

The Corporate Social Responsibility Status in Nepal

Sudip Wagle¹ & Dr. Ajeya Kumar Gupta²

Abstract : *Corporate Social Responsibility (CSR) is the most important strategic tools for business in the 21st century. In corporate world, it is not mandatory about how much money is spent; it is to a greater extent about how to make money in the long run. This review paper aims to find out the status and the trend of CSR in Nepalese corporate world. The study is descriptive in nature, cross-sectional and is based on available printed materials. It has four major findings. First, Nepalese entrepreneurs have been doing CSR activities for a long time. Second, the level of CSR activity in Nepal is even lower than in developing countries. Third, nowadays, Nepalese corporations have much awareness about the significance of CSR. Eventually, most corporations have fallen out of the philanthropic model of CSR. This article has been done only on the basis of those materials which are accessible during the work time. The report is valuable to academicians, a future researcher as government bodies to acquire information on what form of CSR activities are taking place in Nepal. This type of cross-sectional analysis, perhaps has not been done in the Nepalese context. At last, it is correct to say that right now corporate sectors have not been able to carry out their mandatory CSR activities accordingly as required but its pattern shows there is rich potential for optimism.*

Keywords: CSR, Models, Status in Nepal, Mandatory, Sustainable Development

Introduction: Corporate societal responsibility (CSR) is a business idea that adds to sustainable growth. It is connected with all the stockholders like customers, employees,

investors, society and the government. It emphasizes the corporate commitments to social and environmental practice. It is the organization's task for its values, culture, decision making, strategy and reporting mechanisms (Khanal 2016).

Nepal is a developing country, but at the initiate discussion on CSR dimension, yet regarded as an underdeveloped country (Adhikari et. al 2016: 673). It possesses a long history of unstable government and the nation is confronting problems in a number of sectors. The concept of CSR went on changing in its business and society. Over the globe, CSR has been recognized as an element of long-term survival activities balancing the business with economic growth and societal expectations. However, In four countries, the France, the Netherlands, the U.K., and the U.S. do not have the same degree of commitment of being socially responsible (Maignan & Ralston 2002: 497). CSR and profit maximization are the interrelated objective of the firms (Chapagain 2012: 165). The strategic approach decidedly corresponded with the company and its stakeholders (Pant & Piansoongnern 2017: 275). The purpose of the business is not only to earn profit but also to ensure the welfare of society as well by showing a part of their profit. In this circumstance, business enterprises can play their CSR role to improve their reputation as well as long- term financial goals, just by improving social welfare as a whole. Nepal's neighbor countries India and China practices CSR like developed countries. In India, late Mahatma Gandhi influenced CSR. The Indian Government has declared the national CSR award to the corporate houses each year on October 29 since 1999. In China, the primary aim of CSR is to create work opportunities (Xu and Yang 2019: 321). The Chinese central Government embraced a circular economic policy to protect environmental degradation and resource scarcity issues. Local and provincial Governments of China conduct CSR programs fundamentally on health maintenance, training, support and environmental protection (Mullich 2011).

Despite the fact that the idea and practice of CSR were initiated from the western countries, social responsibility of business is not new to Nepal. In the past 100 years of history of Nepal few business communications have contributed their wealth to build educational institutions, temples and dharmasalas. Hundreds of acres lands were donated by some landlords in the name of Gods and Goddesses. Whenever the country faces disaster there will be some intellectual personality who will be there to donate food, cloth and other shelter services. In this regard, the policy recently issued by the government of Nepal is as follows;

The government of Nepal has announced legal rules binding the business and industries to allocate certain fund on corporate social responsibility ("CSR"); for industries ("IEA"), banks and financial institutions ("BFIs"), and micro financial institutions ("MFIs") since the fiscal year 2016/17. No such requirement is prescribed for insurance

businesses and other non-industrial sectors (for example, trading businesses).

The mandatory requirement of the CSR is based on (a) investments in the fixed capital, or (b) annual turnover.

The CSR requirement is applicable in the following way; (i) small industries: Industries having an investment in fixed capital up to NPR 150 million (ii) medium industries; i.e. industries having investment in fixed capital exceeding NPR 150 million but less than NPR 500 million; (iii) large industries, i.e. industries having investment in fixed capital exceeding of NPR 500 million and (iv) cottage industries (i.e. Industries based on traditional skill or technology, local raw materials and resources, etc.) and micro industries (i.e. Industries having investment in fixed capital of less than NPR 2 million) whose, annual turnover is more than NPR 150 million.

Fixed capital for the purpose of (IEA) is calculated based on assets such as land, buildings, factory, storage house, machineries, vehicles, furniture etc.

