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**MAKING SENSE OF CSR PRACTICES: A CASE OF COMPANIES OPERATING  
IN NEPAL**

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the degree of Doctor of Philosophy

Anjana Basnet

Middlesex University Business School

Middlesex University

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# **ABSTRACT**

Responsible business practice in emerging economies is a relatively underrepresented topic. Despite the argument that the version of Corporate Social Responsibility (CSR) that exists in one country is not caused by its stage of development, the literature groups CSR studies in all developing countries as substitutionary. Where there is literature focussing on CSR activities in developing countries, it tends to be of MNCs in a developing country or CSR activities of a country that has MNC presence. The CSR literature is particularly underrepresented in conflict-ridden economies beyond a multinational facet.

This research undertakes a grounded theory methodology to understand CSR practices of companies operating in post-conflict Nepal. The aim of this research is to make sense of CSR practices in companies operating in Nepal. In making sense of CSR practices, this research undertakes an institutionalist approach and discusses business systems prevalent in Nepal.

While investigating CSR practices in companies operating in Nepal, it was found that non-financial reporting is a new concept in Nepal and CSR issues are philanthropic in nature. CSR issues are more likely to reflect issues in the government agenda. CSR perception and CSR activities are driven by the wider institutional environment. The findings partly reflect other work that found that the existence of 'patriarchal companies' and 'a segmented business system' in emerging economies results in limited enforcement of regulations including CSR policies. Weak political institutions have created a CSR paradigm that focuses on 'political CSR'. The existence of a segmented business system in Nepal has created an environment where private

companies are expected to contribute towards social issues. The economic, social and cultural challenges faced by Nepal as a community drives the CSR policy of companies operating in Nepal.

This research contributes to the existing CSR literature on two different levels. Firstly, one could argue that CSR as a terminology, does not encapsulate Nepali ethical business practice. Pursuing societal issues are understood as their "*Samajik Kartavya*". Similar to Confucianism in China, *Samajik Kartavya* are context driven and ingrained in the Nepali way of life arising from the culture-cognitive pillar. Fulfilling one's *Samajik Kartavya* is a social obligation and not always voluntary, differing from the broader concept of CSR. Secondly, this research argues that companies in conflict-ridden economies such as Nepal should assume a governance role. Private companies have an authoritative role whereby they pursue issues on the government agenda and fulfil their economic responsibility. The regulatory role of the state cannot always be assumed to give rise to the coercive pressures that normally drive companies to adopt CSR. CSR prevails even when political institutions are near absent. This research argues that there is a need to study CSR as a standalone topic in an emerging economy because different economies have different societal institutions giving rise to different perception and meaning of CSR.

Keywords: Corporate Social Responsibility, Institutional Theory, *Samajik Kartavya*

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# List of Abbreviations

The following abbreviations are used in this thesis

CPA: Comprehensive Peace Accord

CME: Coordinated Market Economy

CSR: Corporate Social Responsibility

FDI: Foreign Direct Investment

HDI: Human Development Index

GDP: Gross Domestic Product

GNI: Gross National Income

GRI: Global Reporting Initiative

ILO: International Labour Organisation

IMF: International Monetary Fund

ISO: International Organization for Standardisation

LME: Liberal Market Economy

MNC: Multinational Company

NBS: National Business System

NEPSE: Nepal Stock Exchange

NGO: Non-Government Organisation

NRB: Nepal Rastra Bank

OECD: Organisation for Economic Co-operation

SBS: Segmented Business System

SSP: Social System of Production

UN: United Nations

UNDP: United Nations Development Programme

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# Chapter 1

## Introduction

### 1.1 Background

This thesis is concerned with exploring the construct of Corporate Responsibility (CSR) in post-conflict Nepal. This research was conducted in the wake of the Nepal Earthquake, 2015 and it questions whether the Western notion of CSR encapsulates Nepali ethical business practice. This thesis studies if the Nepalese version of socially responsible behaviour is complementary to the western notions of CSR. It also investigates factors that may shape socially responsible behaviour in companies operating in Nepal.

CSR in developing countries is an emerging topic. Despite the argument that CSR variation among nations *'is not caused by the stage of development'* (Chapple and Moon, 2005, p415), the literature groups CSR studies in all developing countries as identical. CSR in developing countries often focuses on activities of Multinational Corporations (MNCs) in a developing country or CSR activities of a country that has MNC presence. There is an underrepresentation of CSR literature on conflict-ridden economies that have low MNC presence. Since 2007, the growing literature has identified that the nature of CSR in such economies is different (e.g.

Visser, 2008; Dolbers and Halme, 2009; Muthuri and Gilbert, 2011) but it fails to address how local companies in these economies perceive and understand CSR and why these companies engage in CSR activities.

This research undertakes a grounded theory methodology to understand the CSR practices of companies operating in post-conflict Nepal. In making sense of their CSR practices, this research undertakes an institutional approach and answers three research questions. Firstly, undertaking a quantitative analysis, content analysis is used to analyse annual reports of listed companies to find the nature of CSR and CSR reporting in companies operating in Nepal. In this thesis 'companies operating in Nepal' is a terminology used for any companies that are incorporated in Nepal or elsewhere who have some or all of their business operations in Nepal. Secondly, upon understanding the nature of CSR activities, the research uses interviews with senior management of companies operating in Nepal to explore how the Nepali version of CSR compares with the Western notion of CSR. Finally, interviews with senior management are used to understand what national and institutional factors drive CSR in companies operating in Nepal.

## **1.2 Introducing the Research Context**

Nepal is an independent economy in South East Asia with a population of 29.3 million (World Bank, 2019). It is influenced by its position in the Himalayas and two emerging economies: India and China. Nepal has struggled with democracy in the 20<sup>th</sup> and 21<sup>st</sup> centuries. From 1996 to 2006, Nepal was undergoing a civil war. Following the civil war, a peace accord was signed in 2007 which resulted in the abolishment of the monarchy and Nepal became a federal republic. In 2015, Nepal experienced a 7.8 magnitude earthquake killing more than 9000

people and injuring over 22,000 people. The political instability and a natural disaster in the past 15 years has hampered Nepal's economic growth and prosperity. As per UNDP's HDI<sup>1</sup>, Nepal stands in 144<sup>th</sup> position out of 188 countries (HDI, 2015). The life expectancy at birth is 70 years and GNI per capita is \$2337. Nepal suffers from the rehabilitation crisis from the civil war and the earthquake. The problems for Nepal are complex - they are politically, economically, socially and geographically identifiable.

### **1.2.1 Geographical Location**

Nepal is a land-locked country. It is bordered by India on three sides and by China's Tibet to its North. It is a small country with an area of 147,181 square kilometres. Despite being a small country, Nepal has diverse topography. Based on its topography, there are three regions in Nepal. Towards the south are the flatlands referred to as the Terai region. Terai shares its border with India and its elevation is as low as 60 metres. About 17% of the total land area of Nepal is in the Terai region. In the north, Nepal has the Himalayas, this region is commonly referred to as 'Himal'<sup>2</sup>. Himal has more than 90 mountains, including Mt Everest that is 8,848 metres above sea level. The Himal region occupies about 15% of the total land area. The land sandwiched between 'Himal' in the north and 'Terai' in the south is referred to as 'Hill'. This hilly region occupies 68% of the total land area. The elevation ranges from 500m to 3000m above sea levels. The diverse topography has meant that there is climate variation in Nepal with droughts in Terai and snow in Himal. Difficult terrain in the north has meant that Nepal's main import and export partner is India. Nepal imports over 58% of overall imports from India. Of the total Nepali exports, over two-thirds of exports are to South Asian countries.

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<sup>1</sup> Human Development Index (HDI) is a statistics developed by UNDP to measure countries' social and economic development. It is used to compare development levels of different countries.

<sup>2</sup> The literal translation of Himal is mountains.

Nepal and India share a unique friendship and these countries have signed an Indo-Nepal treaty of peace and friendship, agreeing to bilateral trade and an open border between the two countries.

## **1.2.2 Political Context**

The study of context requires an understanding of the political history of Nepal. Until 2008, Nepal was ruled by a monarchy. The political history of modern day Nepal emerged in the 18<sup>th</sup> century when King Prithvi Narayan Shah conquered Kathmandu and laid foundations for a unified Nepal. Before the unification, there were small kingdoms with their own kings; it was only when these kingdoms were unified that modern day Nepal was formed.

During, the 19<sup>th</sup> century, the Shah dynasty engaged in a power struggle with the Ranas, elites from Kathmandu. This led to the emergence of the Rana regime in 1846 led by Jung Bahadur Rana. The monarchy then was only ceremonial, and Jung Bahadur introduced the system of the hereditary prime minister. This gave rise to the autocratic dictatorship of the Ranas. The country faced suppression for 104 years under the Rana regime. During the regime, foreigners were not allowed to enter the country and education was limited to the elite few. The suppression led to the unpopularity of the Ranas, and anti-Rana forces were formed. With the alliance of the monarch and the people, the Rana regime was overthrown in 1951. Following the end of the Rana Regime, there was restoration of the Shah dynasty.

Following the Rana Regime, the Nepalese welcomed multi-party democracy for the first time. Multi-party democracy fueled power struggles between and within the political parties giving rise to political instability. Amidst the political instability, the then King Mahendra dismissed the democratic government of the Nepali Congress Party in 1960 and assumed all executive power. He introduced the *Panchayat* system in 1960. The *Panchayat* system was a party-less

system of democracy in which people elected their representatives from different constituencies on an individual basis, not based on any political ideology or a political party (Osmani and Bajracharya, 2007). After King Mahendra passed away, his son King Birendra assumed the political and economic system set up by his father. The *Panchayat* system assured power to the palace, resulting in the abuse of power. Under the Panchayat system the ordinary people felt alienated and this brewed yet another political movement, this time opposing the Panchayat system. In 1991, the Panchayat system was abolished and a constitutional monarchy with multi-party government was formed (Osmani and Bajracharya, 2007).

The multi-party government led to liberal economic reforms. But the power struggle among political parties continued. Political alienation took an extreme form in the case of the Communist Party of Nepal (Maoists), which took to an armed struggle referred to often as civil war. From 1996 to 2006 the country faced unprecedented armed conflict between government forces and Maoist rebels which ended on 21 November 2006 with the signing of the Comprehensive Peace Accord (CPA). The Civil War resulted in the deaths of over 13,000 people and the destruction of physical infrastructure, displacement of people and serious disruption to the economy. After the CPA, on 28 December 2007, a bill was passed in parliament to amend Article 159 of the constitution — replacing ‘Provisions regarding the King’ by ‘Provisions of the Head of the State’ – declaring Nepal a federal republic, and thereby abolishing the monarchy.

Following the CPA, Nepal was governed by an Interim Constitution. In September 2015, amidst political unrest, the new written constitution was unveiled. The constitution was endorsed by 90% of the total lawmakers. Out of 598 Constituent Assembly members, 538 voted in favor of the constitution while 60 voted against it, including the few Terai<sup>3</sup> based political

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<sup>3</sup> Terai also referred to Madhes is flatland that shares border to India

parties refraining from the voting process. The Terai, also known as Madhes, undertook a violent protest referred as the ‘*Madhes Andolan*’ in 2015, opposing the constitution. The Terai region shares borders with India and Madhesi protestors stopped supplies entering Nepal from India. This resulted in an economic and humanitarian crisis in Nepal, as Madhesi protestors stopped supplies for one and half months. There are still ongoing discussions on provisions in constitution to accommodate minorities, including Madhesis.

The political history of Nepal shows uncertainty. Nepal as a country has suffered from political instability. The ongoing unrest has created an attitude of resistance against politics and politicians in the Nepali mindset. The governance role of its politicians has been questioned due to their lack of leadership.

*‘.... lack of vision among political leadership and their inability to understand the consequences of socioeconomic exclusion is the roots of the current political crisis in Nepal ...problems of the centralization of power, corruption, a bias towards urban development and especially the historical exclusion of minority and underprivileged classes from participation in governance and mainstream politics. It is argued that there is a need to introduce bold reforms in economic policy, politics and the institutional setup to sustain growth and increase the collective voice and bargaining power for all disadvantaged groups.’ (Sharma, 2014, p57).*

There is indeed a need for a change in politics and governance mechanisms for an effective political system in Nepal.

### **1.2.3 Economic Context**

Nepal’s economy is conditioned by its geographical location and is irrevocably tied with the economy of India. Nepal’s economy is also reliant on political stability in Nepal; the political unrest has therefore impacted the Nepali economy.

Economic development in Nepal has been complicated by the constant change in the political scenario. Diverse topography has also meant that Nepal lacks basic infrastructure such as transport that connects its different regions. Political instability and complex geographical topography have resulted in only a few manufacturing companies. Manufacturing companies therefore only contribute about 6% of total GDP and the number of manufacturing companies are in decline. Agriculture remains Nepal's principal economic activity. It contributes about 27% to total GDP. While only 20% of Nepal's total land is cultivable, 60% of Nepal's population work within the agriculture sector. Tourism is another notable industry but with the political instability, tourism has faced dire challenges.

One of the major contributors to GDP is remittance. Poverty and lack of job opportunities in Nepal has led to increased emigration. According to an ILO report <sup>4</sup>, in 2014 alone, 520,000 labour permits were issued to Nepalis working abroad, with 95% of these permits to men. Migrant workers go to Malaysia, Qatar, Kuwait and UAE for job opportunities. Remittances flowing to Nepal as a share of GDP doubled in the last 5 years, contributing about 32% of GDP in 2017 (ILO, 2016). The Nepalese economy is reliant on remittance and Nepal is placed in third position among countries receiving the highest proportion of remittance in terms of GDP (ILO, 2016).

While manufacturing industries are on the decline, service industries such as banking and finance are on the rise. Political instability has driven away FDI. Despite the government's efforts to bring in MNCs, Nepal has little MNC presence. As a result, the Nepali financial market is dominated by 'home grown' companies. Home grown companies are businesses incorporated and run in Nepal. These companies are often family-owned conglomerates. The Nepali financial market is dominated by the few elite families. 70% of Nepal's exports are to

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<sup>4</sup> <http://www.ilo.org/kathmandu/areasofwork/labour-migration/lang--en/index.htm>

the Asia Pacific region. 14% and 11% of exports are made to Europe and Northern America respectively. About 93% of its total imports come from the Asia Pacific region itself. Nepal mainly exports beverages, carpets and textiles. In 2015, the total exports of Nepal amounted to \$660 million and the total imports amounted to \$6,612 million<sup>5</sup> (World Bank, 2015).

Nepal operates its own stock exchange, referred to as the Nepalese Stock Exchange or NEPSE, that deals in the free marketability of publicly listed corporations and the government. As of January 2016, of the 371 companies listed on the NEPSE, Banking and Finance dominated with more than 50% of the total number companies listed<sup>6</sup>. Companies in Nepal run in accordance to the Company Act, 2006. The company act defines the roles and responsibilities of directors based around the enlightened shareholder value concept.

#### **1.2.4 Social Context**

Nepal's population is 27.5 million (Index Mundi, 2012), comprising over 100 ethnic groups and speakers of 92 languages. Nepal is a secular state and according to the population census in 2011, Nepal has a population growth rate of 1.35%. Reduction in poverty is on the government agenda. To combat poverty, the government introduced a population management plan, launching a Family Planning and Maternal and Child Health Project in 1969<sup>7</sup>. Prior to the establishment of the association, the concept of family planning was considered as a concept that went against religion, tradition and prevailing social values in Nepal (Ministry of Health). The fertility rate dropped from 5.8 (in the 1970s) to 2.6 (in 2011). While the population growth rate has reduced, the population density in urban areas has increased exponentially.

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<sup>5</sup> <https://wits.worldbank.org/CountrySnapshot/en/NPL/textview>

<sup>6</sup> 184 companies out of 371 companies listed in NEPSE (as of 2016, Jan) are commercial banks, development banks, insurance, and micro credit companies.

<sup>7</sup> The project focussed on information and education as a means of advocating a small family as a norm among the rural masses.



Kathmandu, the capital, has a population of about 2.5 million and is growing at a rate of 4% per year, one of the fastest growing metropolitan areas in South Asia. The unplanned population increase in urban areas has strained the environment. The numbeo pollution index 2017 featured Kathmandu as the sixth most polluted city in the world<sup>8</sup>. The population of Nepal is constrained to major cities, as infrastructure development is limited to these areas. Villages outside of the cities lack basic infrastructure and are secluded from developmental works.

#### **1.2.4.1 Family Life**

Family life is an important aspect of the Nepali way of life. Even today, a system referred to as ‘joint family’ is prevalent in Nepal. Joint family is where different generations of a family live under one roof. In Hinduism, a son is a savior and a gateway to heaven for his parents. The dharma of a son is to look after his parents and perform ‘sradha’ (last rites) to them. Hence, families live together with their sons and their sons care for them in old age. Prior to the recent constitution (i.e. 2015), sons were only entitled to inheritance from birth. The traditional joint family system has led to little investment in the concerns of an ageing population and families are left to look after their fathers and grandfathers. With the passage of time and the notion of migration for labour, small families are prevalent but there is little effort from the government to provide for the older generation.

#### **1.2.4.2 Education**

It was only in 1885, after the establishment of Department of Education, that education was accessible to public. Prior to that, Jung Bahadur Rana had limited access to education to Ranas

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<sup>8</sup> *Pollution Index* is an estimation of the overall pollution in the city. The biggest weight is given to air pollution, then to water pollution/accessibility, two main pollution factors.

and their noble sons (Sharma, 1990). Only in 1957 was primary education made free at the point of access for the public. The history of formal education is relatively new in Nepal. The lack of funding by the government to meet the growing demand for education has introduced a parallel private sector competing with government schools. According to the 2011 census, the adult literacy rate is 65.9%. The female literacy rate is only 57.4% and only 10% of the population are educated above secondary level. The rural-urban divide in education and education opportunities is clearly visible. The government has therefore placed prioritizing education on its agenda.

### **1.2.4.3 Religion**

Following the signing of the peace accord in 2007, Nepal introduced an interim constitution that recognised Nepal as a secular kingdom. Prior to the Comprehensive Peace Accord (CPA), Nepal was regarded as the only Hindu Kingdom in the world. According to the 2011 population census, 81.3% identify themselves as Hindu, 9% are Buddhist, 4.4% are Muslims, 3% are Kiratist and 1.42% are Christians. Traditional Nepali religions are mainly composed of Hinduism and Buddhism. Hinduism is believed to have begun in the 12<sup>th</sup> century when Indo Aryan migrated to Nepal. Gautam Buddha, the founder of Buddhism, was born as Prince Siddhartha Gautam in Lumbini, situated in modern day Nepal. Beliefs and practices of Buddhism date back to the founding period. These two major religions are not seen as two distinct religions, but religions that complement each other. The religious bodies such as mandirs, monasteries, and churches run their own affairs independent of the state.

Hindu practices and traditions play an important part in day-to-day life for Nepali people. Religion is more than just faith, as festivals and rituals help promote group cohesion and solidarity (Pyakuryal and Suvedi, 2000). In Nepal, a commonly practiced ritual is morning prayer at neighborhood shrines (Burbank, 2002). Despite religion being an integral part of the

Nepali way of life, religious education is not taught in primary and secondary school as a part of the curriculum.

One of the prominent teachings of the Hindu religion is the concept of Dharma. ‘Dharma’ was first introduced in Bhagavad Gita<sup>9</sup>. Dharma is a ‘law of the universe’, ‘social and religious rules’ and/or one’s own individual mission. In the Bhagavad Gita, Krishna (the lord) points out to Arjuna (the warrior) that his Dharma is to be a warrior whether he likes it or not. He cannot escape his Dharma and he must fulfil it. As a religious being, one’s ‘Dharma’ is a duty one has to one’s society. It *‘provides the highest spiritual knowledge and the code of conduct and spiritual values. ... It prescribes the Dharma, the righteous duty of each, and Karma, the line of selfless action to be undertaken without expecting any return towards individuals, family, society, nation and the universe’* (Muthuswamy, 2018, p91). Conforming and supporting societal needs without expecting any returns is at the heart of Hinduism.

Similarly, in Nepal, people speak of Dharma as something one does, rather than something one believes in (Pyakuryal and Suvedi, 2000). Bhagavad Gita speaks of a culture of giving, a concept of ‘Dana’. It voices that a gift given without any expectation of appreciation or reward is beneficial to both giver and recipient as it attributes towards ‘Moksa’. Moksa is a state of attainment and liberation. These concepts are practiced by most religious Hindus and are therefore an important part of the faith in Nepal. ‘Dharma’, ‘Dana’ and ‘Moksa’ are ingrained in the Nepali way of life. This is evident, as communities perceive they have a ‘duty’ or ‘Kartavya’ to look after each other.

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<sup>9</sup> Bhagavad Gita, often referred as the Gita, is a 700-verse Hindu scripture in Sanskrit that is part of the Hindu epic Mahabharata.

Nepalese people have had to undergo civil war and natural disasters in the past couple of decades. It is the “Kartavya” one perceives that has led the Nepalese to help each other even when there is weak governance.

#### **1.2.4.4 The Nepal Earthquake, 2015**

Nepal experienced a 7.8 magnitude earthquake in April 25, 2015. According to the UN, more than 8 million people (a quarter of the Nepali population) were affected by the earthquake. Over 9000 people were killed and about 22,000 people were injured by the earthquake. Over 60,000 homes were destroyed, and the earthquake’s strongest impact was in rural areas, making the crisis response extremely challenging (World Vision, 2016). Nepal’s rural areas often have no access to basic infrastructure, such as roads and hospitals, making them disconnected from urban Nepal. As a result, the provision of aid and rehabilitation to rural Nepal was extremely challenging.

As evidenced with other natural disasters, the Nepal earthquake summoned an international response. Countries around the world pledged donations in the form of a humanitarian response. The Nepal Earthquake resulted in voluntary donations from businesses and MNCs within Nepal. NCell, one of the leading telecommunication companies in Nepal, offered free communication for Nepali people post-earthquake (Kantipur, 2015). It has been discussed in the literature that crisis response such as the Nepal Earthquake drives CSR response (Visser, 2008). However, one of the main criticisms of the rehabilitation effort has been the lack of strong governance. Mahatara (2017) writes,

*‘In the beginning of local level election 2017, political bickering, a lack of accountability, poor management of funds, absence of local bodies and regional tensions have all hampered efforts to rebuild. Local level election was held in three phases in 2017. It was thought that the*

*reconstruction bid would be fruitful only after the people's representatives are elected. But, the plight of the people in the quake-ravaged Nepal's reconstruction remains the same'.*

Even 3 years after the Nepal Earthquake, people affected by it are still living in make-shift houses. People have come together to rebuild houses by themselves, often through the help of their family or informal groups such as local communities and companies (Mahatara, 2017).

Nepal has suffered from natural disaster and political instability for the last 20-30 years. As a result, Nepali people are resilient and have always found a way to look after each other. While the governance of Nepal has been criticised as being weak, social values and social norms elicit people to look after each other. As a society, Nepali people have always looked after each other, which is evident from the response of the Nepal Earthquake, 2015.

#### **1.2.4.5 CSR, a tradition in Nepal**

Nepal is mainly a community-based society. The civil war, earthquake and on-going political instability have driven away foreign investment. Political instability has led to little faith in the government and its role in looking after the people. The Transparency International Corruption Index<sup>10</sup> places Nepal in 131<sup>st</sup> position (out of 171 countries). There is a high level of perceived corruption in Nepal. Nepal has always been a religiously harmonious country that has led to a community-based society. People have always cared for each other locally. While the modern-day concept of CSR is formulated in the west, the roots of CSR in Nepal have long existed - they embedded in Nepali way of life. Hinduism and Buddhism two most prominent religions speak of 'dana' or 'daan'. In Hinduism, 'dana' means giving, often in the context of donation and charity. Giving to others is crucial in Buddhism and 'dana' in Buddhism is the 'perfection

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<sup>10</sup> Transparency International (TI) publishes the Corruption Perceptions Index(CPI) since 1995, annually ranking countries "by their perceived levels of corruption".

of giving'. To the present day, philanthropy (especially donations) amount to the majority of CSR activities, the roots of which could be argued as the concept of 'dana' - an integral part of Nepali life.

The government of Nepal is working towards making Nepal attractive for foreign investors. In February 2015, the government issued the new Foreign Investment and One-Window Policy 2015. The new policy defines priority sectors for foreign investment, including hydropower, transportation infrastructure, agro-based and herbal processing industries, tourism, and mines and manufacturing industries. The Foreign Investment and One Window Policy also establishes currency repatriation guidelines, outlines visa regulations and arbitration guidelines, permits full foreign ownership in most sectors, and creates a 'one window committee' for foreign investors. Despite the government's efforts to invite foreign investment, foreign companies say that corruption, bureaucracy, and a weak regulatory environment make investing in Nepal very difficult. While official laws are generally welcoming to foreign investors, the investment climate remains challenging. As an example, in January 2016, the Norwegian company Statkraft notified the Investment Board of Nepal (IBN) that it was discontinuing work on the 650 MW Tamakoshi hydropower project and withdrawing from discussions on a Project Development Agreement. The company cited the 'absence of necessary policies and regulatory framework,' and 'increased bureaucratic hurdles for foreign investments' as reasons for its withdrawal. Hence, there is little presence of foreign companies in Nepal. Family oriented companies dominate the Nepali market. Most big companies are family-owned conglomerates run by a handful of prominent and elite families. Family-owned businesses are unique because they assume a holistic paradigm with a long-term orientation that traditional public firms lack (Kennedy, 2013). Sustainability often requires choosing long-term over short-term gain, a natural concept for family-owned businesses. Companies in Nepal are actively managed by their owners which creates little separation between owners and the

company. The personal values of the owners are reflected in the organizational culture and CSR activities reflect the owners' contributions towards the society. One could say CSR is one's 'Kartavya' (duty/obligation) towards the society that provided the family the license to operate. Fulfilling societal obligation is a way of life, but CSR as a corporate strategy is new to Nepali market.

As argued above, the role of government to carry out rehabilitation since the earthquake in 2015 has been questioned, as the victims are still living their lives in make-shift houses. People, businesses and civil society instead have come together for rehabilitation work, questioning the bureaucracy of government in timely restoring and rehabilitating the victims. The context of political instability, post-conflict civil war and the response of government post-earthquake rehabilitation has led to questioning the existence of strong governance in Nepal. All these factors have strengthened society-led philanthropy. This has created a norm where philanthropy is a way of life in Nepal. CSR in Nepal could be argued as a result of normative isomorphism arising out of culture, tradition, conflict and government failure.

While the roots of CSR uptake (i.e. contributing towards societal good) are ingrained in the Nepali way of life, the discourse of modern day CSR is relatively new in the Nepali business market. An earlier study on Nepali CSR by Welzel (2006), titled " CSR in Nepal: a chance for peace and prosperity?", argues that while the state should act as a driver or at least a supporter of CSR, in the context of Nepal, the state is absent in respect to CSR.

Even after a decade of this research, there are little visible policies that enhance CSR in Nepal. Some acts of legislation that could influence CSR are the Labour Act 1992<sup>11</sup>, the Environment

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<sup>11</sup> Labour Act, 1992 addresses provisions relating to labors rights, interests, facilities and safety of workers.

Protection Act, 1997<sup>12</sup> and the Prevention of Corruption Act. For example, the Labour Act (1992) aims to protect rights and interests of workers together with health and safety measures in the workplace. The Act makes sufficient provisions for keeping the workplace free from dust, fumes, and hazardous chemicals, and assures the guarantee of the adequate supply of light and water and other health and sanitation facilities to the workplace. The Factory Inspector appointed by the Government of Nepal examines building, land, plant, machine, and health and safety aspects of factories. The Labour Office can sanction any organisation for not maintaining safety standards in the workplace. However, there is little evidence of sanctions on non-fulfilment of these laws, thereby questioning their effectiveness.

In 2009, leaders held a summit in Everest to highlight the worldwide issue of global warming. The then forest minister, Dipak Bohora, urged developed countries to contribute 1.5% of their earnings to help poorer nations fight global warming. Yet the Nepali government did not pledge any amount for the cause and remained silent on involving the private sector to address global warming. The role of government is absent in encouraging companies to pursue CSR. With little focus on CSR, CSR reporting is an entirely new concept in Nepal. Reporting on CSR is voluntary in Nepal just like most countries around the world. In the last five years, companies, especially in the sector of banking and finance, have been reporting on CSR. Upadhyay-Dhungel and Dhungel (2013), on studying CSR reporting in the banking sector, identify that most CSR interventions are carried out in the education sector (69.29%) and welfare of the underprivileged (64.29%). They further argue that the prominent state-run banks actively participate in CSR but do not report on it. Indeed, CSR reporting as a concept is new. The lack of uniform standards and frameworks has led to

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<sup>12</sup> Legal provisions in order to maintain clean and healthy environment by minimizing, as far as possible, adverse impacts likely to be caused from environmental degradation on human beings, wildlife, plants, nature and physical objects; and to protect environment with proper use and management of natural resources, taking into consideration that sustainable development could be achieved from the inseparable inter-relationship between the economic development and environment protection;



different types of CSR reporting making it difficult for comparison. CSR as a part of culture has always been a way of life. CSR reporting on the other hand is a completely new concept that has just set foot in the Nepali market.

### **1.3 Key Aspects of the CSR Literature**

CSR is argued to have begun with Economics. Adam Smith (1776), in “An Inquiry into the Nature and Causes of the Wealth of Nations,” expressed that the needs and desires of society could best be met by the free interaction of individuals and organizations in the marketplace. The Wealth of Nations further noted that, “It is not from the benevolence of the butcher, the brewer, or the baker that we expect our dinner, but from their regard for their own interest.” This laid the foundation of corporate social responsibility, where consumers were aware of the social benefits of creating the wealth of nations and of financing actions to advance the interests of society.

Whilst the history of CSR dates back to centuries ago, modern day CSR was only conceptualised in the early 20<sup>th</sup> century. Among the first academics to debate the topic were Columbia Professor Adolf A. Berle and Harvard Professor E. Merrick Dodd. While Berle (1932) contended that the managers were responsible only to a firm’s shareholders, Dodd (1932) argued that the managers had a wide range of responsibilities, including being responsible to the public as a whole. Though the footprints of CSR have long existed around the world, formal writing on social responsibility is largely a product of the 20th century.

In the early writings on CSR, it was referred to more often as social responsibility (SR) than as Corporate Social Responsibility (CSR). Carroll (1999) argues this is because the dominance of

the modern day corporation had not yet occurred. The publication by Howard R. Bowen (1953) of his landmark book *Social Responsibilities of the Businessman* is argued to mark the beginnings of the modern period of literature on this subject. Bowen's (1953) work proceeded from the belief that the businesses were vital centres of power and decision making and that the actions of these firms touched the lives of citizens at many points. Bowen in his landmark book queried, "*What responsibilities to society may businessmen reasonably be expected to assume?*" (p. xi). Bowen (1953) set forth an initial definition of the social responsibilities of businessmen: "*It refers to the obligations of businessmen to pursue those policies, to make those decisions, or to follow those lines of action which are desirable in terms of the objectives and values of our society*" (p. 6). Bowen (1953) argued that social responsibility contains an important truth that must guide business in the future. Because his book is considered the doctrine of CSR, he is often referred as the "Father of Corporate Social Responsibility".

Following Bowen's (1953) CSR conceptualisation, there have been many studies that conceptualises CSR. For example, Davis (1960) perceives CSR as an agenda for economic gain. Johnson (1971) undertakes a stakeholder approach and argues CSR is a means to balance a "multiplicity of interests" (p.50). Similarly, Carroll (1991) sees CSR as a fulfilment of economic, legal, ethical and philanthropic responsibility that a business has. Croucher (2009) argues CSR is a means to minimize negative externalities that businesses may face. There are therefore different views on what CSR is and why it is important.

As evidenced above, CSR is a broad concept. This thesis is most influenced by the first conception of CSR by Bowen (1953). CSR, according to Bowen, is merely fulfilling the social responsibilities a business has. Bowen(1953) further argues that social responsibilities are actions that are desirable to the values of the society. Companies, just like humans, have social

responsibilities and companies need to fulfil their social responsibilities because they are a part of the community. Therefore, CSR in this thesis is assumed as pursuing activities that are desirable and in alignment with the norms of the society.

CSR is a high-profile notion and businesses perceive CSR as a strategic and prominent concept (Porter and Kramer, 2006). Societal expectations of businesses have changed. As evidenced by the outrage towards Nike due to the Child labour Scandal in the 90s, narrow goal systems, short-term orientation and the means chosen by the manager have become a subject of much scrutiny. Consequently, socially and morally responsible practices have gained prominence at a practitioner level with companies around the world introducing CSR programmes and at an academic level with many Business Schools offering CSR courses. Globalisation and increasing interest in the environment and social inequality has put CSR on a global agenda. The discussion has moved beyond 'whether' businesses should focus on their non-financial responsibility to 'how it can be done best' (Smith, 2003).

Globalisation has led to company stakeholders beyond national boundaries, increasing the public interest in worldwide operations, yet the academic literature on CSR is still dominated by the European and North American context. CSR is argued as being a broad and complex concept influenced by the relationship between business and society in any setting (Blowfield and Frynas, 2005). Although there have been some attempts at mapping CSR in the developing world (Jamali and Mirshak 2007; Tsang 1998; Williams 1999; Chapple and Moon, 2005; Belal and Cooper, 2011; Momin and Parker, 2013; Upadhyay-Dhungel and Dhungel 2013; Bidari 2016), they are quite insufficient when weighed against the coverage of Western CSR. The literature (Jamali and Mirshak, 2007; Welford, 2004) often assumes that firms in emerging markets lag in the CSR agenda in comparison to the developed world. Chapple and Moon (2005) argue that CSR in developing nations stems from the concept of philanthropy. The

Developing and Developed world are the terminologies often used in doing comparative CSR studies. This thesis is no different and investigates CSR conception from a Nepalese perspective, a developing country.

### **1.3.1 Defining a Developing Country**

In studying CSR in developing countries, one needs to first understand what a developing country is. The term 'developed countries' and 'developing countries' is often used in the academic literature for generalisation but the distinction between these classifications is not straightforward. Broadly speaking, the term developing countries is used for countries with little industrial base and low per capita income. The terms 'underdeveloped', 'poor' and 'emerging' countries are also seen as interchangeable with the terminology 'developing country'.

So, what makes a country a developing country? The answer is not that straight forward. There are different measures that typify countries into these classifications. Statistically speaking, the most common measures are per-capita income, gross national income (GN) and the human development index (HDI). Countries that score low on these indices are referred to as developing countries. For example, the World Bank describes countries with GNI per capita of less than \$996 per year as low-income economies. Similarly, UNDP uses the HDI to classify countries based on their development status. UNDP's HDI is expressed as a figure ranging from 0 to 1. Categories are assigned to each country accordingly: 'Low Human Development' (0-0.55), 'Medium Human Development' (0.55-0.7), 'High Human Development' (0.7-0.8), and 'Very High Human Development'(0.8-1).

According to UNDP, the Human Development Index was created to emphasize that people and their capabilities should be the ultimate criteria for assessing the development of a country, not economic growth alone. The index draws on various indicators including those related to income, education and health. This research uses the HDI as a measure to classify countries into developing and developed countries. Broadly speaking, countries that have 'medium' and 'low' levels of human development are commonly referred to as developing countries. There are countries with varying HDI scores within these distinctions, making the classification complex. There are debates about whether or not the categorisation is useful. These debates are not within the realm of this research and for the simplicity of this research, any countries that have medium or low levels of HDI are referred to as developing countries in this research.

Similarly, this research often speaks of CSR in the Western world vs CSR in the developing world. There are varying explanations on what the western world constitutes. According to North and Thomas (1973), from an economic point of view, the term 'west' refers to 'first world countries'. They argue that efficient economic organisation is key to growth and the origin of the term is due to '*the development of an efficient economic organisation of the Western Europe [which] accounts for the rise of the West*'. (p.I). From an economic point of view, Western countries are developed countries with high HDI.

In this Chapter and the chapters to follow, CSR in developing countries is a common term used to review the CSR literature based in countries with low and medium levels of HDI, and developed and Western countries is used as terminology to review the literature on CSR of countries with high HDI.

CSR is subject to variation, yet CSR norms and standards are designed in the 'developed world' for companies operating in the developed world or for MNCs. There has been growing

interest in exploring CSR in the developing world, but studies have focussed on how MNCs' subsidiaries carry out CSR practices (Jamali, 2010). The existing literature identifies that CSR is different in the developing world, but there is little exploration into how and why local companies engage in CSR practices in their environment. The CSR literature often groups CSR in developing countries together and it is assumed that CSR is similar in all developing countries. Chapple and Moon (2005) studied CSR in seven Asian countries and found that CSR within these countries varied and that these variations were not necessarily caused by the stage of economic development within these countries.

### **1.3.2 CSR Reporting in Developing Countries**

CSR concerns addressing social issues, whereas CSR reporting is concerned with the accountability of companies on CSR issues (Deegan, 2002). CSR and CSR reporting, while complementary, are different concepts. CSR reporting can provide an insight into CSR practices prevalent in any country.

There are several studies that explore CSR reporting in developing countries. One of the earlier studies on CSR in a developing country is by Teoh and Thong (1984). They concluded that human resource (HR) issues were the most reported issue in Malaysia. Similarly, Tsang (1998) studied CSR reporting of food and beverages companies in Singapore and concluded that HR issues ranked top followed by community related issues. Belal (1999) concluded that employee disclosure was most widely reported in Bangladeshi companies. He further stated that the disclosure was highly descriptive.

A key question that needs further exploration in studying CSR and CSR reporting within a country is: does CSR vary across industry, size and ownership structure? There have been some attempts to study CSR variation within a nation. Singh and Ahuja (1983) conclude that while

firm size and age were not associated with CSR reporting in India, the nature of industry was associated with CSR reporting. The result on the determinants on CSR reporting in emerging economies is not conclusive; however Gao et al's (2005) study on CSR reporting by companies in Hong Kong found that there exists a relationship between company size and CSR. Williams (1999) studied the CSR practices of 7 different<sup>13</sup> Asia Pacific countries. Unlike studying what motivates the companies to report on CSR, he studied the extent to which culture specific variables influence CSR reporting. He found out that culture specific variables, such as uncertainty avoidance, masculinity and political and civil systems, influence corporate social reporting. There is a growing argument suggesting that culture-cognitive notions act as determinants in shaping CSR reporting. Like Williams (1999), Belal and Cooper's (2011) study on CSR reporting in Bangladesh concludes that companies there do not report on CSR. They argue that the lack of CSR reporting in Bangladeshi companies is not due to their size, profitability, or nature of industry they operate in, but the complex cultural, business and regulatory environment that discourages self-praise.

The study of CSR is still new in Nepal. Upadhyay-Dhungel and Dhungel (2013) studied CSR reporting in the banking sector and their sample consisted of 10 randomly selected commercial banks and 4 development banks. They studied websites to produce a report sheet to showcase the CSR activities reported. They concluded that the majority of banks reported on at least one CSR activity and that publicly owned banks reported on CSR issues the least, while privately owned banks reported on CSR issues the most. The CSR activities reported were descriptive and philanthropic in nature, with sponsorship of education the most reported CSR issue. While Upadhyay-Dhungel and Dhungel (2013) provide an insight into the nature of CSR reporting in banking, their sample size is small, industry specific and cannot provide an insight into the

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<sup>13</sup> Seven Asia Pacific countries studied by Williams (1999) are Hong Kong, Singapore, Australia, Philippines, Indonesia, Thailand and Malaysia

CSR reporting status of companies across industries in Nepal. They do not consider the context variables (such as norms) to understand their findings. Community related CSR activities, such as education (such as education sponsorship), health and welfare of the under-privileged, form the majority of the CSR activities pursued.

Wetzel (2006) argues that there are two clusters of companies pursuing CSR in Nepal. Firstly, there are companies that respect employee rights such as a written contract, working hours and health and safety regulations. These companies are either subsidiaries or a joint venture with foreign companies. Secondly, there are family run companies. These form the majority of companies operating in Nepal. CSR in these companies is driven by the owner's interests rather than international standards.

Despite studies that suggest that culture and context play a key role in CSR and CSR reporting, the term developing countries is used to group countries with varying political/civil systems and cultures. One could conclude that CSR in developing countries is growing. In understanding CSR constructs in Nepal, this study examines CSR reporting as a gateway to understanding CSR in Nepal.

## **1.4 Research Aims and Objectives**

The aim of this PhD project is to make sense of CSR practices in CSR in companies operating in Nepal. This study is explorative in nature and it draws on institutional theory to make sense of CSR practices in companies operating in Nepal. This study in particular uses national business system (Whitley, 1999) to explore CSR in Nepal. Companies as both economic and social agents need to respond to competitive and institutional pressures to survive (Meyer and Rowan, 1977). Institutional pressures are regulative, normative and culture-cognitive (Powell



and DiMaggio, 1991; Scott, 2001) and are embedded in context, shaping and reinforcing any social routines (Zucker, 1991). Institutional theory is one of the most popular theories in studying CSR in the developing world (Muthuri and Gilbert, 2011; Matten and Moon, 2008; Frynas and Yamahaki, 2016) because it helps to identify deeper social structures that shape and form CSR. Understanding that Nepal is a post-conflict and post-disaster economy, institutional theory will help to interpret the rationale for undertaking CSR activities.

Undertaking grounded theory, this research examines current CSR reporting practices of companies operating in Nepal to understand the nature and extent of CSR reporting practice.

Overall, this research addresses three research questions. The first question is:

***RQ1: What is the nature and extent of CSR reporting in Nepal?***

The research is carried out in two key stages. The first stage relates to the study of CSR reporting. Upon studying CSR reporting, key CSR themes are identified. This answers the first research question. However, the aim of the research is to make sense of CSR practices and not just CSR reporting practice. CSR reporting and CSR are different concepts. The nature of CSR reporting is explanatory in nature, whereas the aim of this research is to make sense of CSR practices. The overall aim is explorative in nature. Hence, institutional theory is used to understand deeper social structures that form CSR discourses of companies operating in Nepal. In making sense of CSR practices in companies operating in Nepal, there is a need to understand what institutional pressures drive CSR activities. Case study analysis using semi-structured interviews and document analysis as explorative methods is used to answer the following two questions.

***RQ2: How does the Nepali version of CSR compare to the Western notions of CSR?***

***RQ3: What national and organisational institutional factors drive the Nepalese version of CSR?***

Taken together, these three questions make sense of CSR practices in companies operating in Nepal. Making sense of the CSR practices, it will add to the extant literature by seeking explanations as to how CSR is to be understood and why CSR is practiced in Nepal.

## **1.5 Research Design**

This research was conducted in two key stages. Undertaking grounded theory methodology, this research started with empirical analysis. It studied annual reports of listed companies to understand non-financial reporting. The annual reports were firstly benchmarked against a recognised western standard. Once the reports were analysed, it was realised that the Western benchmarking was inadequate in capturing what companies operating in Nepal were reporting. A standardised standard does not necessarily capture non-financial reporting by Companies operating in Nepal. The annual reports were re-analysed to find themes in CSR reporting and this resulted in identifying emergent CSR themes. This finding helped with the development of the subsequent research questions and provided the overall direction of the research.

