility and philanthropic corporate social responsibility.

Keywords: board size, independent directors, audit committee size, female directors, foreign ownership, government ownership, legal corporate social responsibility, philanthropic corporate social responsibility

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1. Introduction

Corporate social responsibility (CSR) is a new and widely used approach to do business which evolved into corporate citizenship and strategic socially responsible approach to organizational planning. CSR are in many different shapes and sizes included economic, social and environmental. The economic development has its effect on both the society and environment; which causes many issues like global warming, natural disaster, pollution and social problems. Therefore, large demands from individuals, activists, unions, firms, non-governmental organizations and others have led to the emerging of CSR as a solution for many problems. CSR relates to the companies' concerns for the good and benefit of the society. The globalization landscape requires organizations to raise awareness of the corporate social responsibility. Branco and Rodrigues (2008) stated that organizations must have responsibility to their stakeholders such as employees, shareholders, investors, consumers, creditors of public agencies, and non-governmental organizations. The responsibility that the public is expecting in the organization's actions on community and social issues. Similarly, Akanfe *et al.* (2017) argued that companies reconcile social and environmental issues in their business operations in the face of social, legal and regulatory pressures and expectations of stakeholders. CSR is a very important issue in the competitive pressure. This is to help organizations solve the problem of economic benefits, but meet stakeholder expectations. CSR is an institutional move because of a number of legal constraints in addition to shareholder interests (Rehma *et al.,* 2020). In the banking sector, banks have an important role to play in the social and environmental performance of banks' lending policies to other industries. Bank perform essential functions in economics involved in the efficient allocation of capital. Therefore, the banking sector needs to promote to lead the economy (Kuzey and Uyar, 2015). The banking industry recognizes that economic benefits must be considered from all aspects including social welfare and legal compliance (Ghabayen *et al.* 2016). Banks are encouraged to act more ethically and socially in their financing and investment activities to protect the legitimate interests of their stakeholders (Chiu, 2014).

Endrikat *et al.* (2021) examined the board characteristics and corporate social responsibility: A meta-analytic investigation. The study found that board size, board independence, and female board representation are partially interrelated with each other and jointly influence CSR directly as well as indirectly via the presence of a CSR committee. In addition, the study stated that country-level institutional factors act as moderators and that the relationships differ with regard to the specific dimension of CSR (i.e., social, environmental, or aggregate). Similarly, Beji *et al.* (2021) analyzed the board diversity and corporate social responsibility: An empirical evidence from France. The study showed that family boards are less diverse than non-family ones; specifically, they have a lower number of independent, foreign, and high-educated directors. Likewise, Shafira *et al.* (2021) investigated the effect of firm size and corporate governance structure on corporate social responsibility disclosures. The study revealed that company size, institutional ownership, and managerial ownership have no impact on CSR disclosure. Meanwhile, the size of the board of commissioners has a positive impact on CSR disclosure. Further, Nwude and Nwude (2021) examined the board structure and corporate social responsibility in developing economy. The study found that board with large number of persons, low proportion of persons operating outside the bank operations, and higher percentage of feminine directors on the board support higher level of corporate social responsibility. In addition, Dakhli (2021) analyzed the relationship between board attributes and corporate social responsibility. The study found that board independence and female board representation are positively correlated with CSR. However, board size and CEO duality are negatively associated with CSR.

Nour *et al.* (2020) examined the corporate governance and corporate social responsibility disclosure. The study found that social responsibility disclosure is positively affected by board size and percentage of women on board. Meanwhile duality and board average age are negatively affected by social responsibility disclosure. Likewise, Jin *et al.* (2022) analyzed the independent directors and corporate social responsibility in China. The study revealed that on average, firms undertake more external than internal CSR actions. Importantly, the study found that firms having politically connected independent directors on boards have wider gap between internal and external CSR. In contrast, firms having foreign independent directors on boards have a narrower gap between internal and external CSR.