Table 1: Nepalese Existing Laws on Corporate Social Responsibility

CSR Requirement for Industries (IEA)	CSR Requirement for Bank and Financial Institutions (BFIs)	CSR Requirement for Micro Finance Institutions (MFIs)
<i>Applicability</i>	<i>Applicability</i>	<i>Applicability</i>
The IEA makes it mandatory to allocate at least one percent (1%) of the annual profit to be utilized for CSR	The NRB Circular has required BFIs to allocate at least one percent (1%) of net profit and deposit the same in a separate CSR fund. The fund is allocated to be utilized in the subsequent fiscal year.	The NRB Circular has required MFIs to allocate at least one percent (1%) of its net profit for each financial year and deposit it in the corporate social responsibility fund. The fund is allocated to be utilized in the subsequent fiscal year.

Source: Industrial Enterprise Act (IEA) 2016 (www.lawcommission.gov.np)

Nepal Rastra Bank (NRB) Unified Directives 2020 (www.nrb.org.np)

Here is discussion on few models and theories of CSR.

Table 2: Models of CSR

Model	Period	Focus
Philanthropic	1930s - Later	Making profits and donating a part of it to charitable causes.
Ethical	1930s - 1950s	The voluntary commitment showed by corporations towards society.
Statist	1950s - 1970s	It is based on legal responsibilities towards society.

Model	Period	Focus
Liberal	1970s - 1990s	Just obey the law and generate as much wealth as possible.
Stakeholder	1990s - Present	It focused on triple-bottom-line concept of business.

Source: Khanka 2014

Philanthropic Model: The model says that CSR is both for making profit and donating a portion of it for charitable campaigns for the company. Companies should also pay taxes regularly as per their statements. The poser is not against companies producing a profit, but the business should be socially viable.

Ethical Model: The model presents the ethical form of CSR. It is a voluntary commitment shown by corporations towards society. Business organizations should also contribute to social welfare activities. Wealth is just a means to an end, thus; corporations have a duty to contribute something back to society.

Statist Model: This model is based on legal responsibilities towards society. It is also founded on socialist format. This model is applicable in a mixed economy like public and private sector enterprises.

Liberal Model: This model is based on Milton Friedman's view, which says companies' responsibility lies mainly in improving the economic bottom-line and increasing the wealth of the shareholders. His views say that the business should simply obey the law and generate as much riches as possible. When more profit is gained in a business, it should aim towards the social welfare by offering cheaper and quality goods.

Stakeholder Model: This model focuses on the triple-bottom-line concept of business. Companies are expected to stick to the triple-bottom-line of economic, social and environmental responsibility towards workers, the shareholders and the community.

Table 3: Theories of CSR

Theories	Focus	Paramount Advocate
Fiduciary capitalism theory	Shareholders value maximization.	Milton Fried man (1970)
Stakeholder theory	Stakeholders' relationship for value creation.	Freeman (1984)

Theories	Focus	Paramount Advocate
Social contract theory	Business enterprises should contribute more to the quality of life than just supplying quantities of goods and services.	Altman and Vidaver-Cohen and Winder (1980s)
Feminist theory	Corporations not only for employees to care, but also for other stakeholders such as suppliers, consumers, communities and the environment.	Burton and Dunn (1996)

Source: Khanka 2014

Fiduciary capitalism theory: The Nobel laureate Milton Friedman is the paramount advocate of the Fiduciary capitalism theory. This theory focuses on shareholders' value of interest. It emphasizes that the only social responsibility of businesses is to make a profit and in turn to increase the companies' economic value for its shareholders. Any social goals could be borne by the company if they lead to maximize shareholders' value. The shareholders are the most important in a business set up, therefore once their needs were met, then the firm has no other responsibilities. This approach enlightened the value maximization.

Stakeholder theory: Stakeholder theory was first postulated by Edward Freeman in 1984 and applied in strategic management. A stakeholder is any individual or group who can affect or is affected by the actions, decisions, policies, practices or goals of the organization. The theory says shareholders are not the only stakeholders in a company but others such as employees, customers, suppliers, government, moneylenders, etc. also. This theory is based on two ethical principles which are i) Principle of corporate right and ii) Principle of corporate effects. This theory emphasizes that the success of a company depends on the relationship with stakeholders and managing them has become an essential tool for value creation.

Social contract theory: This theory focuses on changing contracts between business and society. It indicated that economic development does not inevitably result in social development. It means business houses need to reduce societal costs by not merely centering on improving economic development but also increasing social growth. The major contract between society and business are in fact, changing in real ways. Business is being asked to assume broader responsibilities to society than ever before. Business enterprises should give more to the quality of life than just supplying quantities of commodities and serves.