Upon completion of explanatory content analysis, the literature review on institutional theory was conducted. 10 sample companies were identified via snowball sampling to be a part of this research. These companies were both publicly listed and private businesses operating in different industries. Semi-structured interviews were conducted with senior management (where applicable managers directly involved in CSR and/or board members) in each company to explore their perception of CSR. The interviews were analysed through the lens of

institutional theory. The context plays a key role in identifying why a company behaves in a particular manner.

This study is explorative research that is trying to make sense of CSR practices in companies operating in Nepal. In doing so, it uses grounded theory methodology. The research identifies the importance of social context, and it started with empirical analysis of annual reports to understand CSR activities in companies operating in Nepal.

## 1.6 Original Contribution

The analysis of annual reports found that the reports on non-financial reporting were not in alignment with the Global Reporting Initiative (GRI) G3.1 standard (guidelines on CSR reporting initiated in the US). This raises questions about the homogenisation of CSR reporting practices. Most of the sample companies reported on CSR activities which were only descriptive in nature. CSR activities reported by sample companies were further analysed for commonalities and it was found that most CSR activities reported were education and health related, and that the nature of CSR activities was philanthropic.

Upon understanding the nature of CSR, the research undertook an exploratory perspective to understand how the Nepali version of CSR is perceived, and what factors drive companies operating in Nepal to pursue CSR. The case studies revealed that CSR perception and activities were driven by the existence of 'patriarchal companies' resulting in limited enforcement of regulations (Wood et al., 2011). Weak governance in Nepal has created a CSR paradigm that focuses on 'political CSR' (Matten and Moon, 2008). Political CSR *"involves businesses taking a political role to address "regulatory gaps" caused by weak or insufficient social and environmental standards and norms"* (Wickert, 2016, p792).

As a concept 'CSR' in Nepal is not new but the terminology is. In the simplest terms, all community related activities are referred to as '*Samajik Kartavya*', which translates to social obligation. *Samajik Kartavya* is ingrained in the Nepali way of life as a form of normative isomorphism and therefore is not entirely voluntary.

CSR activities in Nepal are a result of pressures arising out of the normative and culture-cognitive pillar that governs Nepali society. As a country in a post conflict era, rehabilitating from a natural disaster<sup>14</sup>, there are governance gaps. The governance gaps have created a fragmented business system (Whitley, 1999) where private companies are expected to contribute towards social issues. Private companies have the resources and capabilities to address the societal issues in the form of CSR activities. Family-owned companies dominate Nepal and the values and religion of owners are reflected in their business, confirming that markets work interdependently with broader societal institutions (Whitley, 1999). The economic, social and cultural challenges faced by Nepal as a community drives the CSR policy of companies operating in Nepal.

This PhD contributes to the existing CSR literature on two different levels.

- Firstly, one could argue that CSR as a terminology does not encapsulate Nepali ethical business practice. CSR activities are perceived as '*Samajik Kartavya*'. *Samajik Kartavya* are context driven and ingrained in the Nepali way of life arising out of coercive/normative pressure. Fulfilling one's *Samajik Kartavya* is a social obligation and not always voluntary, differing from the broader concept of CSR.
- Secondly, this research argues that companies in conflict-ridden economies such as Nepal have assumed a governance role. Private companies have an authoritative role

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<sup>14</sup> Nepal suffered Earthquake in April 2015, killing about 15000 people

whereby they pursue issues on the government agenda and fulfil their economic responsibility. The regulatory role of the state in such circumstances cannot always be assumed to give rise to coercive pressures that normally drive companies to adopt CSR. Furthermore, not conforming to regulatory pressures could amount to a higher level of CSR because of the existence of weak governance. CSR prevails even when political institutions are weak. This research concludes that there is a need to study CSR in an emerging economy, because different economies have different societal institutions giving rise to different perceptions and meanings of CSR.

## 1.7 Structure of Thesis

This thesis is presented in 9 chapters (see fig 1.1)

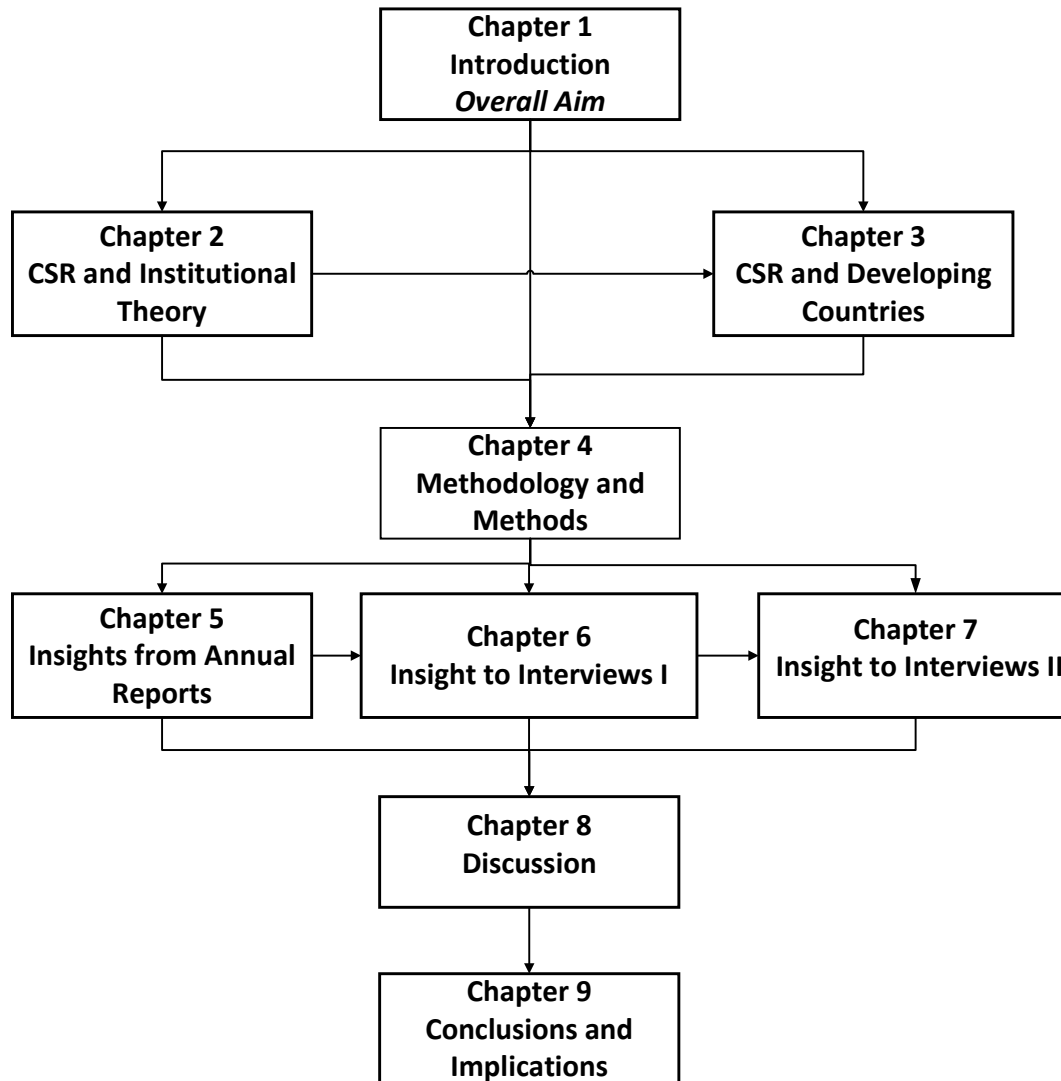


Figure 1.1: Structure of Thesis

Chapter 1 introduces the topic and briefly presents the research aims, objectives and research questions. It provides a snapshot of the research process, identifying key methods used in the research, and provides information on how this PhD contributes to the existing literature.

Chapter 2 presents a discussion on institutional theory, because this study explores CSR in Nepal through the lens of institutional theory. This chapter discusses what institutions are, what institutional theory is and it provides the rationale for using institutional theory as the theoretical lens. In providing discussion on institutional theory, it identifies that developing economies such as Nepal operate in a '*segmented business system*' where government does not enforce rules but often acts as a hindrance to companies' policies.

Chapter 3 is a review of the existing literature on CSR in developing countries from an institutional perspective. This is a review chapter of the existing literature that particularly focusses on the research aims and findings of studies exploring CSR in developing countries. It identifies that CSR is context specific.

Chapter 4 is the methodology chapter. This chapter explains that there are two key stages for this research. It identifies a need to employ a mid-level theory and the use of grounded theory as a mid-level methodology. The research process is explained, and each stage of this research discussed in depth. Particular research methods used at each stage are critically presented.

Chapter 5 presents the findings from the first stage of research which is the analysis of annual reports. The chapter identifies the nature and extent of CSR reporting in companies operating in Nepal and identifies the shortfall of CSR reporting in comparison to Western reporting practices.

Chapter 6 is the first of two chapters that presents findings from stage 2 of the research. It introduces each case study company individually and the key CSR themes on the nature of the CSR policies pursued.

Chapter 7 is the second of the two chapters presenting findings from the case study analysis. It uses interview excerpts to firstly triangulate findings with the analysis of annual reports and secondly provides recurrent factors within the sample companies that drive CSR policies.

Chapter 8 provides a discussion of the research findings based on institutional theory. It argues that CSR in Nepal is a result of context. It is driven by *Samajik Kartavya*, a culture of giving. Institutional theory as a theoretical lens is used to discuss the findings from the analysis of the annual reports and interviews.

Chapter 9 is the conclusion. It discusses the main themes of this research and how it contributes to the existing literature. It present the limitations of the study and provides direction for future research.



# Chapter 2

## Institutional Theory and CSR

### 2.1 Introduction

This chapter introduces institutional theory as a theoretical lens for this PhD research. Institutional theory has been used to understand different modes of capitalisms and it has benefited from different schools of thought. This has led to different perspectives on institutional theory. The aim of this chapter is to understand what institutional theory is. In doing so, it distinguishes 'old institutionalism' and 'new institutionalism'. Then, this chapter discusses different frameworks of institutional theory. It discusses Whitley's NBS and the segmented business system of Wood and Frynas (2005) as an appropriate framework for this research. It is argued that the state, financial system, education and labour system, and cultural system are features of a business system. In developing countries, the cultural system plays a key role in shaping institutions. Institutional isomorphism is discussed as a complementary concept that shapes the features of a business system.

### 2.2 Overview: What is an Institution?

There are various definitions of the term 'institution' and what it constitutes. Institution is referred as a '*...multi-faceted concept that includes cognitive, normative and regulative*

*structures and activities that provide stability and meaning to social behaviour* '(Scott, 2004, p.33). The focus of institutions is on the structures that shape our social behaviour. Hence, they includes a wide range of structures that shape our society: *Institutions are the kinds of structures that matter most in the social realm: they make up the stuff of social life* '(Hodgson, 2006, p2). Institution as a term accommodates varieties of activities and behaviours. As a result, there is no consensus on what institution is.

Generally speaking, institution consists of 'formal institution 'and 'informal institution'. Formal institutions are written constitution, laws and policies enforced by official authorities such as government. Informal institutions are socially shared rules usually unwritten that are created outside of jurisdictions. They are routines and behaviours that constrain and enable the behaviour of societal actors. Both formal and informal institution shape our activities, but it is argued that these informal routines create the most influential institutional arrangement.

North (1990) writes:

*In our daily interaction with others, whether within the family, in external social relations, or in business activities, the governing structure is overwhelmingly defined by codes of conduct, norms of behaviour and conventions. Underlying these informal constraints are formal rules, but these are seldom the obvious and immediate source of choice in daily interactions.* (p36).

The focus of institutional theory is the social structures that shape our behaviour. Institutional Theory has been used in various disciplines such as economics, politics, sociology and organisational behaviour.

In organisational behaviour, institutional theory is used to argue that organisations are influenced by the institutions that govern them. Organisations are influenced not only by laws

and policies but by the norms and values of the society they operate in. Like formal rules, social norms and rules are key in shaping an organisation's behaviour. They influence how organisations are structured and how they take decisions (Scott, 2004). With advancement of society, social norms are subject to change over time and place just like laws.

Organisations as an institutional actor are merely a response to the '*institutional structure of societies*' (North, 1990, p396). In simple words, institutions shape behaviour and policies of organisations and institutional theory provides an appropriate lens to study norms that affect an organisation's behaviour.

The aim of this PhD is to understand CSR practices in Nepal. CSR practices in Nepal may be influenced by both formal rules and informal norms. In studying CSR in Nepal, the aim is to understand institutions that shape and influence CSR. Hence, Institutional Theory as a socio-economic theory is chosen, as it allows the investigation of institutions governing the companies operating in Nepal that shape Nepali CSR.

## **2.3 Old Institutionalism Vs Neo-Institutionalism**

The origin of Institutional Theory dates to nineteenth century. Since then, two clear schools of thought have emerged in institutional theory. Old institutionalism as we understand it today was most prominent during the 19<sup>th</sup> century. It began by describing formal and legal rules that shape behaviour. As the focus was on rules and laws, institutional theory of 'old institutionalism' was most prominent in political science. Over the years institutional theory was used for studying how formal and legal institutions varied within countries and across countries. Old institutionalism relied on the description of rules and laws, not on the

explanation of why and what influenced those laws to exist. Old institutionalism is described as a reactive theory and it was used to study how well certain institutions measured up to democratic norms or the principles of responsible government (Rhodes, 1996). The focus of old institutionalism was on the formal rules or procedures of the institutional setting.

Neo-institutionalism started developing in the 1970s and is still developing today. In the 70s, attention shifted somewhat away from the state and the formal organisations of government towards a more 'society centred' focus, with an emphasis on the socially embedded nature of organisation. Neo-institutionalism particularly developed within the analysis of organisations and the greater management literature (see Meyer and Rowan, 1977; DiMaggio and Powell, 1983; Zucker, 1991). One of the major differences between the old institutional theory and neo-institutional theory is that old institutionalism focuses on rules as regulations, whereas neo-institutionalism focusses on cognitive aspects of institutions such as norms and culture (Scott, 2004b). Neo-institutionalists argue that organisational behaviour is subject to norms and routines along with formal structures that govern our society. Norms and behaviours are equally important in shaping organisational behaviour. It is concerned with the embeddedness of organisational fields to maintain legitimacy.

Old institutionalists mainly observed the actions of groups (mainly trade unions and government) to protect the interests of the individual. By contrast, neo-institutionalists identify independent individual/actors, who of their own free will act upon their own interests. Old Institutionalism agrees that behaviour of organisations is influenced by institutions, but it does not provide any information on how institutions affect organisational behaviour. On answering the same questions, the proponents of neo-institutionalism, DiMaggio and Powell (1983), introduce the concept of institutional isomorphism (discussed in detail later in this chapter) to explain the act of legitimising an organisation's behaviour. They argue that, to survive,

organisations must conform to the rules and systems prevailing in the environment because of institutional isomorphism (DiMaggio and Powell, 1983).

As discussed above, old institutionalism places focus on formal relationship between state and civil society which diverge from the aim of this PhD research. The aim of this PhD is to make sense of CSR practices in companies operating in Nepal. Neo-institutional Theory provides the flexibility to study formal rules and informal institutions (norms and values) that shape CSR in companies operating in Nepal. Hence, neo-institutional theory is applied to this research. It is herein referred to as institutional theory.

## **2.4 Institutions as Regulations**

The behaviour of societal actors is influenced by both formal and informal institutions. Institutional Theory has benefitted from various schools of thought; as a result, there are many frameworks that help identify institutions that influence organisational behaviour. It is not in the interest of this PhD to explore all these institutional frameworks. However, in order to identify an appropriate framework for this research, selected institutional frameworks needed to be studied. This research critically studied institutional frameworks within comparative capitalism literatures. Comparative capitalism compares the dominance of capitalism between countries. The aim of this study is to understand CSR as a national concept, i.e. CSR in Nepal. Hence, theories and frameworks that study organisational behaviour within and across countries is apt for this study. Key institutional frameworks are critically discussed identifying the framework chosen for this research.

In a broad sense, institutional frameworks can be grouped into three categories in the approaches they adopt. These are the society centred approach, the firm-centric approach and the national business system.

### **2.4.1 Society Centred Approach**

This school of thought places importance on sociological aspects such as the behaviour of firms. One of the popular frameworks within this school of thought is the Social System of Production (SSP) concept by Hollingsworth and Boyer (1997). They argue institutions support a social configuration that supports dominant production strategies. As per SSP, there are two types of production systems – flexible system, such as in Germany, and mass production system, such as in the US. A Flexible Production System has well-trained employees with a high level of job security. It is generally supported by the presence of strong unions (Hollingsworth and Boyer, 1997). A Mass production system on the other hand operates under the concept of Fordism mass production. Firms in a mass production system operate in large and stable market; often in big economies. However, both these production systems can only exist in a stable market. Often capitalism in developing countries such as Nepal cannot be typified in either of these two categories. They neither support a mass production system nor offer a flexible production system and job security to employees. The SSP model was not deemed fit in studying CSR in Nepal because the production system under SSP cannot capture the Nepali market (context discussed in Chapter 4).

Undertaking a similar social embeddedness perspective, Amable (2003) uses quantitative evidence to study institutional analysis. Amable (2003) uses data from 21 OECD countries under five institutional domains, i.e. product market competition, labour market institutions,

financial system, protection / welfare state, and the education / training system<sup>15</sup>. Based on these domains, he identifies countries within five clusters: market-based capitalism, social-democratic economies, Asian capitalism, Mediterranean capitalism and Continental European capitalism. He argues that institutions reflect political-economic equilibrium. His framework identifies clusters based on empirical data on the institutional domains of 21 OECD countries. As an inductive framework, it escapes one of criticisms made to Whitley's business system: that it is highly descriptive. However, the lack of reliable data on the institutional domain in Nepal and overreliance on political institutions meant that this framework was not apt to study CSR in Nepal.

## **2.4.2 Varieties of Capitalism (VOC)**

The second perspective is a firm centric perspective of capitalism. Hall and Soskice (2001) present a VOC framework that explains the national differences in the micro behaviour of the firm. They *bring firms back [to] the centre of the analysis of comparative capitalism* (Hall and Soskice, 2001, p4). In this framework, there are four institutional domains: financial systems and corporate governance, industrial relations, education and training systems, and the inter-company system. Their framework is theorized on comparative institutional advantage wherein *'the institutional structure of the political economy provides firms with advantages for engaging in specific kinds of activities'* (Hall and Soskice 2001, p32).

Their framework is based on an assumption of resource-based theory (Barney, 2001), where firms seek to develop core competencies and unique capabilities for profitability. They argue that in controlling these transaction costs, firms find equilibrium considering their institutional

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<sup>15</sup> Each of his domain typologies is fairly complicated with four to six types or clusters of countries within each domain; this produces a relatively large and complex matrix of theoretically possible combinations of institutions

context. Their framework distinguishes two types of economies: liberal market economies (LME), such as the UK and US, and coordinated market economies (CME), such as Germany and Japan, based on the extent of transferability of assets. This framework relies on economies of scale. They do allow political and social information into their framework if they contribute towards an economic view of action (Jackson and Deeg, 2006). One of the major limitations of the VOC literature is its focus on the formal economy and the neglect of the informal economy in emerging economies (Dibben and Williams, 2012). The VOC literature also tends to *'omit analyses of informal institutions, which might be complementary to and enhance the performance of formal institutions; alter the effects of formal institutions but not directly violate them; compete with formal institutions (through clientelism, patrimonialism, and corruption)'* (Dibben and Williams, 2012, p 568). Dibben and Williams (2012), on studying Mozambique, question if the VOC framework, predominantly focussed in developed economies, may also apply in developing countries.

The focus of VOC on economic equilibrium makes the VOC framework difficult to apply in studying Nepali CSR. Studying CSR in developing countries requires the study of institutions from different viewpoints: economic, social, political and cultural. This framework is too firm-centric and only accounts for political/social/cultural information as long as it makes economic sense. For that reason, it was deduced that this framework was one-dimensional and would not provide a true picture in understanding CSR in Nepal.

### **2.4.3 National Business System**

Whitley (1999) identifies features of business systems that give rise to the dominant institutional environment within a national context which, in effect, shapes organisational behaviour. The focus of neo-institutionalism is on explanation, whereas old institutionalism focusses on description.



Studying CSR practices within one country demands study of both the regulations and norms that affect organisations. Hence, this study required a framework that took a socio-economic perspective. National business System (NBS) by Whitley (1999) provides a socio-economic approach in studying institutions. NBS undertakes a regulative approach and considers institutions as a set of rules that constrain and direct the behaviour of actors. A regulative approach can arise from both formal and informal institutions and NBS accommodates both regulations and norms.

To understand NBS, one needs to first understand institutions as a form of regulations arising out of both formal and informal institutions. The regulative approach considers institutions to be a set of rules that constrain and direct behaviour (Boyer and Saillard, 2002; Zuideau, 2007). The regulative approach considers institutions to be *'the rules of the game in a society or, more formally, ...the humanly devised constraints that shape human interaction'* (North, 1990, p3). These rules can be either *formal*, such as legislations, or *informal*, such as norms that govern organisations.

There is a distinction between institutions and organisations. Institutions are historically developed and are subject to change; they govern organisations' actions (North, 1999). Organisations represent actors or players who are pursuing a certain goal by following the set rules (North, 1990). For example, the state can be considered an institution whose organisations include ministries, companies and individuals. The regulative approach relies on *'force, fear and expedience'* (Scott, 1995, p36). Enforcement levels explain the discrepancies between the effectiveness of economic activities across different contexts that share the same rules of the game (North, 1990; Crawford and Ostrom, 1995).

National Business Systems (NBS) are *'particular combinations of firms and markets which have become established in particular institutional contexts and so develop at the level of collective organisation which contains key institutions'* (Whitley, 1992, p269). Whitley's model was initially based on East Asian capitalisms and then extended to European business systems. Later, Whitley refined the definition of business systems to refer to *'distinctive patterns of economic organisation that vary in their degree and mode of authoritative coordination of economic activities, and in the organisation of, and interconnections between, owners, managers, experts, and other employees'* (Whitley, 1999, p33). He distinguishes five broad kinds of economic actors: (i) the providers and users of capital (ii) customers and suppliers (iii) competitors (iv) firms in different sectors and (v) employers and different kinds of employees. He argues that the nature of the relationships between these actors are particularly important in contrasting business systems which shape organisational behaviour. However, he contradicts this and states that the number of possible types of economic organisations in terms of the above five sets of relationship is restricted by their interdependence on societal institutions (Whitley, 1999). For example, if institutions exert an adverse relationship between competitors, they are most likely to encourage similar relationship between employers and employees. Because of interconnectedness, prevalence of a different business system is rather less likely.

### **2.4.3.1 Characteristics of Business Systems**

Whitley (1999) suggests eight key dimensions for comparing business systems (see table below). He argues that the characteristics of a business system are influenced by variations in ownership and non-ownership modes of economic coordination and differences in employment relations and work organisation.

<p><b><i>Ownership Co-ordination</i></b></p> <p>Private means of owner control (direct, alliance, market contracting)</p> <p>Extent of ownership integration of production chains</p> <p>Extent of ownership integration of actors</p>
<p><b><i>Non-ownership Co-ordination</i></b></p> <p>Extent of alliance coordination of production chains</p> <p>Extent of collaboration between competitors</p> <p>Extent of alliance coordination of sectors</p>
<p><b><i>Employment Relations and Work Management</i></b></p> <p>Employer-employee interdependence</p> <p>Delegation to, and trust of, employees</p>

Table 2.1: Key Characteristics of Business Systems

Source: Whitley, 1999

**a. Ownership Co-ordination**

Ownership co-ordination considers the relationships between owners and managers to identify different characteristics of owner control types. In simple terms, the nature of owner control predicts the characteristics of a firm. There are three major types of owner control: (a) direct control of firms where the firms are owner managed; (b) alliance control, in which owners delegate strategic decision making to managers but remain committed to the firm; and (c) market or arm's length portfolio, where owner managers have very low involvement in management. These three types of owner control give rise to different characteristics of the firm (see table below).

<b>Characteristics</b>	<b>Types of owner control</b>		
	<b>Direct</b>	<b>Alliance</b>	<b>Market</b>
<b>Involvement in Management</b>	High	Some	Very Low
<b>Concentration of Ownership</b>	High	Considerable of voting rights, some of share ownership	Low, but some concentration of control over shares by portfolio managers
<b>Owners' Knowledge of Business</b>	High	Considerable	Low
<b>Risk Sharing and Commitment</b>	High	Considerable	Low
<b>Scope of Owner Interest</b>	High	Considerable	Low
<b>Exclusivity of Ownership</b>	Considerable	Limited	High

Table 2.2: Characteristics of owner-control types

Source: Whitley (1999, p35)

The first aspect of ownership control deals with the extent of an owner's involvement in managerial issues. Direct owner-control has a high degree of involvement in management. The concentration of ownership of assets is high in owner managed forms and considerably low in market forms. Because of high degrees of involvement, owner managers have detailed knowledge of business and the market. Fourthly, because owner managers are dependent on their firms, they are exposed to greater risks. Fifthly, the breadth of interests that owners have differ significantly because owner-managers have a wide range of interests, including financial

returns. Finally, the exclusivity of ownership varies across ownership types. Owner-managers generally do not share control and shareholdings with others except with their families. However, market type ownership encourages strong ownership boundaries that focus on returns.

The scope of ownership coordination varies across market economies and the extent of ownership integration of sectors varies across market economies. The three forms of owner controls are not mutually exclusive but interrelated and can be present within an economy. As a small market, family business houses dominate Nepali business environment. Existence of direct ownership is likely to influence CSR understanding and CSR policies; hence ownership co-ordination provides an important theoretical framework to study the influence of ownership co-ordination in the Nepali market.

#### **b. Non-Ownership Co-ordination**

Non-ownership co-ordination explores the organisational relationship between external stakeholders at the meso-level. Whitley (1999) offers three sets of inter-firm relationships beyond ownership control. Firstly, there is the relationship between members of production chains - termed as the alliance coordination of production chains. Secondly, there are those between competitors, which he refers to as collaboration between competitors; and thirdly relationship exists between firms in different industries, which he refers to as the extent of alliance coordination of sectors. It is argued that the extent of such relationship devises differing business systems.

CSR as a voluntary mechanism is most likely to be influenced by non-ownership co-ordination. For example, industry practices might make companies 'mimic' best practices of CSR. The upward and downward production chain actors might be a dominant influence in shaping the

CSR agenda. For example, if a company produces for a MNC, they are most likely governed by the CSR policies of that MNC. Non-ownership co-ordination enables research to explore how different relationships play in devising CSR policies.

**c. Employment and Work Management**

The third characteristic of a business system is employer-employee relation. The contrast in business system can be attributed to employer-employee interdependence and delegation to, and trust of, employees. The extent of employer-employee interdependence, such as in Japan in 1960s and 1970s, represents the greatest extent of mutual dependence between employers and employees, whereas flexible relation in Anglo Saxon economies represent another dimension of interdependence (Dore, 1973). The delegation and trust of employees dwells on the autonomy of employees. While on a macro level Employment and Work Management might inform the Nepali business system, the focus is on ownership and non-ownership co-ordination primarily because the research direction of this PhD does not actively dwell on the employer-employee relationship.

Business systems have characteristics that vary according to ownership control, non-ownership control and employment and work management. Interactions between these characteristics will result in distinctive business systems. Whitley argues that there are six types of business systems: fragmented, coordinated industrial district, compartmentalized, state organised, collaboration and highly coordinated. These identifications are based on the interaction between business system characteristics.

Business System Characteristics	Fragmented	Coordinated Industrial district	Compartmentalised	State organised	Collaborative	Highly Co-ordinated
<i>Ownership Co-ordination</i>						
Ownership control	Direct	Direct	Market	Direct	Alliance	Alliance
Ownership integration of production chains	Low	Low	High	High	High	Some
Ownership integration of sectors	Low	Low	High	Some to High	Limited	Limited
<i>Non-ownership Coordination</i>						
Alliance coordination of production chain	Low	Limited	Low	Low	Limited	High
Collaboration between competitors	Low	Some	Low	Low	High	High
Alliance coordination of sectors	Low	Low	Low	Low	Low	Some
<i>Employment Relations</i>						
Employer-employee interdependence	Low	Some	Low	Low	Some	High
Delegation to employees	Low	Some	Low	Low	High	Considerable

Table 2.3: Types of business system

Source: Whitley (1999)

<b>Business System Characteristics</b>	<b>Segmented</b>
<i>Ownership Co-ordination</i>	
Ownership control	Direct/Mixed
Ownership integration of production chains	Mixed
Ownership integration of sectors	Low
<i>Non-ownership Coordination</i>	
Alliance coordination of production chain	Marketers and end-users dominate production chains
Collaboration between competitors	Highly adversarial competition in informal sector; tendency towards oligopolistic relations in export-oriented sectors
Alliance coordination of sectors	Deep variation in practices between sectors
<i>Employment Relations</i>	
Employer-employee interdependence	Some
Delegation to employees	Low

Table 2.4: Types of business system (Developing countries)

Source: Wood and Frynas (2006)

## 2.4.4 Limits of Whitley's Business System

### 2.4.4.1 Segmented Business System

The NBS framework identifies different business systems. It would be incorrect to assume that a national boundary is limited to a distinctive business system. However, the NBS framework suggests a dominant form of economic coordination (Whitley, 1999). It is argued that nation



states develop a dominant business system for a number of reasons. Firstly, national laws define and exert regulative pressure on actors; secondly the state is responsible for public order; and thirdly, states facilitate interest groups and conventions that govern actions. It is argued that informal social norms are dependent upon policies of state and economies because state actions determine educational systems that influence norms. One of the major critiques of Whitley's framework (1999) is that it does not apply to developing countries (Wood and Frynas, 2006). Wood and Frynas argue that Whitley's model does not accommodate a business system that hinders rather than promotes economic growth and development. The model does not accommodate failure of the state, instead it relies on the state informing most, if not all, institutions. In studying East Africa, Wood and Frynas (2006) build upon this limitation of Whitley's business system. They identify the existence of a different business type called 'segmented business system' (see table 2.4) in East Africa. They argue that in emerging economies there is paternalism and hierarchy of authority with clear divisions of labour and, if unions are present, they are weak because of high levels of unemployment (Wood and Frynas, 2005). They further argue that the segmented business system relies on low costs, unskilled labour and poor-quality control. A segmented business system as a type of business system is most suited to studying developing economies because the state, as an actor, does not encourage but creates a hindrance. Thus, NBS in this study accommodates the "segmented business system" alongside six other business systems.

### **2.4.5 Features of Business Systems**

Business systems cannot be developed independently of the external environment within which they operate. In other words, they tend to be a *by-product* of the interaction between *business system characteristics* and dominant *social institutions* in economies (Whitley, 1999). The role

of the state either as an encouragement or as a hindrance contributes towards creating a dominant business system.

Whitley (1992) argues that institutions could be broadly classified into background and proximate social institutions. Proximate social institutions are institutions which are likely to have a more immediate influence on the economy, such as the state and financial system, than background institutions (Redding, 2005). Background social institutions are *informal* institutions, such as values and norms, in which change and its influence on the economy is likely to occur over a prolonged period of time. In the case of developing countries, informal influences tend to largely guide the means by which formal rules of the game are practised (Wood and Frynas, 2006; Yousfi and Humphrey, 2008; Martinsons, 2002; 2005; 2008).

Across proximate and background social institutions, a number of *key* social institutions have been specified: the state, the financial system, skill development, control system and finally, trust and authority relations (Whitley, 1999). These *key* institutions are argued to control critical resources within economies and to have a direct influence on the generation and development of business systems in economies.

Key institutional features structuring business systems
<p><b>The state</b></p> <p><i>Dominance of the state and its willingness to share risks with private actors</i></p> <p><i>State antagonism to collective intermediaries</i></p> <p><i>Extent of formal regulation of markets</i></p>
<p><b>Financial system</b></p> <p>Capital market or credit based</p>
<p><b>Skill development and control system</b></p> <p>Strength of public training system and of state employer union collaboration</p> <p>Strength of independent trade unions</p> <p>Strength of labour organisations based on certified expertise</p> <p>Centralization of bargaining</p>
<p><b>Trust and authority relations</b></p> <p>Reliability of formal institutions governing trust relations</p> <p>Predominance of paternalist authority relations</p> <p>Importance of communal norms governing authority relations</p>

Table 2.5: Features that Structure Business Systems

Source: Whitley (1999, p48)

### 2.4.5.1 The State

There is debate on what the role and function of state is and the debate becomes complex when discussing developing countries (Johnson, 1982; Mitchell, 1991). Whitley's discussion of the state is based on a Weberian concept of the state, where the state is perceived as a central

administrative and authoritative body that implements policies, if necessary, by force. Undertaking Whitley's (1999) definition of state, this thesis defines the state as a central administrative and authoritative body that has the ability to implement and create policies.

Because, the state has the ability to implement and create policies, Whitley (1999) refers to this feature of NBS as the 'political system'. It is perceived that businesses are dependent upon the political system because the state creates and ensures policies. He identifies three features of the State (see table 2.5), and the strength of these three features determine the national business system. His assumption on the political system is based on an idea that enables an environment which encourages private sector competition. If the state is argued to be a central administrative body that has the ability to implement and create policy, then this role of state is blurred in developing countries. Wood and Frynas (2006) critiqued the very idea of the state in studying the business system in East Africa. They debate Whitley's definition of state and argue that the state in East Africa does not act as a force but assumes a hindrance role. The complex structure of developing economies and the changing role of the state in these economies make the study of state as a regulative body complex.

The role of companies as socially embedded and acting economic organisations (Granovetter, 1985) is under-researched. The state is relatively weak as an institution in developing countries. As a result, the state is not likely to operate in a structured manner, sticking to *formal rules of the game*, as in the developed world (Wood and Frynas, 2006). Instead, the state continues to be dominated by small factions of state and business elites, as well as informal rules that emphasise personal networks, and interest over formal ones. In that sense, the political system is too weak to enforce policies and rules and the dependence of the state on the business elites is huge.

Another point that Whitley's conception of state does not factor in is that in developing countries there can be governance gaps. The term governance gaps refers to “ *the lack of integration in government's planning processes and failure of public authorities to meet the expectations of the citizens in terms of provision of public good*” (Blowfield et al, 2015). The Governance gap entails the inability of government at all levels to effectively communicate and deliver services to public. Hence, it is true that even when state intervention is high, it does not correspond to economic development due to the governance gap. The governance gap drives away investments, mainly due to the *fragmented* nature of the state and *incoherent* state-business relations. For example, in Nepal, there is perceived high levels of corruption coupled with political instability that have contributed to a governance gap, which has driven away foreign investment. The lack of good governance has diminished the role of the state as a regulative body. As a result, even with state intervention, it seldom leads to economic development. The state is dominated by a small faction of state that emphasises personal relationship and networks. More often, in these countries, the market is dominated by these business elites and it is the informal relationship between elites and state that shapes market policies. In developing countries, the question as to if indeed the state is a regulative actor requires more debate. While the state might not have an outright regulative function, the state as a body either encourages or discourages the market (segmented business systems), giving rise to different relationships in the market. In that sense, the study of the state and its function is equally important to understand the institutions that drive the market.

#### **2.4.5.2 Financial Systems**

Whitley (1992; 1999) classifies financial systems as either capital- or credit-based markets, according to availability, liquidity and price of capital. However, he acknowledges the fact that some markets would not precisely fit into one of these categories, making divergence between

these two *extremes* a possible variation. This is essentially the case with developing economies which have different arrangements as suggested by Wood and Frynas (2006). *Capital-based markets* are highly liquid markets in which the prices of financial commodities are largely determined by capital markets. Ownership of assets and capital is freely traded, enhancing the flexibility and contributing to the liquidity of the financial system in these economies. Short-term transactions and profits are a significant characteristic of such a system, which has its implications for skill development and control as well as on other social institutions. On the contrary, *Credit-based financial systems* operate in a completely different manner that restricts the flexibility for trading and pricing financial commodities. These processes are likely to be decided upon by major financial institutions: banks. Banks place more restrictions, in relation to the capital-based markets, on the free trade of shares and ownership. Thus, in response to the relative illiquidity and inflexibility of the system, owners, banks and trust managers are likely to be more involved in detailed evaluation of investment options and in the decision-making process to ensure the profitability and potential development of the organisation. This type of financial system emphasises long-term dealings and transactions. This has a positive influence on long-term investments, such as the training and development of the workforce, as is the case in Germany (e.g. Lane, 1995; Thelen, 2004; Gospel and Pendleton, 2005).

In developing economies, the financial system is likely to be largely dependent on external markets and foreign bodies, most notably from international financial institutions. These countries do not have the capacity or the liquidity to effectively run capital-based markets and, at the same time, they are faced with external pressures from the IMF and World Bank to deregulate their financial systems. Thus, these economies do not fall into any of the categories and continue to struggle with ineffective state financial strategies, increased foreign influences as part of structural adjustment programmes, and a relatively weak commitment from foreign investors, who are ready to shift their investments and capital to other contexts if proved to be

more beneficial (Wood and Frynas, 2006). This leaves these financial systems relatively unstable, risky and volatile.

The Nepalese financial system has a recent history only starting from the early 20<sup>th</sup> century. The history of formal banking as a financial system can be broken down into three distinct phases (Maskey and Subedi, 2008). The first phase corresponds to the establishment of the Nepal Bank Ltd in 1937. While credit mobilisation can be traced back to 1880 with the establishment of *Tejarath Adda*, even as a formal institution, it was not allowed to provide credit and offer deposit to the public. Nepal Bank Ltd, established in 1936, first offered financial services to public. The period until the establishment of Nepal Bank Ltd can be argued as the first phase of the Nepali financial system.

The second phase commenced with the establishment of the Nepal Rastra Bank (NRB) in 1956 as per the NRB act 1955. The NRB was established as the central bank of Nepal to discharge central banking responsibilities, including guiding the development of commercial banks in Nepal. Following the NRB Act more banks were established and offered services to the public. Initially in this phase, financial institutions were fully government-owned, but since 1984, there has been financial liberalisation following economic crisis that has created an environment for commercial banks.

The third phase, which is still ongoing, started with the replacement of the NRB Act 1955 with the NRB Act 2006. This new act encouraged financial liberalisation which, in effect, encouraged private investors in banking and, as a result, since the introduction of the NRB Act 2006, financial liberalisation has been reflected in the number of financial institutions in Nepal (see table below)

<b>Number at Period End</b>				
	<b>First Phase</b>	<b>Second Phase</b>		<b>Third Phase (on-going)</b>
	<b>1956-1983</b>	<b>1984</b>	<b>2002</b>	<b>2003-2015</b>
<b>Commercial</b>	1	4	18	25
<b>Development</b>	-	1	9	76
<b>Finance</b>	-		51	47
<b>Micro Credit Development Banks</b>	-	-	11	38
<b>Savings and Credit Cooperative</b>	-	-	16	15
<b>NGOs (for banking)</b>	-	-	35	27
<b>Total</b>	1	5	140	233

Table 2.6: Number of financial institutions in Nepal

Source: [www.nrb.org.np](http://www.nrb.org.np)

As depicted in the figure above, financial institutions such as commercial banks are on the rise after the liberalisation of the NRB Act 2006. Yet, Nepal is largely dependent on the IMF and the World Bank. Political instability has created a weak environment for foreign investors to invest in the Nepali economic environment. Wood and Frynas (2006) argue that in developing countries often the financial system cannot be categorised as capital or credit based. The situation in Nepal is not that different, so it is difficult to establish whether the financial institutions are capital or credit based. It is even more difficult because the history of the financial system is only recent.



### 2.4.5.3 Skill Development and Control System

The third feature of the business system is skill development and control systems. This feature has two broad and interrelated sets of institutions. Firstly, there is the system that develops and certifies competencies and skills: the education and training system. Secondly, there are institutions that control and coordinate the labour market.

In comparing education and training systems, two sets of education systems are prevalent: the unitary and dual education systems. The unitary education system is where the criteria of success are filtered by academic examinations. The unitary education system places importance on formal education and there is little emphasis on practical skill training. In an environment that support the unitary education system, practical skill training is '*poorly funded and [has] low social prestige*' (Whitley, 1999, p50). The dual education system on the other hand combines both theory and practice. For example, Germany combines traditional apprenticeship with formal instruction and is managed by representatives of labour, capital and the state. Various actors collaborate to deliver courses and the success is measured in terms of the ability to perform practical skills. The difference in unitary and dual education systems is pertinent in shaping business systems. For example, the prevalent education system influences the extent of publicly certified and relatively standardised learning.

The Nepali Education System is based on the unitary education system, where success and failures are dependent upon academic achievement. While the dual education system emphasizes the collaboration between state and other actors, the resource capability of the state limits the existence of the dual education system in developing countries, including Nepal. Political instability has driven away any foreign investment and the Nepali market is dominated by homegrown family-owned companies. CSR education is relatively new, if not non-existent,

in Nepal. One of the reasons is because in Nepal, as in India, '*entrepreneurship was not considered as a respectable profession and was subsequently given limited attention in educational institutions*' (Spence et al., 2018, p27). While entrepreneurship and CSR are entirely different concepts, the existence of family-owned companies has resulted in CSR activities which are influenced by the values and ethics of the entrepreneur.

The other component of this feature is control systems. The control system is a critical feature of labour markets. Firstly, it is the extent to which the availability of skills and capabilities are controlled by trade unions and professional associations; secondly, how such associations are organised; and thirdly, the way the bargaining is structured. In Nepal, the youth unemployment rate among university graduates is among the highest in Asian countries, with 26.1% of university graduates unemployed (ILO, 2016). As a result, the bargaining power is low and tripartite relationships between the state, employers and unions continue to be weak in segmented business systems (Wood and Frynas, 2006).

#### **2.4.5.4 Norms and Values Governing Trust and Authority Relationships**

The fourth feature of the business system is cultural systems. Cultural systems are important because they elicit the relationship between employers and employees. Whitley (1999) does not ignore the role of culture in shaping institutions (Scott, 2005). North (2005), following his work in 1990, places focus on culture-cognitive factors in the development of institutions. Similarly, DiMaggio and Powell (1983) introduce normative isomorphism as equally important pressures alongside coercive and mimetic pressure in shaping and creating the institutional environment. Hence, cultural elements are necessary for institutional understanding.

The norms and values that govern trust and authority have a significant impact on creating distinct governance, work and relations. Norms affect the perception and management of risks

taken (Zucker, 1986) and influence superordinate and subordinate relations (see Eckstein and Gurr, 1975). Whitley categorises cultural systems into two broad categories: formal and paternalist culture.

The *formal* cultural system identifies the independence and autonomy of subordinates in decision making. The relationship is governed by pre-set formal rules. On the extent of the degree of formality, the formal cultural system can be sub-divided into contractual and communal forms of authority. The latter is much more flexible and implies high levels of mutual trust and commitment with shared understandings often relying on expertise as a key quality of subordinates.

The *paternalist* culture system on the other hand, has a parent-child like relationship with subordinates, where subordinates are not expected to know their own best interests. In such cultures, there is higher social and moral distance between employer and employees. Paternalism can be *remote* where common and shared interests are rarely invoked between employers and employees, creating a greater gap in their social and moral distance, e.g. Korea and East Africa (Wood and Frynas, 2006). Or Paternalism can be *reciprocal* which induces a closer relation between employer and employees, because they are sharing a common community of fate; hence, the moral distance is much less.