Mohammadi *et al.* (2021) examined the impact of board and audit committee characteristics on corporate social responsibility of the firms listed in Iranian stock exchange. The study revealed that audit committee size has a significant impact on CSR while audit committee independence has a significant impact on CSR. Similarly, Barzegar *et al.* (2019) investigated the impact of audit committee characteristics on corporate social responsibility disclosure. The study showed that characteristics of the audit committee including independence, size, financial expertise, and gender diversity of the members of the audit committee have positive and significant impact on the disclosure of corporate social responsibility. Likewise, Bataineh *et al.*

(2023) analyzed the role of ownership structure, board, and audit committee in corporate social responsibility disclosure of Jordanian firms. The study found that audit committee size has a positive and significant impact on legal corporate social responsibility. Further, Wang and Sun (2022) examined the role of audit committees in social responsibility and environmental disclosures in Chinese energy sector. The study found that female audit committee members are more effective in enhancing the disclosures than male counterparts. In addition, Bastina and Bernawati (2019) showed that audit committee size has a positive and significant impact on corporate social responsibility disclosure. Similarly, Guo and Zheng (2021) examined the foreign ownership and corporate social responsibility in China. The study concluded that foreign ownership has a significant positive impact on corporate social responsibility. Likewise, Tokas and Yadav (2020) analyzed the foreign ownership and corporate social responsibility. The study revealed that foreign ownership is associated with a higher CSR spending than domestic firms. Further, Rashid (2021) revealed that independent directors have a positive but an insignificant impact on corporate social responsibility.

In the context of Nepal, Lamsal (2021) examined the impact of corporate governance on social information disclosure. The study concluded that effective corporate governance is linked towards the better level of social information disclosure. Similarly, Parajuli (2019) analyzed the transforming corporate governance through effective corporate social responsibility (CSR) and social entrepreneurship orientation in Nepal. The study stated that the Nepalese corporate sector has been positively inclined towards enhancement of brand image, reputation and societal relationship by means of truthful engagement in CSR and societal entrepreneurship initiatives. Likewise, Kalita and Tiwari (2023) revealed that audit committee meeting and board's independence have positive and significant impact on corporate social responsibility. Further, Kunwar (2021) examined the impact of organizational characteristics on adoption of corporate governance reforms in the banking sector in an emerging economy. Corporate governance does affect the financial performance of commercial banks in Nepal. The result indicated that corporate governance structures, e.g., board size, existence of CFO, percentage of minority directors and the percentage of female directors have statistically positive impact on performance, while the percentage of external directors has a negative impact on bank performance.

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

The major objective of the study is to examine the impact of corporate governance on social responsibility in the context of Nepalese commercial banks. Specifically, it examines the relationship of board size, independent directors, audit committee size, female directors, foreign ownership, and government ownership with social responsibility of Nepalese commercial banks.

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

2. Methodological aspects

The study is based on the secondary data which were gathered from 15 commercial banks for the period of 2015/16 to 2021/22, leading to a total of 105 respondents. The study employed stratified sampling method. The main sources of data include Banking and Financial Statistics published by Nepal Rastra Bank and annual report of respective banks. Table 1 shows the list of commercial banks for the study along with the study period and number of observations.

Table 1

List of commercial banks selected for the study along with the study period and number of observations

S. N.	Name of the Banks	Study period	Observations
1	Nabil Bank Limited	2015/16-2021/22	7
2	Rastriya Banijya Bank Limited	2015/16-2021/22	7
3	Nepal Bank Limited	2015/16-2021/22	7
4	Agriculture Development Bank Limited	2015/16-2021/22	7
5	Kumari Bank Limited	2015/16-2021/22	7
6	Citizens Bank Limited	2015/16-2021/22	7
7	Machhapuchchhre Bank Limited	2015/16-2021/22	7
8	Siddhartha Bank Limited	2015/16-2021/22	7
9	Nepal SBI Bank Limited	2015/16-2021/22	7
10	NMB Bank Limited	2015/16-2021/22	7
11	Global IME Bank Limited	2015/16-2021/22	7
12	Nepal Investment Mega Bank Limited	2015/16-2021/22	7
13	Everest Bank Limited	2015/16-2021/22	7
14	Standard Chartered Bank Nepal Limited	2015/16-2021/22	7
15	Sanima Bank Limited	2015/16-2021/22	7
Total number of observations			**105**

Source: Annual Reports

Thus, the study is based on 105 observations.