Feminist theory: Feminist theory of CSR is known as ethics of concern. This theory advocates respect for all individuals, relationships amongst them and care it. Corporations should not be carrying all stakeholders into a business sense only. In the pursuit of innovation, the business has become blind to some consequences of their actions, such as environmental degradation, dominances of less privileged groups and inequitable distribution of opportunities. This theory suggests that special attention be given to the least advantaged groups or individuals incorporating a care perspective. Some extensive Nepalese studies are concentrated about CSR practices, disclosure activities, shareholders attitude towards CSR in the context of Nepal. At present, it is necessary to blend the overall CSR activities what have been done up in the context of Nepal and which model/theory they have been taken. The aim of this study is to find out in the comparative context, the status and trend of CSR in Nepal. To date, there is no such research conducted based on cross-sectional analysis to ensure the perception of corporations which are exposed to some extent towards the mandatory CSR policy recently issued by the regime.

Research Design: This work is grounded on a secondary source, specially identified and analysis of recent research document. The research work confirms the prevailing CSR practices in different parts of Nepal, which are cross-sectional in nature, having reasons and logic as elicited by the descriptive analysis. The research paper is based on the intensive review of the published materials.

Results and Discussions: Corporate social responsibility refers to the responsibility of the business organization towards its shareholders, employees, investors and the community. CSR aims to maintain sustainable development in society along with the long-term achievement of business destinations. The accompanying board indicates the status and trend of CSR activities in the context of Nepal.

Table 4: The status and trend of CSR activities in the context of Nepal

Paper/Article written / published	Author's Name	Title	Major Findings	Theoretical Strand
2018 A.D.	Drishti Maharjan	Corporate social responsibility (CSR): Scenario & Implications in Nepal	By the CSR organization can willfully work upon, to adjust business and social advantages.	Philanthropic motive

Paper/Article written / published	Author's Name	Title	Major Findings	Theoretical Strand
2018 A.D.	Laxman Raj Kandel	Corporate Social Responsibility in Nepalese Commercial Bank regards the Bank of Kathmandu Limited.	The priority of CSR disclosure activities of the bank is education, health, and environment.	Somehow tried to follow by stakeholder model from Philanthropic
2018 A.D.	Sudip Wagle	Corporate Social Responsibility: A status review in Nepalese selected companies.	Centered regions of normal CSR intercession are environmental awareness, blood donation, and donation to bridhasharm.	Philanthropic motive
2017 A.D.	Smriti Shrestha	Status of Corporate social responsibility in Nepal	The status of CSR is not agreeable, but their social responsibility seems more serious.	Corporations Commitment for ethical motive
2017 A.D.	Dr Manoj Kumar Chaudhary	Corporate social responsibility in Nepal: Is CSR does good for business and society?	In Nepal, a unified structure for CSR execution is required instead of Arbitrary.	Upliftment of the need of stakeholder motive for philanthropic
2017 A.D.	Dinesh Raj Pant, Opas Pianso-ongnern	Impact of Corporate Social Responsibility on Sustainable Competitive Advantage: A Case Study of Leading Noodle Companies in Nepal.	Because of the globalization organizations these days are progressively positive towards CSR and stakeholder management.	Appreciate to stakeholder motive
2016 A.D.	Krishna prasain, Nikeeta Gautam and Gagan Shrestha	CSR Initiatives of some companies in Nepal	The awareness of social duty has led them to share their benefit with the society and being engaged in various territories of social well-being.	Followed to Liberal motive

Paper/Article written / published	Author's Name	Title	Major Findings	Theoretical Strand
2016 A.D.	Dev Raj Adhikari, Dhurba Kumar Gautam, and Manoj Kumar Chaudhari	Corporate social responsibility domains and related activities in Nepalese Companies	The economic domain of CSR is emerging prominence in Nepal. It is moving from philanthropic toward focusing on their strategic intent.	Focusing for stakeholder from philanthropic motive
2013 A.D.	Kshitiz Upadhyay-Dhungel, Amar Dhungel	Corporate Social Responsibility Reporting Practices in the Banking Sector in Nepal.	In the past, few banks had already taken CSR practice involuntary basis. Uniformity standards and framework of CSR is highly recommended.	Agreed the need to Stakeholder's motive
2012 A.D.	Bal ram Chapagain	Corporate Social Responsibility: A review of managers' attitudes in Nepal.	Manager's attitude towards CSR by both manufacturing and banking sector are positive.	Ethical motive
2012 A.D.	Krishna Kumar Shah	Corporate social responsibility in Nepal	Business concerns depend on something more than the expedition for benefits.	Philanthropic motive