The relationship between the authority and subordinate depends on the level of trust towards a governing body. Where there is trust, it is generally expected that business procedures are impersonal, such as in Germany (Whitley, 1999). This is not the case in East Africa and in most developing countries, where generally the trust towards the governing body has deteriorated (Wood and Frynas, 2006). In such contexts, the market is driven by personal relationships and networks.

The case of Nepal is not significantly different from other developing countries. The paternalist cultural system is prevalent in Nepal where subordinates depend upon their employer to know their best interests. It could be argued that a paternalist cultural system is influenced by family-owned businesses which comprises corporate ownership in Nepal (Spedding, 2009). Owners are not separate from businesses and vice-versa (Dyer, 2006; König, Kammerlander and Enders, 2013).

This has induced a relationship between the employer and employee where the moral and social gap between these actors is high. In developing economies, markets are driven by informal relationships (Wood and Frynas, 2006). Hence, norms as a form of institution are key in studying practices such as CSR in such countries. The institutions discussed above, i.e. state, financial system, education and labour system, as formal institutions does not actively provide an environment to pursue CSR. NBS accounts for culture/norms that govern organisational actions. These unspoken rules provide a deeper understanding of the institutional environment in developing countries.

## **2.5 Institutional Framework for this Study**

Above, a discussion was provided on three different approaches to institutional theory: the society centred approach, the firm centred approach and the national business system. For this PhD, Whitley's NBS extended by Wood and Frynas (2006) to the segmented business system was selected. This section will discuss why frameworks within the society centred approach and firm centred approach were rejected in favour of NBS.

Firstly, the main purpose of this study is to make sense of CSR within a national context. The framework within the society centred approach places importance on the sociological aspect

that drives capitalism within a country. One of the key frameworks within this school of thought is the Social System of Production by Hollingsworth and Boyer (1997). The Social Systems of Production (SSP) approach requires sufficient relevant and reliable data on the dominant SSP within the economy, such as national and international competitiveness, size and expansion, and share of GDP. This is in addition to reliable data on macro- and micro-institutions within the economy. Such information is usually not available in developing economies and when it is available it is difficult to access and/or difficult to assess its reliability. This greatly constrains the scope of analysis. The lack of data also constrains the use of the more sophisticated quantitative analysis offered in Bruno Amble's (2003) work, especially since this analysis will be based on a single country rather than a cluster analysis. For these reasons, frameworks within the society centred approach were rejected for this study.

Varieties of Capitalism (VOC) was discussed as a second type of approach to institutional theory. The main feature of this approach is its focus on the firm (Soskice and Hall, 2001). This does not fit the overall intention of this research which is to construct a national rather than an enterprise level analysis of the institutional environment and CSR. Another limitation of firm-focused analysis is the limited account given of the political dimension in explaining the institutional complementarities.

By contrast, the political dimension is discussed by Wood and Frynas (2006) in their analysis of the state as one of the key institutions suggested by Whitley (1999). This dimension is particularly important in the study of developing economies where the state is expected to play a leading role and to largely influence key *socio-economic* factors. The financial system, system of skill development and control and trust and authority relations are also discussed, and the institutional complementarities taking place in the economy are reflected based on the institutional interactions of key institutions. The division of these institutional domains in the

way developed by Whitley (1999) enhances the clarity of the analytical framework. This offers a more specific and comprehensive institutional analysis than other typologies for developing economies. Equally important is the perspective from which Whitley (and, in turn, Wood and Frynas) approaches institutional analysis, which suits the overall philosophical underpinning of this study (see chapter 5 on Methodology and Methods), as it takes into consideration the influence of social actors in constructing reality. Finally, the segmented business approach is based on the study of East Africa, a developing economy, because Nepal, as an emerging economy, shares common ground with East Africa.

## **2.6 Institutions as norms**

The foundations of institutions are argued to rest on norms and values that govern social interactions. This approach bases institutional analysis on cultural symbols and meanings. Whitley's NBS identifies norms and values as one of the four features of a business system that might influence organisational behaviour. There are many advocates of this school of thought who argue that norms are as capable of influencing organisational behaviour as rules.

Scott (2004) is a proponent of this school of thought and argues that '*institution consists of cognitive, normative, and regulative structures and activities that provide stability and meaning to social behaviour. Institutions are transported by various carriers – cultures, structures, and routines – and they operate at multiple levels of jurisdiction*' (p.33). This concept of institutional theory assumes that organisation and environment are not independent, in fact institutions play an important role in the performance of organisations (Dimaggio and Powell, 1991; Meyer and Rowan, 1991, Suchman 1995).

The proponents of this theory argue that practices are conceived in cultural systems. It is viewed that these practices facilitate and manage the organisation's functions, for example, organisational strategy and structure. Organisation behaviour is the outcome of norms and values. The process by which organisations became institutionalised is called institutionalism. Selznick (1996) defines institutionalism as '*something that happens to an organisation over time, reflecting the organisation's own distinctive history, the people who have been in it, the groups it embodies and the vested interests they have created, and the way it has adapted to its environment*'. Hence, institutionalism seeks cognitive and cultural explanations of social and organizational phenomena.

One of the key questions institutional theory asks is how society is shaped and mediated by the institutional environment (Hoffman, 1999). The underlying assumption is that organisations within a similar institutional environment share similar characteristics. The institutional environment is composed of organisations and their organisational field. From a theoretical viewpoint, DiMaggio and Powell (1983) define an organisational field as '*... those organisations that, in the aggregate, constitute a recognised area of institutional life: key suppliers, resource and product consumers, regulatory agencies, and other organisations that produce similar services or products*' (p148).

Hence, the organisational field allows a meso-level investigation between social actors and the organisation.

Organisations respond to pressures from the environment and adopt practices that are socially acceptable within an organisational field (Meyer and Rowan, 1977; DiMaggio and Powell, 1983). Hence, at the heart of this theory is a need to legitimise organisational practices. As a result, it is argued that organisations in a similar organisational field are likely to respond to the pressures in a similar manner, giving rise to homogenous practices within organisations

operating under one organisational field. Taking a similar viewpoint, Carpenter and Feroz (2001, p.569) state: '*...that an organisation 's tendency toward conformity to predominant norms, traditions and social influences in their internal and external environments will lead to homogeneity among organisations in their structures and practices'*'.

However, one organisation could be a part of different organisational fields at the same time. For example, a commercial bank can be considered as a part of the banking and finance industry or grouped together as per its geographical locations. One organisation could be operating in a number of organisational fields at any one given time. It could be facing multiple pressures at the same time, creating different organisational practices (Scott, 2008). As a result, there are overlaps in pressures that organisations face. The pressures are referred to as institutional isomorphism. NBS identifies features of a business system that complement Scott's institutional pillar. But NBS does not explicitly answer what pressures give rise to a distinct business system. Institutional isomorphism as a complementary concept is needed to understand different pressures that shape institutions, which in effect gives rise to a distinct business system.

### **2.6.1 Institutional Isomorphism**

DiMaggio and Powell (1983) argue that it is institutional isomorphism that stimulates organisational behaviour. Institutional isomorphism is a '*constraining process that forces one unit in a population to resemble other units that face the same set of environmental conditions'*' (DiMaggio and Powell, 1983, p.149). They further describe three types of institutional isomorphism - 'coercive', 'mimetic' and 'normative' - that shape institutional behaviour. Institutional isomorphism is extended by Scott (2004) in devising institutional pillars that govern society. Scott (2004) argues institutional isomorphism is a mechanism for control



within institutional pillars. He argues that there are three institutional pillars: regulative, normative and culture-cognitive. Businesses face coercive, mimetic and normative pressures from regulative, normative and culture-cognitive institutional pillars.

The table below summarises the concept of institutional isomorphism.

<b>Isomorphic Pressures</b>	<b>Definition</b>	<b>Rationale</b>
Coercive Pressures	Both formal and informal pressures exerted on organisations upon which they are dependent and by cultural expectations in the society within which organizations function	<ul style="list-style-type: none"> <li>• Impose behaviour</li> <li>• Sanctions for non-fulfilment</li> </ul>
Mimetic Pressures	Mimetic Isomorphism results when organisations copy institutional practices of other organisations, often for the reason of competitive advantage.	<ul style="list-style-type: none"> <li>• Focuses on best practices in market</li> </ul>
Normative Pressures	Arises through the influence of less formal group influences such as culture and working practices developed in the workplace.	<ul style="list-style-type: none"> <li>• Focus on norms and Values</li> </ul>

Table 2.7: Institutional Isomorphism

Organisations become similar because coercive isomorphism compels an organisation to act in a certain manner. The rationale of coercive pressures is a compulsion to act in a certain manner

and this compulsion to behave in a certain manner could result from both formal and informal pressures exerted on companies.

Formal pressures include laws that could coerce companies to act in a certain manner. Informal pressures are often due to cultural expectations in the society within which a company functions (Deegan and Unerman, 2006). Both formal and informal pressures could create coercive pressures. Such forces could result from government bodies that impose rules. For example, regarding CSR, it could be that the law requires a corporation to engage in ethical values or it could be the claims of 'dormant stakeholders' (Mitchell, Agle and Wood, 1997, p873) compelling an organisation to act in a certain manner. Coercive pressures are associated with compliance. Taking a similar viewpoint, Scott (2004) sees coercion as a mechanism for control in the regulative pillar of the institutional environment. The regulative pillar emphasizes formalised control systems that coerce companies to act in a certain manner and sanction them for non-compliance. Regulatory elements include laws, rules and sanctions which define the socially responsible behaviour of corporations. The state establishes regulations that create coercive isomorphism for CSR undertaking (DiMaggio and Powell, 1983; Campbell, 2006).

Governments of developing countries are accused of not enforcing regulations in terms of CSR. There are laws that encourage CSR in Nepal. For example, the Industrial Enterprises Act (1992) section 9 has prescribed that any company working in a hazardous environment that poses threat to public health should obtain approval from the local authority before commencing their operations. In addition, this act sanctions companies and asks the concerned company to provide compensation to victims in the case of injury by pollution and/or industrial accident. The Labour Act (1992) supports work-life balance by limiting working hours to 8 hours per day. However, an inefficient legal system, political instability and governance gaps

mean there is little evidence of sanctions associated with non-compliance. And thus, these laws are subject to varying interpretations and varying degrees of compliance.

The pressures may not only be coercive, but also mimetic. For example, when organisations are faced with uncertainty, they are most likely to follow practices employed by many organisations or the best practice available (Carpenter and Feroz, 2011). In other words, in moments of uncertainty, organisations mimic successful peers. DiMaggio and Powell (1983) write:

*“Organisations tend to model themselves after similar organisations in their field that they perceive to be more legitimate or successful. The ubiquity of certain kinds of structural arrangements can more likely be credited to the universality of mimetic processes than to any concrete evidence that the adapted models enhance efficiency”* (p.152).

For example, an organisation may report CSR by imitating the institutional practices of other organisations often for the reason of competitive advantage. Corporations mimic CSR to avoid risking the legitimacy of the organisation. It could be argued that this is due to mimetic pressures; banking and finance companies are frontrunner in reporting CSR in Nepal (Adhikari et al., 2012). Reporting in CSR is accounting of CSR activities which is an entirely different concept than pursuing CSR activities. Thus, while banking and finance companies may appear to be a frontrunner in reporting on CSR activities, it does not necessary mean that they are frontrunner in pursuing CSR activities.

The third type of pressures are normative in nature. Normative isomorphism arises from professionalism of a particular field. Professionalism within a field could arise from formal education but also from membership within a network such as a trade union. Normative isomorphism, as explained by DiMaggio and Powell (1993), arises through the influence of

less formal group influences such as culture and working practices developed in the workplace. The formal and informal networks of managers influence organisational behaviour. Normative elements are values or they are the right thing to do (Marquis et al., 2007). These values set standards and encourage companies (normative isomorphism) to commit to socially responsible behaviour (Campbell, 2006). Corporations are not separate to society and thus they must conform to social norms to become relevant (Brammer and Millington, 2004). Normative values are set by various actors within society including NGOs, media and education providers. These actors set the norms and exert pressure on those that do not comply with the established norms.

Cognitive elements constitute cultural values and ideologies. These values define what constitutes responsible behaviour. Managers interpret these cultural values and create common definitions of socially responsible behaviour. Corporations that conform to cognitive values are culturally accepted into society (Kostova and Zaheer, 1999). Nepal is predominantly a Hindu nation with about 81% of the total population following Hinduism as their religion. It is argued that Hinduism advocates CSR. For example, Muniapan and Satpathy (2013) studied Bhagavad Gita (the holy book) and its influence on Indian CSR. The Bhagavad Gita starts with the word 'dharma' and 'dharma' is an important concept in Hinduism. According to Bhagavad Gita, "*dharma is the way of life for every man and this is true for a corporation. It is not a question now whether the corporations have social responsibility or not but the question is how to discharge the corporate responsibility*" (p179). It could be argued that because religion is an integral part of Nepali life, companies must engage in social responsibility to be a part of Nepali culture.

Successful organisations are those that receive support and legitimacy by conforming to social pressures. These pressures could be coercive, mimetic and/or normative. There is substantial evidence that firms in different types of economies react differently to similar challenges.

Social, economic, and political factors constitute an institutional structure of an environment which provides firms with advantages for engaging in specific types of activities there. Businesses tend to perform more efficiently if they receive institutional support. Researchers have argued that corporations act differently in different national settings (Chapple and Moon, 2005). Institutional theory is a useful theoretical lens in understanding the effects of institutional environment on the CSR behaviour of companies (Campbell, 2006). It is argued that *'organisations are substantially influenced by the institutional settings in which they operate and economic explanations such as financial performance is insufficient to fully account for organisations CSR behaviours'* (Muthuri and Gilbert, 2011, p469). NBS as a framework explores both regulations and norms that govern a society making it a suitable framework to study CSR in Nepal.

## **2.7 Conclusion and Summary**

This chapter introduced what an institution is and briefly discussed the rationale for using institutional theory. On discussing institutional theory, different frameworks used in studying developing economies were considered. Halls and Soskice's model focussed on economies of scale and was argued as not being appropriate for this study because it offered only a one-dimensional explanation that focussed on profitability. The NBS system by Whitley which was later extended by Wood and Frynas (2006) argued that the state, financial system, education and labour system and cultural system influence the institutional environment. As this framework accommodated both regulations and norms informing the institutional environment, this framework was most suited to studying CSR in Nepal.

On discussing cultural systems, DiMaggio and Powell's (1983) institutional isomorphism provided the discussion of pressures that drive organisational behaviour. The next chapter (Chapter 3) will investigate how institutional theory is applied in studying CSR in developing countries. The following chapter (Chapter 4) will explore the contextual environment of Nepal that may shape the institutional environment.

# Chapter 3

## CSR in Developing Countries

### 3.1 Introduction

The last chapter discussed the theoretical lens for this PhD. It discussed Whitley's NBS and institutional isomorphism as key concepts in shaping institutions that govern any country. Institutional theory has been key in studying convergence/divergence of CSR because it helps provide appropriate explanation for national differences/similarities in dominant CSR practices. Frynas and Yamahaki (2016) reviewed theoretical perspectives adopted on CSR studies over a 25 period (1990-2014). They found that institutional theory was the second most popular theory in studying CSR with 141 studies using institutional theory as their theoretical lens.<sup>16</sup>

This chapter will explore key empirical papers that have used institutional theory as their theoretical lens. It discusses the CSR literature in developing countries that have used institutional theory.

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<sup>16</sup> Journals published in AMJ, Academy of Management Journal; AMR, Academy of Management Review; AAA, Accounting, Auditing & Accountability Journal; AOS, Accounting, Organizations and Society; ASQ, Administrative Science Quarterly; BJM, British Journal of Management; BEER, Business Ethics: A European Review; BEQ, Business Ethics Quarterly; CG, Corporate Governance: An International Review; HBR, Harvard Business Review; JBE, Journal of Business Ethics; JM, Journal of Management; JMS, Journal of Management Studies.

Stakeholder Theory was the most popular theoretical conception with 206 papers (followed by institutional theory) using it as their theoretical conception

## 3.2 CSR and Institutional Theory

The study of CSR as well as CSR in developing countries has been growing in the last decade. CSR is a complex concept that varies across the world. The review of CSR studies found that institutional theory is the second most popular theory used in CSR research after stakeholder theory (Frynas and Yamahaki, 2016). Despite the popularity of institutional theory, its application is only recent. Only in mid-2000 did studies consider the broader conceptual framework to understand CSR and why CSR varies across regions (Campbell, 2007; Matten and Moon 2008). The terminology CSR has a strong 'social' representation, yet the literature focuses on functionalist CSR. Institutional theory as a social theory has only been extensively used in the last 10 years and the CSR literature is still dominated by 'the business case' of CSR. There is still a strong fascination on establishing a link between CSR and financial performance (McWilliams et al 2007; Crouch 2006).

It is only recently that the research on CSR has been studied from the lens of culture and norms. It could be argued that the domination of the business case of CSR is because of how CSR is conceptualised in the CSR literature. For example, the landmark paper by Friedman (1970) argues that the business of business is to make profits. Similarly, the most popular definition of CSR by Carroll (1991) suggests that companies have a mandatory responsibility to fulfil their legal and economic responsibility and only when these responsibilities are successfully addressed, companies may pursue ethical and philanthropic responsibilities. The early conceptualisation of CSR is dominated by an economic CSR; hence the grounding of CSR is based on voluntary behaviour of companies engaging in CSR only once their economic responsibilities are fulfilled.



With the advent of globalisation and technological advancement, there is a central question that remains unanswered. If CSR is merely a way to increase profits, then why does it vary across regions and countries? Do companies engage in CSR to merely minimise negative externalities? We still do not have a clear answer.

Perhaps CSR needs to be studied beyond a market centric phenomenon. One of the earliest studies questioning CSR practices is by Aguilera et. al. (2007). They argue that companies are pressured to engage in CSR by many actors whose motives may be instrumental, relational and moral. They argue that CSR is a process and it is not always pursued due to instrumental advantages.

CSR has been argued as varying across regions and countries. For example, Chapple and Moon (2005) studied CSR practices in seven South Asian countries <sup>17</sup> and found that CSR practices varied between these nations and these variations were not necessarily explained by their economic development. Institutional theory has been an appropriate lens to explain why variations occur in CSR practices, as it explores the different institutions that may influence the CSR construct within a country.

One of the most comprehensive studies that explains CSR differences is by Matten and Moon (2008). Taking an institutional perspective, they address how and why CSR differs between USA and Europe. They propose that differences in CSR among different countries are due to a variety of longstanding, historically entrenched institutions. Features of NBS such as the political system, financial system, education and labour systems and cultural system influence institutions that govern any country. Companies face different isomorphic pressures due to

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<sup>17</sup> The seven countries studied are India, Indonesia, Malaysia, the Philippines, South Korea, Singapore, and Thailand

existing institutions that shape CSR practices (See Figure 3.1). Based on the institutions present, it is argued that CSR in Europe is 'implicit' and CSR in USA is 'explicit'.

CSR in Europe is 'implicit' as it is driven by values/norms. The definition of implicit CSR is threefold: It *'describes corporations' role within the wider formal and informal institutions for society's interests and concerns; motivated by the societal consensus on the legitimate expectations of the roles and contributions of all major groups in society, including corporations; consists of values, norms, and rules that result in (often codified and mandatory) requirements for corporations'* (Matten and Moon, 2008, Table 1, p.410). Europe exists in a context where incentives for voluntary CSR activities is limited because of the strong presence of the welfare state. Institutions have evolved *'rules and laws defining the responsibility of corporations and societal actors for particular social issues'* (Matten and Moon, 2008, p. 413) often through a formation of 'tripartism' between government, unions and employer associations.

CSR in the USA is 'explicit' because, as a liberal state with little social regulation, it favours voluntary CSR activities. The definition of explicit CSR combines three features: It *'describes corporate activities that assume responsibility for the interests of society; Consists of voluntary corporate policies, programs, and strategies; Incentives and opportunities are motivated by the perceived expectations of different stakeholders of the corporation'* (Matten and Moon, 2008, Table 1, p410).

DiMaggio and Powell (1983) define an organisational field as " *those organisations that, in the aggregate, constitute a recognised area of institutional life: key suppliers, resource and product consumers, regulatory agencies, and other organisations that produce similar services*

or products” (p.148). The organisational field is a pool for common purpose and an arena of strategy and conflict (DiMaggio and Powell, 1983). Companies face pertinent isomorphic pressures that arise from their organisational field which influence the activities of companies. These pressures might be coercive, normative and mimetic. The variation of CSR practices needs contextualisation as different organisations will have different organisational fields with varying isomorphic pressures driving their behaviour. Matten and Moon (2008) thus argue that CSR needs contextualisation because the variation in institutions leads to either ‘implicit ’or ‘explicit ’CSR.

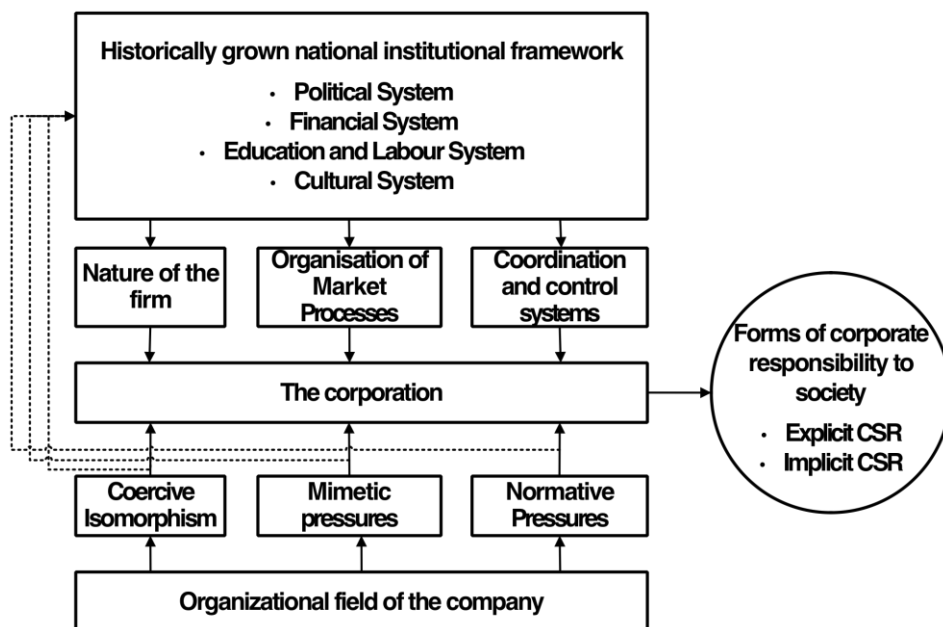


Figure 3.1: CSR and Institutional Context of the Corporation

Note: Solid arrow indicates direct, immediate influence; dotted arrow indicates indirect, long-term influence. Source: Matten and Moon (2008)

Institutional theory places CSR as being socially embedded in social networks, business associations and political rules. On answering why a company may pursue CSR, Campbell (2007) argues that economic conditions such as the health of corporations and the economy influence the uptake of CSR. He further argues that institutions mediate the economic

environment that business operates in. Undertaking an institutional perspective, he argues that companies are more likely to pursue CSR when there are regulations that support CSR. Regulations may arise from

*‘.... strong state regulation, collective industrial self-regulation, NGOs and other independent organizations that monitor them, and a normative institutional environment that encourages socially responsible behaviour. Moreover, socially responsible corporate behaviour is more likely to occur to the extent that firms belong to industrial or employee associations and engage in institutionalized dialogue with stakeholders.’* (Campbell, 2007, p962)

While Campbell (2007) and Matten and Moon (2008) discuss the presence of strong historically grown institutions as predeterminant of CSR, they are silent on why CSR exists in countries that have unstable institutions. In developing countries, there is often a lack of strong state regulations with poor governance because of political instability. Despite the appropriateness of institutional theory in understanding CSR variation, the study on institutionalisation of CSR is often focussed around how the presence of strong institutions influences CSR (Matten and Moon, 2008). Formal institutions are particularly weak in developing countries. How/if weak formal institution/s influence other institutions and CSR as an organisational behaviour needs detailed study.

### **3.3 CSR in Developing Countries and Institutional Theory**

CSR has been traditionally termed as a developed countries' notion (Visser, 2008). A great deal of research has been conducted on CSR in Western nations. The past decade has seen CSR as

a concept evolving in the developing world. One could argue, it is because today the world is a smaller place to live in and globalisation has contributed to the evolution of CSR (Scherer and Palazzo, 2007). Scherer and Palazzo (2007) define globalisation as *'a process of intensification of cross area and cross boarder social relations between actors from very distant locations and of growing transnational interdependencies of economic and social activities'* (p.415). Multinationals have shifted their non-core function in the developing nations, redefining core competencies to focus on innovation (Gereffi et al., 2005). Yet current research on CSR practice does not reflect the reality of developing nations. Reed argues that *'there has been relatively little work on how corporate responsibilities may change when firms operate under different circumstances that tend to typify developing countries'* (2002, p.166).

It has been accepted that developing countries face different challenges to that of the developed world, thereby giving rise to different expectations and different CSR activities (Visser, 2008; Muthuri and Gilbert, 2011; Chapple and Moon, 2005). MNCs in the developing world are undertaking CSR policies of their headquarters (Amaeshi et al, 2005) and the debate to either localise or standardise CSR policies continues. It is often perceived that CSR is a western concept made in, and made for, the developed world. Despite the perception, Chapple and Moon (2005) conclude that CSR has little to do with the development status of a country. They further argue that CSR in Asia is not influenced by regulations but the culture prevalent within those nations.

The developing countries have different economic, political, social and cultural settings (Visser, 2008) and converging of CSR policies with the developed world *'will legitimize and reproduce values and perspectives that are not in the interests of developing economies or the poor and marginalised'* (Blowfield and Frynas, 2005, p.510). The CSR construct itself is

different in developing countries, making the comparison between the CSR of the developed and the developing world pointless.

CSR issues are missing in developing countries' policies; hence companies are placed with governance roles to fulfil societal challenges (Visser, 2007; Jamali and Karam, 2018). This leads to CSR policies that may be tailored to only one context. Despite the growing number of studies, one of the central questions in the CSR literature has been: what makes companies in developing countries pursue CSR?

In answering the question, Dobers and Halme (2009) argue that countries' origin impacts their CSR concept, policies and theory. It could be argued that the history and values of a country may shape CSR. Defying the assumption that CSR is a western concept, CSR in developing countries have long prevailed, but CSR in these developing countries stems from the notion of philanthropy (Jamali and Mirshak, 2007). There is a growing interest in CSR in developing countries but the study on conceptualisation of CSR is in its infancy.

Institutionalisation of CSR in developing countries has only been recently studied. Farashahi et al. (2005) carried out a research synthesis for the aggregate analysis of empirical studies grounded in institutional theory, not just on CSR. They analysed the trend on the use of institutional theory and included only empirical research (omitting conceptual and non-empirical research). Their search for empirical studies was '*limited to journals included in the ABI Inform, global, trade and industry database along with traditional books in which certain empirical articles have been published*' (p.5). Their analysis yielded 101 empirical studies. (see figure 3.2)

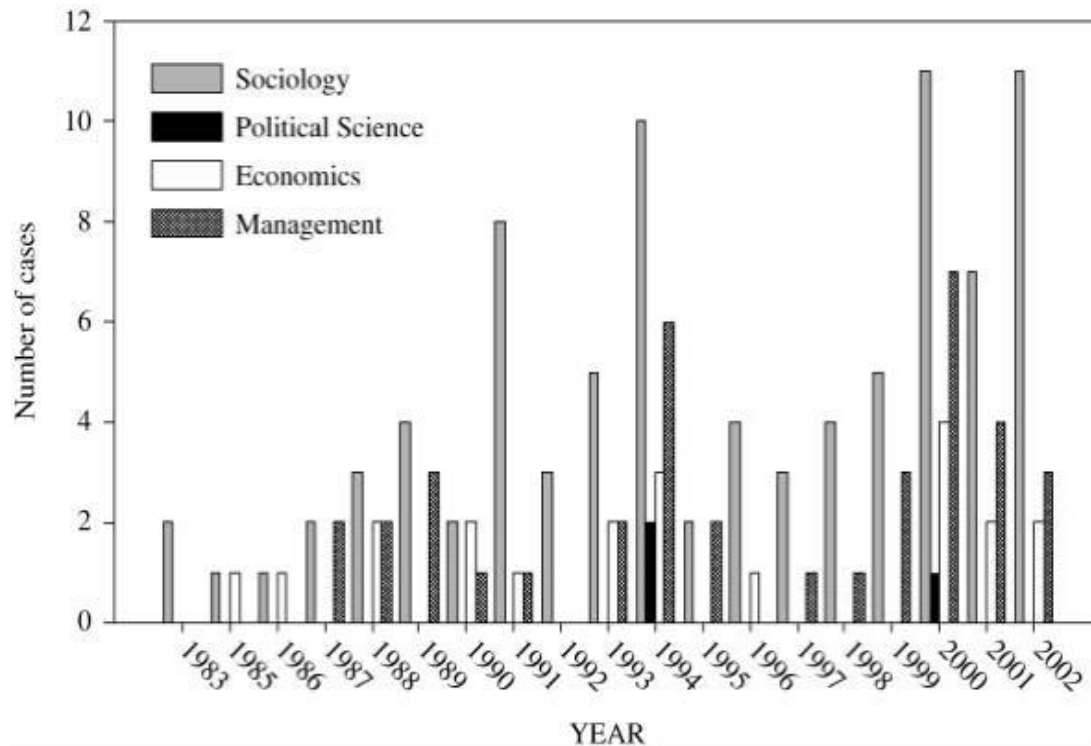


Figure 3.2: Institutionalized norms of conducting research and social realities

Source: Farashahi et.al (2005, p6)

There is a growing trend of institutional theory in management and economic studies since 2000, with sociology as the theoretical foundation of the papers reviewed (96%). Regarding institutional forces, isomorphism was the central concern and the dominant sources of institutional pressures were normative and regulative (77% and 44% of studies respectively). Studies tended to study CSR as a function of regulations and norms driven by industry practices. CSR as a function of culture has been studied the least. The author did not attempt to explain why cultural-cognitive pressure was the least studied; it may be safe to assume that this was due to the complexity involved in capturing the implicit elements of this institutional pressure (Scott, 2008).

The most relevant finding of this paper for this PhD research as they point out is:

*Most scholars selected their samples from the USA (68% of studies), other developed countries such as Canada, Japan, UK and other European countries (20% of studies) or from the USA and one or more other developed countries (7% of studies). It is only in the most recent years that a few studies (fewer than 5% of studies) have tried to test institutional theory in developing country contexts'. (Farashahi et al., 2005: p7)*

The lack of use of institutional theory in developing countries is not just evidenced in CSR but the wider sociology literature presents an opportunity to test and add insights into institutional theory. Yet empirical research on institutionalisation of CSR in developing countries is limited.

<b>Paper</b>	<b>Aim</b>	<b>Country</b>	<b>Type</b>	<b>Institutional Elements</b>
Rivera, 2004	How institutional forces influence voluntary behaviour in companies	Costa Rica	Empirical Quantitative	Institutional pressures
Amaeshi et al., 2006	Explore meaning and practice of CSR	Nigeria	Empirical Qualitative: Interviews	Socio-economic Context
Jamali and Neville, 2011	Convergence Versus Divergence of CSR	Lebanon	Empirical Qualitative: interviews	Institutional Pillars NBS
Muthuri and Gilbert, 2011	Institutional Analysis of CSR	Kenya	Empirical Mixed Method	Institutional Pillars



Hofman, Wu and Moon, 2017	Explore CSR in authoritarian capitalism	China	Conceptual	NBS Institutional Pillars Institutional Pressures
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Table 3.1: Institutional Theory, CSR and Developing Countries

The table above identifies the key CSR literature that studies institutionalisation of CSR through empirical research. While there are growing conceptual papers studying CSR in developing countries, empirical research is limited.

One of the earliest empirical studies on CSR in a developing country is by Rivera (2004). He studied how institutional forces impact proactive voluntary behaviour in hotels in Costa Rica. His sample included companies participating in certification of Sustainable Tourism, a voluntary initiative by the Costa Rican Government. Using neo-institutional theory, his findings reveal that coercive and normative pressures are significantly correlated with '*...a higher likelihood of participation and higher environmental performance.*' (p.793). While this research empirically established a strong relation between normative and coercive forces and environmental initiatives, the study is constrained because it only tests companies participating in an initiative launched by the government. The study focusses on pressures arising out of the regulative pillar (Scott, 2008) and is silent on how and if the normative and the culture-cognitive pillar creates pressures for companies to engage in voluntary environmental activities. The use of regression and correlation as their research method is one-dimensional and merely tests the regulative pillar and its relation with environmental performance.

Because of the complex nature of CSR in developing countries, most of the empirical research has taken a qualitative approach. For example, Amaeshi et al. (2006) study the institutionalisation of CSR in Nigeria. They explore meaning and practices of CSR in the

Nigerian context. To do this, they undertook interviews with 41 business leaders to understand and explore CSR in Nigeria. Their findings reveal that the social context influences CSR issues, modes and waves in Nigeria and, as a result, CSR as philanthropy dominates Nigerian CSR. Their findings complement the research by Matten and Moon (2008) who argue that the features of business systems such as the financial system, political system, education system and culture influence the modes and issues of CSR. They conclude that CSR is 'localised' in Nigeria, but they argue that CSR issues may be subject to change as companies pursue internationalisation. Taking a similar approach, Muthuri and Gilbert (2011) study the institutionalisation of CSR in Kenya. Their findings reflect the findings of Amaeshi et al. (2006) that CSR in Kenya is philanthropic in nature and reflects local challenges. They argue CSR is a function of normative and culture-cognitive pillars. Unlike the regulative pillar which creates coercive pressure in developed countries, the regulative pillar is near absent in Kenya which is reflective in the altruistic nature of CSR there:

*'The manifestation of CSR is mainly a function of normative and cultural pressures in Kenyan society, which explains the largely altruistic nature of CSR practices. CSR is primarily philanthropic, often employed on an ad hoc basis removed from the core functions of the companies. The value-driven CSR by companies operating in Africa may be attributed to the strong community mentality and the 'ubuntu' philosophy instilled in African societies' (Muthuri and Gilbert, 2011, p479).*

Studies by Amaeshi et al. (2006) and Muthuri and Gilbert (2011) both suggest that CSR is contextualised and CSR in these countries are 'localised' to reflect challenges specific to these countries. Despite the variation in the CSR construct in developing countries, studies in developing countries focus on convergence and/or divergence of CSR (Jamali and Neville, 2011). The convergence literature works on the common assumption of globalisation. People

that support convergence of CSR argue that MNCs as transnational actors transcend national borders. The convergence theorists argue organisational behaviour will inevitably converge as MNCs seek standardisation. The underlying assumption is that globalisation will duplicate CSR policies between nations. The rival thesis argues that convergence of CSR cannot take place because of cultural differences. It is argued that local customs and culture influence CSR and, as a result, there is divergence in CSR practices. Jamali and Neville (2011) study whether there is convergence or divergence of CSR in Lebanese companies. Their conceptual framework is influenced by Whitley's NBS and complemented by Scott's institutional pillars. Hence, they study CSR in Lebanon from an institutional perspective. Their findings reveal that while CSR in Lebanon is mostly philanthropic in nature, it points towards "crossvergence". Convergence of CSR is mainly due to mimetic forces that support duplication of MNC policies. Divergence occurs due to normative pressures from culture and norms:

*In sum, our findings point in the direction of CSR 'crossvergence' whereby global convergence and local divergence forces are interacting synergistically resulting in complex hybridized CSR expressions combining elements of convergence and divergence'. (Jamali and Neville, 2011, p.616).*

Matten and Moon (2008) suggest two types of CSR: implicit and explicit. This categorisation does not necessarily capture CSR in developing countries. For example, China contrasts with Matten and Moon's (2008) comparative case of 'implicit CSR, 'and 'explicit CSR'. China is distinct as, on the one hand, the government plays a more active role in the economy but, on the other hand, there are no tripartite relations or agreements among government, employers, and employees. Moreover, the activities of government are not regulated by society (through elections) or the judiciary. An assumption of the implicit model is that "through the operation of tripartism and electoral democracy, the understandings and formal agreements about

*responsibility in the society are broadly consonant with societal values. So, China appears incompatible both with the explicit and implicit models of CSR”.* (Hofman, Moon and Wu, 2017, p.657).

CSR in China reflect elements of both ‘implicit ’and ‘explicit ’CSR. The fundamental feature of the Chinese cultural system is the importance of ‘group ’rather than ‘individual’. In terms of group, family and norms play a key role in Confucianism, the most influential thought within China. Yet there is the strong presence of state ownership and the state mandating CSR guidelines on CSR. It is thus argued that CSR in China is neither ‘implicit ’nor ‘explicit ’but it is ‘state-led society driven ’(Hofman, Moon and Wu, 2017), which is different from Europe and USA.

Considering these studies, it is evident that CSR needs contextualisation. Yet there are still many questions that remains unanswered. Firstly, how is CSR understood? Is it a new concept or has it long existed? Secondly, it is argued that philanthropy dominates CSR in developing countries but why does philanthropy form the majority of CSR activities in developing countries and what constitutes philanthropy in these nations? And most importantly, why do companies pursue CSR in developing countries?

### **3.4 CSR and Religion**

Historically, Nepal has been known as a Hindu kingdom. It was only in 2008 AD that Nepal was converted into secular state and the constitution of Nepal (2015) now recognizes Nepal as a secular country. Different religions have coexisted peacefully in Nepal and ‘Nepal is viewed

as a religiously harmonious place' (Bali, 2015). Different religions have coexisted peacefully and whilst there has been political instability, it has never been related to religion. Bodies such as the National Interfaith Religious Network have been working to enhance friendship, understanding, harmony and cooperation among various religions to diminish religion based discrimination (Bali, 2015). Overall, Nepal is a community-based society where people have cared for each other irrespective of religion.

Following the signing of the peace accord in 2007, Nepal introduced an interim constitution that recognised Nepal as a secular kingdom. Prior to the Comprehensive Peace Accord (CPA), Nepal was regarded as the only Hindu Kingdom in the world. According to the 2011 population census, 81.3% identify themselves as Hindu, 9% are Buddhist, 4.4% are Muslims, 3% are Kiratist and 1.42% are Christians. Traditional Nepali religions are mainly composed of Hinduism and Buddhism. Hinduism is believed to have begun in the 12<sup>th</sup> century when Indo Aryan migrated to Nepal. Gautam Buddha, the founder of Buddhism was born as Prince Siddhartha Gautam in Lumbini, situated in modern day Nepal. The beliefs and practices of Buddhism date back to the beginnings of Buddhism. These two major religions are not seen as two different religions but religions that complement each other (Pyakuryal and Subedi, 2000). The religious bodies such as mandirs, monasteries, and churches run their own affairs independent of state.

Hindu practices and traditions play an important part in day-to-day life for Nepali people. Religion is more than just faith, as festivals and rituals help promote group cohesion and solidarity (Pyakuryal and Suvedi, 2000). In Nepal, a commonly practiced ritual is morning prayer at neighborhood shrines (Burbank, 2002). Despite religion being an integral part of the Nepali way of life, religious education is not taught in primary and secondary school as a part of the curriculum.

One of the prominent teachings of the Hindu religion is the concept of Dharma. ‘Dharma’ was first introduced in Bhagavad Gita<sup>18</sup>. Dharma is a ‘law of the universe,’ ‘social and religious rules,’ and/or one’s own individual mission. In the Bhagavad Gita, Krishna (the lord) points out to Arjuna (the warrior) that his Dharma is to be a warrior whether he likes it or not. He cannot escape his Dharma and he must fulfil it. As a religious being, one’s ‘dharma’ is a duty one has to their society. It *‘provides the highest spiritual knowledge and the code of conduct and spiritual values. ... It prescribes the Dharma, the righteous duty of each, and Karma, the line of selfless action to be undertaken without expecting any return towards individuals, family, society, nation and the universe’* (Muthuswamy, 2018, p.91). At the heart of Hinduism is to conform and support societal needs without expecting any returns.

Similarly, in Nepal, people speak of Dharma as something one does, rather than something one believes in (Pyakuryal and Suvedi, 2000). Bhagavad Gita speaks of a culture of giving, a concept of ‘dana’. Bornstein (2004) writes - dana *“is given to strangers, and it does not matter whether the recipients are Hindu. What matters is that an attachment or relationship does not exist (p.30)”*. It is argued that a gift given without any expectation of appreciation or reward is beneficial to both giver and recipient as it attributes towards ‘moksa’. To understand what moksa means, one needs to understand the basics of Hinduism. Hindus believe in reincarnation and it is believed that the next incarnation is dependent on how the previous life was lived. Moksa is the liberation from the cycle of death and rebirth and thus is a state of attainment and liberation.

As a country predominantly Hindu, the culture of giving i.e. dana is engrained in the Nepali way of life.

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<sup>18</sup> Bhagavad Gita, often referred as the Gita, is a 700-verse Hindu scripture in Sanskrit that is part of the Hindu epic Mahabharata.

Dana, a culture of giving, is predominant in other religions too. For example, dana is a central practice of Buddhism. In Buddhism, dana is associated with generosity. According to Buddhism, dana should be a pure gift, with pure intentions to a recipient. A pure gift would be giving a gift that is proper: meaning proper for the time, person, circumstance, etc., and is earned by honest means. To give with pure intentions means to give with compassion, conviction, attentively, and without negatively affecting others (Liusuwan, 2017). This is similar to Hinduism, which argues that dana is a gift without any expectations.

Again, the culture of giving is predominant in Christianity. Charity is a key concept in Christianity and Christians believe in using their wealth to look after the poor. The Bible speaks of social responsibility and below are two verses that showcase this:

*“Religion that is pure and undefiled before God, the Father, is this: to visit orphans and widows in their affliction and to keep oneself unstained from the world” (James 1:27).*

*“Jesus said to him, “If you would be perfect, go, sell what you possess and give to the poor, and you will have treasure in heaven; and come, follow me” (Matthew 19:21)*

So, the culture of giving and looking after the poor can be found in not just Hinduism but other religions. Nepalese people have had to undergo civil-war and natural disasters in the past couple of decades. It has been argued that there is a link between natural disasters and religion and *“religion can thus never be detached from the larger picture, as it always interacts with social, economic and political constraints in the construction of people’s vulnerability in the face of natural hazards.” (Gaillard and Taxier, 2010 p.82).*

Perhaps, because Nepal is a conflict-ridden economy, dana (the culture of giving ) is even more relevant. Hence, people perceive dana as their duty or “kartavya” too look after other Nepalis. While the modern-day concept of CSR was formulated in the west, the roots of CSR

in Nepal has long existed. It is embedded in the Nepali way of life. It could be argued that the history of CSR in Nepal can be traced to the teachings of Hinduism and Buddhism, the two most prominent religions in Nepal. They both speak of 'dana' or 'daan'- a culture of giving. The culture of giving is prevalent in the Nepali way of life where people donate and look after the needy. The culture of giving is prevalent in most religions. For example, in Christianity, the Bible speaks of looking after the poor

*'Carry each other's burdens, and in this way you will fulfill the law of Christ' (Galatians 6:2)*

The culture of giving is prevalent in the Nepali way of life which has transcended to Nepali businesses. Hence, philanthropy (especially donations) amount to the majority of CSR activities, the roots of which could be argued as the concept of 'dana' as an integral part of Nepali life.