The model

The model used in this study assumes that corporate governance depends upon social responsibility. The dependent variables selected for the study are legal corporate social responsibility and philanthropic corporate social responsibility. Similarly, the selected independent variables are board size, independent directors, audit committee size, female directors, foreign ownership, and government ownership. Therefore, the model takes the following form:

$$LCSR_{it} = \alpha + \beta_1 BS_{it} + \beta_2 ID_{it} + \beta_3 ACS_{it} + \beta_4 FD_{it} + \beta_5 FO_{it} + \beta_6 GO_{it} + e_{it}$$

$$PCSR_{it} = \alpha + \beta_1 BS_{it} + \beta_2 ID_{it} + \beta_3 ACS_{it} + \beta_4 FD_{it} + \beta_5 FO_{it} + \beta_6 GO_{it} + e_{it}$$

Where,

LCSR = Legal corporate social responsibility.

PCSR = Philanthropic corporate social responsibility.

BS = Board size as measured by the total number of directors in the board, in numbers.

ID = Independent directors as measured by the number of directors in the board as an external, in numbers.

ACS = Audit committee size as measured by the number of audit committee members, in numbers.

FD = Female directors as measured by the number of female in the board as a directors, in numbers.

GO= Government ownership is a dummy variable which is measured as ‘0’ if there is no government ownership and ‘1’ as if there is foreign ownership.

FO= Foreign ownership is a dummy variable which is measured as ‘0’ if there is no foreign ownership and ‘1’ as if there is foreign ownership.

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

Board size

Alabdullah *et al.* (2019) examined the effect of board size and duality on corporate social responsibility. The study found that there is a positive relationship between board size and corporate social responsibility. Similarly, Liao *et al.* (2018) analyzed the corporate board and corporate social responsibility assurance in China. The study showed that board size has a positive impact on corporate social responsibility. Likewise, Riyadh *et al.*

(2019) investigated the impact of corporate social responsibility disclosure and board characteristics on corporate performance. The study found that board size and gender diversity have significant impact on corporate performance. Further, Zubeltzu-Jaka *et al.* (2020) showed that board size has a positive and significant impact on corporate social responsibility. In addition, Pucheta-Martinez and Gallego-Alvarez (2019) concluded that board size has a positive impact on CSR disclosure. Based on it, this study develops the following hypothesis:

H_1: There is a positive relationship between board size and corporate social responsibility.

Independent directors

Chintrakarn *et al.* (2020) examined how do independent directors view corporate social responsibility (CSR)? Evidence from a quasi-natural experiment. The study found that independent directors have positive impact on corporate social responsibility. Similarly, Wang *et al.* (2021) investigated the impact of women and independent directors on corporate social responsibility and financial performance: empirical evidence from an emerging economy. The study showed that there is a positive relationship between independent directors and corporate social responsibility. Likewise, Li and Guo (2022) revealed that independent directors have positive impact on corporate social responsibility. Further, Cullinan *et al.* (20019) stated that female independent directors have strong impact on corporate social responsibility. In addition, Yu *et al.* (2018) examined the effect of independent director reputation incentives on corporate social responsibility: Evidence from China. The study found that independent directors have significant and positive impact on corporate social responsibility. Based on it, this study develops the following hypothesis:

H_2: There is a positive relationship between independent directors and corporate social responsibility.

Audit committee size

Harvidiyan and Dianawati (2020) examined the effect of share ownership structure, board of commissioner size, and audit committee size on corporate social responsibility disclosure. The study found that there is a positive relationship between audit committee size and corporate social responsibility. Similarly, Rawi and Muchlish (2022) showed that there is a positive relationship between audit committee size and corporate social responsibility. Likewise, Musallam (2018) investigated the direct and indirect effect of the existence of risk management on the relationship between audit committee and corporate social responsibility disclosure. The study showed that audit committee size has a positive impact on corporate social responsibility. Further, Utami *et al.* (2021) found that audit committee size has a significant and positive impact on corporate social responsibility. Based on it, this study develops the following hypothesis:

H_3: There is a positive relationship between audit committee size and corporate social responsibility.

