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Mapping Environment, Society and Governance Awareness in Nepali Banks: Insights from Quantitative Research

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Abstract

Purpose: This study explores the current state of ESG practices in Nepal. Given the limited research on ESG issues in the country and Nepal's commitment to achieving net zero emissions, this topic is of significant relevance.

Objectives: The study evaluates ESG awareness and determines which ESG factors are the least or most understood.

Methods: A quantitative approach was employed, gathering primary data through a questionnaire. Descriptive analysis, correlation analysis, and ANOVA tests were conducted using SPSS to conclude. Stratified random sampling was used, and the sample size was 392.

Finding: The findings revealed moderate ESG awareness, with a greater understanding of environmental and social indicators.

Conclusion: This study lays the groundwork for future research on ESG practices in Nepal's banking and other sectors and serves as a stepping stone for developing policies and strategies to leverage ESG in supporting the attainment of sustainable development goals.

Keywords: Sustainable development, sustainability, environmental, social, governance

1. Introduction

Environmental, Social, and Governance (ESG) factors have become increasingly significant in pursuing sustainable development and ethical business practices (Li et al., 2021). ESG provides a framework for evaluating companies based on their environmental impact, social responsibilities, and governance structures, which are no longer peripheral considerations but integral to a company's long-term growth and risk management strategies (Khemir, 2019). The shift in focus toward ESG is fueled by growing concerns about climate change, social inequality, corporate governance, and the realisation that sustainability is crucial to creating long-term value (Gunarapong & Boonyanet, 2023). As a result, investors, regulators, and businesses globally are progressively integrating ESG principles into their decision-making processes.

Banks are central to integrating ESG practices, mainly through responsible lending, financing sustainable projects, and maintaining transparency (Thirumalai, 2022). Given the financial sector's influence over capital allocation, banks are well-positioned to drive the adoption of ESG principles in various industries by incorporating these factors into their lending and investment decisions. ESG integration helps banks mitigate risks, aligns them with global sustainability goals, and enhances their reputation (Hoang, 2018). The banking sector's role is especially crucial in regions where regulatory frameworks around ESG are underdeveloped or evolving, such as South Asia (Ng et al., 2020).

The current global status of ESG reflects its growing importance across industries and regions. Approximately 90% of S&P 500 companies now publish ESG reports, indicating a shift in corporate priorities toward sustainability and financial performance (McKinsey, 2022). ESG has become a critical factor for 85% of asset managers, influencing 89% of investment decisions globally (Lisam, 2023; Bankrate, 2023). Consumer demand also drives ESG adoption, with 76% of consumers willing to stop supporting companies that neglect environmental or social issues (PwC, 2021).

In Nepal, a developing country with growing economic aspirations but limited regulatory frameworks surrounding sustainability, the banking sector is pivotal in fostering ESG integration. Discussions about ESG are just beginning; reporting on ESG is voluntary and is in the newborn stage (Kafle, 2016). Biswakarma et al. (2024) report that Nepal Rastra Bank has initiated policies to encourage green investments and incorporate environmental factors into decision-making for banks and financial institutions (BFIs). This includes implementing the Environment and Social Risk Management (ESRM) framework, and mandating BFIs to assess environmental risks under national laws before extending credit to enterprises (Kafle, 2016) .However, despite the growing recognition of the importance of ESG globally, the level of awareness of these principles within Nepali banks remains largely unexplored. A lack of research and standardised metrics for evaluating ESG performance has hindered the effective adoption of these principles.

Awareness of ESG within the banking sector could profoundly influence financial institutions' lending practices, investment decisions, and risk management strategies. Globally, banks with high ESG awareness have demonstrated improved performance in managing financial risks and fostering corporate accountability (Pedro & Gomes Da Silva, 2023). In the context of developing countries like Nepal, raising ESG awareness could help banks contribute to sustainable development while aligning with international ESG standards. As the banking sector becomes more attuned to the significance of ESG factors, there is a need for empirical research to understand the current level of awareness and integration of these principles within Nepali banks (Karmacharya, 2023).

Despite the global recognition of ESG as a key driver of sustainable finance, research on ESG awareness in developing countries, including Nepal, is limited. Much of the existing literature concentrates on developed regions such as Europe and North America, where regulatory frameworks such as the Non-Financial Reporting Directive (NFRD) have facilitated ESG reporting (Pedro & Gomes Da Silva, 2023). The banking sector in Nepal, although a significant player in the country's economic development, has not been the subject of empirical studies examining ESG awareness and integration (Kafle, 2016). This gap in the literature represents a crucial area for exploration, particularly as Nepal seeks to align its financial sector with global sustainability goals.