### **3.5 Nepal Earthquake, 2015**

Nepal experienced a 7.8 magnitude earthquake on April 25<sup>th</sup>, 2015. According to the UN, more than 8 million people (a quarter of the Nepali population) were affected by the earthquake. Over 9000 people were killed and about 22,000 people were injured by the earthquake. Over 60,000 homes were destroyed, and the earthquake's strongest impact was in rural areas, making the crisis response extremely challenging (World Vision, 2016). Nepal's rural areas often have no access to basic infrastructure such as roads and hospitals making them disconnected from urban Nepal. For example, Barpak, a village devastated by the earthquake, is a village in the Gorkha district of Nepal. It was only three days after the earthquake that Nepal's army flew



helicopters to access Barpak, where over 90% of houses were destroyed (Kaphle, 2015). Given the remoteness of the affected area, the provision of aid and rehabilitation to rural Nepal was extremely challenging.

As evidenced with other natural disasters, the Nepal earthquake summoned an international response. Countries around the world pledged donations as a humanitarian response. The Nepal earthquake resulted in voluntary donations from business within Nepal and MNCs. NCell, one of the leading telecommunication companies in Nepal, offered free communication for Nepali people post-earthquake (Kantipur, 2015). It has been discussed that crisis response, such as in the Nepal earthquake, drives CSR response (Visser, 2008). One of the main criticisms of the rehabilitation effort has been the lack of strong governance. Mahatara (2017) writes:

*'In the beginning of local level election 2017, political bickering, a lack of accountability, poor management of funds, absence of local bodies and regional tensions have all hampered efforts to rebuild. Local level election was held in three phases in 2017. It was thought that the reconstruction bid would be fruitful only after the people's representatives are elected. But, the plight of the people in the quake-ravaged Nepal's reconstruction remains the same.'*

Even 3 years after the Nepal earthquake, people affected are still living in make-shift houses. People have come together to rebuild houses by themselves often through the help of their family or informal groups such as local communities and local companies (Mahatara, 2017).

Nepal has suffered from natural disaster and political instability for the last 20-30 years. As a result, Nepali people are resilient and have always found a way to look after each other. While the governance of Nepal has been criticised as being weak, social values and social norms elicit people to look after each other. As a society, Nepali people have always looked after each other which is evident from the response to the Nepal earthquake in 2015.

## 3.6 Governance Gaps

Nepal is mainly a community-based society. The civil war, earthquake and on-going political instability has driven away foreign investment. Political instability has led to little faith in the government and its role to look after the people. The Transparency International Corruption Index<sup>19</sup> places Nepal in 131<sup>st</sup> position (out of 171 countries). According to the Ministry of Foreign Affairs (2018), 123 different languages are spoken in Nepal.

The government of Nepal is working towards making Nepal attractive for foreign investors. In February 2015, the government issued the new Foreign Investment and One-Window Policy. The new policy defines priority sectors for foreign investment, including hydropower, transportation infrastructure, agro-based and herbal processing industries, tourism, and mines and manufacturing industries (NRB, 2018). The Foreign Investment and One Window Policy also establishes currency repatriation guidelines, outlines visa regulations and arbitration guidelines, permits full foreign ownership in most sectors, and creates a ‘one window committee’ for foreign investors (NRB, 2018).

To encourage FDI, the Nepal Investment Summit was conducted on March 2019. During the summit, Prime-Minister Oli stated that ‘Nepal values FDI to embark [on] high economic growth trajectory’.

Despite the government’s efforts to invite foreign investment, FDI only accounted for 6 % of total GDP in 2015/16 (A Survey Report on FDI, 2018). Thapa (2019) argues that *‘there is no point organising an investment summit without policy and legal reforms. Commitments for millions of dollars were made even during previous investment summits, but the money was*

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<sup>19</sup> Transparency International (TI) publishes the Corruption Perceptions Index(CPI) since 1995, annually ranking countries "by their perceived levels of corruption".

*never forthcoming because of red tape and bureaucracy*'. Foreign companies have also previously stated that bureaucracy, and a weak regulatory environment, make investing in Nepal very difficult. While official laws are generally welcoming to foreign investors, the investment climate remains challenging. As an example, in January 2016, the Norwegian company Statkraft notified the Investment Board of Nepal (IBN) that it was discontinuing work on the 650 MW Tamakoshi hydropower project and withdrawing from discussions on a Project Development Agreement. The decision to withdraw operations was the result of an assessment of commercial, technical and regulatory factors:

*'These factors include a lack of viable power offtake option, lower electricity price forecasts, insufficient transmission capacity for power evacuation and absence of necessary policies and regulatory framework for operationalizing power sales. It also reflects the increased bureaucratic hurdles for foreign investment, a fragile political situation and a geopolitical situation to a non-conducive project development environment.'* (Shah, Country Director for Statkraft, 2016).

The bureaucracy and political instability has resulted in little presence of foreign companies in Nepal. Most big companies are family-owned conglomerates run by a handful of prominent and elite families. Family-owned business are unique because they assume a long-term orientation that traditional public firms lack (Kennedy, 2013). Sustainability often requires choosing long-term over short-term gain, a natural concept for family-owned businesses. When companies are managed by the owners, they create little separation between owners and the company and the personal values of the owners are reflected in the organizational culture and CSR activities (Marquis et al., 2014, Lamb et al., 2017):

*"As described, family firms tend to favor the pursuit of goals beyond simply financial gains, in part because the founders of a family firm possess distinct but overlapping identities associated with the*

*family and the firm, and these identities are associated with motivations that may or may not overlap”*  
(Lamb et al., 2017, p.472)

It could be argued that the reason family businesses engage in CSR is to protect family reputation (Deephouse and Jaskiewicz, 2013), because the family’s activities are associated with the business’s activities.

An earlier chapter discussed Nepal as a family-oriented religious country. The values of owners are thus likely to be reflected in the business’s operations. Hence, it could simply be that fulfilling societal obligation is a way of life to business owners, just like everybody else.

In Nepal, there are governance gaps. For example, the government of Nepal set up the National Reconstruction Authority (NRA) to oversee post-earthquake rehabilitation. But the NRA has been criticized for its role in rehabilitating the victims. Sharma et al (2018) writes:

*‘Even in the desperate days of reconstruction, NRA welcomed its new on October 23, 2017, after the resignation of earlier CEO who was himself appointed in January 2017 a second time. This makes the present CEO the fourth in the row of fewer than 3 years after the earthquake. It is quite obvious that the newly formed government shall appoint the new CEO in very soon time as per their political agenda. The blame game and excuses have reached the peak from either side of NRA and other governmental line agencies which is resulting in the ineffective and inefficient result of reconstruction.’* (Sharma et al, 2018, p.764)

The context of political instability, post-conflict civil war and the response of the government’s post-earthquake rehabilitation has led to questions about the very existence of strong governance in Nepal. All these factors have strengthened society led philanthropy. This institutional environment is important for the understanding and study of CSR in Nepal. These contextual factors , at the very least, inform CSR in Nepal.

It is argued that the roots of CSR are ingrained in the Nepali way of life. In the past 100 years of the history of Nepal, business communities have contributed their wealth to build educational institutions, temples and large Dharmasalas (inns built for religious purposes) for the general public and pilgrims. Hundreds of acres of Guthi land (personal lands usually donated to temples) have been donated by some landlords in the name of Gods and Goddesses. These practices are still prevailing in many places. When the country faces natural calamities such as flood, famine and earthquake, the businessmen are always there at the front to donate food, clothes and other amenities. In the past, the available texts and evidence indicate that Nepalese business, despite being small and inconsequential in view of its limited role in the economy, opted for the path of responsible business practices and charity wherever feasible. This indicates that *‘ Nepalese business communities and companies assumed the social responsibility with gusto and commitment. This historical evidence of the participation of business community shows they are more philanthropic in nature ’* (Adhikari et al, 2016, p675).

While socially responsible acts have been a way of life for the Nepalese, the corporatization of socially responsible activities is relatively new in the Nepali business market. One of the reasons that it is not perceived as a strategy is because there is a lack of a strong regulative pillar that supports CSR. Studying Nepali CSR, Welzel (2006), in the book titled, “CSR in Nepal: a chance for peace and prosperity?”, argues that while the state should act as a driver, or at least a supporter of CSR, in the context of Nepal, the state is absent in respect to CSR.

Even after a decade of this research, there are few visible policies that enhance CSR in Nepal. Some legislative acts that could influence CSR are the Labour Act 1992<sup>20</sup>, the Environment

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<sup>20</sup> Labour Act, 1992 addresses provisions relating to labors rights, interests, facilities and safety of workers.

Protection Act, 1997<sup>21</sup> and the Prevention of Corruption Act. For example, the Labour Act (1992) aims to protect the rights and interests of workers together with health and safety measures in the workplace. The Act makes provisions for keeping workplaces free from dust, fumes, and hazardous chemicals, and assures the guarantee of the adequate supply of light and water and other health and sanitation facilities in the workplace. The Factory Inspectors appointed by the Government of Nepal examine buildings, land, plants, machines, and health and safety aspects of factories. The Labour Office can sanction any organisation for not maintaining safety standards in the workplace. There is little evidence of sanctions on non-fulfilment of these laws, thereby questioning their effectiveness.

CSR, however, is garnering attention. In 2009, leaders held a summit in Everest to highlight the worldwide issue of global warming. The then forest minister, Dipak Bohora, urged developed countries to contribute 1.5% of their earnings to help poorer nations fight global warming (Sharma, 2009). Yet, the Nepali government did not pledge any amount for the cause and remained silent on involving the private sector to address global warming. The role of government is absent in encouraging companies to pursue CSR. With little focus on CSR, CSR reporting is an entirely new concept in Nepal. Reporting on CSR is entirely voluntary just like most countries around the world.

However, companies, especially in the sector of banking and finance, have been reporting on CSR. Upadhyay-Dhungel and Dhungel (2013), on studying CSR reporting in the banking sector, identify that most CSR interventions are carried out in the education sector (69.29%) and welfare of the underprivileged (64.29%). They further argue that the prominent state-run banks actively participate in CSR but do not report on CSR. CSR reporting as a concept is new.

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<sup>21</sup> Legal provisions in order to maintain clean and healthy environment by minimizing, as far as possible, adverse impacts likely to be caused from environmental degradation on human beings, wildlife, plants, nature and physical objects; and to protect environment with proper use and management of natural resources, taking into consideration that sustainable development could be achieved from the inseparable inter-relationship between the economic development and environment protection;

The lack of uniform standards and frameworks has led to different types of CSR reporting making it difficult for comparison. CSR as a part of culture has always been a way of life. CSR reporting on the other hand is a completely new concept that has just set foot in the Nepali market.

### **3.7 Summary and Conclusion**

This chapter reviewed empirical research on CSR from an institutional perspective. In doing so, it discussed the key literature on CSR in developing countries. While it was identified that CSR is context specific, institutionalisation of CSR in developing countries has only been recently studied. This chapter also explored CSR research in Nepal. It is evident that the CSR literature in Nepal has only recently begun and as a result institutionalisation of CSR in Nepal has not been studied. The analysis of CSR confirms that issues, modes and waves of CSR are context specific. The information on how CSR is conceptualised, how it is carried out and what determinants drive CSR in Nepal requires investigation. This chapter also discussed the influence of religion in the Nepali way of life. It argued that fulfilling social responsibility may be influenced by the strong presence of religion in the Nepali way of life. It also discussed how the Nepal earthquake in 2015 has overburdened the Nepali government, which has led to increased governance.

# Chapter 4

## Methodology

### 4.1 Introduction

The last three chapters were literature review chapters. Chapter 2 discussed institutional theory and Chapter 3 explored key empirical research that used institutional theory to study CSR in developing countries.

Research methodology is a process that guides any researcher to obtain their research aim. In a nutshell, the aim of this research is to understand the CSR construct in Nepal. In understanding the CSR construct, the researcher explores the history of social responsibility on Nepal and studies how CSR is understood and how CSR is practised in Nepali businesses. To understand the CSR construct in Nepal, key institutional drivers that may influence the CSR construct are studied. To achieve this aim, a research needs methodology. Methodology is a process that a researcher undertakes to answer their research questions.

This chapter discusses the research process observed by the researcher to obtain her research aims. The research process has two key stages and these stages, and their rationale are discussed in depth. In discussing these stages of research, firstly a discussion on the philosophical assumptions and methodology of this research is presented. Secondly, the process of deriving three research questions is presented. Thirdly, the research methods used in the research is



critically discussed. Finally, a summary of the research methodology and research methods is provided.

## 4.2 Research Paradigm

At the heart of any research is the research paradigm. A research paradigm is the underlying philosophical assumption upon which research and the field of enquiry is based (Kuhn, 1962). The research paradigm is conceptualised by four sets of assumptions that researchers make relating to ontology, epistemology, human nature and methodology (Burrell and Morgan, 1979). Ontology concerns the essence of phenomena and the nature of existence, i.e. 'reality'. It is concerned with *how the world is built*'. The key question is: *is there a world out there independent of our knowledge of it?* There are two answers to this question: firstly, the assumption of the researched might be that there is a world independent of our knowledge, waiting to be discovered. Researchers that subscribes to such an ontological stance are referred as 'realists'. Secondly, researchers might perceive that there is no real world independent of our knowledge, but the world is socially constructed dependent on our discourses. Researchers that subscribe to such a set of beliefs are referred to as 'relativists'. CSR has been studied by realist researchers and relativist researchers. For example, Bowen (1953) argues that business and society overlap with each other and stakeholders shape and form CSR. CSR does not have an existence separate from the people engaged in, talking about, writing about and doing CSR. Researchers like Bowen (1953) are 'relativists'. Relativists believe that it is impossible to arrive at an objective external reality without the inclusivity of human subjectivity. Some researchers take a realist viewpoint. Undertaking a realist viewpoint, Chapple and Moon (2005) studied CSR in Asia. The assumption was that CSR in Asia is pre-existing and independent of

any actors. They took a deductive approach, i.e. tested hypotheses to find out the reality of CSR in Asia that exists there independent of the researcher. Hence, ontology is the position that researchers take with regards to the world around them.

Epistemology is concerned with understanding the nature of the knowledge present in the world. The epistemological position reflects the '*view of what we can know about the world and how we can know it*' (Marsh and Furlong, 2002, p.18). Again, there are two positions that the researchers adopt epistemologically. Firstly, it may be perceived that it is possible to acquire knowledge about the world independently with no interferences. This implies objectivity. The objectivists argue that it is possible to uncover the truth objectively of external reality. For objectivists, research is free from bias. Researchers are merely exposing universal truth.

On the other hand, some researchers may perceive that objectivity in obtaining knowledge is not possible because knowledge itself is a composite of social construction. It is referred to as the 'subjectivist' epistemological stance. Researchers that subscribe to such a viewpoint are referred to as subjectivists. For subjectivists, the assumption is that reality is constructed whereby people perceive the same social situations differently, hence giving their own meaning to the world through their ongoing activities and interactions (Cunliffe, 2008; Gabriel, 2008).

The ontology and epistemology of any research informs the research paradigm and the research paradigm dictates the research methodology. They are all interconnected. There are no absolute rights or wrongs in deciding a research's ontology, epistemology and methodology. The research ontology and epistemology are the position the researcher takes in regards to his/her world.

Burrell and Morgan (1979) argue that research can adopt only one research position at one time. For example, from an ontological viewpoint, the researchers may either be realists or relativists. However, there are researchers like Laughlin (1995) who argue that there are no absolutes and that there is a valid mid-point. The argument is that the researcher does not have to choose whether he/she is realist or relativist. Researcher could place themselves at a valid mid-point. For example, if the researcher is a realist, the assumption is that the research is objective; hence it refuses to accommodate any bias. If the research is perceived as relativist, the assumption is that the world is subjective and that the world is perceived differently by different actors.

It is not in the interest of this PhD to argue different research positions. The research position is influenced by the researcher and the researcher objective. This research is titled 'Making Sense of CSR Practices: A Case of companies operating in Nepal', it is inherently explorative in nature. The aim is to make sense of the CSR activities of companies operating in Nepal. It is perceived that in studying CSR in the Nepali context, the myriad of actors shape CSR discourse and as such the study of CSR is not objective. It is in fact the co-construction in CSR discourse among actors that shapes CSR as we understand it. It is this subjective assumption that has shaped my research process. The nature of my research is influenced by the philosophical assumption I have undertaken. To understand my philosophical assumption, it is important for me to explain my research process which is discussed in the sections below.

#### **4.2.1 The Inadequacy of Positivism**

Positivism is a philosophical assumption that knowledge is based on natural phenomena. The positivist believes that the world is external to human existence (Carson et al., 2001) and that there is a single objective reality waiting to be discovered. In positivist research, the researcher

undertakes a structural approach by clearly identifying a research topic and constructing hypotheses to discover the reality of the world (Carson et al, 2001). The researcher undertakes a deductive approach wherein existing theory provides basis to test empirical data. Statistical and mathematical techniques are central to positivist research for they seek to find out reality which is waiting to be discovered. According to positivists, knowledge is free from subjectivity and researchers are just discovering pre-existing facts.

One of the central debates in positivism is the lack of context. It supports a notion of universality in obtaining any knowledge. The universality of positivism is critiqued by Kuhn (1970). He argues that history plays a fundamental aspect in the way we should understand science. There is no one universal truth and historical evidence should be practically and theoretically examined when we try to understand the nature of the research paradigm.

*'History even suggests that the scientific enterprise has developed a uniquely powerful technique for producing surprises of that sort. If this characteristic of science is to be reconciled with what has already been said, then research under a paradigm must be a particularly effective way of inducing paradigm change' (Kuhn, 1970, p.52).*

Positivism as a research paradigm requires a large body of existing knowledge to create hypotheses which are based on existing theories. One of the criticisms of positivist research is how a scientific method can identify internal mechanisms and relationships between actors. It does not seek to examine deeper meanings. Positivism's greatest shortcoming in social sciences is its failure to distinguish between the natural and social worlds (Reed 1997, Blaike, 2007). The insistence that there is unanimity in the sciences amongst the positivists does not take into consideration distinctions between the natural and social sciences. Firstly, social structures do not exist independently of the activities they shape or are the product of. Secondly, social

structures do not exist independently of the agents' views; they reflect the institutions to which they belong. Thirdly, social structures are shaped by the actions of agents and will therefore change depending on a range of factors, including time and location (Houghton, 2011; Blaike, 2007). There is no universality in the social world. The failure to identify and respond to these clear differences between the social and natural worlds is positivism's greatest shortcoming.

In social science, qualitative research is widely used to understand social structure, behaviour and culture. Qualitative research is seen as crucial in providing 'enlightenment' or 'knowledge of understanding' that is often needed in social science research (Ritchie, 2014). While positivism merely answers 'what' is reality, qualitative research provides answer to deeper question on 'how' and 'why' any reality exists.

In relation to this PhD, the task is to explore the nature of CSR in companies operating in Nepal. The aim of the research is exploratory in nature. It is the social world it is exploring, not the natural world. Positivist Research is best suited to test existing theory. The underlying assumption of positivist research is that CSR is independent of social structure and the role of the researcher is to uncover this objective CSR. Thus, positivist research is best suited to explore 'what' is the nature of reality in companies operating in Nepal. The aim of this research is to make sense of CSR practices in companies operating in Nepal. In making sense of CSR practices, this research goes beyond positivism, as it looks into how CSR is perceived and why CSR exists in Nepal not merely what CSR is like in Nepal. Therefore, positivism is not apt for this project. Most importantly, this project inherently is explorative and contextual that answers the 'how' and 'why' questions to understand CSR discourse, diverging from the central assumption of deduction in positivist research. The nature of the research requires a research methodology that answers these deeper questions.

In a nutshell, the research subscribes to an idea that CSR is subject to social construction and the understanding of CSR is subjective to actors involved in the research. The context plays a key role in social construction. In some ways it is interpretive research. One of the key issues with interpretivism is the lack of generalisability. CSR research is limited in Nepal; as a result the literature review yielded limited CSR studies in companies operating in Nepal. Empirical CSR research assumed a deductive approach and tested CSR practices in companies operating in Nepal (Adhikari et al, 2013, Dhungel and Dhungel 2013, Upadhaya et al, 2018). The assumption of these deductive studies is that CSR is independent of the researcher.

CSR, as discussed in an earlier chapter, is a multifaceted concept which could mean different things to different people. The underlying aim of this research is to make sense of CSR practices. The aim is explorative in nature and a completely deductive method is therefore not suited for this research. This thesis uses grounded theory as its research methodology, the rationale of using grounded theory is discussed below.

### **4.3 Grounded Theory as Middle Range Thinking**

Ontology and Epistemology of research were discussed at two extreme points. Some researchers argue that any research needs to be at either of these extremes (Burrell and Morgan, 1979). This thinking has been critiqued as being one-dimensional (Laughlin, 1995). The philosophical position can instead be at a 'valid point' somewhere between these extremes, referred to as middle range thinking. It could be argued that in a real sense, it is difficult for any research to be just inductive or deductive. Taking a viewpoint like Laughlin (1995), this research, while inherently explorative, required some level of deduction. Mid-Level thinking was necessary to pursue this research.

Middle Range thinkers believe that the world is subjective. Unlike interpretivists, they are not dismissive of material reality independent of their thoughts. They do not deny the usefulness of empirical data. At the broad level, they accept that there can be generalisation. Laughlin (1995) refers this as '*skeletal theory*' (p.333). To middle range thinkers, the world can have an independent existence. This empirical positioning however needs to be studied before any generalisability. This research subscribes to mid-level thinking. The assumption is that there can be some generalisation. The study of actors and their perception of CSR can be used as an inference to understand CSR discourse in Nepal and grounded theory is used to make sense of CSR practices in companies operating in Nepal.

Grounded Theory as a methodology was first developed by Barney Glaser and Anselm Strauss to explore dying as a social ritual that permeated the lives, and care, of terminally ill patients. The methods used in that study were later refined into a research methodology in *The Discovery of Grounded Theory* (Glaser and Strauss, 1967). The development of grounded theory occurred at a time when qualitative research was dominated by a prevailing positivistic paradigm. Social research in the mid-1960s placed emphasis on verifying existing theories, resulting in an absence of inductive theory development (Corbin and Strauss, 2014). Grounded theory was established as an alternative to positivist research approaches, and to counter the perceived lack of rigour within qualitative methods (Stern, 2009). As such, grounded theory sought to reunite the theories of sociology with the qualitative processes from which they were derived (Martin and Gynnild, 2011). Grounded theory is pivotal in debunking the positivistic assumptions of the time, highlighting the inherent restrictions of positivistic approaches in developing new interpretations of a phenomenon (Denzin and Lincoln, 2011). Grounded theory provides an alternative research method based on induction, placing emphasis on situating theory within research data (Kennedy and Lingard, 2006).

Grounded theory is a qualitative research methodology that is a mid-level theory. As a mid-level theory, theory building is conducted with direct inference to empirical data. The research begins with collection of empirical data and that data informs the research direction. It is defined as '*the discovery of theory from data systematically obtained from social research*' (Glaser and Strauss, 1967, p2).

Grounded theory thus is a process:

*'Our strategy of comparative analysis for generating theory puts a high emphasis on theory as process; that is, theory as an ever-developing entity, not as a perfected product.* (Glaser and Strauss, 1967, p.32)

As a process, it is ever-changing which helps with the flexibility to address concerns arising from empirical data. One of the strengths of grounded theory is its focus on how meaning is navigated within a social context and how people situate themselves in social settings (Charmaz, 2014). As a methodology, it is often used for uncovering social process. It is ideal for exploring social relationships and behaviour where there is little exploration of contextual factors that affect lives (Crooks, 2001). Studies in the social sciences often study social relationships and grounded theory is one of the most used methodologies in social sciences (Strauss and Corbin, 1994).

Since its original conception, the founding authors of grounded theory have disagreed as to how the methodology should be applied, resulting in debates which have generated variants to grounded theory methods (Stern, 2009). There are varieties of grounded theory methodology differing in their epistemological stance. The epistemological position of Glaser and Strauss (1967) was that of positivism. For them, there is a reality lying outside independent of the researcher and it is the duty of the researcher to 'discover' that



reality in the form of a coherent abstract theoretical framework. Glaser and Strauss (1967) fail to acknowledge that the researcher is a part of the research process and the researcher's own standpoints shape the reality (Charmaz, 2014). Their view that that reality is objective from the researcher; Charmaz (2014) suggests that their version of grounded theory should be referred to as 'objective grounded theory' (p.609) because the researcher takes the role of an external observer.

The other version of grounded theory takes a social constructivist approach to research epistemology. To social constructivists, different individuals have different subjective meanings resulting in varied realities and it is the researchers' role to understand that the researchers themselves are a part of the research (Creswell, 2009; Charmaz, 2014). For constructivists reality is not independent of the researcher and it is the role of the researcher to explore the complexities of different meanings (Priya, 2016). This research adopts Charmaz's (2014) social constructivist approach to grounded theory. This constructive grounded theory emphasizes subjective epistemology; the assumption is that no knowledge is free from bias and the researcher's presence helps in the co-construction of any reality.

## **4.4 Constructive Grounded Theory**

Glaser and Strauss (1967) in their grounded theory place themselves as objectivists epistemologically. They argue that the nature of the reality of the world is objective and thus they disregard the presence of the researcher in research process. Charmaz (2014) critiques the epistemology of grounded theory and argues that epistemology should accommodate subjectivists. She refers to grounded theory with subjective epistemology as 'constructive grounded theory'. According to constructive grounded theory, the researcher is a part of the research process. The researcher is a co-creator of meaning; it is shared meaning that forms

reality (Mills et al., 2006). In constructivist grounded theory, the underlying assumption is that findings are a result of shared meaning between the researcher and research participants (Charmaz, 2014). Constructivist grounded theory acknowledges that the researcher is a part of the research process and the researcher is the interpreter of data (Charmaz, 2000; Charmaz, 2006). The results that the researcher arrives at are collaborative and are reached through symbolic interactionism.

As a social theory, grounded theory relies on symbolic interactionism (Blummer, 1969). Symbolic interactionism is an idea that emphasises context as a key to deriving any meanings. According to Blumer (1969), symbolic interactionism relies on the concept that human beings act towards things based on the meanings that these things have for them. The meaning of such things is derived from, and arises out of, the social interaction that one has with other actors. These meanings then are handled in, and modified through, an interpretive process used by the person in dealing with the thing he encounters from them. Hence, symbolic interactionism places an equal importance to context in creating the meaning of an action.

In relation to this research, the central aim is make sense of CSR practices in companies operating in Nepal. The research considers different perspectives participants have on CSR and explores what drives their understanding of CSR. By considering these perceptions, meanings are gathered to understand CSR in companies operating in Nepal. This research undertakes a constructivist approach to grounded theory and therefore the research methods used in this research acknowledge the presence of subjectivity (discussed later in the chapter). The researcher believes that she is not merely discovering the nature of CSR in companies operating in Nepal but she is a part of this research process.

Social constructivists stress the reflexivity of the researcher wherein the researcher constantly reflects on her social position, history, opinions and how these might affect the research findings (Priya, 2016).

## 4.5 Researcher Reflexivity

Researcher reflexivity is critical in qualitative research. As discussed above, this research undertakes a social constructivist approach to the grounded theory methodology. As a social constructivist approach, it is perceived that the researcher is part of this research process and therefore is capable of shaping the research process and the research findings. Reflexivity is the self-reflection on the researcher's role in the research process. (Palaganas et al., 2017):

*Reflexivity is commonly viewed as the process of a continual internal dialogue and critical self-evaluation of researcher's positionality as well as active acknowledgement and explicit recognition that this position may affect the research process and outcome (Berger, 2015, p220).*

Reflexivity is the "self-appraisal" by the researcher (Berger, 2015, p220). The use of reflexivity is therefore required to question our own subjectivity in carrying out research. Positionality is the term we use to describe different positions the researcher occupies in the research field which affect the narratives used in the research (Ozkazanc-Pan, 2012). Indeed, the relationship between the researcher and the research participant in terms of power is asymmetrical because researchers are in control of interpreting the information from research participants (Ozkazanc-Pan, 2012; Berger, 2015).

Being reflexive demands a researcher to analyse their own ideologies (Woodak and Meyer, 2009). It is acknowledging that the personal traits of the researcher, such as their origin, gender, sexual orientation, immigration status, personal experience, political beliefs and religion, may impact the research (Berger,

2015; Palaganas et al., 2017). For example, personal attributes of the researcher may affect firstly the research access because the participants may be more willing to share their experiences with someone who is sympathetic to their ideologies (De Tona, 2006). Secondly, the personal researcher attributes may shape the researcher and research participant relationship, which may affect the nature of the information that the researcher is willing to share with the researcher (Berger, 2015). Finally, the background of the researcher affects the way they perceive the world. Hence, it may affect the way questions are posed to the participants and information is gathered, which may affect the findings and conclusions drawn from the research (Kacen and Chitin, 2006). While reflexivity is important in all research, it is more important in qualitative research such as this research where the researcher is a part of the research process. Reflexivity is therefore important to ensure a rigor to the study and therefore enhances the *'credibility of the of the findings by accounting for researcher values, beliefs, knowledge, and biases'* (Cutcliffe, 2003, p137). Therefore, as a researcher I have attempted to be reflexive throughout the research. My research as discussed earlier has two key stages. The first stage analyses annual reports against a benchmark. Because this stage involved a quantitative approach, reflexivity seemed less of an issue in Stage 1 than in my Stage 2. In stage 2 of the research, I was interviewing businesses operating in Nepal. Interviews are a qualitative research method and as a researcher reflexivity needed to be addressed in depth because of the subjective nature of the second stage of the research. The section below discusses my background and beliefs which I believe have influenced my research process.

#### **4.5.1 The background of the researcher**

I am a woman who was born and raised in Nepal as a Nepali citizen. While I was growing up in Nepal, Nepal was undergoing major changes. I lived through the Nepal civil war which ended in 2006 and I moved to the UK in 2008 when my parents relocated to the UK. While I have now obtained a British citizenship, I have spent over half of my life in Nepal. I identify myself as a Nepali.

I belong to a working class family and both my parents did not finish their school. I pursued my undergraduate course in Accounting at Anglia Ruskin University and did my MSc in CSR from University of Nottingham. I am now doing a doctoral course in CSR from Middlesex University. I perceive that my education background is an important factor in the research process. I pursued a degree in CSR which I am sure has informed my understanding on theoretical approaches to CSR.

When I went for the field study, I had assumed that because my ethnic origin is Nepali, I would be considered an insider in an insider/outsider debate. In simple terms, insider/outsider could be conceived as being a local or a foreigner (Jeffrey, 2016). Over the field study and the research as a whole, I realised that these categorisation was too simplistic. I spent my childhood in Nepal and identified myself as a Nepali but I have never worked in Nepal. Therefore, I had limited understanding of businesses operating in Nepal. The knowledge I had on CSR and businesses operating in Nepal was from secondary sources in which I had read about them. So I have questioned myself as to whether I am an insider or an outsider.

I am a woman in my mid-20s interviewing senior management about CSR in their businesses. The position of insider/outsider was complicated. Some research participants felt connected to me and the interview felt personal. The interviewees have used words like 'we', 'us 'when speaking and explaining CSR. So perhaps I was an insider to some of them. But some interviews did not feel personal and I could not relate to their experiences. I am not sure if it had to do with my background as a researcher or not, but just like Cherani (2014), I felt that the categorisation of a researcher into an insider/outsider was too simple. A researcher could be both in the same research because the researcher takes '*varieties of positions*' in one research (Anthias, 2008, p.8).

There were definitely some advantages to having spent over half of my life in Nepal and speaking Nepali. Firstly, I lived through the civil war in Nepal and while I was conducting my field work in 2015, Nepal was undergoing Madhes Andolan. I could understand the insurgency Nepal was undergoing because I have lived through the civil war myself. Secondly, my first language is Nepali and I use it in my every day. My stage 2 of the research involved interviewing businesses operating in Nepal. One of

the key questions was whether to conduct the interviews in Nepali. As someone who speaks Nepali in everyday life it seemed appropriate to conduct the interviews in Nepali. From the research participant's perspective, the interviewees were Nepali themselves. It was perceived that the interviewees would be most comfortable in expressing themselves in Nepali. I and the research participants spoke Nepali; during the interview it felt that it helped me to understand the interviewees because the awareness of culture helped the understanding of social and cultural cues (Qu and Dumay, 2011), which would have possibly been missed if the interviews were conducted in English.

During the research process, I have attempted to question my own beliefs to ensure that this research is credible. I recorded the interviews so I could re-visit them and explore different perspectives but I cannot ignore I am interpreting the interviewees' explanations. So, perhaps it is safe to say that if somebody else was conducting and reviewing the interviews they may have presented different findings than those that I have. I cannot ignore that I am a part of this research as much as my research participants are.

## **4.6 CSR in Nepal and Grounded Theory**

### **Methodology**

In the past couple of decades, there has been growing literature on CSR and CSR in developing countries. There are various schools of thought on what CSR is and what constitutes CSR. As a result, CSR is often argued to be context specific. The context and the institutions that govern any one context have been long studied as a pre-determinant of CSR discourse (see Visser, 2007, Jamali 2009).

This study began with the idea to study CSR and context was an integral part to understand CSR conception. To begin with, there were limited empirical studies on CSR in Nepal. The

knowledge and the interest of the researcher shaped the need to study CSR from a Nepali viewpoint. As a researcher, the best possible way to understand CSR in Nepal was to have a flexible approach in the research process. This led to the use of grounded theory as a research methodology. This research started with the Stage 1, where annual reports were analysed for non-financial reporting to understand CSR in Nepal. This stage answered my first research question and helped with formulating the second and third research questions.

The collection of empirical data provided the researcher with an initial understanding of how CSR is practiced in companies operating in Nepal. The research process is divided into two key stages. The first stage is empirical data analysis. The results of the first stage provided answer to my first research question and directed further research. The second stage is an inductive theory building stage wherein the second and third research questions were formulated and revised. These research questions were studied following the analysis of first stage results.

The next section will discuss the first stage of this research. It is referred to as 'Stage 1'. Stage 1 is the initial empirical analysis.

## **4.7 STAGE 1: A study of Annual Reports**

The assumption of grounded theory is to start the research with empirical data. The fieldwork helps understand and develop theory and research questions. When approaching the research on CSR in Nepal, it was important to understand that there were few empirical studies giving a constrained view of CSR in Nepal. There was therefore a need to understand the status of CSR in Nepal. The CSR literature, institutional theory and context specific research were

carried out at the beginning of this research to formulate initial concepts. Based on the background study, the research started with the first stage.

The first stage of the research began with an empirical analysis. This section will discuss the empirical study which resulted in the development and revision of research questions.

#### **4.7.1 Sample Selection**

The researcher started the research process with an empirical analysis. To formulate initial concepts, the researcher began collecting secondary sources to study CSR in companies operating in Nepal. Annual reports of companies operating in Nepal were collected for empirical analysis.

It was decided that annual reports of listed companies would be analysed. The main reason to include listed companies was because annual reports of listed companies are often readily available. The analysis of annual reports of companies operating in Nepal would give an idea of the nature of CSR in companies operating there. Listed companies are argued as the frontrunners in communicating CSR practices because of their size and/or visibility to a wider audience (Baumann-Pauly et.al., 2013). Companies tend to report non-financial information as a part of their annual report. Today, 93% of G250<sup>22</sup> companies report on CSR (KPMG, 2017). Thus, to formulate initial concepts on understanding CSR in companies operating in Nepal, annual reports were analysed for non-financial information.

Nepal operates under its own stock exchange known as the Nepal Stock Exchange (NEPSE).

At the time of investigation, there were 371 companies listed on the NEPSE. Sample Size and

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<sup>22</sup> The G250 refers to the world's 250 largest companies by revenue based on the Fortune 500 ranking of 2016. Large global companies are typically leaders in CR reporting and their behavior often predicts trends that are subsequently adopted more widely



Sample selection is important in any research. It was not possible to analyse all 371 annual reports because of both lack of resources and the unavailability of annual reports. It was decided that the annual reports of 100 listed companies would be analysed. This would mean that more than a quarter of listed companies would be analysed for their non-financial reporting.

Sample selection is based on sampling technique. 100 companies were selected through systematic sampling. Information on companies listed on the NEPSE were acquired through the Nepal Stock Exchange Ltd website<sup>23</sup>. The NEPSE website presents listed companies in an alphabetical manner. The first 100 companies with readily available annual reports were chosen to be a part of the population sample. For example, if an annual report of a listed company was not readily available, that company was not selected to be a part of the research. The next company listed on the NEPSE was then investigated to find its annual report. The process was carried out until 100 companies that had readily available annual reports were identified.

The purpose of annual reports accumulation was to understand how/if any non-financial information were reported in annual reports. Once the annual reports were identified, they were analysed for any non-financial reporting (data analysis). The aim of this was to understand CSR in Nepal and to have a research direction from which to devise further research questions accordingly.

CSR has been linked with competitive advantage (McWilliams and Siegel , 2001) and retention of human resources (Porter and Kramer, 2001). Hence, reporting non-financial information presents the organization's values and governance model and demonstrates the link between its strategy and its commitment to a sustainable global economy. Non-financial reporting discloses

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<sup>23</sup> <http://www.nepalstock.com/company#>

information on non-financial aspects of a company's performance, such as social, environmental and employee related matters (Deloitte, 2015). Reporting on non-financial issues is also referred to as CSR reporting or sustainability reporting. The analysis of non-financial information of the listed companies would provide information on what the CSR (non-financial performance) performance is of companies operating in Nepal.

Sustainability reporting/non-financial reporting can help organizations measure, understand and communicate their economic, environmental, and social and governance performance, and then set goals, and manage change more effectively. A sustainability report is a platform for communicating sustainability performance and impacts, whether positive or negative (Deloitte, 2015). This increases accountability and creates transparency to its stakeholders. Sustainability reporting is equally important for minimizing the threat posed against an organisations' legitimacy (Deegan, 2012). Whilst CSR reporting is still voluntary in many jurisdictions, the pressure from the stakeholders and benefits to legitimacy have arguably made it an integral part of business strategy. CSR reporting and CSR are two different concepts. The underlying assumption was that companies would only report on CSR issues pursued by them, giving a general idea on the nature of CSR activities in companies operating in Nepal.

#### **4.7.2 Global Reporting Initiative (GRI) as CSR 'Benchmark'**

With an increasing interest in CSR reporting, multi-stakeholder initiatives such as GRI, UN-Global Compact, Organisation for Economic Co-operation and Development (OECD) provide guidelines for companies for sustainability reporting. It was identified that annual reports needed analysis for their non-financial reporting. But, the question was how to analyse annual reports and how to compare annual reports for non-financial reporting. An existing framework would provide a basis for such comparison. The Global Reporting Initiative (GRI) as a multi-

stakeholder initiative provides guidelines for companies to report on CSR. The guidelines are detailed and were perceived as an appropriate tool to analyse annual reports for non-financial reporting. The GRI guidelines were used to benchmark CSR reporting to identify the extent of CSR reporting in Nepal.

The GRI was first established in 1997 in Boston, United States. Their website state that their vision “is to create sustainability as integral to every organisation’s decision-making process” (GRI, 2018). To do that, they empower the decision maker by providing them with sustainability reporting standards.

GRI has a governance body that oversees the development of GRI reporting standards. Their governance body is a multi-stakeholder initiative and includes government bodies, businesses, civil society and sustainability reporting experts. As a multi-stakeholder initiative, it has been regarded as accommodating diversity amongst organisations to address both the report makers and the users. The GRI has been gaining popularity amongst organisations around the world and about 7500 organisations use GRI guidelines to report on CSR (GRI, 2018). GRI guidelines were used to benchmark non-financial reporting of the sample companies. At the time of the research, the GRI 3.1 standard was in effect. Since October 2016, GRI 4.1 guidelines have been introduced. Stage 1 of this research was carried out before GRI 4.1 came into effect, hence this research analysed non-financial reports based on GRI 3.1 guidelines.

The GRI 3.1 provides six performance indicators on which any organisation can report their CSR activities. These indicators follow triple bottom line accounting wherein companies may report on economic, environment and social issues. The areas on which companies may report are referred to as performance indicators. There are six performance indicators that are economic related, environment related and social. These six indicators are:

- I) Economic Indicators

- II) Labour Indicators
- III) Environment Indicators
- IV) Human Rights Indicators
- V) Society Indicators
- VI) Product Responsibility Indicators.

Each of the six indicators have their own set of sub-indicators that provides detailed guidelines on what to report regarding each indicator. Detailed discussion on sub-indicators are provided in Chapter 6. GRI guidelines are comprehensive and include a wide range of sub-indicators. The specific method deployed to benchmark CSR reporting was Content Analysis.

### **4.7.3 Content Analysis as a Research Method**

Content Analysis as a specific method was deployed for data analysis. Content Analysis is a *'technique used to extract desired information from a body of material by systematically and objectively identifying specified characteristics of the material'* (Smith, 2000, p.314). Annual reports of 100 companies listed on the NEPSE were analysed to identify the CSR activities reported. At the time of the analysis, there were 371 companies listed on the NEPSE. Enhert et al. (2015) used Global Reporting Initiative (GRI) indicators to evaluate the compliance of sample companies to report CSR. Similarly this research used GRI's performance indicators and their sub-indicators (economic, labour, environment, human rights, society, and product responsibility) to understand the CSR practice of companies operating in Nepal.

Of 100 sample companies, no company had a standalone CSR report. They reported on CSR as a part of their annual report, so annual reports were analysed for non-financial reporting.

Due to the comprehensiveness of GRI 3.1 in covering a wide range of CSR topics, the GRI G3.1 framework was used to benchmark the CSR reporting of Nepalese companies.

#### **4.7.4 CSR Index**

There are six GRI indicators on which companies may report. Each GRI indicator has its own sub-indicators. The GRI G3.1 sub-indicators were recorded dichotomously. If a company reported on a sub-indicator, it was assigned a score of one and if a company did not report on a sub-indicator, it was assigned a score of zero. In cases where CSR disclosure was irrelevant (for example, if the disclosure was not within the sub-indicator category), no score was allocated, and such information was excluded from the overall weighting.

The overall weighting is referred to as the CSR index. The CSR index was calculated for each GRI indicator to find out which GRI indicator was the most popular among the sample companies.

$$\text{CSR Index} = \sum \frac{\text{Score Obtained}}{\text{MaxScore Possible}}$$

*where the CSR index is the CSR disclosure percentage; max score possible is the maximum possible number of score that can be obtained for a GRI indicator, score obtained is the number of score obtained for a particular indicator.*

The CSR index resulted in a percentage score for each of the six GRI performance indicators. Each indicator was then ranked based on its disclosure percentage. A high CSR index implies that the performance indicator was reported most by sample companies. The findings are discussed in Chapter 5.

#### **4.7.5 Thematic Analysis**

CSR is context specific. Whilst GRI G3.1 provides a framework to benchmark the CSR reporting of companies operating in Nepal, not all CSR activities reported may be represented by GRI indicators. The analysis of empirical data resulted in questioning the benchmarking of the CSR activities against the GRI indicators. CSR is argued as being context specific; it was therefore realised that the framework may not capture CSR activities reported by Nepalese companies.

Grounded theory offered the flexibility to accommodate changes to the research process. Following the analysis of annual reports against GRI guidelines, annual reports were re-analysed separately. Non-financial CSR activities reported were recorded to identify codes in the reporting style. The aim was to identify reporting themes among sample companies when it came to non-financial reporting. Thematic analysis was carried out to identify emerging themes on reporting CSR. Re-analysis of annual reports led to the identification of commonalities in the reporting style.