Female directors

Khidmat *et al.* (2022) examined the impact of female directors on corporate boards and corporate social responsibility in China. The study found that female directors have positive impact on corporate social responsibility. Similarly, Ardito *et al.* (2021) analyzed the link between female representation in the boards of directors and corporate social responsibility. The study concluded that female directors have positive and significant impact on corporate social responsibility. Likewise, Amorelli and Garcia-Sanchez (2020) revealed that there is a positive relationship between female directors and corporate social responsibility. Further, Cook and Glass (2018) showed that women directors in the board has a positive impact on corporate social responsibility. In addition, Hyun *et al.* (2022) revealed that female participation in top executive leadership has a positive impact on corporate social responsibility. Likewise, Dakhli (2020) examined do women on corporate boardrooms have an impact on tax avoidance? The mediating role of corporate social responsibility. The study revealed that female directors have positive and significant impact on corporate social responsibility. Based on it, this study develops the following hypothesis:

H_4: There is a positive relationship between female directors and corporate social responsibility.

Foreign ownership

Kabir and Thai (2021) examined the factors determining corporate social responsibility practices of Vietnamese firms and the joint effects of foreign ownership. The study found that foreign ownership has a positive impact on corporate social responsibility. Similarly, Setiawan *et al.* (2021) revealed that foreign ownership has a positive and significant impact on corporate social responsibility. Likewise, Alshbili *et al.* (2020) concluded that there is a positive relationship foreign ownership and corporate social responsibility. Further, Putri *et al.* (2023) showed that foreign ownership has a positive and significant impact on corporate social responsibility. In addition, Prasetio and Rudyanto (2020) revealed that there is a positive relationship foreign ownership and corporate social responsibility. Based on it, this study develops the following hypothesis:

H_5: There is a positive relationship between foreign ownership and corporate social responsibility.

Government ownership

A company in which government or state have possession of shares, property, and assets of the organization. Farhan and Freihat (2021) examined the impact of government ownership and corporate governance on the corporate social responsibility: An evidence from UAE. The study found that government ownership has a positive impact on corporate social responsibility. Similarly, Sahasranamam *et al.* (2020) analyzed ownership structure and corporate social responsibility in an emerging market. The study revealed that there is a positive relationship between government ownership and corporate social responsibility. Likewise, Saha (2019) examined the relationship between corporate social responsibility performance and disclosures: commercial banks of Bangladesh. The study showed that government ownership has a positive impact on corporate social responsibility. Based on it, this study develops the following hypothesis:

H_6: There is a positive relationship between government ownership and corporate social responsibility.

3. Results and discussions

Descriptive statistics

Table 2 represents the descriptive statistics of selected dependent and independent variables during the period 2015/16 to 2021/22.

Table 2

Descriptive statistics

This table shows the descriptive statistics of dependent and independent variables of 15 Nepalese commercial banks for the study period of 2015/16 to 2021/22. The dependent variables are LCSR (Legal corporate social responsibility) and PCSR (Philanthropic corporate social responsibility). The independent variables are BS (Board size as measured by the total number of directors in the board, in numbers), ID (Independent directors as measured by the directors in the board as an external, in numbers), ACS (Audit committee size is defined as the number of audit committee members, in numbers), FD (Female directors as measured by the number of female in the board as a directors, in numbers), FO (Foreign ownership is a dummy variable which is measured as '0' if there is no foreign ownership and '1' as if there is foreign ownership) and GO (Government ownership is a dummy variable which is measured as '0' if there is no government ownership and '1' as if there is foreign *ownership).*

Variables	Minimum	Maximum	Mean	S.D.
CSR	1.00	5.00	3.650	1.341
PCSR	1.00	5.00	3.320	1.260
BS	5.00	8.00	6.570	0.858
ID	0.00	1.00	0.640	0.348
ACS	2.00	4.00	3.000	0.529
FD	0.00	1.00	0.800	0.239
FO	0.00	1.00	0.400	0.507
GO	0.00	1.00	0.200	0.414

Source: SPSS output

Correlation analysis

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

Table 3

Pearson's correlation coefficients matrix

This table shows the correlation coefficients of dependent and independent variables of 15 Nepalese commercial banks for the study period of 2015/16 to 2021/22. The dependent variables are LCSR (Legal corporate social responsibility) and PCSR (Philanthropic corporate social responsibility). The independent variables are BS (Board size as measured by the total number of directors in the board, in numbers), ID (Independent directors as measured by the directors in the board as an external, in numbers), ACS (Audit committee size is defined as the number of audit committee members, in numbers), FD (Female directors as measured by the number of female in the board as a directors, in numbers), FO (Foreign ownership is a dummy variable which is measured as '0' if there is no foreign ownership and '1' as if there is foreign ownership) and GO (Government ownership is a dummy variable which is measured as '0' if there is no government ownership and '1' as if there is foreign ownership).