Source: Printed materials 2019

The above table shows that in all aspects concerning corporate social responsibility in Nepal there are no significant differences in above findings in the study period. Dinesh Raj Pant, and Opas Piansoongnarn (2017: 275) concluded that the strategic approach to CSR can help the companies gain support with betterment in financial performance. Followed by Shah (2012: 33). Management of Nepalese firms still is engaged in maximum profit motive rather than social interest. Nowadays, the Companies were more positive towards CSR and stakeholder management. The attitude towards CSR by banking and manufacturing sector managers were positive by favorable public image and negative to cost adding pricing structure, but they were assured about CSR and profit maximization for common goals of the firm (Balram 2012:165). Laxman Raj

Kandel (2018: 90) focused on the sectors of the company concerned with their CSR activities and the relation of CSR on financial performance. The relationship of CSR with the financial performance of the company results in positive (93.33 per cent), negative (0 per cent) and indifferent (6.67 per cent) respectively. It seems that the majority of employees believe that CSR contributes to financial performance. Sudip (2018: 170) contemplated the CSR reporting trend and focusing on areas of CSR intervention by the Nepalese Companies. Out of 3 (3 commercial banks, 1 insurance and 1 hotel) sectors of selected companies, 61 times CSR reporting information was found from the banking websites since their establishment. Whereas, from the remaining sectors of companies only 3 equal times reporting information were found. Most of the CSR areas of intervention involved were related to companies to environmental awareness, blood donation and donation to bridhasharma, which was 80 per cent. Also, 60 per cent intervenes in healthcare and furthermore, support to equipment installation for social security, a donation to various food items for the orphanage and donation to the school was 40 per cent.

According to Kshitiz Upadhyay-Dhungel, Amar Dhungel (2013: 61), out of 14 different types of banks only 71.43 per cent of them were reporting on their CSR activities. Furthermore, most of the CSR area of intervention related to education/training was 64.29 per cent and contribution to the welfare of underprivileged was 64.29 per cent. For arts/heritage/culture, associations/clubs/trust/organization, and health care, contribution was 42.86 per cent in each case and so forth. This result shows that when CSR was not mandatory in Nepal, a few banks had already taken CSR practices on an involuntary basis, also some have CSR report pages on their websites. According to Dev Raj Adhikari, Dhruva Kumar Gautam, Manoj Kumar Chaudhari (2016: 673) jointly published the research article on Corporate Social Responsibility domains analyzed from focus group discussion. According to this study, out of 21 recorded statements, the highest 10 statements represented economic domains. 9 statements followed philanthropic, 8 ethical and 6 legal domains. Among them, few domain activities are overlapping. The findings concluded that the strategic importance of CSR activities is getting higher in Nepal. Similarly, Dr. Manoj Kumar Chaudhary (2017: A8) did his research from both structured Questionnaire and focus group discussion methods. Questionnaires were put to the faculty members of Tribhuvan University, to those who had more than 5 years teaching experience. Focus group discussion method was applied to experts with different background like industry and academia. The result enhanced that corporate reputation is the first benefits for adopting CSR activities in an organization. Likewise, to improve the employee's institution and community, efficiency increment, acquisition of commercial benefits and identification of reputational risks as second, third, fourth and fifth respectively. Besides, to test the

perception towards CSR, among 16 discussion statements shows that it was not the time to be a CSR as mandatory in Nepal due to very low conditions of legal and ethical domains. However, the tendency of the organization seems to be becoming more responsible in the society day by day.

Conclusion : The overall survey of the position of CSR in Nepal from various news, articles, research papers summarize that, Nepalese businesses performing their CSR activities very efficiently all through the past. Although lots of work has been done based on the CSR Model and Theories in developed countries, a developing country like Nepal is far behind at this. Nepalese corporations are very much aware about what CSR is but have a different understanding and viewpoint about the way it should be carried out. Most corporations have a philanthropic viewpoint, while some have barely taken interest towards stakeholders' direction. Similarly, fiduciary capitalism of business community were studied by mostly applying feminist theory. However, the social contract and stakeholder theories are not utilised properly. These days, corporations' strategy is being changed from voluntary to obligatory. It creates pressure to the companies for being socially responsible. Ultimately, it is right to say that corporations have not been able to take out their mandatory CSR activities. However; the trend shows huge potential for positive thinking.

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Bio Profile of the Authors:

¹ Research Scholar, Department of Business Administration, DDU
Gorakhpur University, Gorakhpur, India
Email: sudip.wagle@gmail.com

² Professor, Department of Commerce & Management, DDU
Gorakhpur University, Gorakhpur, India
Email: ajeya.gupta@gmail.com