Thematic coding is a form of qualitative analysis which involves recording or identifying passages of text or images that are linked by a common theme or idea allowing indexing of the text into categories and therefore establishing a framework of thematic ideas about it. Thematic coding was carried out manually based on the content analysis of the annual reports. This re-analysis of the annual reports led to the identification of key CSR themes (discussed in Chapter 5).

Analysis of the annual reports against GRI 3.1 and the re-analysis of annual reports for thematic coding is referred to as the stage 1 of this research. Stage 1 of the research was deductive in its

approach and it identified the nature and extent of CSR reporting in companies operating in Nepal.

## 4.8 Research Questions

Stage 1 of this research started with the analysis of annual reports. Annual reports were firstly analysed against GRI performance indicators. One of the limitations of analysing annual reports against GRI 3.1 was an assumption that the reporting on non-financial information adhered to the comprehensive GRI 3.1 standards. Hence, annual reports were analysed to identify CSR themes reported by sample companies.

In carrying out these analyses, the extent of CSR reporting and the nature of CSR reporting in companies operating in Nepal were identified.

This stage of the research provided an answer to the first research question :

*Research Question 1: What is the nature and extent of CSR reporting in companies operating Nepal?*

The first research question particularly explored CSR reporting in Nepal. It provided information on the extent and nature of CSR reporting. But most importantly, Stage 1 of this research led to devising further research questions. One of the main issues identified with Stage 1 of this research was that it explored and explained CSR reporting in listed companies operating in Nepal. The aim of this PhD research is to understand CSR, not merely CSR reporting. Research Question 1 provided an insight into 'accounting' of CSR practices, not on the construct of CSR in Nepal.

As discussed in chapter 2, CSR is context specific. To understand CSR in Nepal requires a detailed analysis of its institutional environment (see chapter 2), as it is a pre-determinant of CSR. While research question 1 provided a snapshot on CSR reporting, there are deeper questions that needed to be answered to understand CSR in Nepal in a true sense. Key questions that arose were; How is CSR perceived and understood in Nepal? Is CSR in Nepal substitutionary to CSR as we understand it in the West? What factors drive CSR in Nepal?

The following research questions were further devised to 'make sense of CSR practices' in Nepal. These research questions were a result of the Stage 1 empirical analysis and review of the existing CSR literature (see figure 4.1).

*Research Question 2: How does the Nepali version of CSR compare to the Western notion of CSR?*

*Research Question 3: What national and organisational institutional factors drive the Nepalese version of CSR?*

The picture below depicts the research question formulation process and overall methodological map.



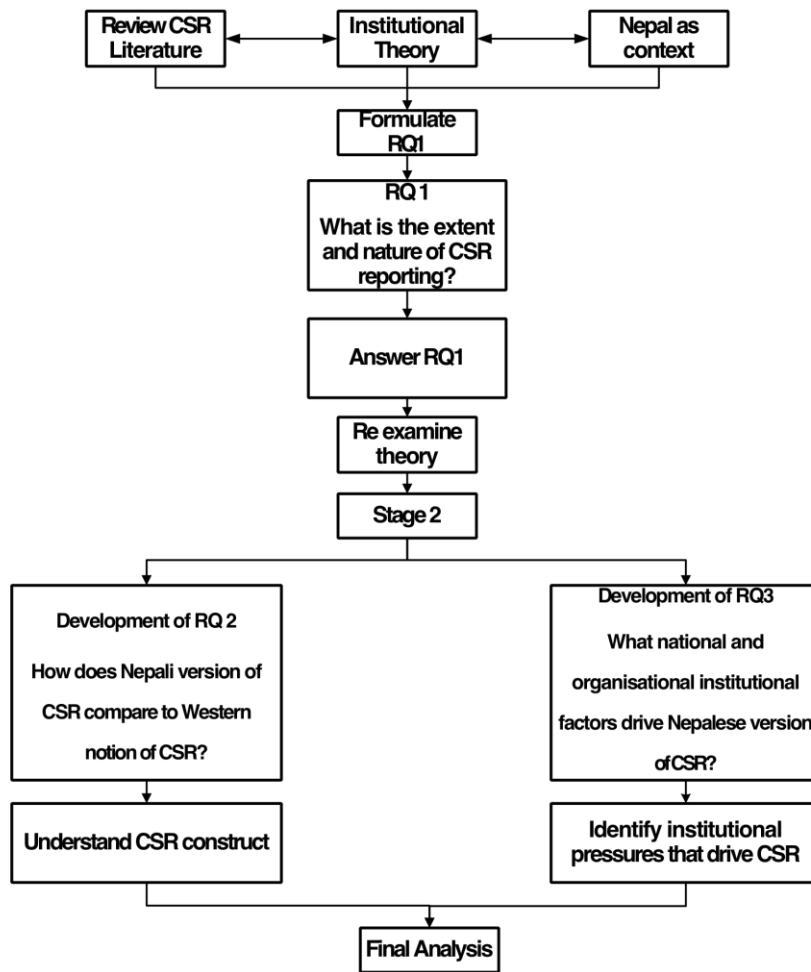


Figure 4.1: Methodological Map

## 4.9 STAGE 2: Case Study Research

It is inherent to grounded theory that the research begins with empirical data analysis. As discussed above, Stage 1 of this research was empirical data analysis that provided answers to the first research question and it also helped formulate the second and third research questions. The Stage 1 analysis resulted in identification of key CSR themes reported by companies operating in Nepal. These themes will be discussed in depth in Chapter 5.

The analysis of annual reports led to the identification of the extent of CSR reporting in companies operating in Nepal. The analysis further led to understanding the nature of the CSR activities reported. In particular, it identified the CSR activities the sample companies reported.

While Stage 1 answered the extent and nature of CSR reporting, the aim of this research is to make sense of CSR practices, not just CSR reporting. The analysis of annual reports provided an insight into CSR reporting, but it does not necessarily answer in-depth questions such as what CSR is and why companies pursue/do not pursue CSR activities. The nature of CSR themes identified through the analysis required triangulation. Stage 1 helped formulate the initial concepts on the nature of CSR. One of the key issues with the Stage 1 analysis was the population sample itself. The population sample included companies listed on the NEPSE, therefore only including companies that were large in size. Also, companies were judged merely on CSR reporting. CSR reporting in Nepal is a new concept and comparing CSR in companies operating in Nepal based on CSR reporting was one-dimensional. The fact that companies did not report on CSR does not necessarily mean that they did not pursue CSR. For example, Baumann-Pauly et al. (2013) studied CSR in Swiss MNCs and SMEs. They found that SMEs are not necessarily '*less advanced in organising CSR than large firms*', but lag in communicating and reporting their CSR. (Baumann-Pauly et al, 2013, p.693). So, while Stage 1 is important in understanding the nature and extent of CSR in companies operating in Nepal, it does not provide an insight into understanding their CSR. To understand CSR in companies operating in Nepal, the following two questions were devised (see Figure 4.1).

Research Question 2: How does the Nepali version of CSR compare to the Western notion of CSR?

Research Question 3: What national and organisational institutional factors drive the Nepalese version of CSR?

The second stage of this research aimed to understand how CSR is perceived and understood and what pressures/factors drive CSR in companies operating in Nepal. A qualitative research method is required to understand and provide insights into the understanding of CSR (Malhotra, 2010). Qualitative research interprets issues in terms of meanings people bring to them (Denzin and Lincoln, 2011). It is a broad term and Maanen (1979) argues that qualitative research is an umbrella term applied to several techniques such as decoding, translating and transcribing to understand the social world.

The characteristic of qualitative research is that it looks to gain insights into the world. Qualitative research is explorative in nature, as people and settings are studied to make inferences about the world (Mintzberg, 1983). The focus of any qualitative research is to understand 'how' and 'why' any phenomenon exists. The aim of this research is to make inferences about CSR in Nepal by understanding "how" CSR is understood and "why" CSR is undertaken by companies operating in Nepal. The research is best suited to the essence of qualitative research methodology.

Research methods should complement the nature of the research. Some research methods are best suited to quantitative research methodology while others are best suited to qualitative research methodology. Unlike quantitative research which sets to identify a causation link, qualitative research is flexible, there are guidelines but no strict rules. '*Never is the researcher a slave to procedure and technique*' (Taylor and Bogdan, 1984, p.8).

#### **4.9.1 Research Method**

Given the explorative nature of the research and the requirement to understand 'how' and 'why' CSR is pursued, qualitative research methods were deployed to meet research question .

As discussed above, Stage 1 started with content analysis. Stage 2 of the research undertook a 'case study approach' to understand in depth the CSR practices in companies operating in Nepal. 10 cases, i.e. 10 companies, were selected to be a part of the case study approach. An individual introduction to each case is provided in Chapter 6. This section explores what a case study approach is and discusses the research methods and research issues in pursuing this research.

#### **4.9.1.1 Case Study Approach**

Stage 2 of this research undertakes a case study analysis of 10 companies operating in Nepal.

*"Case studies, in their true essence, explore and investigate contemporary real-life phenomenon through detailed contextual analysis of a limited number of events or conditions, and their relationships". (Zainal, 2007, p1)*

As an in-depth study of a case, methods used in a case study approach may be quantitative and/or qualitative. It provides a holistic approach and an in-depth explanation to social and behavioural problems. One of the key strengths of a case study approach is that it provides flexibility to deploy different research methods to undertake an in-depth study of a case. Case studies may be descriptive, explorative and/or explanatory (Yin, 2003). A case study is a single unit of in-depth investigation. Meier and Pugh (1986) defines a single unit as an individual, group, organisation or society. While a case study is a single unit of analysis, it may be designed with single or multiple cases. The issue with a single case is its inability to provide generalisability (Zainal, 2007). Multiple case on the other hand uses a variety of evidence from cases to form 'logical inference'. This research uses a multiple cases approach. 10 cases were selected to be a part of this research. The main reason for using a multiple case approach is to include different companies (varying size, ownership, geographical location) as a part of the

population sample. The multiple case analysis will therefore help to make inferences about CSR in Nepal. The other significant justification for using a case study is that it allows multi-strategy approach. Within a case, a researcher may use a variety of methods to gain in-depth knowledge -it is flexible. Moreover, the case study analysis would offer 'triangulation 'to findings from Stage 1 supporting the validity of the findings.

Different Research methods were considered to understand the Nepali version of CSR and the factors that drive CSR in Nepal. To select an appropriate research method requires a comparison of CSR and its construct in different companies. Interviews were conducted from the representatives of the case study companies, where applicable employees directly involved in CSR function were chosen for the interview. In companies that did not have a separate CSR function, senior management staff were interviewed. The business directory defines senior management as 'a group of high level executives that actively participate in the daily supervision, planning and administrative processes required by business to meet its objectives ' (2018). Senior management are often the ones that drive CSR in developing companies, hence as a primary research method, interviews with senior management were conducted in the chosen case studies. As discussed above, a case study approach allows for a multi-strategy approach; documentary analysis of these cases was also carried out, which offered triangulation with the results from the interviews

#### **4.9.1.2 Case Study Selection**

There are different criteria a researcher may use to select sample companies. The purpose of a sample selection is '*to enhance the generalisability of findings*' (Curtis et al., 2000, p.1003). Firstly, companies that were a part of the Stage 1 analysis were invited to be a part of the research. The response rate was poor. In the end, personal connections and the network of the

researcher led to the selection of case studies. There are different criteria for sample selection; for example, Gray et al. (1995), in their paper on UK CSR reporting, use four criteria for sample selection. The criteria are: the selection of largest companies, selection of large, medium and unlisted companies, companies from the Times 100 and selection of best practice. In this research, the selection of cases for this PhD research mostly focussed on the second criterion, i.e. the selection of large, medium and unlisted companies. 10 cases were selected and these included large, medium and unlisted companies operating in Nepal and a total of 20 interviews were carried out.

The main criteria for sample selection was to choose sample companies of varying sizes like Gray et al (1995). The other criteria for sample selection was to have geographical variability in sample. While these criteria were in place, the sample selection was influenced by other factors. For example, the main issue was that case study employed face-to-face interviews with senior management. The willingness of companies to be a part of this PhD research influenced the sample selection. In developing countries like Nepal, personal relationships and recommendations are mandatory which meant that as a researcher the final sample selection was a result of snowball sampling. Snowball sampling is non-probability sampling where respondents identify subsequent respondents to be a part of the research (Malhotra, 2010). The sample selection process is therefore influenced by referrals. The cases selected for the research represented companies that varied in size. There were listed companies, unlisted companies and SME in the sample.

The other important factor in any research design is the sample size. There are debates on what is an appropriate sample size for research. The nature of the research determines what the right number of sample size is for that research. In quantitative research, surveys are often used as a research technique. To make any inferences in quantitative research, researchers potentially

need a statistically significant result. Hence, researchers often require a large population sample to have a statistically significant result. In qualitative research, a large sample size is not necessarily important because researchers are looking to gain insights, i.e. explore deeper meanings. The larger the sample size, the more difficult it becomes to gain such insights. As a result, qualitative researchers require a manageable sample size (Silverman, 2016).

As for this research, 10 companies were selected to act as case studies. These 10 companies were studied in depth to understand their CSR outlook. Their secondary data on CSR, such as their websites, press-releases and annual reports, were also studied. In addition to that, primary data was collected in terms of semi-structured interviews with the senior management in these case studies. A total of 20 interviews were carried out from the 10 case study companies.

#### **4.9.1.3 Interview as a Primary Case Study Research Method**

Interview as a research method is one of the most popular methods employed to collect qualitative data. An interview is a conversation with a purpose. Interviews can be structured, unstructured or semi-structured (Bryman, 2001). Structured interviews are quantitative in nature (see Edwards and Holland, 2013) because close ended questions are asked. They are mostly used in surveys. Unstructured interviews do not follow any guide and are completely open ended. They offer an in-depth conversation but as they are without any structure, the interview may deviate from its core purpose. Semi-structured Interviews offer the flexibility of open ended questions but still have list of questions that the researcher may use as a guide with the interviewees.

This second stage of this research used semi-structured interviews as a research method. Any research method should suit the nature of the research project. As this research aimed to understand the CSR construct, a structured interview with close ended answers would not be

appropriate. The aim was to have an in-depth understanding on the interviewees' perception of CSR. Unstructured interviews offer flexibility for an in-depth understanding on the interviewee's perception of CSR (Silverman, 2016); however, without any structure and pre-planned questions, the interviewees may deviate from the topic; hence unstructured interviews were also not suitable for this research. Semi-structured interviews have some pre-planned questions but allow questions that might appear spontaneously during a conversation. Due to feasibility and the need to answer the research questions, semi-structured interviews were chosen for the research.

There are different types of semi-structured interviews, such as face-to-face interviews, telephone interviews, panel interviews and email interviews. For this research, face-to-face interviews were pursued. Face-to-face interviews are time consuming and costly because of the need to have both the researcher and the interviewee in the same place (Malhotra, 2010). However, they help researcher understand the language and gestures used by participants, which are essential in giving insight into their perceptions and values (Newton, 2010). Social cues such as body gestures, voice and body language give more information than a verbal answer alone.

Interviews are most appropriate:

- (i) when the researcher understands the interviewee's world;
- (ii) It is necessary to understand the perception of interviewees to have knowledge of their opinion on a particular matter.

Stage 2 explored how CSR was perceived and what drove companies to pursue CSR. The nature of the research was that it explored the reality of CSR in Nepal through inferences drawn from interviews. The philosophical assumption of this research was subjective and thus



allowed interviews to gather perception on CSR. As interviews are interpretive, it is the perceptions of the interviewees that were analysed in the research. Interviews were mainly conducted with senior management, as senior management are high level managers that have the power to introduce and drive CSR.

One of the main concerns with face-to-face interviews is that interview bias is maximised (Neuman, 2010). As the researcher is interviewing participants, there is a risk that the researcher may influence the participant's response. The interview tends to study social phenomena but there are limitations to interviews. For example, Taylor and Bogdan (1984) argue that

*'...as a form of conversation, interviews are subject to the same fabrication, deception, exaggeration and distortions that characterise talk between any persons'* (p.81).

Interviews may not be entirely truthful, and interviewees may often exaggerate claims on the subject they perceive the researcher is particularly interested. This could lead to self-serving responses. The limitation of this research is that it may contain self-serving responses but, as a researcher, to minimise self-serving responses, document analysis was also carried out as a secondary research method. Websites, annual reports and press releases of all 10 cases were studied to triangulate the findings from the interviews.

#### **4.9.1.4 Document Analysis as Secondary Research Method**

The case study approach is flexible. Several research methods may be used within a case study. For a more in-depth study, document analysis as a secondary research method was carried out alongside interviews with senior management. Document analysis was the first stage of the case study research. It allowed the researcher to gain a general understanding of the case study before undertaking interviews. Document analysis is a form of qualitative research method

where documents are interpreted by researchers to form meaning around a research topic (Bowen, 2009). Document analysis was carried out in all cases where possible. Annual reports, websites and press releases (if any) were studied for each case where they were publicly accessible. Document analysis was carried out before and after conducting interviews. The analysis helped to better understand each case before the field study. It also helped formulate the interview questions. Moreover, document analysis aided in the triangulation of findings from the interviews. It could be argued that using two different methods helped increase the credibility of the findings, as well as reducing potential researcher bias (Bowen, 2009). Document analysis was used as a secondary method to supplement interviews, which were the primary research method.

#### **4.9.1.5 Interviewee Selection and Interview Procedure**

Once the case studies were selected, it was decided that the research participants should be senior management and/or personnel directly involved in dealing with CSR issues. As the case studies were approached through personal recommendation, the response rate was just over 76%.

Each of the 10 cases were provided with a formal letter with the research aim. The letter was handed in person and/or through email when possible. The letter outlined the aim of the research, the background of the researcher and it also ensured confidentiality to the interviewees. The purpose of the formal letter was to give information to the cases on the nature of this research. Once the researcher was given access to the interviews, the need to have interviews with more than one individual within a case study was voiced. The reason for having more than one interviewee from each case study was to triangulate the findings from the interviews. Of the case studies pursued, 9 had more than one interviewee. One case study had only one interviewee - the main reason for one participant in that case study company was

that it was an SME with a total of 7 employees and there were issues with providing time off for an additional interviewee to participate in the research.

The interviews were carried out in two main stages. The initial plan to carry out the field study in June 2015 was postponed due to the Nepal Earthquake. A trip to Nepal was only conducted in October 2015. The ongoing political unrest during that trip resulted in only 7 face-to-face interviews. The subsequent trip was made in August 2016 where 11 interviews were conducted face to face. The lack of availability of 2 interviewees during that period resulted in 2 telephone interviews. A total of 20 interviews were conducted for this research. Of the 18 face-to-face interviews, 17 of them were carried out in their corporate headquarters. One face-to-face interview was conducted in the interviewee's residence. The two telephone interviews were conducted from the UK. The interviews ranged from 25 mins-65 minutes in length. Field notes were taken during the interviews. Interviewees were also asked for permission to record the interviews.

The sample selection was mainly driven through personal connection and recommendations - often senior management such as CEO or board members involved in deciding and directing CSR process were referred. 50% of the interviewees were either CEOs, Chairmen and/or board directors. The other 50% were managers directly involved in the CSR function. Pseudonyms were provided for the case studies and interviewees. These are discussed in detail in Chapter 6.

## **4.9.2 Language in Interviews**

The interviews were conducted with individuals from companies operating in Nepal. It was important to decide the language for the interviews. The official language of Nepal is Nepali, and it was perceived that interviewees would be most comfortable in expressing themselves in

Nepali. Hence, interviews were conducted in Nepali. The researcher conducted all interviews herself. One of the benefits was that the first language of the researcher is Nepali, and it made it easier to connect with the interviewees. Furthermore, the awareness of culture helped in understanding social and cultural cues (Qu and Dumay, 2011).

Once the interviews were conducted, they were translated before analysis. It is argued that translation increases concern of the validity of research because translation depends on the linguistic competence of the researcher (Birbili, 2000). As the researcher herself was born and raised in Nepal with Nepali as her first language, it made sense to conduct interviews in Nepali and translate the interviews to English. The awareness of the cultural aspects were very important because cultural aspects are critical in achieving equivalence of meaning, as literal equivalence does not always express clearly the essential meaning of the source language (Nurjannah et al., 2014). The limitation with the translation was that not all Nepali words could be translated to English; in such cases they were not translated. However, Malhotra (2010) argues that no research is completely perfect, and reflexivity is more important as a researcher.

### **4.9.3 Interview Analysis**

This research aims to understand the CSR construct in companies operating in Nepal and explore pressures that may drive CSR policies in companies operating in Nepal. The question guide (see appendix) therefore included questions that were open-ended in nature. While as a researcher, there was a list of questions that was prepared as a guide, often the list of questions was not extensively followed. The question guide was written in English with the list of questions that the researcher intended to ask the interviewees but the interviews were conducted in Nepali. The question guide which is presented in the appendix was merely a guide to the researcher but it was not necessary always followed. The responses of interviewees introduced interesting topics and questions were formulated by the researcher

within the interview session to address those issues. The interview guide provided a general list of questions but questions actually asked and answered were influenced by the background study on case study company and the responses of the interviewees.

Interviewees were requested with the permission to record the interview. The purpose of this was mainly to reflect on the interviews in the best possible manner. Apart from recording interviews, field notes were taken both during and after the interviews. The notes included observation of the interviewees and their responses and reflections on the interview process.

The interview is a purely qualitative method. The analysis of interviews began with translating and transcribing the interviews. At the beginning, the interviews were firstly transcribed and then translated by the researcher. However, this was too time-consuming, so the interviews were listened to, and they were translated and transcribed at the same time. Once the interviews were translated and transcribed, the analysis was carried out.

The interviews were analysed manually. There were two key reasons for analysing the interviews manually. Firstly, they were conducted in Nepali. The interviews were translated to English before analysis but there were words/phrases that did not have a literal translation to English. The use of software would not accommodate such issues. Secondly, the dataset was fairly small. There was a total of 10 interviews ranging from 25-65 minutes. This meant that manual analysis would be both feasible and suitable.

The data was analysed to identify key themes and codes. The general themes from the interviews were triangulated with document analysis. Interviews were translated and transcribed word for word where possible. The issue with translation was there were words which did not have a literal translation to English. The other problem was that the word for word translation sometimes led to distortion of meaning. For example, it would lead to a meaning completely different than what the interviewee expressed. As a researcher when such

a situation was encountered, word for word translation was not followed. The advantage of the researcher speaking the interview language fluently meant such issues were identified.

Key themes emerged when analysing the narratives of the interviewees. These narratives will be used in Chapter 7 to show the themes and codes that emerged from the interview. Where appropriate, direct quotes from the interviewees are presented when presenting and discussing these codes. It is not possible to display all the narratives; hence the narratives presented in Chapter 7 are “cherry picked” to ensure they voice the themes emerging from the research.

#### **4.9.4 Practical Barriers**

The field study to Nepal encountered practical barriers. The barriers were mostly environmental and political. During the course of the study, Nepal underwent key changes which affected the research process. Firstly, the field study was postponed because Nepal experienced a massive earthquake killing more than 9000 people in April 2015. The initial plan was to carry out the field study in June 2015 but that was postponed to October 2015. At the time of the field study in October 2015, Nepal was still in the reconstruction phase from the earthquake. During the field study, Nepal was experiencing Madhes Andolan (discussed in Chapter 3). Madhes Andolan was a protest against Nepali government on the newly unveiled constitution. Protestors stopped supplies entering Nepal through the Birgunj-India border. 58% of all imports in Nepal are from India (Trading Economics, 2018) hence the economic blockade resulted in a humanitarian crisis.

As a researcher conducting her field-study during the economic blockade, I witnessed the struggles fellow Nepalis experienced in conducting their everyday life during the blockade. Petrol, gas and even food were in short supply resulting in the hiking of prices. Factories were closed, and public transport was scarce. These practical barriers resulted in only 7 face-to-face

interviews. A second visit was made in August 2016 where a further 11 face-to-face interviews were conducted. These practical barriers were unforeseen but influenced the research process.

## **4.10 Dealing with Ethical Issues and Limitations**

There are two key stages in this research: Stage 1 and Stage 2. Stage 1 of this research investigated secondary sources of information. It particularly analysed annual reports of listed companies that were freely available. Annual reports of listed companies are publicly available; yet, to protect confidentiality of companies, this research anonymises the sample companies by not revealing their names. The stage 1 empirical analysis analysed annual reports from 100 companies listed on the NEPSE. A pilot study was not conducted mainly because the interviews had been scheduled for April 2015 and at the time it was perceived that conducting the pilot study would not be feasible. However, the second stage interviews were postponed due to the Nepal Earthquake, 2015. In hindsight, a pilot study would have helped with the research process. For example, in Stage 1, it was identified that GRI 3.1 was too comprehensive to capture CSR reporting in companies operating in Nepal after the analysis was carried out for 100 companies. Had a pilot study been conducted, it would have been identified before the analysis of the 100 listed companies was carried out.

There were ethical issues in Stage 2 of this research. Stage 2 used case study approach. Within case studies, interviews were conducted with senior management. Interviews are personal in nature therefore the key issue is a possible invasion of privacy (Neuman, 2010). As a conversational method, interviewees may disclose information that may be sensitive in nature, therefore written assurance of confidentiality was provided to all interviewees. An informed consent form was also provided to interviewees at the beginning of the interview (emailed

when interviews were conducted through telephone). Before each interview, interviewees were told the nature of research and the protection of their identity was reiterated. Interviewees were reassured that they could leave the interview process and they could choose to not answer any questions. Prior to each interview, they were asked for permission to record their interview. No private and sensitive information was disclosed in this research.

As a semi-structured interview (see Appendix for question guide), a set of questions were roughly followed. However, these questions were flexible and were dependent mostly on the answers of the interviewees.

## **4.11 Summary and Conclusion**

This chapter presented the methodological choice of this research. It presented the philosophical assumption of the research. In doing so it discussed the ontology and epistemology of this PhD. Grounded Theory, as such middle-level thinking, was introduced as the methodology of this research. In addition, the importance of reflexivity in the research process was also discussed.

Following a discussion on grounded theory, this Chapter divided the research process in two key stages: Stage 1 and Stage 2. Stage 1 was discussed as empirical data analysis. Stage 1 directly answered the first research question and the findings of Stage 1 helped in the formulation of the second and third research question. Stage 2 discussed the use of the case study approach in qualitative research. Research methods used in this stage were then presented. A discussion on interviews and document analysis as research methods was provided. Finally, issues in conducting Stage 2 research were provided.

Table 5.1 depicts the two key stages and research methods employed in this research.



<b>GROUNDING THEORY METHODOLOGY</b>		
	<b>STAGE 1</b>	<b>STAGE 2</b>
<b>Research Direction</b>	Deductive  Formulate initial concept	Inductive  Understand CSR construct
<b>Aim</b>	Find the extent and nature of CSR reporting  Answer RQ1  Formulate Research Questions 2 and 3	Answer Research Questions 2 and 3
<b>Method</b>	Content Analysis  Thematic Analysis	Primary Data: Interviews  Secondary Data: Document Analysis
<b>Materials</b>	Secondary Data: Annual Reports	Primary Data: Interviews  Secondary Data: Annual Reports, website, press-release

Table 4.1: Key Stages and Methods

Chapter 5 will present findings from Stage 1 of the analysis. As empirical analysis to formulate the initial concept, in Stage 1 a deductive approach was undertaken to answer the first research question - 'what is the nature and extent of CSR reporting in Nepal?'

Following a discussion on the empirical analysis, Chapter 6 discusses the findings from Stage 2 of the research. It is an inductive chapter that introduces each case individually in depth. The profile of participants is provided and the key themes emerging from interviews and document analysis will be presented. Then, the discussion on the findings presented on Chapter 6 and Chapter 7 is presented in Chapter 8.

# Chapter 5

## Evidence from Annual Reports

### 5.1 Introduction

Chapter 5 discussed the methodology and methods obtained to answer the three research questions of this study. This chapter discusses the findings of Stage 1 of this research using empirical data. Specifically, this chapter answers the first research question of this research: 'What is the extent and nature of CSR reporting in Nepal?'.

The chapter firstly discusses why companies report on CSR. Secondly, it introduces GRI 3.1 as a reporting framework and thirdly, it presents the findings from the analysis of annual reports. Then, the chapter explores the limitations of the findings when benchmarked against the GRI 3.1 framework. It further discusses the thematic analysis of the annual reports and identifies the key CSR themes that companies operating in Nepal report on.

### 5.2 What is CSR Reporting?

CSR reporting is a form of 'social accounting' (Momin, 2006). Reporting on non-financial issues has been referred to as 'corporate social reporting' (Gray et al., 1987) and/or 'sustainability accounting' (Bebbington et. al., 2014). To an extent, these terminologies are

interchangeable and particularly deal with accounts concerning an organisation's interaction with society and the natural environment. Gray et al. (1987) define CSR reporting as:

*'.. the process of communicating the social and environmental effects of organisations' economic actions to particular interest groups within society and to society at large. As such it involves extending the accountability of organisations beyond the traditional role of providing financial account to the owners of capital. In particular shareholders. Such an extension is predicated upon the assumption that companies do have a wider responsibility than simply to make money for their shareholders.'* (p. ix)

As depicted by the definition, CSR reporting is the discharge of accountability beyond financial responsibility by addressing sustainability issues as a responsible citizen. Thus, it is important to understand some of the relevant terminologies such as sustainability, responsibility and accountability as they shape CSR reporting practices.

The world we live in today faces dire challenges. Human activity is associated as a major factor for global warming which is causing wide scale damage (Watts, 2019) . There is little argument that our objective to maximize short-term economic growth has led to an environment that is socially and economically unsustainable. With the earth's environmental resources depleting, one of the major challenges of the world today is to operate in an environmental and economically sustainable manner. The challenges of unsustainable development are real with issues such as climate change, draught, air pollution, water pollution and natural disaster.

Our activities have a direct impact on the environment and our ecological footprint is growing. Our economic activities therefore need to be socially and environmentally sustainable. Short-term fast economic growth is not sustainable for MNCs that run for generations. There is immediate action that is required for sustainable development (Wackernagel and Rees, 1998).

The UN world commission describes sustainable development as the *'development that meets the needs of present without compromising the ability of future generations to meet their needs'* (World Commission on Environment and Development, 1987). With decreasing resources, it is therefore essential for organisations to understand and respond to these challenges in a sustainable manner. It is often argued that MNCs, as one of the major players, have responsibility to address sustainable development. Accounting for sustainability or CSR reporting is one of the ways, *'in which we might seek to address, redress and re-orient our relationship with some of the less positive consequences of human existence'* (Gray et al, 1996, p.9). CSR reporting arises because companies perceive that they are accountable to wider stakeholders. Companies have moral responsibility towards the society they operate in and reporting on CSR is an attempt to discharge their accountability. There are several rationales for companies to report on CSR issues.

## **5.3 Rationale for CSR Reporting**

### **5.3.1 The Accountability Perspective**

Companies operate within the realm of society. As societal actors, they have responsibilities and they should be held to account for those responsibilities, just like humans. To understand what accountability is, one needs to first understand what responsibility is.

Gray et al (1996) define responsibility as a function of relationship between people, organisations, groups, societies, and so on. Responsibility arises through a myriad of inter connectedness between various actors. At the basic form, organisations' responsibilities may be economic, legal, ethical and/or philanthropic (Caroll, 1991). Accountability is where one

accounts for the responsibility one has (Gray et al.,2014). Responsibility and accountability are interconnected but are not interchangeable. Every relation (husband and wife, father and son, organisation and society, organisation and government) has a moral dimension determined by the nature of the relationship, and that nature of relationship requires one to account for actions. Companies as a societal actor have a 'social contract 'with the society. Formal accountability arises when their 'social contract 'is formal. For example, directors are required to publish annual reports as an accountability notion to showcase that they have fulfilled their responsibility to their shareholders. Some relationships are governed by law, such as directors and shareholders, whereas many relationships are governed by ethics and values (Dillard, 2014). Hence, 'social contract 'may be both legal and non-legal.

In recent years, there is an increasing demand for organisations to be transparent on how they treat the environment, employees and society (Porter and Kramer, 2006). CSR reporting acts as a means to justify their responsibility and acknowledge success and failure in assuming their responsibility. In many jurisdictions, CSR reporting is not enshrined in law. Hence, the disclosure of social and environment issues is fulfilment of companies 'social contract with the society they operate in. Companies are not separate from society and have a 'social-contract ' to abide by. Hence, they need to legitimise their actions within the bounds of social norms (Donaldson and Preston, 1995; O'Donovan, 2002).

### **5.3.2 Economic Perspective**

Scholars that subscribe to the economic perspective agree with Friedman's (1970) argument that, *'there is one and only one social responsibility of business – to use its resources and engage in activities designed to increase its profits so long as it stays within the rules of the*

*game, which is to say, engages in open and free competition without deception or fraud* ' (p.133) It is argued that there is a 'business case 'associated with reporting on social and environmental issues (Carroll and Shabana, 2010). The business case could either be a defensive mechanism (as risk management, reputation and legitimacy) or a proactive mechanism (competitive strategy). The central idea of an economic perspective is that companies should report on CSR because there are costs associated with non-reporting. CSR reporting is a way to minimize 'negative externalities '(Crouch, 2006).

## **5.4 CSR Reporting in Developing Countries**

CSR reporting is a global phenomenon. According to a KPMG report (2018), 92% of G250 companies report on CSR. More companies in the world today than ever report on CSR activities, yet the presence of CSR reporting in the CSR reporting literature is dominated by developed western nations. For example, Guthrie and Matthews (1989) studied the CSR reporting practices of BHP, an Australian MNC over a 100-year period (1885-1995). Similarly, Deegan and Gordon (1996) studied the environmental reporting practices of 197 companies from 50 different industries in Australia. The studies of Gray et al. (1995, 2001) focused on CSR reporting practices in the UK and O'Dwyer (2001, 2002) studied CSR reporting practices in Ireland. Historically, CSR reporting formed a brief part of annual reports. Gray et al (1995) quantified the CSR disclosure of sample UK companies and found that half a page was dedicated to community related activities. Non-financial reports today are produced as stand-alone CSR reports (Rihaldi and Unerman, 2009). Li and Belal (2018) used a case study approach to understand CSR reporting in authoritarian China.

With globalisation and the increase in social media, companies around the world both in developing and developed nations are reporting more on CSR. As companies are growing, so has the interest in their social and environmental impacts to our society. Scandals, such as Nike's sweatshops, has lead MNCs to manage and report the CSR of their upper supply chain.

Developing countries are where there are challenges, such as poverty and hunger, which pose serious threats to human life. CSR and consequentially CSR reporting has been a global agenda yet there are limited studies on CSR reporting in developing countries (e.g. Teoh and Thong, 1984; Andrew et al 1989; Tsang 1997,;Williams 1999; Chapple and Moon, 2005; Belal and Cooper, 2011; Momin and Parker, 2013; Dhungel 2013; Bidari 2016; Li and Belal, 2018).

Past research on CSR reporting in developing countries shows that social issues such as human resources issues are the most popular CSR disclosure category. This is evidenced by Teoh and Thong (1984); they studied the corporate social reporting of 100 companies in Malaysia and concluded that human resource issues were the most reported with 45.6% of sample companies reporting it in comparison to 17.5% reporting on the physical environment. Their results should be interpreted with caution because they were based on a questionnaire to senior management, so it could be argued that the findings represent the perceptions of senior management on their CSR reporting, not necessarily the actual CSR reports. Similarly, Tsang (1997) studied the CSR reporting of food and beverages companies in Singapore during the period of 1986-1995 and concluded that human resources issues ranked top followed by community related issues. He concludes that disclosure was mostly descriptive and mostly included information on sponsorship and donations. Belal (1999) studied the annual reports of 3 randomly selected companies (mostly listed on Dhaka Stock Exchange) and concluded that employee disclosure was most widely reported with on average of 11 lines devoted to it, while only 2 lines were dedicated to environmental issues. He further states that the disclosure was highly descriptive.



His findings are based on both private and public companies and the results do not comment on if there are/are not differences in disclosure between listed and private companies. Hence, social issues such as human resources appear to be the most reported CSR category.

As discussed above, social issues dominate CSR reporting in developing countries. One of the central questions since the beginning has been - what influences companies in these developing countries to report on CSR? Various factors have been associated with driving CSR reporting. For example, Singh and Ahuja (1983) analysed the content of 40 annual reports of publicly listed companies in India. They used descriptive statistics and concluded that while firm size and age were not associated with CSR reporting, the nature of the industry the firm operates in is highly related to CSR reporting. The results on the determinants of CSR reporting in emerging economies are not conclusive: Gao et al's (2005) study on CSR reporting by companies in Hong Kong found that there exists a relationship between company size measured by sales and CSR. There are no conclusive determinants for CSR reporting. Williams (1999) studied the CSR reporting practices of 7 different<sup>24</sup> Asia Pacific countries. Unlike studying what motivates the companies to report on CSR, he studied the extent to which culture specific variables influence CSR reporting. He found that culture specific variables such as uncertainty avoidance, masculinity, political and civil systems influence corporate social reporting. There is a growing argument suggesting that culture-cognitive notions act as a determinant in shaping CSR reporting. Like Williams (1999), Belal and Cooper (2011) on studying CSR reporting in Bangladesh concluded that companies in Bangladesh do not report on CSR to conform to social norms. They argue that the lack of reporting in Bangladeshi companies is not down to their size, profitability, or nature of industry they operate in, but the complex cultural, business and regulatory environment that discourages self-praise.

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<sup>24</sup> Seven Asia Pacific countries studied by Williams (1999) are Hong Kong, Singapore, Australia, the Philippines, Thailand, Indonesia and Malaysia

Furthermore, on studying CSR reporting in authoritarian China, Li and Belal (2018) argue that because of the uniqueness of mainland China, '*...CSR reporting developed in the Western context should not be extrapolated to China*'. (p.199). If CSR in developing countries such as China is unique and different, one of the central questions would be what drives companies in these countries to report on CSR. Li and Belal (2018) argue that there are multi-level drivers that influence CSR reporting. Global institutional factors such as a need for companies to transcend borders create mimetic pressures to uptake CSR reporting. They further argue that national institutional pressures arising from the government and organisational internal factors such as organisational culture drive CSR. Drivers to CSR reporting arise from the macro, meso and micro environment.

The context of Nepal is unique. Nepal is a post-conflict, post-disaster economy which is undergoing rehabilitation. Does CSR exist in Nepal and if it does, what are the factors that drive CSR reporting within the companies operating there?

The study of CSR reporting is a growing concept in Nepal. Upadhyay-Dhungel and Dhungel (2013) studied CSR reporting in the banking sector. Their sample consisted of 10 randomly selected commercial banks and 4 development banks, representing both public and private banks. They studied the websites of the sample companies and produced a report sheet to showcase CSR activities reported. They concluded that 71% (i.e. 10) of the sample companies reported on performed at least one CSR activity. One of their key findings was that ownership structure played a role in CSR disclosure. Public banks reported on CSR issues the least (33%), while privately owned banks reported on CSR issues the most (85%). Upadhyay-Dhungel and Dhungel (2013) do not discuss why public companies lag behind in CSR disclosure but they argue that public companies equally pursue CSR.

*The analysis also shows that most of the banks especially public-sector banks do not mention CSR explicitly on their websites.....However, at no account, it means the lack of banks ' participation in CSR activities. In fact the problem lies with inadequate norms regarding CSR reporting system. '(Upadhyay-Dhungel and Dhungel, 2013, p75)*

The lack of CSR reporting in Nepali banks was argued to be as a result of the lack of norms and guidance on how to report on CSR. Without any norms on CSR reporting, CSR disclosure may vary between companies questioning any comparison on CSR based on merely CSR disclosure. The CSR activities reported were descriptive and philanthropic in nature with sponsorship for education as the most reported CSR issue (64.29%).

While Upadhyay-Dhungel and Dhungel (2013) provide an insight into the nature of CSR reporting in banking, their sample size is small. Since their study, two of three public banks<sup>25</sup> have a dedicated section on CSR on their website. Their findings on how public companies lag behind in CSR disclosure does not necessarily hold true today. There needs to be an updated study to identify if/why ownership structure influences CSR reporting. One of the limitations of their studies was that their results were industry specific and cannot provide an insight into CSR reporting across industries in Nepal. Furthermore, they do not take into account the context variables (such as culture and norms) to understand their findings.

Despite studies that suggest culture plays a key role in CSR reporting, the term 'developing countries 'is used to group together countries with varying political/civil systems and culture. One could conclude that CSR reporting is an emerging concept in developing countries. However, the main concern is how to interpret CSR reporting in Nepal and other developing

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<sup>25</sup> There are three public banks (partly or wholly owned by government) operating in Nepal. They are Agriculture Development Bank (ADB), Rastriya Banijya Bank and Nepal Bank Ltd. Since, 2017 Rastriya Banijya Bank and Nepal Bank Ltd have a section on CSR in their corporate website.

countries. Momin and Parker (2013) studied the CSR reporting of MNCs and their subsidiaries in Bangladesh and argued that the subsidiaries adopt parent companies' CSR policies to maintain legitimacy. MNCs' subsidiaries in developing countries are often the frontrunners in reporting CSR as a means to legitimise their actions (Momin and Parker, 2011; O'Dwyer, 2002) but Belal and Cooper (2011), on studying CSR reporting in Bangladesh, argue that companies in developing countries fear the complex cultural, business and regulatory environment and that discourages self-praise. They argue that CSR reporting is in essence a self-praise mechanism. Based on the findings of Belal and Cooper (2011), there are concerns on the completeness of the CSR reports of developing countries. Therefore, studying CSR reporting alone may not give a true picture. Eljido-Ten (2011) suggests that a study into the environmental and social reports of developing countries *'provide a richer setting than those in developed economies where environmental awareness and government regulations are prevalent'* (p.140). He argues that there is little stakeholder activism in emerging countries making CSR reporting less of a method for 'greenwashing'. Greenwashing is the practice of only selective disclosure on a company's engagement with environmental, social and economic issues in order to create a positive corporate image (Bowen and Aragon-Correa, 2014). Eljido-Ten (2011) further argues that when there is little expectation from stakeholders to report on CSR, this in effect might help reduce companies' over claiming their social and environmental endeavours.

To make sense of CSR in companies operating in Nepal, it was important to understand if and how CSR issues were reported in companies operating in Nepal. The first stage of this research analysed the annual reports of 100 listed companies for non-financial reporting. The GRI 3.1 framework was used to benchmark non-financial reporting. Section 5.6 discusses the findings from the analysis of the annual reports. The GRI framework has been previously used to

benchmark CSR disclosure (Enhert et al, 2015, Parsa et al., 2018). For example, Parsa et al. (2018) critically evaluated the adherence to the GRI's human rights and labour disclosure to examine the accountability transnational companies have towards society. It is argued that the choice of GRI guidelines as a benchmark is used because it is the most comprehensive set of reporting guidelines available to companies (Parsa et al., 2018). The choice to use GRI 3.1 as a benchmark was very much influenced by the fact that it is one of the most comprehensive frameworks with detailed guidelines that allow companies to report on different CSR issues termed as 'performance indicators'. Following a rationale by Parsa et al. (2018), the choice of the GRI 3.1 framework allows a researcher to *'cross-reference and to index ... the existence of specific guidelines for compliance on each category, reduc[ing] the need of a coding frame-which would inevitably be subject to normative judgement or interpretation'* (p51).