Variables	LCSR	PCSR	BS	ID	ACS	FD	FO	GO
LCSR	1							
PCSR	0.852**	1						
BS	0.096	0.119	1					
ID	0.349**	0.281**	0.358**	1				
ACS	0.378**	0.331**	0.046	0.318**	1			
FD	0.197*	0.200*	0.352**	0.297**	0.370**	1		
FO	-0.249**	-0.264**	0.075	-0.005	-0.479**	-0.193*	1	
GO	0.319**	0.237**	0.295**	0.534**	0.337**	0.367**	-0.138	1

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

Table 3 shows that board size has a positive relationship with legal corporate social responsibility. It indicates that larger the board size, higher would be the legal corporate social responsibility. Similarly, independent directors has a positive relationship with legal corporate social responsibility. It indicates that increase in number of independent directors on the board leads to increase in legal corporate social responsibility. Likewise, audit committee size has a positive relationship with legal corporate social responsibility. It indicates that higher the audit committee size, higher would be the legal corporate social responsibility. Further, female directors has a positive relationship with legal corporate social responsibility. It indicates that increase in female directors in the board leads to increase in legal corporate social responsibility. In addition, foreign ownership has a negative relationship with legal corporate social responsibility. It indicates that higher the foreign ownership, lower would be the legal corporate social responsibility. Likewise, government ownership has a positive relationship with legal corporate social responsibility. It indicates that higher the government ownership, higher would be the legal corporate social responsibility.

Similarly, board size has a positive relationship with philanthropic corporate social responsibility. It indicates that larger the board size, higher would be the philanthropic corporate social responsibility. Similarly, independent directors has a positive relationship with philanthropic corporate social responsibility. It indicates that increase in number of independent directors on the board leads to increase in philanthropic corporate social responsibility. Likewise, audit committee size has a positive relationship with philanthropic corporate social responsibility. It indicates that higher the audit committee size, higher would be the philanthropic corporate social responsibility. Further, female directors has a positive relationship with philanthropic corporate social responsibility. It indicates that increase in female directors in the board leads to increase in philanthropic corporate social responsibility. In addition, foreign ownership has a negative relationship with philanthropic corporate social responsibility. It indicates that higher the foreign ownership, lower would be the philanthropic corporate social responsibility. Likewise, government ownership has a positive relationship with philanthropic corporate social responsibility. It indicates that higher the government ownership, higher would be the philanthropic corporate social responsibility.

Regression analysis

Having analyzed the Pearson’s correlation coefficients, the regression analysis has been carried out and the results are presented in Table 4 and Table 5. More specifically, it presents the regression results of board size, independent directors, audit committee size, female directors, foreign ownership, and government ownership on legal corporate social responsibility.

Table 4

Estimated regression results of board size, independent directors, audit committee size, female directors, foreign ownership, and government ownership on legal corporate social responsibility

The results are based on panel data of 15 Nepalese commercial banks with 105 observations for the period of 2015/16 to 2021/22 by using the linear regression model and the model is $LCSR_{it} = \alpha + \beta_1 BS_{it} + \beta_2 ID_{it} + \beta_3 ACS_{it} + \beta_4 FD_{it} + \beta_5 FO_{it} + \beta_6 GO_{it} + e_{it}$ *where, the dependent variable is LCSR (Legal corporate social responsibility). The independent variables are BS (Board size as measured by the total number of directors in the board, in numbers), ID (Independent directors as measured by the directors in the board as an external, in numbers), ACS (Audit committee size is defined as the number of audit committee members, in numbers), FD (Female directors as measured by the number of female in the board as a directors, in numbers), FO (Foreign ownership is a dummy variable which is measured as '0' if there is no foreign ownership and '1' as if there is foreign ownership) and GO (Government ownership is a dummy variable which is measured as '0' if there is no government ownership and '1' as if there is foreign ownership).*