This study seeks to address this gap by quantitatively assessing ESG awareness among Nepali banks and exploring how well financial institutions understand and implement ESG principles. This research aims to contribute to the broader discussion on sustainable finance in Nepal by understanding the awareness level. The findings can provide insights into how local banks can align their operations with global sustainability goals while overcoming challenges specific to the region.

Problem Statement

Wang (2023), in her study, found that ESG integration is crucial for sustainable financial products and services. (Brogi et al., 2022) suggest that more prominent and more profitable companies exhibit higher levels of ESG awareness, whereas (Khemir, 2019) found that ESG criteria are acknowledged but are often not prioritised to financial metrics in investment decisions. The studies show a higher level of awareness in developed economies where all the stakeholders, including customers, are more conscious of sustainability issues (Li et al., 2021). In Nepal's evolving business scope, integrating Environmental, Social, and Governance (ESG) principles presents challenges and opportunities for corporate executives. Although the central bank of Nepal, Nepal Rastra Bank, requires all business purpose loans to comply with environmental and social regulations and avoid the exclusion list (Moessa De Souza, 2024) and has some similar policies regarding risk assessment and management, there exists a gap among the banks in fully understanding the concept. There is very little research conducted on ESG in Nepal, and since the integration is in the beginning stage, it is important to understand the level of awareness of ESG among Nepali banks. This research aims to answer two primary questions:

- What is the level of ESG awareness among Nepali Banks?
- Which ESG factors (environmental, social, or governance) are more or least understood by Nepali banks?

2. Literature Review

ESG practices have been gaining prominence since its inception in UNPRI in 2005. Investors and consumers are more aware of developed economies like Europe and America (Irawan & Okimoto, 2022). Numerous studies have been conducted on ESG issues, focusing on various aspects such as financial performance, risk management, long-term profitability, consumer perception, and more (Allred, 2020; Janah & Sassi, 2021; Qureshi et al., 2021; Vannoni & Ciotti, 2020). The majority of the studies have linked ESG integration to improved financial performance in the long term while aiding in sustainability (Khoury et al., 2021).

2.1 Stakeholder theory

Stakeholder theory, introduced by Freeman et al. (2010), argues that organisations should consider the interests of all stakeholders, not just shareholders, in decision-making. ESG aligns with this theory as its core principle focuses on shareholders' profits and other stakeholders such as the environment, community, consumers, and employees. This theory suggests that organisations, including banks, must address environmental, social, and governance concerns to meet stakeholders' expectations, such as customers, regulators, and investors (Peng & Isa, 2020). ESG awareness helps banks align with stakeholder values, enhance legitimacy, and manage risks, ensuring long-term sustainability (Gholami, Murray et al., 2022). By integrating ESG principles, banks can create value that benefits stakeholders and the organisation.

2.2. ESG and its importance

ESG factors provide a comprehensive framework for evaluating a company's sustainability and ethical performance, focusing on three key pillars: environmental sustainability, social responsibility, and corporate governance (Wang, 2023). These factors are becoming essential for companies and investors as they drive long-term value creation, reduce risks, and enhance corporate accountability (Ali & Selvamani, 2024; Biswakarma et al., 2024; Lippi & Poli, 2024). In the banking sector, adopting ESG principles is important for mitigating environmental risks and addressing social and governance issues such as inequality, corporate ethics, and community engagement (Scatigna et al., 2022). Globally, ESG has emerged as a key consideration for financial institutions. In developed countries, regulatory pressures and investor demand have accelerated the integration of ESG factors into corporate strategies and financial assessments (Debnath et al., 2024; Khoury et al., 2021). In contrast, in developing countries like Nepal, ESG adoption remains in its infancy, with limited awareness and implementation across financial institutions (Biswakarma et al., 2024). Understanding the importance of ESG awareness in banking is crucial, as it helps banks align their operations with sustainability goals while improving risk management and corporate reputation (Hoang, 2018).