## **5.5 GRI 3.1 as a framework**

The GRI 3.1 framework<sup>26</sup> provides six performance indicators on which any organisation can report their CSR activities. The six performance indicators are:

- I) Economic Indicators
- II) Labour Indicators
- III) Environment indicators
- IV) Human Rights Indicators
- V) Society Indicators

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<sup>26</sup> <https://www.globalreporting.org/resourcelibrary/G3.1-Guidelines-Incl-Technical-Protocol.pdf>

## VI) Product Responsibility Indicators.

As discussed above, there are six GRI indicators. Each indicator has its own sub-indicators. Sub-indicators were recorded dichotomously. If a company reported on a sub-indicator, it was assigned a score of one and if a company did not report on a sub-indicator, it was assigned a score of zero. In cases where CSR disclosure was irrelevant (for example if the disclosure was not within the sub-indicator category), no score was allocated, and such information was excluded from the overall weighting.

The overall weighting is referred to as the CSR index. A CSR index was calculated for each GRI indicator to find out which GRI indicator was most represented.

$$\text{CSR Index} = \sum \frac{\text{ScoreObtained}}{\text{MaxScorePossible}}$$

*where CSR index is CSR disclosure percentage; max score possible is the maximum possible number of score that can be obtained for a GRI indicator, score obtained is the number of score obtained for that indicator.*

Each indicator was then ranked based on its disclosure percentage. A high CSR index implies that the indicator is most communicated by sample companies.

## 5.6 Results from GRI Analysis

### 5.6.1 Descriptive Analysis: By Sector

Of 100 companies analysed for CSR reporting, 40% of sample companies were development banks, 24% were commercial banks, 19% were finance banks, 10% were insurance companies, 4% were hydropower companies and 3 % were categorised into 'others' category. The

companies in the 'others 'category represented companies from the manufacturing and telecommunication industries (see table below).

5% of the sample companies were either foreign owned or a subsidiary of a foreign company.

<b>Sectors</b>	<b>Percentage (%)</b>
Development Banks	40%
Commercial Banks	24%
Finance Companies	19%
Insurance Companies	10%
Hydropower	4%
Others	3%

Table 5.1: Percentage of Sample Companies by Sector

Of the 100 companies analysed, 33 of them did not report on any non-financial issues. CSR reporting in accordance with GRI guidelines was generally poor (discussed in section 5.6.2). Yet, 67% of the sample companies had some form of CSR disclosure in their annual report. 100% of companies within hydropower had some form of CSR reporting (see table below). It should be noted that the sample comprised 4 companies within hydropower sector. Just over 87% of commercial banks reported on CSR and commercial banks as an industry were the frontrunner in reporting CSR. Almost two-thirds of development banks and insurance companies reported on CSR. Overall, a fair share of sample companies reported on CSR issues.

<b>Sectors</b>	<b>Percentage</b>
Development Banks	65%
Commercial Banks	87.5%
Finance Companies	52.7%
Insurance Companies	60%
Hydropower	100%
Others	33.3%

Table 5.2: Percentage that Reported on CSR

## 5.6.2 GRI Disclosure by Categories

The CSR index was calculated for each GRI indicator. Table 5.3 presents the CSR index for each GRI indicator. The Economic Indicator obtained the highest CSR index with the score of 12.56%, followed by Labour Indicators with a CSR index score of 5.2%. Human Rights indicators were reported the least with the CSR index score of 0%.

<b>GRI Categories</b>	<b>Score</b>	<b>Max Score</b>	<b>CSR Index**</b>
Economic Indicators	113	900	<b>12.56%</b>
Environment Indicators	17	3000	<b>0.56%</b>
Labour Indicators	79	1500	<b>5.2%</b>
Human Rights Indicators	0	1100	<b>0%</b>
Society Indicators	1	1000	<b>0.1%</b>
Product Responsibility	4	900	<b>0.44%</b>

Table 5.3: CSR Index



$$** \text{ CSR index} = \sum \frac{\text{ScoreObtained}}{\text{MaxScorePossible}}$$

### **5.6.2.1 Economic Indicators**

As per the GRI 3.1, there are nine economic sub-indicators on which the company may report (for detailed explanation of sub-indicators, see Appendix). Annual reports of sample companies were analysed for their disclosure on economic sub-indicators. Economic sub-indicators (EC) scored the highest in the CSR index with the score of 12.56%.

Of the nine economic sub-indicators (EC1-EC9), three were reported by the sample companies. The economic performance indicator EC1 was the highest reported sub-indicator with 100% of sample companies reporting it. EC1 requires companies to report on economic value generated, i.e. revenue and operating costs. Listed Companies on the NEPSE are required by law to report their costs and revenue. The population sample consisted of companies listed on the NEPSE, 100% of whom reported EC1. EC8 was reported by six sample companies and EC9 was reported by four companies. The remaining sub-indicators were not reported on by any companies.

### **5.6.2.2 Environment Indicators**

As per the GRI 3.1 guidelines, there are 30 environmental (EN) indicators. Of the maximum possible score of 3000, environment indicators obtained a total score of 17 resulting in a CSR Index score of 0.56%. While environmental issues are perceived as a major part of CSR disclosure, the CSR index score was particularly low in the sample companies.

Of the 30 indicators, only 5 were represented by the population sample. 1% reported EN2; 1% reported EN5; 6% reported EN6; 7% reported EN7 and 2% reported EN30.

### **5.6.2.3 Labour Indices and Decent Work**

There are 14 different labour (LA) indicators on which companies may report. Of the maximum possible score of 1400, labour indicators scored a total of 79 resulting in an overall CSR index score of 5.2%. The LA indicator was the second most popular indicator based on the CSR index.

Of the fourteen indicators, five indicators were represented by the sample. 8% of the sample reported LA1, 27% reported LA8, 24% reported LA9, 13 % reported LA 11 and 4% reported LA12. LA 8 is the most popular LA indicator, with 24% of sample companies reporting it, and the second most popular sub-indicator amongst all six indicators and their sub indicators. (The most popular sub-indicator is EC1, where 100% of sample companies reported on it. It is a legal requirement for listed companies to report on EC1).

LA8 is reported on a voluntary basis. LA8 requires companies to report on training and education provided to employees.

### **5.6.2.4 Human Rights Indicators**

Human rights issues such as child labour are a challenge faced by all the developing world. The maximum possible score for HR indicators was 1100; the sample companies obtained a score of zero. Hence, the CSR index score for the HR indicator was 0%.

Of the 11 HR indicators, no single HR indicator was reported by any of the sample companies. While it is perceived that HR issues are central to debates in the developing world, a low CSR index score raises questions as to whether human rights issues are of interest to Nepali stakeholders in comparison to other contextual issues.

### **5.6.2.5 Society Indicators**

There are ten society indicators (SO) on which companies may report. The maximum possible score for society indicators was 1000, the sample companies obtained a score of 1 resulting in a CSR index score of 0.1%.

Only 1% of the sample companies reported on one sub-indicator, SO8. SO8 is the compliance indicator and considers if the company reports on any fines for non-compliance. It was evident that as a voluntary mechanism, companies would not publish negative information to their stakeholders. The one company that reported on SO8 was a subsidiary of a foreign owned corporation.

### **5.6.2.6 Product Responsibility**

There are nine product responsibility indicators on which companies may report. Of the maximum possible score of 900 points, sample companies scored four points resulting in a CSR index score of 0.44%.

Of the nine product indicators (PO) in the guidelines, PR3 was reported by 3 % the sample and PR6 was reported by 1% of the population sample.

No other PR sub-indicators were reported. PR3 is product and service labelling indicator and, of the companies that reported PR3, 100% were commercial banks.

## **5.7 Popular CSR themes reported**

Following the benchmarking of CSR reporting against GRI, it was evident that the extent of comprehensive CSR reporting was low. The above finding raises two concerns. Firstly, it

could be argued that the extent of CSR reporting is generally low and/or secondly, the comprehensiveness of the GRI framework does not adequately capture Nepali CSR. The CSR activities reported were recorded separately to identify themes in the CSR reporting of Nepali companies. The themes were then used to analyse the CSR reporting of sample companies. It was identified that there are four key CSR themes. CSR disclosure could be categorised as education related, health related, environment related, and employee related. The fifth category was referred to as an “other” category, where disclosure that did not fit in the four CSR types was included. The CSR reporting was generally descriptive in nature with a couple of sentences to about 2-3 pages dedicated explicitly to CSR reporting. The CSR reporting was recorded dichotomously. If a sample company explicitly reported on these categories, they were given a score of “1” and if they did not they were given a score of “0”.

It was found that 67% of sample companies reported on some form of CSR activities. Of the total CSR activities reported, 41% were education related. 40% of the total CSR reported were related to health related activities. 22% of CSR activities reported were environment related issues, 22% were environment related and 13% were to do with employee related internal CSR. The remaining 13% were other CSR activities classified in ‘other category’.

As depicted in the figure below, health and education related CSR issues were the most reported; these issues are on the national agenda of Nepal. CSR reporting exists in Nepal, but the kinds of CSR activities reported reflect the Nepali institutional environment.

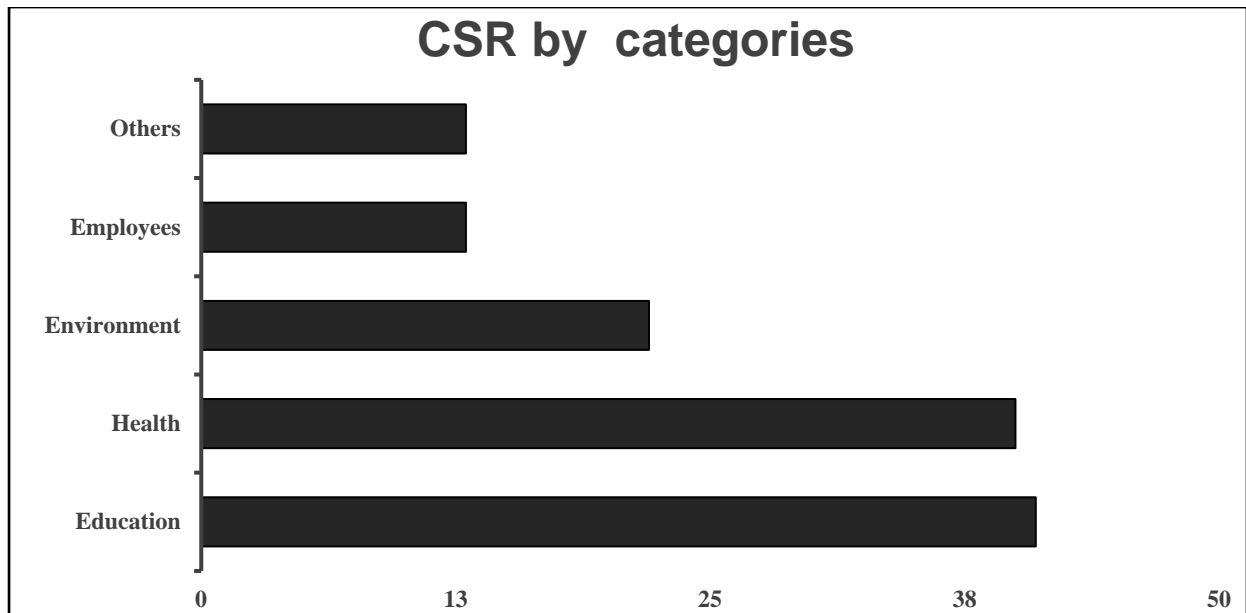


Figure 5.1: Nature of CSR Reporting

### 5.7.1 Education Related CSR Activities

The most reported CSR activities by sample companies were related to education. 41% of total CSR issues reported were education related. The kinds of activities reported on were donations of teaching materials to schools and sponsorship of education to deprived and marginalised communities. For example, NB Bank Ltd, a commercial bank in their annual report for 2012 reports:

*'...bank has provided 192 pieces of books for the library of Bal Uddar Secondary School at the inauguration of Kapan branch.'* (Annual Report 2012, p. 12, NB Bank Ltd)

Education Related CSR activities were mainly philanthropic in nature and companies reported on donations both in kind and cash made for education purposes.

## **5.7.2 Health Related CSR Activities**

Health Related CSR activities were reported by 40% of sample companies. The kinds of activities were donations to build hospitals, organising blood donation campaign and conducting health camps in deprived and marginalised communities. For example, the Bank of Kathmandu, a commercial bank, in their annual report identified health as their core CSR theme. They reported on the philanthropic donations the bank has made to NGOs (within health sector) to conduct free health camps to deprived communities.

*Fund Support to Netra Jyoti Sangh Nepal for conducting health camp; Fund Support to Yuva Apanga Sangathan; Fund Support for Centre for Victims of Torture, Nepal (CVICT) for organising Health Camp; Fund Support to Rotary Club of Dillibazar for walkathon and health camp. (Annual Report, 2012, p44, Bank of Kathmandu).*

Health Related CSR activity is philanthropic in nature and sample companies conducted or engaged with civil society to conduct health camps and/or donate towards existing health issues.

## **5.7.3 Environment Related CSR Activities**

22% of the CSR issues reported were environment related CSR issues. Programmes organised by companies, such as the tree plantation programme, cleaning campaigns within the local community and minimising waste, formed the environment related CSR activities. Reporting on environmental issues ranged from a sentence to a full page in an annual report. Chillime, a hydropower company within the population sample, identified the need for sustainable development and argued for sustainable development as part of their CSR strategy.

Under environmental CSR, they reported:

*'Sustainable development is our core business strategy. So, while operating our business, we have a parallel approach in environmental protection. We have planned to carry out 1500 thousand plantations in the open barren lands of affected areas. We have already provided financial support for 100 thousand plantations through the local forest users group. Considering the long run approach, we are aware of reducing the carbon emissions. (Annual Report, 2012, p40, Chillime Hydropower Ltd)*

#### **5.7.4 Employees 'Related CSR Activities**

The fourth CSR category was related to employees. 22% of CSR issues reported were on employee related CSR activities. While the GRI 3.1 has a labour performance indicator, the sub-indicators were too comprehensive. This meant that even when companies reported on employee related CSR issues, they did not fall under GRI 3.1 Labour performance indicator categorisation.

Companies that reported on this category reported on training and education provided to employees. For example, Machhapuchhre Bank (a commercial bank) writes:

*'Bank has conducted 12 In-House training programs in which 452 employees were trained. In addition, 98 External trainings were imparted to 173 employees at reputed institutes outside the bank. In view of large scale recruitments in 2014/15 also, 'Induction Training Programs ' were conducted for all newly recruits to make them branch ready before joining their duties in the field.'* (Annual Report, 2016, p.20, Machhapuchhre Bank Ltd).

Issues such as pensions, provident funds and provision for annual leave also formed employee related CSR activities.

### **5.7.5 Other CSR Activities**

The fifth CSR category is referred to as “other”. 13% of the total CSR issues reported were categorised as ‘other’ CSR issues. Issues such as sports sponsorship, sponsorship of arts and religious CSR formed other CSR activities. Under religious CSR, companies made philanthropic donations to build and maintain local temples.

## **5.8 Summary and Conclusion**

CSR Reporting in companies operating in Nepal is generally low. The KPMG survey of CSR Reporting (2017)<sup>27</sup> studies global trends in CSR reporting. The GRI was identified as the most popular framework for CSR reporting. The extent of CSR reporting in Nepal is so low that the KPMG survey of CSR reporting does not even include Nepal in their sample.

Analysing annual reports of companies operating in Nepal against the GRI guidelines show that the reports are not particularly aligned to GRI guidelines. This does not necessarily mean that companies are not pursuing and reporting on CSR issues (Gray et al, 1996). The re-analysis of annual reports found that 67% (67 companies) of the sample companies reported on CSR issues. This would indicate that the comprehensiveness of the GRI guidelines is not best suited to understand the CSR activities of Nepalese companies. CSR is context specific (Visser, 2008; Matten and Moon, 2008) and CSR activities reflect the institutional setting of Nepal as a country. As Amaeshi et al. (2006) argue, CSR is localised in the developing world and there is a need to understand CSR in Nepal from a Nepalese perspective.

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<sup>27</sup> This is the 10th survey since the first edition was published in 1993. KPMG member firm professionals reviewed corporate responsibility (CR) and sustainability reporting from 4,900 companies in 49 countries and regions, making this the most extensive survey ever.



While the extent of CSR reporting was very low on analysing against the GRI, 67% of companies analysed had some form of CSR reporting. This could suggest that CSR is not a new concept but has a different meaning to Nepali companies. Of the total CSR activities reported, 41% were education related. Under education, information like sponsoring a child for education, providing stationery and building schools were reported. 40% of CSR activities concerned health issues. Under health, activities such as building hospitals, conducting health camps in rural villages and running dental camps were reported. 22% of CSR activities that were reported were environment related, 13% were to do with employee related internal CSR and the remaining 13% were other CSR activities such as building temples and providing sponsorship for sports.

The most reported CSR issues, health and education related, are the issues on the national agenda of Nepal. It could be argued that the institutional environment that the companies operate in influence the national business system, which impacts CSR policies. According to Whitley (1999), national the business system is a composite of political, financial, education and labour status of any country. Nepal is one of the poorest nations in the world with only a 57.4% (Indexmundi, 2015) literacy rate. Companies are localising CSR issues as per the context of Nepal. This aligns with Muthuri and Gilbert's (2011) argument that CSR reflects the institutional settings of any country.

The key CSR themes were identified from the analysis of the reports. However, in Nepal there is little legal and stakeholder pressure to produce CSR reports. The analysis of annual reports provides an understanding on CSR accounting but not necessarily the existence of CSR in companies operating in Nepal.

The analysis does provide understanding of the nature and the extent of CSR but as a quantitative technique it does not explain and explore CSR in companies operating in Nepal.

There is a need for greater in-depth study to understand CSR discourse beyond the themes identified from the analysis of annual reports. This led to the development of Stage 2 of this study, which undertakes a qualitative approach to understand the deeper construct of CSR activities and their institutional drivers. It explores how CSR is understood and what factors drive CSR in companies operating in Nepal.

The following chapters (Chapter 6 and Chapter 7) discuss empirical findings from Stage 2 of this research. Chapter 7 introduces the 10 cases individually. It also uses interview excerpts to understand the Nepali version of CSR.

Chapter 7 triangulates the findings from this Chapter (i.e. extent and nature of CSR reporting) with the interviews (Stage 2 research) and also discusses the recurrent themes emerging from the interviews. It also discussed the factors that may influence CSR in Nepal.

# Chapter 6

## Insights from the Interviews: I

### 6.1 Introduction

Chapter 6 discussed and analysed annual reports to find out the nature and extent of CSR reporting in companies operating in Nepal. It particularly answered research question 1 of the study: 'what is the nature and extent of CSR reporting in Nepal?'. A total of 100 listed companies' annual reports were analysed against the GRI G3.1 standard to find the extent of CSR reporting. It was found that the extent of reporting in accordance to GRI G3.1 guidelines was poor with only a few GRI sub indicators reported in accordance with GRI G3.1 guidelines. Developing countries have challenges that are different to developed countries; hence it could be argued that the GRI does not capture the CSR reporting of companies operating in Nepal. Annual Reports were re-analysed to identify themes amongst the sample companies. It was found that 67% of sample companies reported on some form of CSR activities. The CSR activities reported were mostly philanthropic in nature particularly addressing issues to do with the socio economic priorities of Nepal, such as education and health (National Planning Commission, 2017).

CSR reports provide an insight into actual social activities undertaken by companies (Lindblom, 1993). But it is also argued that companies in developing countries fear complex cultural, business and regulatory environments which do not encourage publicising CSR

activities (Belal and Cooper, 2011), thereby questioning the completeness of the CSR reports of emerging economies. CSR and CSR reporting are two different concepts and studying CSR reporting alone cannot provide a true picture of understanding CSR in companies operating in Nepal. Chapter 5 identified the nature of CSR reporting in companies operating in Nepal; however, it does not capture deeper questions such as what CSR means to companies operating in Nepal, how the Nepali version of CSR compares to CSR, and what factors drive CSR in companies operating in Nepal. This study is titled: ‘ Making Sense of CSR activities: A Case of companies operating in Nepal’. Thus, the aim of this Chapter is to introduce 10 cases and the participants from these cases that were selected to be a part of this research. Each case is individually explored to provide an overview of the case study sample of the research. The CSR policies of each case study are discussed and senior management’s perception on how CSR is understood is also explored.

The following chapter (Chapter 7) will use insights from the interviews to understand factors that drive CSR in companies operating in Nepal.

Table 6.1 summarises the characteristics of the sample companies and the participants that were interviewed.

	<b>Sector</b>	<b>No of Employees</b>	<b>Ownership Structure</b>	<b>No of Interviews</b>	<b>Interviewee Title</b>	<b>Other documents studied</b>
<b>Case Study 1</b>	Retailer	660	Family	2	1) Chief Operating Officer	1) Website
					2) Sales Assistant	2) Press Release
<b>Case Study 2</b>	Banking	660	Listed	3	1) Director	1) Website
					2) Public Director	2) Annual Report

					3) Branch Manager	3) Press Release
<b>Case Study 3</b>	Manufacturing	150	Family Owned	2	1) Director	1) Website
					2) Production Manager	
<b>Case Study 4</b>	Manufacturing	600	Subsidiary of MNC (private ownership)	2	1) HR Manager	1) Website
					2) Assistant Manager	
<b>Case Study 5</b>	Real Estate	47 full time employees	Family Owned	2	1) Executive Chairman	
		125 contract employees			2) Project Manager	
<b>Case Study 6</b>	Automotive	800	Family Owned	2	1) Programme Officer	1) Website
					2) Finance Officer	
<b>Case Study 7</b>	Co-operative	7	co-operative	2	1) Manager	
					2) Assistant Manager	
<b>Case Study 8</b>	Health	125	Family Owned	1	1) Chief Executive Officer	1) Website
<b>Case Study 9</b>	Finance	60	Listed	2	1) Chairman	1) Website
					2) Chief Executive Officer	2) Annual Report
<b>Case Study 10</b>	Energy	54	Family Owned	2	1) Director	
					2) Site Engineer	

Table 6.1: Characteristics of Cases

## 6.2 Case Study 1- Retailer

### 6.2.1 Overview

Case Study 1 is a private family-owned company operating as a supermarket retailer. The origin of it dates to 1984 where it began as a humble business set up by a couple with only one employee. Currently it employs more than 2500 full-time staff. In the past five years, it has been one of the largest taxpayers in the retail sector. 40,000 people visit Case Study 1 every day and it makes Rs. 2.5 crore (USD 250000) in daily sales. As a retailer, more than 120,000 products are sold which are supplied by more than 750 local and international suppliers. It is a private business owned by the founders and there is a strong influence of the founders' beliefs in the operations. About 50 employees are from the founders' family circle and are employed in mid to senior level positions. This company has been garnering attention in the media for engaging and integrating CSR into its business operations. Two interviews were undertaken at this organisation. Both were undertaken at their head-office in Kathmandu. The history of CSR dates to its inception. Since the beginning, this organisation has supported local development. CSR is argued as an integral part of this company. They claim that social responsibility is a way of life and is embedded in their organisational culture. Their corporate website states:

*“The Company has a rich history of corporate social responsibility, a history that has grown and evolved to meet the complexities of today’s business world and the challenges of a global society. Social responsibility is a way of life at << name >>. (Corporate Website)*

## 6.2.2 How is CSR understood?

As CSR is a way of life, this is one of the few companies operating in Nepal that discusses social initiatives it has undertaken. Their retail stores have hoardings that showcase CSR activities pursued. Their corporate website has a dedicated CSR section that presents CSR activities. However, the Chief Operating Officer is sceptical of reporting on CSR issues. He says:

*“...we report but we do not report everything. It is not something to be reported, that is what I think. Community will know it by itself. Rather than shouting out what we did or what we are doing for community, it is better that they see it by themselves. Though we publish on our website, we do not focus on letting people know what we have done under CSR (Chief Operating Officer, Case Study 1)”*.

He argues that by not reporting all their CSR activities, they are abiding by the Nepali way of life that discourages self-praise. Their corporate website and their retail stores actively showcase their CSR interventions making the statement about ‘self-praise’ from Chief Operating Officer contradictory. He further argues that while CSR reporting is not on the agenda, CSR is an integral part of their business strategy. The Chief Operating Officer describes CSR as:

*“...the process to integrate society into business. It is samajik kartavya (social duty) on behalf of our company to the community...it is as much a strategy as it is a social work”*. (Chief Operating Officer)

The Chief Operating Officer perceives CSR through an economic lens. He describes CSR as a part of their business strategy. However, there is no separate department and no clear budget to pursue CSR activities. The budget spent on CSR varies from year to year. Any CSR

activities undertaken must go through the board and it is the board members that vote on whether to pursue a CSR activity.

*“It is like we know some CSR activities that we will carry out, but not all of them. It is like we have a CSR plan and we do not have one at the same time. For all CSR activities, the board decides on if to pursue, once the board makes that decision, we go ahead.” (Chief Operating Officer, Case Study 1)*

### **6.2.3 CSR policies**

CSR policies are driven by the commitment of the founders to give back to the local community. Their CSR activities can be grouped into five categories: education, health, women empowerment, crisis response and religion.

#### **6.2.3.1 Education Intervention**

The most popular CSR activity of Case Study 1 is in education. As a part of CSR, every year two students from rural Nepal are provided a full tuition fee scholarship to pursue a 5 year-long MBBS (medical) programme. The scholarship has been awarded every year since 2012. As a yearly CSR activity, this activity is in their long-term CSR strategy.

*“As part of our Corporate Social Responsibility (CSR), we provide scholarships of almost Rs. 5 million each to two students each year from the remote districts of Nepal for five-year long MBBS programmes at a leading medical college <<name>> in the name of our founders.” (Chief Operating Officer, Case Study 1).*

As the above scholarship is provided under the name of the founders, one could deduce that there is little separation between the company’s activities and that of the founders. Any social



interventions by the family are regarded as CSR policies by the company. There are other one-off CSR activities carried out that are education interventions. For example, they have funded the construction of primary schools in rural Nepal. While there are some long and some one-off CSR activities in education interventions, they are limited to philanthropy, i.e. solely a donation of money for the cause.

### **6.2.3.2 Health Intervention**

Under health interventions, Case Study 1 invested Rs. 100 million in constructing an emergency wing at the hospital. They have also donated an ambulance to a local NGO. All CSR activities in health intervention have been in infrastructure development in the health sector. As a poor country, the access to good healthcare is available only to the few and this organisation offers support through infrastructure development, a role that is generally expected of the state.

*“We constructed a new emergency wing at by investing Rs. 100 million in memory of the founder’s parents. As a part of our CSR, an ambulance has also recently been donated to <<name>>.” (Chief Operating Officer, Case Study 1).*

### **6.2.3.3 Women Empowerment**

CSR is understood as mere philanthropy to address external social concerns. Hence, under CSR, all their published documents identify donations in addressing external socio-economic priorities. Their policy to prioritise female empowerment through the employment of women suggests that their internal operation policies address CSR. Internal CSR refers to CSR practices which are directly related to the physical and psychological working environment of

employees (Ali et al., 2010). This company prioritises women in their workforce and over 90% of their workforce is female.

*“We prioritise women over men and there are a number of reasons for this. We want to change our social thinking that women are bound to be homemakers, we want our women empowered. Also, when we employ male, they tend to leave abroad to find work eventually. In women, we see long term employees. Women in general are more trustworthy than men (laughs...). It is a win-win situation.” (Chief Operating Officer, Case Study 1)”*

The current scale of foreign labour migration from Nepal is unprecedented. Hundreds of thousands of youths are unable to find satisfactory, or even any, employment within the country. Foreign labour migration is now an intrinsic part of everyday life for most Nepalis, with its impact clearly visible in every sphere of society – social, economic, cultural and even political. The Migration Report<sup>28</sup> (2011) by the Ministry of Labour and Employment states that about 2 million people (total population 30 million) have emigrated to foreign lands to find work. The majority of those who emigrate for work are males. While the male emigrates, the female is often left behind to look after the family. Employing women in this organisation is as much strategy as it is a socially responsible thing to do. Employing women has lowered their turnover rates and has provided women with opportunities to gain economic independence. One could argue that by addressing social issues such as the gender gap in employment, it contributes to the economics of the organisation.

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<sup>28</sup> <https://asiafoundation.org/resources/pdfs/MigrationReportbyGovernmentofNepal.pdf>

#### **6.2.3.4 Crisis Response**

Crisis response due to a natural disaster is one of the CSR interventions carried out by this company. Crisis response has always been part of their CSR policies. From the floods in 1995 to the earthquake in 2015, they have donated both cash and supplies to the victims.

*“We must look after each other in such extreme circumstances. As a company, we donated both cash and supplies such as blankets, non-perishable foods to victims of earthquake. Not just earthquake, we have done our bits in the floods in 1993”.* (Chief Operating Officer, Retailer)

Natural disasters trigger a humanitarian response. One could argue that while rehabilitation takes years to complete, a one-off cash donation in a country where there is a high level of perceived corruption can lead to the question of whether the victims get the support pledged. According to the Conversation (2017), this is indeed the case for the earthquake rehabilitation in Nepal. It is argued that *‘political bickering, a lack of accountability and poor management of funds have all hampered efforts to rebuild. After two years, Nepali media have branded the situation a “failure”.* (The Conversation, 2017)

#### **6.2.3.5 Religious CSR**

Apart from addressing socio-economic priorities such as health, education and infrastructure development this company has pursued religious CSR. As a family run business, the values and beliefs of the family are prevalent in their CSR policies. One could argue that the spirituality of the owner/manager is reflected in the kind of CSR activities pursued by the company. The founder is perceived as a spiritual man; thus one could argue that as a CSR policy, this company funds the construction of temples.

*“We have funded construction of Ganesh Temple (Khotang), Sai Centre (Narayan Chaur) and Shiva Temple (Haridwar, India).” (Corporate Website, Case Study 1)*

The Chief Operating Officer argues that addressing local issues are the priority of their CSR vision. As Nepal is a religious society, the construction of temples creates social cohesion in the community and such activity garners positive attention among the locals. Addressing religious CSR reflect the founders' personal values but they are also a strategy to keep the local community as a stakeholder group happy.

*“Wherever we have our stores, we tend to do CSR that will benefit the local community. We help renovate the local temple when we first started our operation in Pokhara. As our society is religious, addressing such CSR activity helps us generate good faith in the locals. We want to keep the locals happy.” (Chief Operating Officer, Case Study 1)*

## **6.2.4 Summary**

Case Study 1 is a family-owned business operating in the retail industry. CSR has been a way of life for the founders which has created an organisation culture that supports CSR. CSR as a term is perceived as addressing social concerns and is understood as mere philanthropy. External CSR in forms of monetary donations and sponsorship constitute the majority of their CSR activities. The CSR activities pursued are in the areas of health, education, women empowerment, crisis response and religion. Socio-economic problems in Nepal, such as no access to education and healthcare, have driven their CSR policies. The governance gap has led the company to assume a political role to look after people by addressing social issues. With no specific budget and plan set for CSR activities, one can question whether CSR can ever be a part of their business strategy.

## 6.3 Case Study 2- Banking

### 6.3.1 Overview

This company is a Class A<sup>29</sup> bank listed in the Nepalese Stock exchange. The history of this bank dates to the year 2000 when it first started its operation while Nepal was undergoing civil war<sup>30</sup>. It has 56 branches spread across Nepal and 660 people are employed full time. It is one of the biggest commercial banks in Nepal with a paid-up capital of about 4.66 billion rupees. While a listed company, the majority shareholdings were still owned by a prominent family which is reflected in the board. Of the current 9 board members, all of them are male and three of them are from the same family. A total of three interviews were undertaken at this company. Banking as an industry is a frontrunner in reporting CSR activities. (Upadhyay-Dhungel and Dhungel, 2013).

A total of three interviews were conducted with three representatives from the company. The first interview was conducted with a director of the bank at his residence. He is young, in his mid-30's, and a second generation of the family that has a majority holding. The second interview was conducted with a board director (public representative director), a male in his early 40s. The second interviewee was appointed as a director only recently and had served on the board for less than a year. The third interview was with a branch manager, a female in her late 30s.

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<sup>29</sup> Class A companies are those companies listed in NEPSE with paid-up capital (ordinary shares) of at least Rs 20 million; with at least 1,000 ordinary shareholders and the company that has been making profit for at least past three years.

<sup>30</sup> In 1996 Maoists began a violent insurgency, waged through killings, torture, bombings, kidnappings, extortion, and intimidation against civilians, police, and public officials in more than 50 of the country's 75 districts. Over 13,000 police, civilians, and insurgents were killed in the conflict which ended when a peace deal was signed in 2006.

### 6.3.2 How is CSR understood?

The history of CSR dates to the company's inception. Their annual statement for the past three years has a section explicitly dedicated to CSR. Their annual statement for year 15/16 on describing CSR states that:

*"We believe that we are not here just to do our business but also to enrich the lives of our customers, staffs, suppliers and the society that we operate. Thus, we have made our basics to the business straightforward that is being financially stable, continuously improving our performance and grab the opportunities presented by the market to provide and promote sustainable economic growth. Our approach to business continues to focus on three key priorities:*

- 1. Contribution to sustainable economic growth*
- 2. Being a responsible company*
- 3. Investing in communities. (Annual Report 2015/16, Case Study 2: Commercial Bank)*

They clearly state three priority areas in which CSR interventions are made. They perceive fulfilling their economic duty as a part of their CSR function. The concept of being a responsible company by investing in the community is a theme that dominates their understanding of CSR. The director on describing CSR states that:

*" Corporate Social Responsibility is our "Samajik kartavya" (social duty/obligation) towards the society we operate in". (Director , Case Study 2).*

The director describes CSR as their 'social obligation 'or 'social duty 'towards society. It seems that the notion to engage in CSR is altruistic in nature but he further states:

*“As a listed company, all our activities are under greater scrutiny by public and media. Hence, we must set an example of best practice.” (Director , Case Study 2).*

One could argue the listed status garners more attention to the company’s operations and therefore, on one the hand, it is expected of them to pursue CSR activities, on the other hand, they are required to engage in CSR to gain the licence to operate in the society. With priority areas on CSR, it may seem that there is a clear vision on CSR policies, but the board director insisted that the budget and nature of CSR activities pursued varies every year.

*“Any decision to engage in social activities are taken at our board meetings. The board decides on the kind of activities to pursue based on what the society is expecting and what the society needs. The social activities that we engage and the budget that we spend varies every year...” (Public Director, Case Study 2)*

Hence, even with increasing awareness of CSR, CSR is still an ad-hoc function separate from all operations.

### **6.3.3 CSR policies**

#### **6.3.3.1 Education Intervention**

As stated above, this company as a part of their CSR function, focusses on being a responsible citizen. It is perceived that to be a responsible citizen is to look after the community. Education interventions have always been one of the most popular CSR activities carried out every year.

*“Corporate Social Responsibility activities have been designed to fulfil the community’s needs. These activities revolve around creating a prosperous community that can provide good education for children.” (Annual Report, 13/14)*

*“As part of our CSR, our branch donated 5 sets of computers to <<name of school>>.*

*(Branch Manager, Case Study 2).*

*“As our CSR activities, we have been providing financial education to children in schools and colleges.” (Branch Manager, Case Study 2).*

CSR activities in the form of education interventions are mostly one-off donations. The interviewee and the website do not provide clear information on how much they donate on education causes. It is evident that mostly CSR interventions in education are one-off events, providing cash donations to the marginalised community.

### **6.3.3.2 Health Intervention**

Under health intervention, this company pursues activities such as blood donation programmes and free health camps in remote villages. As a poor country with limited access to affordable healthcare, such programmes are a welcome gesture to villages that often do not have access to healthcare.

*“Employees of <<name>> Branch conducted blood donation program in an association with Nepal Red Cross Society. 52 Pints of blood was relinquished to the Nepal Red cross Society Blood Bank” (Corporate Website, Case Study 2)*

### **6.3.3.3 Crisis Response**

As the interviews followed the Nepal earthquake 2015, a great deal of CSR activities reflected addressing reconstruction and rehabilitation of the community.

*“We did our utmost to help in post natural-disaster efforts such as donating to the victims of earthquake, floods and other natural calamities. Also, we have helped in the rebuilding of*



*community schools in some of the areas hit by the earthquake. Becoming a good corporate citizen is the aim of the activities that we conduct under our Corporate Social Responsibility.”*  
(Director, Case Study 2).

### **6.3.4 Summary**

Case Study 2 is a listed company operating as a commercial bank. As a company operating in the society, CSR is perceived as a social obligation towards the society. CSR is driven by both expectations and to gain legitimacy. External forms of CSR such as addressing health issues (blood donation), providing education sponsorship and supporting marginalised communities form the majority of their CSR activities. The socio-economic problems of the community influence the nature of these CSR activities. The change in the external environment influences the nature of CSR activities. Following the recent earthquake, CSR activities address issues to do with rehabilitation of, and reconstruction for, earthquake victims. The under resourced government has placed an increased expectation on companies to address CSR issues (Visser, 2007; Muthuri et al., 2009). Because the government is weak, companies can be ‘*agent[s] of development through their social initiatives*’. (Muthuri et. Al., 2009, p.431) Also, the nature of ownership, i.e. the listed status, means there is an increased visibility in all operations which requires the company to be seen as a responsible company.

## **6.4 Case Study 3: Manufacturing**

### **6.4.1 Overview**

Case Study 3 is a private family-owned company operating as a food manufacturing company. The origin of Case Study 3 dates to 1981 when it began as one of the first instant noodle manufacturing companies in Nepal. It was set up then by a young man who now runs a successful portfolio of companies. This company produces a well-known brand of noodles and has enjoyed a market leader position for decades. The products of this company are sold all over Nepal and exported to other countries including the UK and North America. About 150 permanent full-time employees are employed by the company. The founder and his family fully own the company, similar to other family-owned companies, the founders' greater family circle is employed in all levels of management. A total of two interviews were undertaken at the factory premises. The first interview was conducted with the director, a male in his late 30s, son of the founder. The second interview was conducted with the manager in his mid 40s who oversees the day-to-day functions on the factory floor.

### **6.4.2 How is CSR understood?**

The history of CSR in this company dates to its inception. This company has always focused on local issues. Their CSR is focused on issues within the local community. CSR has always been a part of the company. To them CSR is understood as addressing social problems of the local community and they perceive it as 'a duty towards the society' and it is understood as merely social work.

*"CSR is the social work we carry out in the community". (Manager, Case Study 3).*

Social Work in Nepal mostly amounts to philanthropy and it is the case with this company's CSR activities. Their CSR is often in the form of donations in both cash and kind to a social cause. While it is argued that the company has CSR embedded in their culture, there is no allocated CSR budget or a department that focussed on CSR activities. CSR activities are carried out on an ad-hoc basis. It is often the community that approaches with local issues and it is the board (family) that decides on if and how to pursue the issue.

*"Local communities and even our staff come with a proposal and it is the board that signs and gives a green signal to these projects. Here, we (In Nepal, the corporate owners) are accessible so people often come to our house to ask for help. Most of the CSR activities are pursued in an ad-hoc basis. It is our Kartavya towards our community". (Director, Case Study 3).*

As a family-owned company, the separation between the company and the owner is blurred. As from the interviewee's statement above, locals often visit his private residence with community related proposals. It is the board that decide on what CSR activities to pursue. The board in a family-owned business is dominated by the family members; hence CSR in family-owned operations are reflective of the family's personal beliefs and ethics. As a family-owned company, CSR is driven by the philanthropic activities of the founder.

*"People have always seen my father as someone who would address social concerns, so they have always approached him to help with community issues and he has always worked for the community". (Director, Case Study 3)*

CSR has been part of this company's existence. The founder and his values have created a culture of CSR in company. The founder is looked upon as a father figure and a charismatic leader who provides a pathway for all employees.

*“Our founder is not just our boss he is a well-known social worker. He is a spiritual man who has always looked after us and has given back to the local community. I feel proud to be associated with him. He treats us as a family.” (Manager, Case Study 3)*

As a family-owned company, there is little separation between the company’s operations and the founding family’s personal beliefs. While the company regards CSR as a part of who they are, they do not report on CSR in both annual statements and their corporate website. The director stated that:

*“.... we do not report on CSR. It does not look good to advertise what CSR activities we are doing or what activities we have done. We do not do it for publicity, we do it for ourselves. I think it is best that people know it by themselves than us focussing on letting people know” (Director, Case Study 3).*

The director uses the phrase ‘it does not look good ’on explaining why they do not report on CSR. He perceives reporting on CSR as something defying the Nepali way of life that discourages self-praise. Hence, reporting is something that is not on the agenda of this company in the near future. His statement on doing CSR solely for themselves, not as a means to gain legitimacy, is contradictory. While he mentioned that they do not do CSR for publicity, he further stated:

*“One of our CSR activities is sponsoring a football tournament to bring the youth together. We have sponsored this football tournament for over a decade. As one of the popular tournament, it is an opportunity to help youth and is also an advertising opportunity for our company. (Director, Case Study 3)”.*

One could argue CSR reporting as a new concept defies the Nepali way of life, pursuing CSR as a way to gain legitimacy does not. Pursuing CSR is both doing a greater good and creating a positive impact about the company in the mindset of the locals who provide companies with the licence to operate.

### **6.4.3 CSR policies**

CSR policies in this company are driven by local issues and the founder and his family's commitment to give back to their local community. Their CSR activities can be broadly grouped into education intervention, sports sponsorship, crisis response, religious CSR and international standardization.

#### **6.4.3.1 Education Intervention**

One of the most popular CSR activities is in education intervention. As a part of CSR, every year students from a marginalised community are sponsored for full-tuition fee scholarship for the duration of school level education. This scholarship is a yearly event provided to students from poor backgrounds who otherwise would not have access to quality education.

*“Every year we sponsor students from marginalised community for school level education as a part of our CSR activities” (Director, Case Study 3).*

These education sponsorships are a one-off event limited to donation of money for the scholarship duration.

#### **6.4.3.2 Sports Sponsorship**

As a poor country, sports funding has always been low. There are no stadiums with infrastructure to host international tournaments (Dey, 2018). One of the major CSR activities

of this company is to sponsor a popular football tournament. The local youth club approached the company with the idea to sponsor the tournament to engage the youth in sports. The founder accepted the proposal and this company has been engaging with the youth club (a local NGO) to facilitate the football tournament.

*“As a part to engage youth and bring the community together, we have been sponsoring <<name of the tournament>> for more than 15 years. The youth approached us with the proposal and we thought it would be great to bring the community together amidst political turmoil.” (Director, Case Study 3).*

This is one of the longest running tournaments which is in its 19<sup>th</sup> year (Pariyar, 2019). Even during the civil war, this tournament helped to bring the youth together.

### **6.4.3.3 Crisis Response**

Following the earthquake, the crisis response related CSR activities formed a major proportion of CSR activities. These activities reflected the change in the external environment. The manager stated that:

*“I would like to thank our workers because even in such a difficult time we continued our production line. We went to villages in Gorkha and Sindhupalchowk (worst affected areas) where there were little supplies. The government had too much on its plate at the time, so it was our duty to look after each other. We distributed noodles and other food and supplies to the victims.” (Manager, Case Study 3)*

In the event of natural disaster, continuing the production line amounted to the greatest level of CSR activities one could pursue. It has been documented that a natural disaster triggers increased kindness and unity among people. It is evident from history that natural disaster, such

as the Haiti Earthquake in 2010, triggers humanitarian response from all around the world. This company responded and addressed issues arising after the earthquake, such as providing food and supplies to the victims. CSR as a term captures different things in different circumstances.