Model	Intercept	Regression coefficients of						Adj. R_bar²	SEE	F-value
		BS	ID	ACS	FD	FO	GO			
1	2.430 (1.051)	0.926 (2.652)**						0.301	1.121	7.031
2	4.541 (6.303)**		1.387 (1.392)					0.063	1.298	1.937
3	5.398 (2.594)**			0.582 (0.851)				0.020	1.354	0.723
4	4.613 (3.647)**				1.200 (0.790)			0.028	1.359	0.624
5	3.667 (7.908)**					-0.033 (0.045)		0.077	1.391	0.002
6	3.483 (8.989)**						0.850 (0.981)	0.003	1.342	0.962
7	1.340 (0.492)	0.831 (2.220)*	0.729 (0.790)					0.280	1.137	3.726
8	1.29 (0.034)	0.528 (1.270)	0.951 (0.840)	0.196 (0.266)				0.215	1.188	2.280
9	1.495 (0.341)	0.410 (0.909)	0.894 (0.774)	0.221 (0.294)	1.196 (0.770)			0.021	1.273	0.929
10	2.003 (0.429)	0.871 (1.848)	0.793 (0.664)	0.097 (0.118)	0.251 (0.156)	-0.131 (0.176)		0.046	1.309	1.135
11	1.559 (0.232)	0.812 (1.045)	0.841 (0.619)	0.113 (0.128)	0.077 (0.031)	-0.064 (0.060)	0.167 (0.098)	0.072	1.338	0.843

Notes:

i. Figures in parenthesis are t-value
ii. The asterisk signs (**) and (*) indicate that the results are significant at one percent and five percent level respectively.
iii. Legal corporate social responsibility is the dependent variable.

Table 4 shows that the beta coefficients for board size are positive with legal corporate social responsibility. It indicates that board size has a positive impact on legal corporate social responsibility. This finding is consistent with the findings of Alabdullah *et al.* (2019). Similarly, the beta coefficients for independent directors are positive with legal corporate social responsibility. It indicates that independent directors has a positive impact on legal corporate social responsibility. This finding is consistent with the findings of Chintrakarn *et al.* (2020). Likewise, the beta coefficients for audit committee size are positive with legal corporate social responsibility. It indicates that audit committee size has a positive impact on legal corporate social responsibility. This finding is inconsistent with the findings of Rawi and Muchlish (2022). Further, the beta coefficients for female directors are positive with legal corporate social responsibility. It indicates that female directors has a positive impact on legal corporate social responsibility. This finding is consistent with the findings of Khidmat *et al* (2022). Moreover, the beta coefficients for foreign ownership are negative with legal corporate social responsibility. It indicates that foreign ownership has a negative impact on legal corporate social responsibility. This finding contradicts with the findings of Kabir and Thai (2021). Similarly, the beta coefficients for government ownership are positive with legal corporate social responsibility. It indicates that government ownership has a positive impact on legal corporate social responsibility. This finding is similar to the findings of Farhan and Freihat (2021).

Table 5 shows the estimated regression results of board size, independent directors, audit committee size, female directors, foreign ownership, and government ownership on philanthropic corporate social responsibility.

Table 5

Estimated regression results of board size, independent directors, audit committee size, female directors, foreign ownership, and government ownership on philanthropic corporate social responsibility

The results are based on panel data of 15 Nepalese commercial banks with 105 observations for the period of 2015/16 to 2021/22 by using the linear regression model and the model is $PCSR_{it} = \alpha + \beta_1 BS_{it} + \beta_2 ID_{it} + \beta_3 ACS_{it} + \beta_4 FD_{it} + \beta_5 FO_{it} + \beta_6 GO_{it} + e_{it}$ *where, the dependent variable is PCSR (Philanthropic corporate social responsibility). The independent variables are BS (Board size as measured by the total number of directors in the board, in numbers), ID (Independent directors as measured by the directors in the board as an external, in numbers), ACS (Audit committee size is defined as the number of audit committee members, in numbers), FD (Female directors as measured by the number of female in the board as a directors, in numbers), FO (Foreign ownership is a dummy variable which is measured as '0' if there is no foreign ownership and '1' as if there is foreign ownership) and GO (Government ownership is a dummy variable which is measured as '0' if there is no government ownership and '1' as if there is foreign ownership).*