2.3. Role of Banks in ESG Implementation

The banking sector significantly promotes ESG practices by integrating these factors into their lending decisions, investment strategies, and risk assessments (Khemir, 2019). As capital intermediaries, banks can influence corporate behaviour by encouraging sustainable business practices and ethical governance (Thirumalai, 2022). By financing green projects and supporting responsible investment, banks help achieve sustainability goals and mitigate environmental and social risks. Additionally, adopting ESG criteria allows banks to enhance their reputation, meet stakeholder expectations, and improve financial resilience (Pedro & Gomes Da Silva, 2023)

In Nepal, the role of banks in promoting ESG practices is becoming increasingly important as the country strives to meet its development and sustainability targets (Biswakarma et al., 2024), the major one being the 'net zero' commitment (Glasgow Financial Alliance) targeted to be achieved by 2045. However, the lack of research on how Nepali banks perceive and integrate ESG factors highlights the need for region-specific studies. Understanding the current state of ESG awareness in Nepali banks could help policymakers and financial institutions design strategies to improve adopting these practices in line with global standards (Karmacharya, 2023).

2.4. Global Studies on ESG Awareness

Globally, a growing body of research highlights the importance of ESG awareness in the banking sector (Vannoni & Ciotti, 2020). Studies have shown that banks with higher ESG awareness tend to perform better in terms of risk management, corporate governance, and financial sustainability (Gholami, Sands et al., 2022; Khoury et al., 2021; Moradi et al., 2024). These banks are more likely to invest in sustainable projects, engage in responsible lending, and enhance their relationships with investors by maintaining greater transparency (Ersoy et al., 2022; Gholami, Sands et al., 2022). Despite these trends, much of the research on ESG awareness focuses on developed regions, where regulatory frameworks and investor pressures have driven the adoption of these principles (Gunarapong & Boonyanet, 2023; Sultana et al., 2017)

In contrast, the level of ESG awareness in developing regions like South Asia remains underexplored (Qureshi et al., 2021). Studies that have examined ESG awareness in this region suggest that cultural and economic factors and regulatory inconsistencies contribute to the slow adoption of ESG practices (Janah & Sassi, 2021). This highlights the need for more empirical studies focusing on specific countries, such as Nepal, where the banking sector plays a critical role in driving sustainable finance but lacks sufficient understanding of ESG principles (Pedro & Gomes Da Silva, 2023),

2.5. ESG Awareness in South Asia

In South Asia, the awareness of ESG principles varies significantly across countries and institutions (Gunarapong & Boonyanet, 2023). For example, ESG awareness has been found to influence investment decisions in countries like Thailand, but challenges such as inconsistent reporting standards and cultural attitudes toward short-term gains persist (Pedro & Gomes Da Silva, 2023). There is a noticeable shift towards sustainable investments in the Indian market, driven by growing consumer demand for responsible practices (Thirumalai, 2022). In Nepal, where the banking sector is crucial for economic development, understanding ESG awareness is particularly important. However, empirical data on how local banks perceive and implement ESG practices are scarce, leaving a significant gap in the literature (Biswakarma et al., 2024).

The literature on ESG highlights the growing importance of ESG awareness in promoting sustainable development and ethical business practices in the banking sector. While global trends indicate an increasing adoption of ESG principles, challenges in developing ESG awareness remain, particularly in developing regions like Nepal. This study aims to fill the research gap by quantitatively assessing ESG awareness among Nepali banks, exploring the drivers and barriers to ESG integration, and contributing to the broader discussion on sustainable finance in Nepal.

3. Methods

A quantitative research design was employed to assess the level of ESG awareness among Nepali banks. A self-administered questionnaire was conducted between July and September 2024 on employees of the Central Bank (NRB), commercial banks (Class A), and national-level development banks (Class B) of Nepal. These banks significantly influence economic development and face regulatory pressures related to sustainability practices. Their diverse stakeholders, including customers and investors, make them a key focus for understanding broader trends in sustainability. Additionally, banks are crucial in risk management and are frequently scrutinised by the public and investors for their performance, providing valuable insights into the adoption and factors of ESG principles. These banks are dispersed all over the country, and since they follow an "any-branch banking system", samples represent the total population correctly.