#### **6.4.3.4 Religious CSR**

Other CSR activities that this company pursued included religious CSR activities such as renovating temples.

*“The managing committee of the temple came up with the proposal to renovate temple. You know how we think of religion (implying that they are religious) so there was no debate on pursuing renovating the temple. We feel proud of that.” (Director, Case Study 3)*

Additional CSR activities included a bonus and a gift to all employees during the month of Dashain and Tihar, major festivals in Nepal.

*“We provide all our employees an extra month salary during Dashain. We want our employees to enjoy the festive period well without worrying about money”. (Manager, Case Study 3).*

#### **6.4.3.5 Quality Control**

With globalisation, international standards are imperative in facilitating international trade. The International Organisation for Standardisation (ISO) is a non-profit organisation that sets standards and is currently working in 162 countries. The ISO ensures that products and services are safe, reliable and of good quality. For business, 'they are strategic tools that reduce costs by minimizing waste and errors and increasing productivity. They help companies to access new markets, level the playing field for developing countries and facilitate free and fair global trade '(ISO, 2019). ISO certification is gaining popularity in companies operating in Nepal.

This company is an ISO 9001 certified manufacturing company. ISO 9001 is a quality control standard based on quality management principles including a strong customer focus, the motivation and implication of top management, the process approach and continual improvement (ISO, 2019).

*“we are ISO 9001 :2015 certified, we have to follow all safety standards prescribed by ISO 9001. An independent body audits our safety standards to ensure it meets to the standard. (Manager, Case Study 3)*

As an ISO 9001 certified company, this company is required to follow the safety standards prescribed by the ISO. These standards act as a coercive law that guides their product quality.

#### **6.4.4 Summary**

Case Study 3 is a family-owned company operating as a food manufacturing company. CSR is embedded in the organisational culture that is influenced by the founder's and his family's personal values. Here, CSR is perceived as social work that addresses social problems. CSR issues pursued are mostly philanthropy which included donations of both cash and kind and sponsorships. External CSR activities included issues to do with education, crisis response and religious CSR. As a manufacturing company, quality control CSR was also pursued to ensure safety standards as an internal CSR activity. Socio-economic problems of the local community drive CSR policies because CSR policies only arise as a result of addressing the concerns raised by the local community. The lack of strong and stable government has led to greater expectations and greater responsibility of the company to address social issues. This is similar to the findings of Muthuri et. al. (2009), where a private soda company in Kenya contributed towards community development by engaging with the local community. Governance gaps drive CSR. As a family-owned business, there is little separation of activities carried out by the



company and the founder; hence the founder's personal attitude towards religion and personal values drive CSR activities.

## **6.5 Case Study 4- Conglomerate**

### **6.5.1 Overview**

Case Study 4 is a private company which produces various products such as garments, matches, cigarettes and agarbatti (religious candles). It is a subsidiary of a foreign owned multinational. There are about 600 full time employees and it turns over \$175 million over a year. It is one of the largest private sector companies in Nepal. Two interviews were conducted, both of which were telephone interviews conducted from the UK. The first interview was with the HR manager of the company. He is in his mid-30s and holds an MBA. He has been working for this organisation for 12 years. The second interview was with the assistant manager, a male in his late 20s.

### **6.5.2 How is CSR understood?**

CSR is described as the core of all operations. According to their corporate website, their vision states that:

*"To be a partner in nation-building and creating enduring values for all stakeholders."*

*(Corporate website, Case Study 4)*

Hence, they emphasize integrating CSR in all operations. As a result, this company has been awarded the national excellence award from the Federation of Nepalese Chamber of Commerce

for being the best managed company in Nepal. As a manufacturing company, the factory is ISO 9001:2000 certified for quality control and it has received national safety and environment awards. With the guidelines from the parent company, their CSR interventions are carried out with clear visions and policies. There are four key areas in which CSR interventions are made.

*” We have our CSR policy and CSR budget separated. Our Company has four areas focusing on Primary Health, Empowerment, Environment and Sports / Tourism. Many interventions have been completed in these four areas....” (HR Manager, Case Study 4)*

Companies operating in the sensitive industry, such as tobacco, have always been under great scrutiny. Hirschhan (2004) believes that CSR emerges from a realisation among transnational corporations of the need to account for and redress their adverse impact on society: specifically, on human rights, labour practices, and the environment. He studied Philip Morris International, a tobacco giant and presents an excerpt from Steven Parish, the then vice president of Philip Morris International.

*Steven Parish” .....my company’s public reputation has taken quite a pounding over the last decade or so...we have no one to blame for that but ourselves... Public concerns were mounting over the serious health effects of tobacco use. People were worried about problems like youth smoking... Our response to this shifting social climate was silence and inaction. By refusing to engage in a dialogue with society in an effort to resolve legitimate concerns and solve real problems, we only succeeded in making them worse...’*

One could argue that the nature of the industry this company is involved in requires it to be actively seen as giving something back to the community more than any other organisations. Possibly the legitimacy concern is their motivation to engage in CSR, but they have predetermined budget and policies to pursue CSR unlike most companies operating in Nepal.

This company is a subsidiary of a foreign owned MNC and they report CSR in accordance with GRI guidelines as stated by their parent company. One could argue that unlike companies that are fully Nepali owned, the values of the company reflect more of their parent company which emphasizes both integrating and reporting CSR.

### **6.5.3 CSR policies**

CSR policies are driven by the company's vision to create value for all stakeholders. They have a clear vision on CSR and they have predetermined CSR interventions that they would like to pursue. They have named four categories of CSR i.e. hope, sports tourism, health and environment. While the company only lists external CSR as their CSR activities, they also pursue internal CSR activities.

#### **6.5.3.1 Education Intervention**

CSR activities that reflect educational interventions are carried out under their CSR policy - "hope". Students from the deprived areas in the local community are provided with learning materials. As a part of their CSR activities, they have helped in supporting education through building a school.

*"In the geographical area around <<name>>, education support through infrastructure development, learning materials to deprived children and donations of computers to local schools have been undertaken." (Corporate website, Case Study 4).*

#### **6.5.3.2 Women Empowerment**

As discussed above, one of their projects for CSR is 'project hope'. The aim of Project Hope is described as 'creating enduring value through community development'. Community

integration is at the heart of its CSR operation. Hence, the majority of CSR activities reflect supporting marginalised community groups such as women and deprived communities.

*“We have extended vocational and skill development training in areas such as garment sewing and candle making to help economically backward women. Post the training more than 300 women have gained employment in local industries.” (HR Manager, Case Study 4)*

### **6.5.3.3 Sports Tourism**

One of their CSR projects focusses on ‘creating value through sports tourism’. Sports have been neglected in Nepali society by the government (The Saint, 2016) and to improve the community, this company focusses on creating sports tourism. It is viewed that sports tourism brings the community together and generates revenue.

*“We launched a golf tour with the objective to develop and promote professional golf in Nepal. This sort of sport will positively influence the tourism industry and bring the community together.” (Assistant Manager, Case Study 4)*

### **6.5.3.4 Environment**

Environment related CSR is carried out under their CSR project titled “environment”. This project focusses on creating value through environment preservation. Their CSR programmes include both external and internal CSR activities. Their external environment CSR includes activities like afforestation programmes, creating awareness in the community to obtain an environmentally friendly lifestyle and providing financial and technical support to farmers to minimize the use of chemical fertilizers. Their internal environment CSR involves decreasing their energy usage by adopting energy management systems.

*“We continually carry out tree plantation programme, we have also worked on projects such as providing training to farmers to encourage organic farming. We are also involved in making this city green by planting trees on roadside. “ (Assistant Manager, Case Study 4)*

*“We are looking at our activities critically to improve our environmental performance, our Factory is ISO 50001:2011 certified. We have been able to monitor our energy use critically and since certification we have cut down our energy costs.” (Assistant Manager, Case Study 4)*

### **6.5.3.5 Health**

Health related CSR focusses on creating value through improving community health. Health interventions form a major portion of the CSR activities pursued.

*“Under our health related CSR, we have primarily provided health services such as free health camps, free bed support to patients of spinal injury, free dental camps for the under-privileged. We have also donated an ambulance to a local hospital.” (Assistant Manager, Case Study 4)*

Health issues are at the heart of CSR activities. The assistant manager explained that a healthy community is good for the business because employees and customers are a part of the community.

*“People we provide support for are both our customers and employees. A healthy community will invest in our products, so we must invest in making our community healthy.” (Assistant Manager, Case Study 4).*

## **6.5.4 Summary**

Case Study 4 is a subsidiary of a foreign-owned MNC that produces tobacco. CSR is integrated in all their operations with clear planning on what to pursue and how. The CSR activities reflect more than one-off donations of cash and kind. The activities comprise both internal CSR and external CSR. Internal CSR activities include providing free accommodation to employees and improving environmental efficiency of operations. External CSR interventions are made in health, women empowerment and education, environment and sports. Socio-economic problems trigger the CSR responses of the company. As a foreign owned company, the parent company and its vision have exerted a coercive force on the company to pursue CSR and report on CSR. Similarly, as a manufacturing company that endorses ISO certification, ISO acts as a driving force that encourages best practice of CSR.

## **6.6 Case Study 5- Real Estate Developer**

### **6.6.1 Overview**

Case Study 5 is a private organisation working as a real-estate developer. Real estate in Nepal is a booming industry which contributes about 9% to the total GDP (Central Bureau of Statistics, 2016). This company first started its operations on 1992. A total of 47 employees are employed full-time. As a property developer, there are a further 100-150 temporary staff employed on a contractual basis. The company operates in constructing and managing residential and commercial properties and serves both high end and normal consumers. The head office is in Kathmandu and so far, all its projects have been carried out in the Kathmandu valley and its vicinity. The interview was held at the head office during normal office hours in

Kathmandu. A total of two interviews were held at this organisation. The first interview was with the Executive Chairman. As an executive Chairman, he manages both day to day operations and leads the board. The corporate governance system in developing countries is problematic because family ownership is prevalent and that hinders the independence of the board (Okpara, 2011). The interviewee is the founder of this organisation. He has been working for this organisation for almost 20 years and has spent a total of 25 years in this industry. He is a male in his early 50s. The second interview was held with the project manager, a male in his mid 40s.

The history of CSR dates back to the company's inception. While CSR is argued as having existed from the beginning, the case study company does not report on its CSR. Their corporate website is basic with no information on any CSR or community related activities. The executive Chairman argues that:

*"We do not report on CSR because, for example, let's say we give money for a cause and we publish it then 10 other people will come for asking it. We do not see a point in reporting it. Some companies do report but in context of Nepal most do not report because if they are seen to be doing it all then they will be expected to do more. So, whilst many companies pursue CSR, they do it quietly without reporting it."* (Executive Chairman, Case Study 5).

The executive Chairman perceives CSR reporting as a cost to the company. He is hesitant on reporting CSR because he believes that the context of Nepal, i.e. poor country with socio-economic problems, means reporting on CSR will increase both accountability and expectations for companies to address social issues. He argues that companies in Nepal do not see benefits but only costs associated with reporting on CSR. Nonetheless, he argues that all companies pursue CSR activities.

## **6.6.2 How is CSR understood?**

Here, the understanding of CSR was limited to philanthropy whereby the executive chairman perceived CSR as external to operations. CSR was understood as addressing challenges faced by the community.

*“I think CSR is giving money to charity to address societal issues, such as, sponsoring education, health camps. It is our Kartavya to look after needy (Executive Chairman, Case Study 5).*

To address the challenges, the company has designated 5% of post-tax profits to pursue CSR activities. While the budget is planned for every year to pursue CSR, its CSR activities are not planned. The CSR activities mostly address issues of the local community where this company operates its housing projects. CSR activities carried out are both internal and external.

## **6.6.3 CSR policies**

### **6.6.3.1 Education Intervention**

As their part of external CSR policies, education intervention was a popular CSR activity. As the company prioritises local issues as CSR activities, education opportunities have always been insufficient for the locals. Thus, as a part of CSR activity, this company sponsors students for education. To ensure the sponsorship is effective, the students are monitored for their progress and even met individually to encourage them to pursue education.

*“We do activities like sponsoring education. We keep in touch with the students to track their progress, we also meet them and invite them to our office to show them the corporate life and encourage them for education. (Executive Chairman, Case Study 5).*



### **6.6.3.2 Local community**

As their internal CSR activity, they focus on employing people from the local community. They emphasize employing local people to ensure the local community benefit from the project. In any given project, almost 70% of the workforce are locals.

*“One of the thing we emphasize is to employ the locals. We believe that wherever we go, the locals must benefit from it so about 70% of workforce in a given project are locals.” (Executive Chairman, Case Study 5)*

### **6.6.4 Summary**

Case Study 5 is a private company operating as a real estate developer. Here, CSR is understood as charity to support community to address local issues. The company has a designated budget but no clear CSR policies. Their CSR policies tend to address local issues of the community they operate in. As a result, providing education sponsorship and employing local people are some of their major CSR activities. While CSR has long existed for this company, CSR reporting is not carried out at all. For the company, CSR reporting is seen as a cost and reporting on CSR is believed to increase expectations to address social issues due to the failure of the state. Pressures such as socio-economic problems and the governance gap drive these CSR policies.

## **6.7 Case Study 6 – Automotive**

### **6.7.1 Overview**

Case Study 6 is a private company working in the automotive industry for 34 years. It is a family-owned company that works as a sole distributor for an automotive giant (MNC). The distributor MNC is well known in India and around the world for introducing CSR in India. The sample company's sales and distribution network operate throughout Nepal. It employs approximately 800 permanent employees. The annual turnover has exceeded \$150 million and it is one of the leading automotive distributor companies in Nepal. It is an ISO 9001:2008 certified company. As one of the largest trading companies in Nepal, CSR is at the heart of its operation. As per their mission statement, one of their missions is stated as "Excellence in supply chain management, safety, operating efficiencies, stakeholder management and CSR activities".

### **6.7.2 How is CSR understood?**

Here, CSR activities were formally pursued through an NGO established by the initiative of employees of this organisation. The NGO is registered with the District Administration Office and Social Welfare council. It had been in operation for almost 4 years and it envisioned leading social development and transformation through initiation and involvement in community service and welfare activities. The NGO has been providing help in various community services in an area of health, education and disaster relief. A total of two interviews were carried out at this company. The first interviewee was a male in mid-20s. He had been working

in this organisation for 2 years and is a certified chartered accountant. He was directly involved in the NGO wing that oversees CSR functions. He stated:

*” (CSR is) Initiatives taken by a company to approach business activities in a manner that benefits and provides positive impacts on the society.... .....CSR is a key component of corporate strategy. We have excellence in CSR activities as part of our company mission and a significant portion of the budget is allocated to CSR every fiscal year.”*

The interviewee saw CSR as both corporate strategy and altruism undertaken by companies for social benefit. CSR is not separate from business operations. Only a small number of companies in Nepal have explicitly mentioned CSR as their mission. The fact that this company is a sole distributor of an MNC might have impacted on the understanding and execution of CSR activities. The interviewee mentions that they collaborate with their supplier (giant MNC) on CSR activities.

*” .... we work with our supplier’s <<name of NGO>> as part of their sustainability goals. CSR is at the heart of their operation and we have tried to follow that in our organisation.”*

Their supplier is an MNC, much bigger than the case study company. The case study company is a distributor of the MNC, i.e. they sell the MNC’s products. It could be thus argued that the case study company is solely dependent on the MNC for its operations; thus the bargaining power of the sample company is low. It must abide by the norms of the MNC. The MNC in question started with a vision of one man who believed that “in a free enterprise, the community is not just another stakeholder in the business, but is, in fact the very purpose of its existence.” The culture of CSR is ingrained in the MNC. CSR discourse at this company is arguably influenced by their supplier’s beliefs and ethics.

### **6.7.3 What CSR policies are undertaken?**

#### **6.7.3.1 Education Intervention**

Two thirds of Nepali students that enrol in primary education do not continue into lower secondary education due to poverty (National Planning Commission, 2016). As a part of its CSR interventions, providing education for deprived children forms a major CSR activity. The team at the NGO has selected four schools in different districts of Nepal to provide free education for 26 students. Students are selected for free education on the basis of attendance rates, school results, family income and interviews.

*“Twenty-six students, studying in grade five to ten have been selected for the scholarship. The selection has been made on the basis of their attendance register, previous score sheets, families’ economic condition and interview conducted by our Committee members. The scholarship covers all the expenses incurred for admission, fees, school uniform, books and stationeries. “(Corporate Website, Case Study 6)*

#### **6.7.3.2 Crisis Response**

Nepal has always been prone to natural disasters such as earthquakes. Hence, as a part of its CSR activities, the company helps in crisis response through supporting reconstruction and rehabilitation projects. They also provide training to their employees to help them prepare for earthquakes.

*“At the time of dire need, we attempt to restore “Hope for normal life” among the victims. We determine the most urgent needs and solicit the funding to send the aid in the indigent locations. We offer emergency relief packages and support day to day life by delivering food, clothes,*

*medicines, financial assistance, utensils and other humanitarian aids; we meet critical needs and give people a chance to rebuild their lives. ( Corporate Website, Case Study 6)*

### **6.7.3.3 Supporting Senior Citizens**

As a poor country, the government does not have resources to look after the old and needy (Thapa, 2017). Thus, CSR activities include providing adequate support to old people. This company actively collaborates with an old age home to provide both funds and goods to look after the people in the home.

*“We provide humanitarian assistance to helpless senior citizens and help them live dignified lives. For that, we collaborate with and assist old age homes that are continuously operating to better the lives of senior citizens. (Certified Chartered Accountant, Case Study 6)*

### **6.7.4 Summary**

Case Study 6 is a private family-owned company working in an automotive industry. It is a sole distributor of an Indian MNC. Its CSR policies are driven by both the owners and the supplier company’s guidance. The CSR policies it pursued include interventions in education, supporting old people and crisis response. These CSR activities are driven by issues in the local community, the governance gaps and pressure from their supplier. They have established their own NGO through which CSR activities are pursued.

## **6.8 Case Study 7- Cooperative Bank**

### **6.8.1 Overview**

Case Study 7 is a cooperative bank. This company was established in 2012 as a multi-purpose cooperative. A total of 7 employees are employed full-time. The modern-day cooperative in Nepal started with the establishment of the Department of Cooperatives in 1953 with the goal of socio-economic development of the people by their own initiation (Ojha, 2016). The Constitution of Nepal considers the cooperative sector as one of the three pillars for national development (Nepal Constitution, 2015). The major types of co-operative societies operating in Nepal are Savings and Credit, Multipurpose, Dairy, Agriculture, Fruits and Vegetables, Bee Keeping, Tea, Coffee, Consumers, Science and Technology, and Energy. It is believed that about 1 in 5 people are employed directly by cooperative business (Department of Cooperatives, 2015<sup>31</sup>).

Two interviews were carried out in their office in Kathmandu. The first interview was with the manager in his early 50s. He himself held shares and was a member of the cooperative. He has been working for this cooperative since its inception and has almost two decades of experience in the banking sector. The second interview was with the Assistant Manager, a woman in her mid 30s. The interviews lasted for 35 and 25 minutes respectively.

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<sup>31</sup> Department of Co-operatives is working under the Ministry of Agriculture and Co-operatives

## 6.8.2 How is CSR perceived and understood?

CSR as a term was understood by both interviewees. The manager of the cooperative referred to CSR thus:

*“CSR is doing the charity work. For example, donating money to social work.” (Manager, Case Study 7)*

He perceived CSR as something external to business operations and limited to mere philanthropy. On questioning if they pursued any CSR activities, the interviewee mentioned that:

*“No ,we do not do any CSR at present. As the cooperative is just 2 years old, we are still covering our costs. . When we make money , we will definitely do CSR but now we have not done any CSR activities.” (Manager, Case Study 7)*

As a new and a loss-making organisation, they are not making enough to cover operational costs. The landmark paper by Friedman (1970) argues that the business of a business is to make profits. He argues that making profits is a primary goal and for this company pursuing CSR activities at that moment was deviating from that goal. The interviewee perceived CSR as being completely external to the operations and limited to mere philanthropy for community related issues. While the organisation does not pursue a formal CSR policy, as a multi-purpose cooperative, it operates in a range of activities, i.e. it provides credit facilities, works in agriculture and encourages savings. Its purpose is to provide service/goods to its members. This organisation by its mere establishment is pursuing a socially responsible activity by working towards mutual development. The nature of the industry this organisation operates in

makes it harder to distinguish if it is a socially responsible organisation or not. One could thus debate if the sample company is a socially responsible company.

### **6.8.3 Summary**

Case Study 7 is a new multi-purpose cooperative located in Kathmandu. With a total of 7 employees, it is a small cooperative. As a new company, it is still loss-making. They do not have a working website and the interviewees perceive CSR as social work. As the interviewees understood CSR as social work limited to philanthropy, they argued that they do not have funds to pursue CSR. Hence, they believed that CSR is for well-established profit-making companies. While the interviewees argued that they cannot and do not pursue CSR, the nature of the industry in which the sample company operates makes it harder to distinguish their CSR activities. CSR understanding was limited to external CSR which they did not pursue. The mission of the multi-purpose cooperative is to provide low interest rate credits, encourage savings and work with local farmers. While there were no external CSR activities, the company pursued some CSR activities. As CSR was understood as philanthropy, the interviewees argued that they do not pursue CSR.

For new companies like Case Study 7 there are deterrents to pursuing and reporting CSR. There is pressure from members to make money, hence doing CSR (as understood in Nepal) was argued as deviating from that goal. One could argue the age of the company played a role in it pursuing CSR. As a researcher I believe that companies can pursue some socially responsible activities without understanding or labelling them as CSR.



## 6.9 Case Study 8- Hospital

### 6.9.1 Overview

Case Study 8 is a private company operating as a hospital. While there is provision of universal healthcare in Nepal, the insufficient resources of the government have led to a market of private healthcare. As per the Ministry of Health and Population, there are 366 private hospitals and 123 government hospitals operating in Nepal (Ministry of Health, 2016). This company is in Kathmandu and employs approximately 125 permanent staff. One interview was held at their office during normal office hours. As they do not have a separate CSR manager and it is the board/senior managers that decide on what CSR activities to pursue, the interview was conducted with the CEO of the organisation. The interviewee was a male in his early 60s and had had a long career in banking prior to running this organisation. The interview was about 55 minutes long. The ownership structure of the sample organisation was synonymous with many companies operating in Nepal where it is owned/run by close family and friends. While the CEO did not directly own the company, he stated that

*“Directly I am not an investor, but my son has a stake in it. There is a total of about 8-9 doctors who started this hospital and there is still no change on that. My son is one of the investors and not me technically speaking. “(CEO, Case Study 8)*

There is little separation between those who own the company and those that manage the company. As this organisation was a hospital, the sector it was operating in makes it difficult to identify what constituted a CSR activity. It is a hospital but a private hospital working to make profits for its investors. The interviewee explained:

*” We cannot just think of profits and fees. If someone comes to our hospital, the priority is their health. Our ethics force us to treat them. There are times when we have had to bear loss. As we are in a health sector(the nature of industry), we see this as our ‘samajik kartavya ’ towards our society”. (CEO, Case Study 8)*

On the one hand the primary activities of this organisation could be regarded as socially responsible activities but on the other hand because such activities are used to make profits, one could argue that they are using the nature of the work as their shield against CSR. There is little doubt that there are more expectations to engage in CSR for companies operating in some industries than others. For example, Walker and Howard (2002) argue that CSR is important to the mining industry because public opinion of the sector is negative and maintaining a licence to operate is difficult (Jenkins and Obara, 2008). CSR acts as a mechanism to maintain ‘legitimacy ’with society.

There was no separate department that oversaw CSR functions. All CSR activities pursued were at the boards ’discretion. The board decides on which CSR activity to pursue and how to pursue it. While they had a working website, they did not report on CSR.

## **6.9.2 CSR policies**

### **6.9.2.1 Education Intervention**

As a neuro hospital working in the capital, the hospital, as a part of its CSR, every year selects two junior doctors to pursue post graduate specialization abroad. The chosen junior doctors on completion of the course are required to return to Nepal and work at the hospital for at least 2 years. This intervention in education is an internal CSR activity which has benefited not just the junior doctors that study the postgraduate specialization but also all other staff.

*“We want our doctors to be best at what they do. As a part of CSR, we are sponsoring education for two doctors to study specialisation abroad. On completion, it will not just benefit them but improve our hospital’s practices too.” (CEO, Case Study 6)*

### **6.9.2.2 Crisis Response**

The interview was carried out post Nepal Earthquake 2015. As the hospital is in Kathmandu city which was one of the most affected areas, the hospital building was deemed unsafe to work. This case study is a medical facility. The nature of the industry meant there was increasing responsibility for the company to work for disaster management. The first stage of their crisis response was treating the victims of the earthquake.

*“During earthquake, all our services were free of charge . We could not work inside this building thus we set up a temporary tent outside, so we could look after the patients. We also provided food to patients and their family. We did this because we felt that it was our duty. But later we could claim part of our expenses from the government. “(CEO, Case Study 6)*

The second stage of crisis response was rehabilitation. The hospital as a part of CSR helped rebuild 120 houses and also established a rehabilitation centre to help the victims of mental trauma.

*“Post-earthquake we invested a lot in our CSR. We volunteered and helped in reconstruction and we personally built 120 houses. We had set up a rehabilitation centre for earthquake victims.” (CEO, Case Study 8).*

### **6.9.3 Summary**

Synonymous with most companies operating in Nepal, Case Study 8 was family-owned. A total of 125 employees were employed full-time. The company did not report on CSR. Their CSR policies prior to the earthquake were all internal and focussed around improving the quality of staff. The earthquake triggered a humanitarian response which drove CSR policies. They built 125 houses for earthquake victims and provided free healthcare to the victims. Their internal CSR of improving the quality of their doctors by providing scholarships to study specialisation abroad was driven by lack of proper educational facilities and the need of a specialised doctor in Nepal. The nature of the industry in which the company operated, i.e. as a hospital, makes it difficult to understand whether their operations are CSR or profit-oriented.

## **6.10 Case Study 9- Finance**

### **6.10.1 Overview**

Case Study 9 was a finance company listed on the NEPSE. It was founded about 20 years ago, by a group of friends. While it is a listed company, much of its shareholdings (60%) were owned by the founding members. The rest 40% were publicly owned. The company as a Class C bank has an Authorized Capital of NPR 940 million and Paid Up/Issued Capital of NPR 557.42 million. Their mission was described as rendering banking services to different sectors like industries, traders, businessmen, priority sector, small entrepreneurs, deprived sections of society and all people who need banking services. The company operates in Western Nepal with its head office in the city of Pokhara. There is a total of 11 branches of the company, all located in Western Nepal.

Two interviews were undertaken with the CEO and Chairman of this company. The interviews were carried out at the head office in Pokhara during normal office hours. The first interview was with the CEO who is a male in his early 50s. He had over 25 years experience working in banking and finance and holds an MBA. The second interview was held with the Chairman, a male in his early 60s. He is a retired army officer and a founding member of the company.

Like most companies operating in Nepal, they do not have a separate CSR function. It is the board that makes the decision on pursuing CSR activities, therefore the amount and kind of CSR could vary every year.

### **6.10.2 How is CSR understood?**

CSR was believed to be providing support in areas where the community is experiencing difficulties. The Chairman saw CSR as something ingrained in who he is.

*“We do community related activities. Social Work is a big part of my life, this is who I am. As a company, we make sure we help towards upliftment of the society we operate in.” (Chairman, Case Study 9)*

CSR is perceived as external to business operations. It is perceived as being the social obligation of the company.

*“We operate in the community. We are not separate from the community so we need to look after the society. It is our duty to do so.” (CEO, Case Study 9)*

As the interviewee uses the word “duty”, one could argue that they see CSR as not something separate to their identity. CSR is a part of their organisational culture and has long existed.

While the company did not report on CSR and perceived reporting as opposing the Nepali values, its CSR has long existed.

*“We do not see a point in reporting CSR. You tell me yourself, how does it sound when you advertise social work you are doing. The purpose of our social work is to give back to society not gain cheap attention from it.” (CEO, Case Study 9)*

CSR is perceived as something external to its business strategy. As a result, external CSR activities were the only activities they described as CSR.

### **6.10.3 CSR policies**

#### **6.10.3.1 Education Intervention**

Understanding that the community has limited financial knowledge, the case study company as a part of their CSR function has been providing financial literacy education to the local community. They have been providing education to the community on the importance of banking. As per Nepal Rastra Bank (2013), only 38% of Nepali population have bank accounts; hence the company provides financial literacy classes to encourage people to engage with banking.

*“On our anniversary, we always do CSR activities. This year we focussed on providing financial literacy classes to the local community to encourage banking.” (CEO, Case Study 9)*

It could be argued that providing financial literacy classes may be both doing societal good and serving the best interests of the case study company in the long-run.

### **6.10.3.2 Health Intervention**

One of the most consistent CSR activities for the Case Study Company has been a blood donation programme. For the last 5 years, every year employees come together to donate blood to save lives.

*“We have been carrying out blood donation programme every year. There is a lack of blood bank in Pokhara and we ought to do every little we can to prepare.” (Chairman, Case Study 9)*

### **6.10.3.3 Environment**

The case study company is located in Pokhara, a city which was recently declared as a “plastic bag free zone” (Pokhara Sub-Metropolitan City, 2016). With everyone working towards making Pokhara a green city, the case study company introduced their CSR policy called, “Let’s Go Green”. To encourage people to lead an environmentally friendly life, a free environmentally friendly bag is provided with every new account opened.

*“We introduced, “Let’s Go Green” project. The aim of this is to encourage every customer to use environmentally friendly bags. We are providing all our customers with these bags, it is our way to support Pokhara in making it a plastic free zone. “ (CEO, Case Study 9)*

### **6.10.4 Summary**

Case Study 9 is a finance company listed on the NEPSE. Even though it is a listed company, 60% of the stake is owned by a small group of friends. Since its inception, CSR has been a part of the company. Here, CSR was perceived as being the duty toward the community and was

believed as being the part of the company's identity. CSR is not separate but ingrained in their way of life. The CSR activities pursued were in education, health and environment. These interventions were driven by the local community's issues. The values and personal beliefs of the Chairman encouraged the culture of giving.

## **6.11 Case Study 10**

### **6.11.1 Overview**

Case Study 10 is a private company working in energy industry. This company is a hydropower company owned and managed by a prominent family that runs one of the biggest business houses in Nepal. The company first started its operations in 2013 and at the time of the interviews was only just above 2 years old.

Bestowed with 2.27% of the world's water resources (Bhatt, 2017), hydropower is the major source of energy in Nepal. Until 1990, hydropower development was under the domain of government, i.e. under Nepal Electricity Authority (NEA). From 2006-2016, Nepal faced a power shortage which resulted in load shedding of up to 91 hours in some areas (Nepalitimes, 2018). When the new CEO to NEA, Kulman Ghising was appointed in 2016, Nepalis suddenly started getting their power supply back. While Kulman Ghising argued that it was better management that resulted in improvement of power shortage, Kumar (2018) writes that it was 'structural corruption' in the NEA that resulted in the power shortage. Since 2018, Nepal is load shedding free. Hydropower is considered a promising industry and the new Hydropower Development Policy 1992 has opened access to the private sector in investing in hydropower



plants. Hundreds of millions of dollars have been invested in hydropower planning in the last two decades alone and there are over a dozen hydropower plants operated by private investors.

Two interviews were carried out at the location of the plant, which is outside the city. The first interview was with one of the directors, a male in his mid-30s. I met him in the city and he drove me to the location of the plant where we were met by a site engineer, a second interviewee, a male in his early 30s.

### **6.11.2 How is CSR perceived and understood?**

CSR as a term was understood by both the interviewees. On our journey to the power plant the interviewee stated:

*“Hydropower requires a lot of initial investment. When we did the feasibility test, there was no road to get here. That was the first thing we had to do, we built this road...locals had to walk all the way to the highway but this project has benefitted everyone. (implying investors and residents).”*

CSR as a terminology was referred to as their social obligation.

*“.....we do it as part of our “dayitwa”<sup>32</sup> towards our society. (Director, Case Study 10)*

One could argue that from the activities CSR is a shared concept between all stakeholders. As society and business are not mutually exclusive, carrying a viable business requires society to work together with the business and vice-versa. In this case, infrastructure development, i.e. building the road, is beneficial to both the case study company and the local community.

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<sup>32</sup> Dayitwa is a synonym of Kartavya; both of which translate to obligation

The sample company is one of the ventures of this large family business. The family business group owns and manages different companies ranging from manufacturing, hydropower, tourism, education and construction. The sample hydropower company is a young company and does not have a separate CSR function. The interviewee who is a member of the family argued that:

*“This company does not have a separate CSR function, as a family business, we do CSR under our name (parent company) When we do CSR under our family name, it encompasses all companies that we own” (Director, Case Study 10)*

His statement is quite contradictory because the family owns a range of companies, some more established than others. Their popular companies have their own websites with their own CSR sections that describe their CSR activities for the year. As a family-owned company, the lines between what are personal social ventures versus the company’s CSR activities are blurred. Furthermore, the interviewee contradicted his own statement above and stated:

*“As a new company, our priority has been getting the company in production. Our plant has benefited the local community and improved their quality of lives by providing jobs to the locals.” (Director, Case Study 10)*

It is evident that as a new company, the main priority has been operation which has led them not to invest in external CSR activity. There are internal CSR activities the company has pursued.

### **6.11.3 What CSR policies are undertaken?**

#### **6.11.3.1 Local Community**

As the hydropower is in outskirts of the city surrounded by villages, the hydropower plant has benefited the locals. Over 100 local people now work for the company who otherwise would migrate to the town to find jobs. The village did not have a road that connected them to the highway which meant that locals had to walk to get to the highway. The company constructed the road that has more than quartered the time taken to get to the nearest transport. As a result of the operation of the hydropower, the quality of lives has improved for the locals.

#### **6.11.4 Summary**

Case Study 10 is a private company operating as a hydropower company. The company is fully owned by one of the prominent business houses in Nepal. The company is young (only about 2 years old at the time of interview). Here, CSR was understood as the social obligation towards the community. As a family-owned company, the CSR activities of the company and the social work of the owners was blurred and often interchangeable. CSR was perceived as external CSR and as a young company no separate external CSR was carried out. However, the need to establish the plant had led to employing locals and building infrastructure which improved quality of lives for the community. These internal CSR activities are driven by socio-economic priorities of the community such as lack of infrastructure for the company to operate.

## 6.12 Summary and Conclusion

This Chapter considered 10 different cases to understand how CSR is perceived and understood and what CSR policies were carried out in the sample companies. Several similarities and distinctions emerged following the analysis. CSR as a term was understood by all but one interviewee. CSR is often associated with 'social obligation' (*Samajik Kartavya*) and activities external to operations are associated with CSR terminology.

The nature of CSR was such that CSR activities are philanthropic in nature limited to donations of cash and kind. The CSR activities pursued triangulate with the findings of Chapter 6 and reflect the socio-economic priorities of local community. Hence, issues to do with health and education formed major CSR activities. The understanding of CSR was limited to philanthropy and it was perceived as giving back to society. The interviewees often perceived CSR as interchangeable with social work.

This chapter presented different cases and excerpts from the interviews to introduce and understand how Nepali CSR is perceived. The following chapter, Chapter 7 will discuss recurrent themes to firstly understand the status of CSR reporting in Nepal and secondly, it compares and contrasts factors that may influence CSR uptake in companies operating in Nepal.

# Chapter 7

## Insights from Interviews: II

### 7.1 Introduction

Chapter 6 provided an overview of 10 cases and the CSR policies pursued by those cases. The purpose of this chapter is to use the interviews firstly to triangulate the findings of Chapter 5 (nature and extent of CSR reporting) and secondly to compare and contrast interview excerpts to identify recurrent themes in exploring CSR in companies operating in Nepal.

Firstly, this chapter triangulates the findings of Chapter 5 and concludes that CSR activities address the issues on the national agenda of Nepal. Education sponsorship and addressing health issues are still the primary CSR activities undertaken by the sample companies. CSR is perceived as being '*Samajik Kartavya*' and is philanthropic in nature. CSR is described as filling in areas where the government does not and cannot. The CSR activities pursued reflect the socio-economic priorities of Nepal; hence education sponsorship is the most carried out CSR activity followed by addressing health concerns. Other pressures that drive CSR are governance gaps and crisis response (the earthquake). Family-owned companies dominate the Nepali business environment and personal values and the religion of the owners play a key role in driving CSR. Industry specific norms such as standardisation and supply-chain pressure influence CSR in subsidiaries of foreign-owned companies or companies working with foreign

companies. The role of government as a regulative force is weak in encouraging CSR. Norms and culture drive CSR policies.

## **7.2 Understanding CSR Reporting**

As presented in Chapter 5, CSR reporting as per the GRI 3.1 framework was generally low. The reanalysis of annual reports showed that 67% of listed companies reported on some form of CSR. The nature of CSR reporting was such that it addressed socio-economic priorities; hence education and/or health related CSR activities were reported the most. The kinds of CSR activities reported were not captured by the detailed GRI framework. Generally, the sample companies tended to dedicate from a couple of sentences to a couple of pages of their annual report to report on socially responsible activities. The sample companies reported on the issues pursued and the philanthropic donations carried out by the company for the year (excerpts of the reports presented in Chapter 5, section 5.7).

To triangulate findings of Stage 1 on CSR reporting, interviewees were explicitly questioned on their approach to CSR reporting. Interviewees shared that reporting is a new concept and companies in Nepal are still trying to understand it.

CSR reporting is not on the business agenda. Reporting on CSR is perceived as advertising social initiatives undertaken. A common viewpoint was CSR reporting invites expectations to give back more to the community, undermining business profits. While CSR is pursued, reporting on CSR is deliberately ignored. For example, the chief operating officer of the retailer argued :

*“We have a section on the website where we disclose CSR issues. But we do so much for society, not everything is disclosed in the website. It is not feasible to do and it is not a thing to do too. CSR is not about showing off to other people. We do it for ourselves rather than to show other people the social endeavours we undertake (Chief Operating Officer, Case Study 1, Retailer)*

The Chief Operating Officer of Case Study 1 perceived CSR reporting as not feasible. He was hesitant on reporting CSR because he perceived that CSR has more to do with the beliefs of the owners/managers rather than being a part of the business strategy. Similar were the thoughts of the director from the Case Study 3.

*“..... It does not look good to advertise what CSR activities we are doing or what activities we have done. ....I think it is best that people know it by themselves than us focussing on letting people know” (Director, Case Study 3, Manufacturing Company).*

The director from Case Study 3 used the phrase ‘it does not look good’ on explaining why they do not report on CSR. He perceived reporting on CSR as defying the Nepali way of life that discourages self-praise. Hence, reporting is something that is not on the agenda of companies operating in Nepal. It is avoided by companies operating in Nepal because companies perceive CSR reporting as a mere publicity stunt.

*“ Reporting on CSR is a new concept here. We are still learning at the moment. We have been looking after our people for a long time, it is who we are. But talking about these endeavours in annual report is completely new” (CEO, Case Study 10 )*

CSR reporting is perceived as a new concept which has normalised in the Nepali business environment. With globalisation, there will be more MNCs or subsidiaries of MNCs that may operate in Nepal. This might influence the nature of CSR and the CSR reporting of the

companies. Perhaps this is already the case with the company in Case Study 4, which is a subsidiary of a foreign-owned multinational.

*“...All our CSR activities are aligned with the CSR objectives of our parent company. Therefore, we record and report all our community related CSR activities to our parent company. The CSR activities are published in our group sustainability report” (HR Manager, Case Study 4, Manufacturing Company)*

Reporting is a new concept and hence companies such as Case Study 1 (retailer) with suppliers from all over the world have hoardings in their shops that actively showcase CSR activities pursued. Their corporate website has a dedicated CSR section that presents CSR activities. CSR reporting is argued as their core value on their website, but the interview with the Chief Operating Officer shows that he is sceptical on reporting CSR issues. He said:

*“...we report but we do not report everything. It is not something to be reported, that is what I think. Community will know it by itself. Rather than shouting out what we did or what we are doing for community, it is better that they see it by themselves. Though we publish on our website, we do not focus on letting people know what we have done under CSR”. (Chief Operating Officer, Case Study 1)*

Reporting is a new concept which perhaps conflicts with the Nepali way of life. It appears that studying annual reports for CSR reporting cannot provide a true picture of the status of CSR in Nepal because reporting is deliberately avoided. There are costs associated with reporting on CSR. It was firstly perceived that reporting on CSR invites more expectations for companies to pursue social endeavours. Secondly, companies need to maintain legitimacy within the Nepali community for their licence to operate and the Nepali way of life discourages CSR reporting. Without formal guidelines, reporting on CSR varies across companies. Hence, CSR reporting alone cannot provide a complete picture on the status of CSR in Nepal.



## **7.3 Factors that influence CSR**

While CSR reporting was argued as a new concept that contradicts the Nepali way of life, CSR was argued as long existing within Nepali society. Of the 10 case studies, 9 companies pursued some form of CSR. While the sample companies argued that reporting was not on their business agenda, companies actively pursued CSR. There are different organisational and institutional factors that encourage companies to undertake CSR.

### **7.3.1 Ownership Structure**

Of the 10 case study companies, 6 were family-owned. The case-study sample reflects the Nepali business environment where family-owned companies, often termed as 'corporate business houses', dominate the market. The uptake of CSR was influenced by the ownership structure. In family-owned companies, the board is often dominated by members of a single family. The decision to pursue CSR is made by the board, so the personal beliefs of the founder and his family influenced their CSR activities.

In family-owned businesses, the values and ethics of the owners are often reflected in business operations. On researching CSR of SMEs in Uganda, Nkiko (2013) presented that the owner-managers are key drivers in CSR engagement. CSR is driven by the owner-managers' values, such as culture, power, religion and status in their society. In a family run business, the organisational culture of the company is dominated by the owner's family's beliefs; the board makes the decision on what CSR activities to pursue and in a family-owned business, the board is often dominated by the owner's family. Hence, the family's personal identity, such as their values/religion/spirituality, plays a key role in pursuing certain CSR activities.

The director of Case Study 3 saw helping the community as a way of giving back to society that provided them with the licence to operate.

*” There are some CSR activities we do such as sponsoring a football tournament where we see it as being both beneficial to the local youths and as sponsors, an advertising opportunity for us. However, when we are donating or helping a local temple, we do not see it as CSR. Whatever we have achieved is by god’s grace, we feel peace in giving back. This is who we are.” (Director, Case Study 3).*

Therefore, the director of Case Study 3 perceived CSR activities such as renovating the local temple as only altruistic. The success of the family is understood as god’s grace and it is believed that one must pay one’s dues by giving back to the society. The founder and the family of Case Study 3 identify themselves as devout Hindus who owe their success to God. Hinduism voices the concept of ‘dana ’which refers to making offerings without any expectations (Eck, 2013). ‘Dana ’is charity associated with Hinduism and is regarded as one’s religious duty. Dana is carried out to help others. Bornstein (2004) writes that *“dan is given to strangers, and it does not matter whether the recipients are Hindu. What matters is that an attachment or relationship with the recipient does not exist”* (p.30).