Model	Intercept	Regression coefficients of						Adj. R_bar^2	SEE	F-value
		BS	ID	ACS	FD	FO	GO			
1	0.740 (0.302)	0.618 (1.672)						0.114	1.186	2.796
2	4.102 (6.003)**		1.222 (1.293)					0.046	1.231	1.671
3	4.391 (2.210)*			0.357 (0.547)				0.053	1.293	0.299
4	4.880 (4.315)**				1.950 (1.436)			0.070	1.215	2.062
5	3.400 (7.827)**					-0.200 (0.291)		0.070	1.303	0.085
6	3.267 (8.688)**						0.267 (0.317)	0.069	1.302	0.101
7	(1.304) (0.492)	(0.831) (2.220)*	(0.729) (0.790)					0.280	1.137	3.726
8	(0.129) (0.034)	(0.528) (1.270)	(0.951) (0.840)	(0.196) (0,266)				0.215	1.188	2.280
9	(1.495) (0.341)	0.410 (0.909)	0.894 (0.774)	0.221 (0.294)	1.196 (0.770)			0.021	1.273	0.929
10	2.003 (0.429)	0.871 (1.848)	0.793 (0.664)	0.097 (0.118)	0.251 (0.156)	-0.131 (0.176)		0.046	1.309	1.135
11	1.559 (0.232)	0.812 (1.045)	0.841 (0.619)	0.113 (0.128)	0.077 (0.031)	-0.064 (0.060)	0.167 (0.098)	0.072	1.388	0.843

Notes:

i. Figures in parenthesis are t-value
ii. The asterisk signs (**) and (*) indicate that the results are significant at one percent and five percent level respectively.
iii. Philanthropic corporate social responsibility is the dependent variable.

Table 5 shows that the beta coefficients for board size are positive with philanthropic corporate social responsibility. It indicates that board size has a positive impact on philanthropic corporate social responsibility. This finding is consistent with the findings of Zubeltzu-Jaka *et al.* (2020). Similarly, the beta coefficients for independent directors are positive with philanthropic corporate social responsibility. It indicates that independent directors has a positive impact on philanthropic corporate social responsibility. This finding is consistent with the findings of Cullinan *et al.* (20019). Likewise, the beta coefficients for audit committee size are positive with philanthropic corporate social responsibility. It indicates that audit committee size has a positive impact on philanthropic corporate social responsibility. This finding is inconsistent with the findings of Utami *et al.* (2021). Further, the beta coefficients for female directors are positive with philanthropic corporate social responsibility. It indicates that female directors has a positive impact on philanthropic corporate social responsibility. This finding is consistent with the findings of Dakhli (2020). Moreover, the beta coefficients for foreign ownership are negative with philanthropic corporate social responsibility. It indicates that foreign ownership has a negative impact on philanthropic corporate social responsibility. This finding is not similar to the findings of Prasetio and Rudyanto (2020). Similarly, the beta coefficients for government ownership are positive with philanthropic corporate social responsibility. It indicates that government ownership has a positive impact on philanthropic corporate social responsibility. This finding is similar to the findings of Sahasranamam *et al.* (2020).

4. Summary and conclusion

Corporate governance is a crucial aspect of the banking industry, ensuring the stability, transparency, and accountability of commercial banks. In Nepal, the banking industry is crucial to the growth and development of the economy since it provides financial intermediation and encourages investment. Effective corporate governance frameworks have become more and more necessary as the industry has developed over time. The guiding principles of corporate governance in Nepalese commercial banks are openness, responsibility, and good management. Corporate governance is a system process and practices that ensures that a firm is well governed and creates sustainable values for its stakeholders. It ensures transparency, accountability, responsibility and fairness in corporate operation and practices. Corporate governance depends on managerial performance as well as a consideration of social responsibility, the socio-cultural-environmental dimension of business procedure, legal and ethical practices with a focus on customers and other stakeholders of an organization.

The study attempts to examine the impact of corporate governance on social responsibility in the context of Nepalese commercial banks. This study is based on the secondary data gathered from 15 Nepalese commercial banks for the study period from 2015/16 to 2021/22.

The major conclusion of this study is that board size, independent directors, audit committee size, female directors, and government ownership have positive impact on legal corporate social responsibility and philanthropic corporate social responsibility. However, foreign ownership has a negative impact on legal corporate social responsibility and philanthropic corporate social responsibility. Likewise, the study also concluded that independent directors followed by female directors is the most influencing factor that explains the changes in the legal corporate social responsibility in the context of Nepalese commercial banks. Similarly, the study also concluded that female directors followed by independent directors is the most influencing factor that explains the changes in philanthropic corporate social responsibility in the context of Nepalese commercial banks.

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