3.1 Research Sample

The study population comprises all the employees/staff and members of management and executive committees of these banks. The sampling frame includes a list of employees and management staff obtained from the annual reports and websites. As of 2023, the total number of employees in NRB is 1157, in commercial banks, is 46508, and in national-level development banks is 7749, making the total population of this study to be 55,414. Hence, the proportionate population distribution comes to be 2.08% for NRB, 83.92% for commercial banks, and 13.98% for national-level development banks. The sample size was calculated to be 382 with 95% confidence level and 5% margin of error. The sample size of this study for quantitative data includes 392 employees and management staff. Stratified random sampling was used by taking a proportionate sample to select the respondents, each stratum representing a type of bank, to obtain an overall picture of ESG awareness in various bank types.

3.2 Instrument

The primary data was collected using a questionnaire consisting of five sections, including a cover letter, demographics, and questions on ESG awareness. The demographics part also contained a few "Yes" and "No" questions, in addition to an answer of "Not Sure". The "ESG awareness" section included five sub-sections, each having variables measured by five Likert-type questions scaled from 1=strongly disagree to 5- Strongly agree on general ESG awareness, environmental awareness, social awareness, governance awareness, and public and social movements awareness. The variables and items were sourced from Biswakarma et al. (2024), Boufounou et al. (2023), Drei et al. (2020), Edmans (2023); Friede et al. (2015), and Thirumalai (2022). The questionnaire was administered after approval from an expert and a pilot survey.

3.3 Data Collection, Processing and Analysis

The survey was distributed to employees of all levels, including executives, middle-management, and employees, in the three types of banks. Because of the large study population, it was impossible to call/mail each respondent, so a letter was sent to each of the banks requesting assistance filling out the form, along with a Google form link to the questionnaire. Three hundred printed forms were distributed proportionally in each bank type, out of which 16 were not returned, and 11 were discarded because of missing data. One hundred nineteen forms were collected online, and the rest were collected in person, making the total sample 392.

3.4 Data Processing and Analysis

The data was transferred onto SPSS version 25 for coding, recording, and analysis. Descriptive statistics were conducted in this study to summarise and organise data meaningfully. The mean, median, and standard deviation measures were calculated to help understand the data's central tendency, variability, and distribution. The correlational analysis was used in this study to measure the strength and direction of the relationship between variables of ESG awareness. ANOVA test was done to compare the groups' mean.

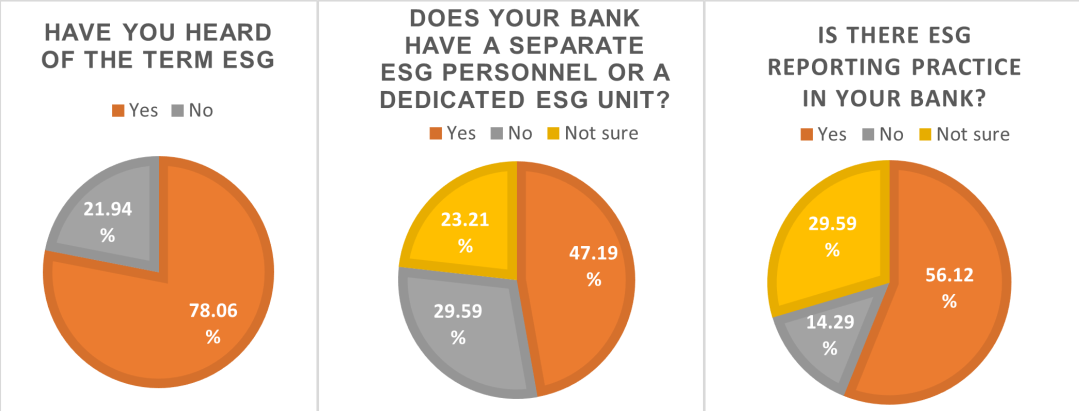
4. Results

4.1 Demographics and general characteristics of respondents

This section consisted of questions on the demographical characteristics of the respondents and a general understanding of ESG. The age distribution shows that most respondents (58.4%) are in the 30-39 age range, suggesting a predominantly early- to mid-career workforce. A smaller portion is under 30 (17.6%) or between 40-49 (18.4%), with only 5.6% aged 50 and above, indicating a younger demographic in the banking sector. The workforce is male-dominated, with males accounting for 65.8% and females 34.2%. Most respondents (52.6%) hold non-managerial roles, while 43.1% are in middle management, and just 4.3% are in executive positions. Regarding experience, 45.4% have over 10 years of experience, 40.6% have 5-10 years, and only 2% are new hires (less than 1 year). Most respondents (77.6%) are from commercial banks, 20.2% from development banks, and 2.3% from the Central Bank. Geographically, 80.1% are from Bagmati Province, with a more miniature representation from Lumbini (12.8%), Koshi (4.6%), and Gandaki (2.6%).

Three questions were asked regarding the banks' knowledge of ESG and ESG practices. Figure 1 shows that while a majority (78.1%) of respondents are familiar with ESG, 21.9% have not heard of it, indicating that although ESG is widely recognised, a notable minority remains unaware. Regarding the presence of dedicated ESG personnel or units, less than half (47.2%) confirmed their existence in their banks, while 29.6% reported the absence of such roles, and 23.2% were unsure. This uncertainty suggests a lack of clear communication or visibility around ESG practices, even in banks that may have implemented them. More than half of the respondents were optimistic about ESG reporting practices in their banks, showing a positive ESG awareness trend.

Figure 1. *Graphical representation of basic ESG knowledge and practices*



4.2 Level of ESG Awareness

In this section, respondents were asked about general ESG awareness and various factors of ESG practices.

General ESG Awareness

The descriptive statistics of general ESG awareness among bank employees reveal varying levels of familiarity and importance attributed to ESG principles, as shown in Table 1. The data reveals varying levels of ESG awareness among bank employees. While the majority (58.9%) agree that understanding ESG principles is crucial for financial sector employees, with strong agreement reflected in the highest mean score (3.56), familiarity with ESG principles is significantly lower, as indicated by the lowest mean score (2.09) and 73.2% of respondents disagreeing about being familiar with ESG. Awareness of the impact of ESG practices on bank reputation and sustainability (mean = 2.78) and knowledge of global ESG trends (mean = 2.72) show moderate understanding, with high variability in responses. Notably, 48.5% of respondents were unsure about the significance of ESG for their bank's reputation, and 43.9% were uncertain about global ESG trends. Moreover, 45.2% disagreed with regularly staying updated on ESG developments, further highlighting gaps in familiarity and engagement with ESG practices.

Table 1. *Descriptive Statistics of General ESG Awareness*

General ESG Awareness	Mean	Median	Std. Deviation	Skewness	Rank
I am familiar with the principles of ESG (Environmental, Social, and Governance).	2.09	2	1.023	0.975	5
I understand the significance of ESG practices in enhancing our bank's reputation and sustainability.	2.78	3	0.944	-0.453	2
I know the global trends in ESG practices and how they affect the banking sector	2.72	3	1.127	0.197	3
I regularly keep myself updated on developments related to ESG in the financial industry.	2.65	3	1.102	0.103	4

I believe understanding ESG principles is essential for all employees in the financial sector.	3.56	4	1.007	-0.637	1

n=392

Environmental awareness

The data indicates respondents' generally high environmental awareness regarding their bank's initiatives. As shown in Table 2, employees largely agree (mean = 3.91) that their bank effectively manages natural resources, with median scores of 4 across all statements, showing consistent agreement.

Table 2. *Descriptive Statistics of Environmental Awareness*

Environmental Awareness	Mean	Median	Std. Deviation	Skewness	Rank
I am aware that our bank addresses climate change by integrating sustainable practices into its financing decisions.	3.8	4	1.012	-0.679	3
I understand that our bank manages its use of natural resources, such as energy and paper, to minimise environmental impact	3.91	4	0.991	-0.882	1
I understand that our bank regularly assesses and minimises the environmental impact of its lending and investment activities.	3.77	4	0.808	-0.903	4
I have a clear understanding of the sustainability practices promoted by our bank.	3.82	4	0.998	-0.349	2
I am aware of the measures our bank takes to reduce its carbon footprint.	3.54	4	0.967	-0.655	5

n=392

The low standard deviations (0.808 to 1.012) reflect moderate response consistency, with negative skewness indicating a strong tendency toward agreement. The lowest mean (3.54) relates to awareness of the bank's carbon footprint reduction measures, though still positive. Notably, 68.1% of respondents know about their bank's climate-related practices, 73.5% recognise resource management efforts, and 73% understand how lending and investment activities minimise environmental impact. Most (60.2%) also grasp the bank's sustainability efforts and carbon reduction strategies. The results suggest that employees are well-informed about their bank's environmental practices.

Social awareness

The data reveals high social awareness among respondents regarding their bank's social responsibility efforts. Table 3 shows that employees strongly agree with the bank's engagement with local communities and understanding of its social initiatives, with median scores of 4 across all statements, showing consistent positive responses.

Table 3: *Descriptive Statistics of Social Awareness*

Social Awareness	Mean	Median	Std. Deviation	Skewness	Rank
I am aware that our bank promotes human rights in its operations and supply chains.	3.59	4	0.854	-0.508	4
I am aware that our bank engages with local communities and contributes positively to their well-being.	3.83	4	0.895	-1.053	1
I understand that our bank is committed to protecting consumer rights.	3.74	4	0.841	-0.579	3
I am aware that our bank is committed to ensuring the responsible marketing of its products and services.	3.76	4	0.808	-0.413	2
I understand the social responsibility initiatives undertaken by our bank.	3.83	4	0.791	-0.282	1

Low response variability (standard deviations from 0.791 to 0.895) and negative skewness, particularly in community engagement, suggest broad agreement. Even the lowest mean score, related to human rights promotion (3.59), still reflects positive awareness. A majority (74%) are aware of the bank's community involvement, 67.8% understand its commitment to consumer rights and responsible marketing, and 68.6% recognise its social responsibility initiatives. Overall, employees are well-informed and have a favourable view of the bank's social efforts in areas like community engagement, consumer rights, responsible marketing, and human rights.

Governance Awareness

The data on governance awareness shows a mixed level of understanding among respondents. As seen in Table 4, employees are highly aware of their bank's commitment to shareholder rights (mean = 3.94) and regulatory compliance standards (mean = 3.8), with median scores of 4 and negative skewness, indicating substantial agreement. There is also a high recognition of the importance of transparency in corporate governance. However, awareness is lower regarding the bank's risk management practices (mean = 2.7) and transparency in ESG reporting (mean = 2.66), where responses show more significant variability and slight positive skewness, reflecting moderate understanding. While 71.9% are aware of regulatory compliance, 75.6% understand shareholder rights, 74.8% acknowledge the importance of transparency, only 17.3% are aware of ESG-related risk management, and 20.4% recognise the bank's transparency in ESG reporting. Overall, employees demonstrate strong awareness in areas of compliance and governance, but there is room for improvement in risk management and ESG-related transparency.

Table 4: *Descriptive statistics of Governance awareness*

Governance Awareness	Mean	Median	Std. Deviation	Skewness	Rank
I am aware of the regulatory quality and compliance standards that our bank adheres to.	3.8	4	0.791	-0.691	3

I know that our bank is committed to protecting and respecting the rights of all shareholders.	3.94	4	0.795	-0.652	1
I understand the importance of transparency in our bank's corporate governance.	3.88	4	0.981	-0.995	2
I am aware that our bank has robust risk management practices, including identifying and managing ESG-related risks.	2.7	3	0.882	0.066	4
I understand that our bank is transparent in its operations and provides comprehensive reporting on its ESG practices.	2.66	3	1.004	0.117	5

n=392

Public and Social Movements Awareness

The data on public and social movement awareness reveals varying levels of understanding among bank employees. As can be seen in Table 5, respondents show relatively high awareness of sustainability movements (mean = 3.56) and the relevance of the Sustainable Development Goals (SDGs) to their bank (mean = 3.6), with most employees agreeing on these points.

Table 5: *Descriptive Statistics of Public and Social Movement Awareness*

Public and Social Movement	Mean	Median	Std. Deviation	Skewness	Rank
I am aware of social movements advocating for sustainability that affect banks.	3.56	4	0.794	-0.31	2
I know of the Sustainable Development Goals (SDGs) and their relevance to our bank.	3.6	4	0.941	-0.512	1
Social campaigns have influenced my awareness of ESG issues within the banks.	2.57	3	0.938	0.016	3
I am aware of global trends in ESG that impact the practices of financial institutions.	2.42	2	0.932	0.239	4
I understand how public opinion on ESG issues influences the strategies of financial institutions.	2.57	3	0.991	0.245	3

N=392

However, awareness is lower regarding the influence of social campaigns on ESG issues (mean = 2.57), global ESG trends (mean = 2.42), and the impact of public opinion on ESG strategies (mean = 2.57). Responses are more spread out in these areas, indicating gaps in knowledge. While 58.5% recognise the relevance of SDGs, only 10.9% are aware of global ESG trends, and 15.5% understand the role of public opinion in shaping ESG strategies. Employees are more attuned to sustainability efforts but show limited awareness of social campaigns, global trends, and public opinion's influence on ESG practices.

Results of Pearson's correlation test and ANOVA test

Pearson's correlation test revealed significant positive relationships between general ESG awareness and specific areas, including environmental, social, governance, and public/social movement awareness. For instance, the correlation between general ESG awareness and social awareness was $r = 0.453$, and between general ESG awareness and governance awareness was $r = 0.514$, both significant at the 0.01 level. This indicates that as general ESG awareness increases, awareness in these areas also rises. Notably, governance awareness strongly correlated with public and social movement awareness ($r = 0.662$), suggesting that employees who understand governance practices are also more aware of broader social movements. These relationships were statistically significant, indicating that the observed correlations are unlikely due to chance.

Regarding the ANOVA test on general ESG awareness across employee ranks (executive/managerial, middle management, and staff), Levene's test showed unequal variances ($p = 0.007$). As a result, Welch's ANOVA was used, yielding a significant result ($F (2, 432) = 4.350$, $p = 0.019$), suggesting a difference in ESG awareness between groups. However, the post-hoc test (Games-Howell) indicated no statistically significant pairwise differences at the 0.05 level, despite a slight trend toward higher ESG awareness among executives compared to other groups. For example, the mean difference between executive/managerial and staff was 2.32, but the confidence interval included zero, further supporting the lack of statistical significance. Additionally, an ANOVA test comparing ESG awareness between different types of banks (central bank, class A, and class B) revealed no significant difference in awareness levels ($F (2, 389) = 42.266$, $p = 0.161$), with Levenne's test indicating equal variances ($p = 0.052$). This suggests that employees' ESG awareness is similar across these banking institutions.

5. Discussions

This study highlights both progress and challenges in ESG awareness among bank employees in Nepal. While 78.1% of respondents are familiar with ESG concepts, a notable 21.9% gap persists, reflecting similar trends in developing countries like India (Thirumalai, 2022). Environmental and social awareness is relatively strong, with effective resource management and community engagement aligning with global findings on social factors driving investments (Karmacharya, 2023). However, governance awareness lags, particularly in proactive risk management and transparency, mirroring global observations where governance often plays a secondary role in ESG integration (Khemir, 2019).

Awareness of sustainability movements is robust, but employees show limited knowledge of global ESG trends and public opinion's strategic influence, a challenge noted in other developing markets (Janah & Sassi, 2021). Only 47.2% of respondents reported having dedicated ESG personnel, indicating weak internal communication, similar to challenges in Sri Lankan banks (Nanayakkara et al., 2023). Hierarchical differences in awareness persist, with executives demonstrating higher exposure to ESG discussions, emphasising leadership's critical role in integration (Hoang, 2018).

Correlations between general ESG knowledge and specific dimensions suggest that enhancing awareness could strengthen understanding of specific ESG areas. However, globally, gaps in standardised metrics and inconsistent reporting remain significant barriers to ESG adoption in Nepal (Trahan & Jantz, 2023).

Findings align with global studies linking ESG awareness to improved corporate strategies and risk management (Sassen et al., 2016; Irawan & Okimoto, 2022). However, the governance gap contrasts with studies highlighting robust frameworks in developed markets (Pérez Báez & Remond, 2023). Weak public awareness of global ESG trends reflects patterns in India (Thirumalai, 2022), while challenges in standardised reporting echo global obstacles (Trahan & Jantz, 2023).

The lack of standardised metrics and communication within banks highlights a critical need for global benchmarking, such as the Global Reporting Initiative. The relatively high awareness of environmental and social aspects underscores external pressures, while governance gaps point to internal deficiencies in policy alignment. Leadership's role in ESG discussions suggests that targeted training at all levels is necessary to bridge awareness gaps.

6. Conclusion

This study reveals moderate ESG awareness among Nepali bank employees, with higher familiarity with environmental and social dimensions than governance. While some progress is evident, gaps in awareness, communication, and implementation leave Nepali banks behind global benchmarks.

Nepali banks should enhance ESG education, improve internal communication, and adopt global standards like those recommended by the Global Reporting Initiative to address these gaps. Comprehensive stakeholder engagement and alignment with global trends are crucial for advancing sustainability goals. Given the potential of ESG to support national sustainability objectives, further research on ESG practices in Nepal, including comparative and cross-sectoral studies, is essential to drive long-term development and integration.

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