In a country where religion is an integral part of daily lives, the personal beliefs of the owner create a religious normative pressure in influencing CSR. CSR is a result of the organisational culture which is driven by the owners ’personal beliefs.

Further, in a family-owned business, any activities of the business are associated with the owner and vice-versa. CSR activities are associated with the owner and the organisational culture reflects the founding family’s personal beliefs. All policies, including CSR policies,

are driven by the founders' vision to give back to the society that provided them with a 'licence to operate'.

*"The founder and his family started this business as a small one shutter shop and they believe that all they are today is because of the community. They believe that our organisation cannot exist without the support of this community. They never say no to any community related activities. The MD (founder) sits with us in the board when we decide on which CSR activities to pursue. You should know this company is like a family." (Chief Operating Officer, Case Study 1)."*

In a family-owned company, the personal values of the owners are reflected in the activities of the business's organisation. The founders are at the centre of all operations. The charisma of the founder drives the organisational culture of CSR in the company. For example, the founders of Case Study 1 are known as philanthropists and are very spiritual which has encouraged CSR issues.

*"At the end of the day, it is a family business. They (owners) are socially inclined people. If the top guy believes in something, then it flows downwards. It is what is happening here. When he started, he had one small store and because the community has given him so much, he wants to give back. Also as Nepalis, it is in our culture too. For example, if we see someone sick we always support them. By nature, we are helpful and tolerant people." (Chief Operating Officer, Case Study 1)*

The nature of CSR and the process of how CSR is pursued is greatly influenced by the ownership structure.

While the personal values of the owner manager influenced CSR in family-owned company, the organisational culture of the parent company influenced CSR in the subsidiary company. One of the case study companies was a fully-owned subsidiary of a foreign MNC. It has been argued that subsidiaries of foreign companies are often frontrunners in CSR because they are provided with explicit rules to follow from their parent company. Unlike family-owned companies, the subsidiary of a foreign MNC had explicit guidelines to pursue CSR.

*“ ...as a subsidiary we get all the directions from our parent company. We also report on CSR as per GRI guidelines on a yearly basis.” (HR Manager, Case Study 4)*

The subsidiary is a manufacturing company operating mainly in the tobacco industry. In comparison to other companies in the sample, this company has a working website that reports on CSR issues. They are required by their parent company to report on CSR as per the GRI guidelines, a trend hardly found in companies operating in Nepal. There are only a few subsidiaries of foreign-owned companies in Nepal. According to the Himalayan Times (2016), Nepal has a lack of progressive law in accordance with international standards that makes investing in Nepal difficult. For example, while intellectual property rights (IPR) has emerged as a global issue, there is a ‘virtual absence of an equitable IPR system in the country, lack of legislative framework on IPR-related issues for industries like trademark, patent, design, etcetera, compatible with the World Trade Organisation and World Intellectual Property Organisation provisions have been identified as a bottleneck to bring in investment.’ (The Himalayan Times, 2016).

With limited presence of MNCs in Nepal, the population sample consisted of just one subsidiary of a foreign company. The sample company operates in a morally questionable industry (it sells tobacco), so the nature of the industry, not necessarily the ownership structure,

might have led it to pursue CSR vigorously as a tactic to gain legitimacy from the community. A bigger sample of foreign-owned companies could have provided better insight to study their approach of CSR. Nonetheless, the regulations from the parent company act as coercive pressure to encourage CSR.

### **7.3.2 Socio-Economic Priorities**

The nature of CSR activities reflected challenges faced by Nepal. Socio-Economic priorities play a key role in shaping CSR policies. Nepal is a poor nation with its fair share of problems including healthcare, education, poverty and the environment. There are eight millennium development goals<sup>33</sup> in Nepal that address education, healthcare, gender inequality and poverty (National Planning Commission, 2017). CSR policies mostly address these development goals. On questioning why they pursued a particular CSR activity, the Chief Operating Officer of Case Study 1 responded:

*“CSR is a way for us to address problems that the community faces. Issues such as no access to a proper healthcare and education are real problems that the society has which needs urgent attention. We focus our CSR around these issues.” (Chief Operating Officer, Case Study 1)*

CSR is perceived as addressing societal problems. Without a proper CSR agenda, it is often the local community that formulates proposals that address local issues. As the local community often approaches companies, CSR addresses socio-economic priorities of the

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<sup>33</sup> The Millennium Development Goals (MDGs) are eight goals to be achieved by 2015 that respond to the world's main development challenges. They are (i) eradicate poverty and hunger (ii) achieve universal primary education (iii) gender equality and empowerment of women (iv) reduce child mortality (v) improve maternal health (vi) combat HIV, TB and malaria (vii) ensure environmental sustainability (viii) develop a global partnership for development

community in which the business operates. External CSR, especially community-related CSR activities, is at the forefront of CSR activities.

*“While we do not have a clear policy in CSR, we pursue community related activities. As a part of our CSR programme, we sponsor education for children. Children who are talented but represent poor and indigenous background are chosen for the sponsorship. ....I think it is the same with most companies (they sponsor for education). A right to good education is essential and we do every little that we can. “ (Executive Chairman, Case Study 5, Real Estate Company)*

CSR activities are perceived as a way to uplift the community by pursuing challenges faced by the community. Socio-economic priorities play a key role in shaping CSR policies. Amaeshi (2006), on studying CSR in Nigeria, argued that CSR in Nigeria addresses the socio-economic challenges of the country, including poverty alleviation, health care provision and education. CSR policies reflect these socio-economic challenges and CSR activities reflect socio-economic issues.

*“Corporate Social Responsibility has been an integral part our bank’s activities, and we have eagerly extended our help towards the upliftment and welfare of the marginalized sections of the society.” (Director, Case study 2)*

CSR activities reflect issues on the government agenda. One could argue that there is a changing role of state agencies and a redistribution of governance tasks between private and public actors as companies must assume a political CSR (Schererr et al, 2016) because they may be the only entities with the capacity to do so.

Socio-economic priorities are social problems that are faced by the community. Issues to do with lack of affordable education and lack of sports investment are inherent in Nepal, a country that is in recovery post civil war and the earthquake. As a result, CSR activities address these

concerns. As discussed earlier, it is the community that often approaches the company, so companies address social issues as their CSR activities. Education sponsorship was the most pursued CSR activity. On questioning why they pursued education sponsorship as a CSR activity, the director of Case Study 3 responded:

*“Education is a necessity yet many of our children do not have access to a decent schooling. This is a real issue of our society and we are doing the little we can to see our society free of such issues.” (Director, Case Study 3, Manufacturing Company)*

CSR is mostly pursued when a social problem is brought to the board by the community; hence CSR reflect the challenges faced by the community. CSR policies thus align with issues that are faced by the community which are prioritised by the Government of Nepal.

*“Our CSR strategy is woven around and is in alignment with the stated priorities of the Government of Nepal. Under this the Government of Nepal has identified promotion businesses for socio-economic development. Private organisations can be the main engine for employment generation, increasing revenue potential from Tourism and the strengthening of Social and community. Drawing on this, we pursue an integrated CSR strategy with the stated objective of creating enduring value for the society that it operates in through 4 distinct platforms i.e. primary health, empowerment, environment and sports. ...We will work to align our CSR policies with national priorities and work towards creating socio-economic development of the underprivileged sections of the society.” (Corporate Website, Case Study 4)*

For this company, CSR interventions in the areas of health, empowerment, environment and sports are clearly devised to priorities of the Government of Nepal.

*“We believe that the low literacy rate is the reason that our nation is lagging. Due to the economic disparity in Nepalese society, many deserving children are deprived from pursuing*

*education. We are committed to providing education for underprivileged children. We have initiated providing scholarships to the needy, honest and deserving students for their school education. Our scholarship covers tuition fees, books and stationery, two sets of school and play clothes, two sets of school bags and shoes. It also covers lunch for the students. Last year, we managed to sponsor 26 students. (Manager, Case Study 6)*

Companies must '*actively shape socio-economic and political landscape to create an environment which is conducive for business*' (Middleton, 2005 in Visser, 2007, p.483).

Addressing the socio-economic priorities of region can simply be good for business. The socio-economic challenges create CSR policies which, in return, contribute to minimizing socio-economic challenges.

### **7.3.3 Governance Gaps**

It was evidenced from the sample companies that CSR activities address socio-economic challenges. Socio-economic issues are often associated with the government. The Oxford Dictionary defines the government as the system by which a state or a community is governed. Hence, the government is a body that looks after its citizens. Thus, it is often perceived that it is the government's role to provide public services and help address basic needs such as affordable healthcare and education. When companies engage in social issues, companies enter the realm of socio-political governance (Muthuri et. al., 2008). Socio-political governance is defined as:

*'All interactive arrangements in which public as well as private actors participate aimed at solving societal problems, or creating societal opportunities, and attending to the institutions within which these governing activities take place (Kooiman, 1999, p. 70).*



As private actors/corporations engage in societal governance, there is a shift in the traditional role of what a private actor and government are expected to do (Moon, 2002).

Increasingly, companies as social actors are engaging in social issues, which has given rise to an argument that CSR is a form of governance or a response to a governance challenge (Moon, 2002; Muthuri et al, 2008; Visser, 2007).

One of the reasons that companies are addressing social issues may be because Nepal has a weak, under-resourced government that fails to adequately provide on social issues (health, education and infrastructure).

CSR by companies is perceived as an 'alternative to government 'to fill in the gaps when the government cannot (Blowfield and Frynas, 2005). CSR activities are driven by the lack of a government's capability to address social issues. On questioning if the interviewee in Case Study 1 felt that addressing issues such as building schools and hospitals were a duty of a state, the interviewee responded that:

*"Nepal is a poor country; the government is poor. If we leave things for government to do, then it will be too slow. We cannot compare our country with others. Perhaps the government is doing its job but we ought to do ours too. We cannot depend on them. "(Chief Operating Officer, Case Study 1, Retailer)*

There is little doubt that the under-resourced government has diminished trust in government to provide for the people. Companies as their CSR mechanism are assuming a political role where they perceive addressing social issues as their duty. One could question the balance of social and economic interests because businesses will only address the issues as long as they

create and do not hinder 'value creation' (Le Ber and Branzei, 2010). The nature of CSR activity is driven by the lack of a government's capability to address social issues. Also, as a corporate citizen, the company perceives that it is their duty to address societal concerns:

*"As a poor country, there are a lot of children that do not have access to education. As our CSR, we have prioritised education because everyone needs to get access to education. If all of us (businesses and government) contribute towards the cause, then we can eliminate the issue altogether". (Director, Case Study 2, Commercial Bank)*

The interviewee perceives that private companies should address social issues on the government's agenda. One could argue in a situation where the government is under-resourced to address a social issue, private entities must work towards the cause alongside the government.

CSR practices in developing countries have been long argued as a response to governance challenges (Matten and Moon, 2002; Chapple and Moon, 2005; Blowfield and Frynas, 2005). CSR is argued to plug into weak and under resourced governments that fail to provide social services. CSR in the sample company addresses social issues which are linked to a government's responsibilities.

*"With so much political instability, the government's hands are tied. We should do everything we can to help take things off government's shoulder." (Manager, Case Study 6, Automotive)*

As the nature of CSR activities are such that they address issues to do with socio-economic priorities, one might question if addressing these issues should be for the government or a private company. Nepal is governed by weak and unstable government. Nepal ranks at 131<sup>st</sup> in

the corruption perception index (Transparency International, 2016). The perceived level of corruption is therefore high in Nepal. As evidenced by civil war, political instability and natural disaster, the government is under-resourced to undertake its responsibilities. This may invite questions on the ability of the government to address social issues. Thus, companies may be regarded as more approachable than the government.

*“It is not straight-forward. These issues particularly to do with education and health are that of government but our government is poor we cannot expect them to do it on their own. If all private companies do their part of CSR, these issues probably would get less. We have to look after our community, if we do not then who will?” (Director, Case Study 3, Manufacturing Company)*

The borders between political and economic actors are blurring as the socio-economic challenges exceed the capabilities of the government (Wolf, 2008). The weak government has created an environment where there are increased expectations for companies to pursue CSR and increased responsibility to address such CSR activities.

There is ongoing political instability in Nepal. The government is weak and under-resourced and the political instability has created a lack of trust in the government. Thus, profit-oriented companies are assuming a political role whereby they are expected/required to do the job that the government should be doing. They fill the gaps where the government cannot.

*“This village is not even an hour away from the nearby <<name of town>>. The government had stated the planned roadworks to connect this village to the nearby town for over a decade now. If we waited for the government to build the road, we would never be able to start the plant. We just knew we could not wait for it. The government is too slow and to be honest no*

*one cares about such small villages. It is sad but it is the truth.” (Director, Case Study 10, Energy)*

Political instability and conflicts have led to questions on the capability of the government. The role of government as a regulatory body seems questionable. Sharecast Initiative, Nepal (2019) conducted a survey with 4,129 respondents in 42 districts of Nepal<sup>34</sup> asking the respondents for their views regarding the government of Nepal. The respondents in general seemed dissatisfied with the government. For example, when asked if they trusted the political parties, 44.7 % responded that they did not. Similarly, 53.8% of respondents in the same survey answered that they did not believe what the political leaders said. Similarly Mulmi (2019) writes, *‘there is a distinct lack of trust for all politicians in Nepal today, not because ‘sabai neta chor hun (all politicians are thieves), but because this distrust comes from experience and the opportunism of Nepali politics’*. Overall, there is dissatisfaction with the role of the government. Power systems play an important role in governance. While there are laws that ensure CSR, there is little evidence on sanctions for non-fulfilment of those laws. One could argue that decoupling is pervasive in Nepal. Institutional decoupling is a phenomenon in modern society, one that can be defined as a gap between formalized policies and real practices, or between means and ends (Meyer, John and Rowan, 1977). The laws are subjective and political instability in Nepal has created a lack of trust in government and an increase in decoupling. The Nepal labour law (1993) states that any employees is entitled to 19 annual days leave per year. While there are laws, these laws are open to interpretation. There are few sanctions on non-fulfilment of these laws. The interviewee stated

*” Well we have no rules for holidays as of now. Right now, we have not created that mandate. We do not have a code of conduct. What we have is a probation period of 3 months during*

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<sup>34</sup> Nepal has 75 districts.

*which one does not get a single day off. If they take a day off, we take off their salary.”*  
(Assistant Manager, Case Study 7, Cooperative Bank)

The laws are open to interpretation and the lack of sanctions may question if CSR laws are a way forward to ensure and standardise CSR in Nepal. . While the labour law ensures annual leave, the law itself is vague as the labour law (1993) mentions that:

“Leave is not a matter of right; it is only a privilege. The authority to sanction leave may, in keeping of view the work of the Enterprise, refuse to sanction leave, postpone utilization thereof, make deduction or cancel any sanctioned leave.”

One could argue that due to the lack of government pressure, things such as annual leave are open to interpretation and have led companies to interpret it themselves at the cost of exploiting employees’ work-life balance. One could question the salience of state as a governing body. As a stakeholder, is the government powerful, their claims urgent and their claims legitimate? This perceived lack of trust meant that interviewees often saw following laws as fulfilling one’s discretionary responsibility.

*“I will tell you one thing, the major reason why government does nothing is that there is high level of corruption. Real estate is an area where corruption level is high. They (government) do not want the real estate to be organised. If they organise everything, the real work of government (corruption) will be clearly visible.”* (Executive Chairman, Case Study 4, Real - Estate Company)

When one follows the law, he takes it as something to be proud of. The executive Chairman stated:

*“...especially in housing organisations, there are only about 2% people that are involved in planned organization. The remaining 98% do not follow any codes. A customer does not come to us because he must pay tax on full price of house/land with us. If they deal with unorganised (98%) individuals, they can show in papers that the transaction has been done at a far lower amount and avoid taxes. Because of this, legal companies like us are losing customers.....we are paying taxes when 98% are not doing it. And we take pride in it. Ultimately whatever productivity we gain is for the nation.” (Executive Chairman, Case study 4, Real Estate)*

It can be understood that conforming to the law was an important CSR activity for one of the companies interviewed. Carroll's Pyramid (1979) identifies four types of responsibilities that an organisation has. He argues that the primary responsibility of a business entity is to fulfil its economic responsibility and the highest responsibility is to fulfil its philanthropic responsibilities. Unlike Carroll's Pyramid (1979), in developing countries philanthropic responsibilities come before legal responsibilities. Developing countries are where the government is weak and under-resourced. As a result, the government is overstretched and needs help to fulfil societal issues. Hence, philanthropic responsibilities precede legal responsibilities. This coincides with Visser (2008) who argues that Carroll's pyramid needs reversal in developing countries and presents a reversed CSR pyramid.

### **7.3.4 Crisis Response**

The external environment plays a key role in influencing company behaviour. Catastrophic events with immediate impact are more likely to elicit a CSR response (Visser, 2008). In April 2015, Nepal underwent an earthquake that killed more than 10000 people. People and businesses alike worked together to help in post disaster reconstruction and rehabilitation like

the corporate response to tsunami (Fernando, 2007). The case study companies' CSR agendas reflected and addressed the Nepal earthquake in their CSR interventions.

*"...We did our utmost to help in post natural-disaster efforts such as donating to the victims of earthquake, floods and other natural calamities. Also, we have helped in the rebuilding of community schools in some of the areas hit by the earthquake. Becoming a good corporate citizen is the aim of the activities that we conduct under our Corporate Social Responsibility".*  
(Director, Case Study 2, Commercial Bank)

As argued in earlier chapters, CSR is a cluster concept which accommodates different issues. During the earthquake, merely fulfilling the prime responsibility of providing a service was perceived as discharging social responsibility. This was evidenced by the study of Kumar (2018) who argued that '*corporations help in disaster management simply by engaging in their regular business*' (p132).

CSR is thus context specific and subject to change. For example, a manager of Case Study 3 stated:

*"I would like to thank our workers because even in such a difficult time, we continued our production line. We went to villages in Gorkha and Sindhupalchowk (worst affected areas) where there were very limited supplies. The government had too much on its plate at the time, so it was our duty to look after each other. We distributed noodles and other food and supplies to the victims."* (Manager, Case Study 3, Manufacturing Company)

In the event of the natural disaster, continuing the production line amounted to the greatest level of CSR one could pursue. It has been documented that a natural disaster triggers increased kindness and unity among people. Kumar (2018) studied the CSR practices of the top 100

Indian companies and their response to natural disasters. His study explored the CSR response of these corporations during the Kedarnath floods, 2014, and Jammu and Kashmir floods, 2014. He found out that these companies actively engaged in disaster management through donations for rehabilitation and the provision of relief materials. It is evident from history that natural disasters such as the Haiti Earthquake in 2010 trigger humanitarian response from all around the world (Visser, 2007) . Companies responded and addressed issues arising after the earthquake, such as providing food and supplies to the victims. CSR as a term captures different things in different circumstances.

During the period that the interviews were conducted, the post-earthquake rehabilitation was ongoing. The immediate response to the earthquake was mainly philanthropic. The interviews reflected CSR interventions to address the earthquake as one of the major CSR interventions. However, it will be interesting to see how and if CSR policies continue to address reconstruction from the earthquake in years to come.

### **7.3.5 International Standardization**

CSR in companies that operate with foreign companies attempted to adhere to international standards in CSR. Nepali law does not require quality control audits, but they are an important aspect to gain foreign customers for a product. This was evidenced in case study companies.

For example, Case Study 6 is a family-owned automotive company that is a sole-distributor of an automotive MNC. They are required by their distributor to adhere to quality control standards and thus it is an ISO 9001:2008 certified company. ISO 9001 is a quality control standard. According to the ISO website, 'ISO 9001 are the standards that provide guidance and tools for companies and organisations who want to ensure that their products and services meet



customer's requirements'. Hence, these international standards help gain access to markets beyond Nepal and companies that operate with MNCs are required to adhere to these standards.

Similarly, Case Study 4 is a subsidiary of a foreign MNC and it exports products throughout the world. It is an ISO 9001 and ISO 50001 certified company. ISO 50001 is an energy management standard. ISO 50001 supports organizations in all sectors to use energy more efficiently, through the development of an energy management system (EnMS).

*"Our Factory is ISO 50001:2011 certified. We have been able to monitor our energy use critically and since certification we have cut down our energy costs. Being ISO certified has helped us monitor our energy costs and increase efficiency. It is also our way to be contemporary among other businesses. (HR Manager, Case Study 4, Manufacturing Company )*

Adopting international standardization by companies that export is as much a business strategy as it is CSR activity. It helps to get access to the markets where the stakeholders value CSR activities more. As a company that exports to foreign markets, international standards create a bare-minimum of safety standards to follow. The ISO certification acts as a coercive mechanism to ensure fulfilment of CSR in the area of energy management.

With globalisation, more companies operating in Nepal may expand to external markets. International standards such as GRI and ISO may help companies operating in Nepal to adhere to stakeholder expectations in foreign markets.

Suppliers of MNCs operate throughout the globe. Companies such as Case Study 6, a sole-distributor for an MNC, must adhere to the MNC's sustainability guidelines

*“We are required by <<Name>> (supplier) to adopt ISO 9001/TS16949 quality management frameworks. Thus, there is this minimum quality and safety standards that me must adopt. We have always prioritised health and safety.” (Manager, Case Study 6, Automotive)*

Therefore, companies such as Case Study 6 are required to adhere to sustainability guidelines. These guidelines work as a regulative force for companies. As a sole distributor of a giant MNC, Case Study 6 must follow the sustainability guidelines of their supplier MNC. These guidelines create a coercive pressure to pursue CSR in alignment with their supplier MNC. For example, the excerpt from the MNC, whose products Case Study 6 sells, states:

*“We also closely work with our suppliers on enhancing their sustainability initiatives and focus on their capability and development. Project <<name>> started in FY 14-15 has actively worked towards Supplier transformation with a focus on a 6-pillar approach of Cleanliness, Safety, Health and Hygiene, Data Management, Quality, Supplier issue resolution. To ensure we have reliable and responsible suppliers for automotive production and service parts, we have mandated that all our suppliers adopt the ISO 9001/TS 16949 quality management system frameworks. We also encourage our dealers to adopt quality, environmental and safety management systems” ....We are actively working towards adopting the principles of ‘Circular Economy’. This initiative will help us transform the way we look at ‘Waste Management’ and will help us Reduce, Reuse and Recover (R-R-R) to address emerging resource scarcity/security issues of the future and reduce the environmental impacts of our production and consumption. We are strongly propagating the need to implement R-R-R at our manufacturing locations as well as by our suppliers.” (Sustainability Report, Supplier MNC)*

In Case Study 6, the international standards such as ISO 9001 must be followed to be able to sell the products of their suppliers. CSR policies are driven by multinationals striving to

achieve global consistency. Case Study 6 is a private family-owned company working in the automotive industry. It is a sole distributor of an Indian MNC. CSR policies are driven by both the owners and the supplier company's guidance. CSR policies pursued included interventions in education, supporting old people and crisis response. CSR activities are driven by issues in the local community, but also from the pressure from their supplier.

### **7.3.6 Stakeholder Pressure**

Stakeholder expectations can work as both the motivator and deterrent to CSR. For example, Case Study 7 is a cooperative bank. It was only 2 years old when the interviews were conducted and therefore had not made any profits. As a loss-making company, there was an immense pressure from stockholders to get returns on their investment. They therefore saw CSR as deviating from that goal. CSR was perceived as an expenditure that only successful companies can afford. The manager on questioning if they pursued any community related activities responded:

*“No, we do not pursue CSR. We have been in operation for two years. We still have not covered out costs so we are focussing on that for now, not on community services.”* (Manager, Case Study 7, Cooperative Bank).

CSR was perceived as something limited to community activities. Internal CSR activities such as addressing HR issues were not associated with CSR. Perhaps, this is because of the lack of knowledge on what constitutes CSR. According to Bowen (1953), CSR is obligations of businesspeople to pursue those policies which are desirable in terms of the objectives and values of our society. Following this definition, which has a strong element of focus on the objectives and values of our society, perhaps addressing gender issues in their operations may be classified as CSR activity.

While the interviewee from Case Study 7 declined any engagement in CSR activity, the company's business strategy emphasised gender equality. As a country where gender inequality is high, Case Study 7 encourages and prioritises female employees. Despite the interviewee from Case study 7 denying any CSR activity, they actively encouraged gender balance in their workforce.

*"We had more female staff. But they left, and we still have not filled their vacancies. Many people, wherever you go, give priority to females. For example, it is easy for people to have conversation with female staff. Clients also feel less intimidated when there is female around. So particularly in customer dealing place like ours, we are constantly looking for a female employee. Most of our clients are also female so it is easier if we recruited female. Females feel comfortable with females."* (Manager, Case Study 7).

While the interviewee argued that they did not pursue CSR activities, it seems that by recruiting women in their workforce, they are pursuing economic CSR. Economic CSR occurs when a CSR activity provides economic benefits to the company. Prioritising females as prospective employees in on one hand addresses the social issue of gender imbalance and on the other hand, as the interviewee mentions, is beneficial to the company for economic reasons. While they do not pursue and plan on pursuing CSR as perceived by the interviewee, they are pursuing some internal CSR activity such as prioritising female employees. Perhaps the interviewee associates CSR as mere philanthropy and therefore denies any engagement in CSR. Addressing gender balance is pursuing objectives that are desirable to the values of the society; hence, based on the definition of CSR, there are some CSR elements that Case Study 7 pursue. All CSR activities pursued are economic CSR which focusses on the business case of CSR because, as a loss-making company, the first priority is to make money for its stakeholders.

## 7.4 Summary and Conclusion

The CSR activities pursued triangulate with the findings of Chapter 5. CSR reporting is still new in Nepal and the CSR activities pursued reflect the socio-economic priorities of local communities; hence issues to do with health and education formed the majority of CSR activities. CSR activities are driven by the weak governance role of the government. This has led the companies to address local challenges and CSR is perceived as filling in where the government cannot and does not. Companies perceive they have a *Samajik Kartavya* towards the community which influences CSR uptake.

Ownership structure plays an important role in distinguishing the nature of CSR activities. Family-owned companies' CSR is driven by the religious and personal beliefs of the owners. They did not pursue rigorous CSR reporting for they believed it defied Nepali values. Foreign-owned or companies working with foreign-owned companies reported on CSR activities and emphasised international certifications for quality control. The regulatory pillar is otherwise absent in influencing CSR, and culture-cognitive and normative pillars drive CSR in the sample companies.

This chapter presented different cases and excerpts from the interviews. It also discussed the factors that drive companies to pursue those CSR activities. From the interviews, companies operating in Nepal often perceived themselves as having an obligation towards their community. They describe it as their *Samajik Kartavya*. The following chapter, Chapter 8 will discuss what *Samajik Kartavya* is and how it influences the Nepali way of life and in effect CSR in companies operating in Nepal.

# Chapter 8

## Discussion of the findings

### 8.1 Introduction

Chapter 5 presented findings on the nature and extent of CSR reporting in companies operating in Nepal and Chapter 6 and Chapter 7 presented findings on the construct of CSR in companies operating in Nepal. This chapter will summarise those findings and draw together some of the common features present in the cases, thereby identifying themes that may be more generalisable in studying CSR in Nepal.

In doing so, firstly the chapter will explicitly discuss findings from the analysis of the annual reports. Secondly, a discussion is provided on what constitutes the Nepali version of CSR and how Nepali CSR compares with generic CSR. From interviews, it is argued that the Nepali version of CSR is informed and driven by *Samajik Kartavya*. This chapter will therefore explore what *Samajik Kartavya* is. It considers business systems that govern and shape the *Samajik Kartavya* of Nepali businesses. The pressures both organisational and institutional that influence *Samajik Kartavya* are presented and finally a discussion is provided on how *Samajik Kartavya* complements and contradicts CSR as a concept.

## **8.2 Understanding CSR Reporting by companies operating in Nepal**

The first stage of this research began with the analysis of annual reports. In analysing the annual reports of 100 listed companies on the NEPSE, the first research question was explicitly addressed. Content analysis of annual reports was carried out in two key stages. Firstly, annual reports of the sample companies were benchmarked against the GRI 3.1 framework. It was identified that the extent of CSR reporting in accordance with GRI 3.1 guidelines was generally low. Following benchmarking against GRI 3.1, annual reports were reanalysed to identify key CSR themes reported by the sample companies. The reanalysis of the annual reports identified the nature of the CSR reporting. It was found that the CSR reporting generally addressed philanthropic interventions in education, health, environment and employee-related issues.

### **8.2.1 Discussion on the Analysis of Annual Reports**

The findings resonate with other studies in developing countries, such as Bangladesh, that the extent of CSR reporting is generally low in emerging economies (Belal and Cooper, 2011). It was deduced that the extent of comprehensive CSR reporting, such as per GRI 3.1 guidelines, is low. The CSR reporting was descriptive in nature, where most companies reported on philanthropic activities such as donations to infrastructure development such as education and health. For example, Kumari Bank, one of the sample companies whose annual report was analysed, had a small paragraph with two sentences dedicated to CSR.

*'The bank is aware of its social responsibilities along with this professional intent as well. In the review year, the bank provided scholarship to children via HOPAD Child and Women*

*Promotion Society (NGO). Also, during the Hindu festivities of Teej, celebrated by women, the bank provided free health check-up camp at the Pashupatinath temple. Conserving our culture is our responsibility. With this regard, the bank made provisions in cash and T-shirts (kind) to the sponsors of Kumari Jatra. (Kumari Bank, Annual report, 2013, p.13).*

Similarly, the Bank of Kathmandu's annual report has two pages dedicated to CSR reporting. It mentions that *'fulfilling our corporate social responsibility is an important priority that Bank of Kathmandu (BOK) takes very seriously indeed. The Bank has been consistently active in welfare activities in various sectors such as education, environment, health and so on. (Bank of Kathmandu, Annual Report, 2013, p36).*

CSR interventions in education, health and the environment are listed as their CSR activity. *'In education, the Bank has constructed a children's library at Chilauney Secondary School in Thangpalkot of Sindhupalchok District as part of its "Sikshya Mero Adhikar" (My Education, My Right) campaign. The Bank has also provided financial support to the "Help to the Helpless" council for purchasing educational materials for orphan children of local schools in Dharan on CSR report' (Bank of Kathmandu, Annual Report, 2013, p36)*

More excerpts on how CSR is reported were presented in Chapter 5, section 7 (5.7).

Overall, this thesis showed that companies often reported monetary donations (not necessarily the amount) and other charitable causes in their CSR reporting. Of the 100 annual reports analysed, CSR reporting was carried out as a part of the annual report and tended to form a couple of sentences to a few pages in length. No companies that were studied had a standalone sustainability report.



According to the KPMG survey of Corporate Responsibility Reporting (2017), 93% of the world's top 250 companies report on CSR and the GRI website states that 82% of these top 250 companies use GRI standards.

On benchmarking the annual reports of the sample companies against the GRI guidelines, the extent of CSR reporting was found to be low, consistent with other developing and transitional countries (e.g., Belal and Cooper, 2011; Gunawan et al., 2009). The analysis of annual reports against the GRI framework raised two concerns: (i) that the extent of CSR reporting is low or (ii) the comprehensiveness of the GRI framework did not capture Nepalese CSR reporting. It could be argued that benchmarking annual reports of listed companies operating in Nepal was methodologically flawed because GRI guidelines are too comprehensive to capture the Nepali version of CSR reporting. GRI guidelines provide performance indicators based on an assumption of 'materiality'. According to GRI (2016), *'a combination of internal and external factors can be considered when assessing whether a topic is material. These include the organization's overall mission and competitive strategy, and the concerns expressed directly by stakeholders. Materiality can also be determined by broader societal expectations, and by the organization's influence on upstream entities, such as suppliers, or downstream entities, such as customers.'* (p.10)

Hence, GRI argues that information is deemed material based on two dimensions: (i) significance of economic, environmental and social impacts and (ii) influence on stakeholders' assessments and decisions.

However, the GRI does not monitor the CSR reports of companies that report as per GRI guidelines, which makes following GRI guidelines a principles-based approach' to CSR. This may lead one to question if companies exaggerate their claims on CSR. It has been evidenced

that companies deliberately misinterpret the guidelines to appear favourably to stakeholders (Parsa et al., 2018). One could thus question if comparing CSR reporting based on a 'standardised' GRI framework can provide a true CSR reporting picture. Also, societal issues vary across nations and within a nation more questions are raised on the ability of the standardised GRI framework to cater for the varying societal concerns.

CSR has always been argued as being context specific (Chapple and Moon, 2005; Matten and Moon, 2008; Muthuri and Gilbert, 2011). Following the above concerns, the annual reports were analysed to record the nature of CSR reporting.

The reanalysis of the CSR reporting identified prevalent CSR themes. 67% of sample companies reported on some form of non-financial issues. Of the total CSR activities reported, 41% were education related, 40% of CSR activities were to do with health issues, 22% of CSR activities were environment related, 13% were to do with employee related internal CSR, and the remaining 13% were other CSR activities. It could be argued that the institutional context influences CSR reporting (Sobhani et al., 2009). Nepal is one of the poorest countries that lack effective education and health systems and CSR reporting reflects those challenges faced by Nepali society (Visser, 2008).

The most reported CSR activity is education related which resonates with the prior research by Dhungel (2014). He studied the CSR reporting of the banking industry in Nepal and deduced that education related CSR was the most popular CSR activities reported. 64% of his sample companies reported on education related CSR. The history of formal education is relatively new in Nepal. It was only in 1957 that primary education was made free at the point of access. According to the 2011 census, the adult literacy rate is 65.9% (Indexmundi, 2015). The female literacy rate is only 57.4%. Only 10% of the population have been educated beyond secondary level. The rural-urban divide in education and education opportunities is clearly visible. The

government has placed prioritising education on its agenda. Many scholars agree that CSR activities are driven by context (see Visser, 2007; Hamman et al., 2005). CSR activities are driven by historic and cultural factors (Kolk and Lenfant, 2010). Nepal is one of the poorest countries in the world and education is a challenge that the country is facing. Perhaps companies are responding to these local needs when addressing CSR activities (Jamali and Neville, 2011). Companies are pursuing education related CSR as it is what Nepal as a community is struggling to meet. When studying the dominance of the Magadi Soda Company, a private company in Magadi division of Kenya, the researchers questioned if this company is a form of a '*private government*' ( Muthuri et al., 2008, p.434). They define '*private government*' as private entities engaging in the governance role of the society. They found that the government has indeed left Magadi Soda Company to carry out the development work in the Magadi division and is only supplementing the development work.

Perhaps, because the government is under-resourced in the context of Nepal, there is a greater need and a greater expectation for private companies to help to address social causes. Hence, education related CSR activities were reported the most because they were probably one of most pursued CSR activities. Companies that reported on health-related CSR activities conducted health camps, dental camps, blood donation programmes and contributed in health-related infrastructure development. As a country fighting poverty, the access to affordable healthcare is limited. The urban rural population divide is about 1:8 (World Bank, 2018) . Most hospitals are easily accessible only to the urban population. The geographical and topographical location of rural Nepal coupled with lack of infrastructure connecting these villages to nearby cities has meant that the nearest health camps are days away from most villages. As a result, many people do not have access to healthcare.

CSR activities reflect the challenges faced by the country. Companies that pursue CSR will give back to issues that the community wants the most which, in the context of Nepal, are challenges to basic life such as education and health. 67% of CSR activities identified were either health and education related - the issues which are on the national agenda of Nepal. The CSR reporting reflected the nature of CSR most likely pursued by the companies operating in Nepal.

The third most popular CSR activities reported were environment related. Environment related CSR activities reflected reporting on creating and managing the natural environment, such as afforestation programmes, city cleaning campaign and avoiding usage of plastic carrier bags. Only 22% of companies that reported on CSR reported on environment related CSR activities. 83% of the companies that reported on environmental issues were from the banking and finance industry. As sample companies are dominated by service related companies, it could be argued that they do not report much on the environment because their activity does not directly impact the environment. Also, in a country where poverty has created problems that hinder basic human rights, CSR has the ability to '*improve poverty focussed delivery of public policy goals*' (Petkosi and Twose, 2005, p.5).

It was evidenced from the interviews that it is the local communities that pursue companies and ask them to engage in social causes that are pertinent in the local community. Perhaps, it may be argued that due to a context where basic rights such as the right to basic health and education are deprived, environment related CSR activities are not expected, nor are they prioritised. The context of Nepal and its institutional environment has led to addressing those pertinent issues such as health and education more than the environment.

Many studies consider CSR reporting practices of MNCs in developing countries and the struggles these MNCs face in addressing global vs local issues (see Chapple and Moon, 2007).

They argue that tension arises because CSR strategies are formed in the head office while policies are shaped by the institutional environment and stakeholder pressure. Nepal as a post war transitional economy has little MNC presence which means that CSR policies are driven by local stakeholder pressures. CSR policies address real problems the Nepalese face such as health and education and response to natural disaster (earthquake) much more than the environment.

13% of the sample companies that reported on CSR reported on employee related CSR activities. Employee related CSR activities reflected CSR activities such as training and education for employees and the provision of employee benefits such as annual leave and provident funds. 90% of the sample companies that reported on employee related CSR were from banking and finance. About 55% of companies reporting on employee related CSR were commercial banks. While internal CSR reporting, i.e. employee related CSR, was generally poor, the companies reporting were service related companies. One could argue that, as an industry, banking and finance is the frontrunner in reporting not just internal but both internal and external CSR.

Of companies that reported CSR, 13% of companies reported on other CSR issues. In this thesis, these CSR activities are referred as “other CSR activities”. CSR activities such as supporting arts, philanthropy associated with religion such as building temples, the sports sponsorship were reported by sample companies. Companies provided descriptive information on these CSR activities pursued. 100% of these CSR activities reported were external CSR activities and were community based activities. Apart from employee related CSR activities, all CSR activities reported were “external CSR activities”.

While key CSR themes were identified, in Nepal where legal and stakeholder pressure do not much support CSR, one cannot depend on these themes alone to identify CSR presence in

Nepalese companies. Conducting a greater in-depth study is needed to understand CSR discourse beyond these themes which led to the Stage 2 of the present study. Stage 2 undertook a qualitative approach to understand the deeper questions such as the construct of CSR activities and their institutional drivers.

As discussed earlier, Stage 1 was based around the CSR reporting of Nepalese companies. CSR reporting and CSR are different things and often the developing world faces a complex cultural environment that discourages self-praise (Belal and Cooper, 2011). Thus, there was a need to triangulate the importance of the CSR reporting of companies operating in Nepal. Qualitative questions on CSR reporting were asked which focussed on if they reported on CSR activities and why they deemed it essential or not essential to report on them.

Organisations often seek to ensure that they operate within the bounds and norms of their respective societies to obtain legitimacy (Dowling and Pfeffer, 1975). Earlier research on normative isomorphism, the need to gain legitimacy, is often used to argue why companies voluntarily report on CSR. Here, in companies operating in Nepal, companies did not perceive CSR reporting as a part of who they are. As Belal and Cooper (2011) argue, in Bangladesh companies fear the complex cultural environment that discourages self-praise and similarly Nepalese companies fear that reporting CSR would diminish their authenticity as a social company. Companies often see CSR reporting as a publicity stunt. This leads to questioning if studying CSR reporting provides a true picture of CSR in Nepal. Hence, qualitative case study interviews and insights from these interviews were required to understand CSR and CSR reporting. The study of CSR Reporting, whilst important, was one-dimensional and could not provide definitive answers to the nature of CSR in Nepal. Addressing these concerns, Stage 2 of the research included a case study approach for an in-depth understanding of CSR in Nepal.

## 8.3 Understanding the CSR Perceptions

Despite the growing literature on CSR, CSR is essentially a contested topic and is internally complex (see Moon, Crane and Matten, 2005). While it is a complex topic, at the heart of CSR is the conception of business and society relations. CSR consists of “*clearly articulated and communicated policies and practices of corporations that reflect business responsibility for some of the societal good*” (Matten and Moon, 2007, p.405). As society is at the heart of CSR conception, CSR conception is influenced by the society that a company operates in. The interviews in this research highlighted that it was the local community that often requested that the companies address local issues as companies’ CSR activities. This meant that CSR is directly influenced by local issues. It could be thus argued that what constitutes societal good is subject to change across countries and across societies because different communities face different social challenges (see Amaeshi et al., 2016).

The second part of the research used qualitative interviews with senior managers to understand the CSR practices of the sample companies. A total of 10 companies operating in a variety of sectors formed part of the interview analysis. The table below presents the excerpts of interviews on how CSR was perceived and understood.

	<b>CSR</b>	<b>Key Words</b>
Case Study 1	<i>“.....it is social work on behalf of our company to the community. (Chief Operating Officer)</i>	<i>Social work; community</i>
Case Study 2	<i>” Corporate Social Responsibility is our “samajik kartavya” (social obligation) towards the society we operate in”. (Director)</i>	<i>Samajik Kartavya; society</i>
Case Study 3	<i>“CSR is the social work we carry out in the community”. (Manager)</i>	<i>Social work; Kartavya; community</i>
	<i>“It is our Kartavya towards our community”. (Director)</i>	
Case Study 4	<i>“...creating wealth with sustainable development practices for its employees, shareholders, the community at large and to contribute to Nepal’s development challenges.”(HR Manager)</i>	<i>Stakeholders</i>
Case Study 5	<i>“I think CSR is giving money to charity to address societal issues, such as, sponsoring education, health camps. It is our Kartavya to look after needy. (Executive Chairman)</i>	<i>Kartavya</i>
Case Study 6	<i>Initiatives taken by a company to approach business activities in a manner that benefits and provides positive impacts on the society. (Programme Officer)</i>	<i>Society</i>
Case Study 7	<i>“CSR is to doing charity work. For example, donating money to social work.”(Manager)</i>	<i>Social work ; charity</i>
Case Study 8	<i>“we see this as our samajik kartavya towards our society”.(CEO)</i>	<i>Samajik Kartavya</i>
Case Study 9	<i>“As a company, we make sure we help towards upliftment of the society we operate in.”(Chairman)</i>	<i>Society</i>
Case Study 10	<i>“...we do it as part of our dayitwa<sup>35</sup> (obligation) towards out society. (Director)</i>	<i>Dayitwa/Kartavya; society</i>

Table 8.1: CSR Perception

<sup>35</sup> Dayitwa is a synonym to Kartavya, both of which translates to obligation



CSR was perceived by all cases as a fulfilment of societal issues. Society is at the centre of the CSR function in companies operating in Nepal. More precisely, it is mostly understood as one's *Samajik Kartavya*. Social work was also perceived as interchangeable with the CSR functions by some interviewees.

The nature of CSR activities addresses social issues. Education sponsorship and health related CSR activities form the majority of CSR activities pursued. The answer to why these activities are pursued resulted in interviewees suggesting that CSR is fulfilling one's *Samajik Kartavya*.

The literal translation of *Samajik Kartavya* is "social obligation" but *Samajik Kartavya* is much more than an obligation. To understand what CSR means to companies operating in Nepal, one needs to understand what *Samajik Kartavya* is to companies operating in the country.

## **8.4 Samajik Kartavya: An Analysis of the Institutional Environment**

CSR is different in developing countries because the challenges faced by these countries are different to those of the developed world. On studying Corporate Governance systems in countries with Confucian beliefs, Miles (2006) questions the appropriateness of Western practices because they conflict with Confucian values and beliefs giving rise to different Corporate Governance practices. Similarly, studying CSR needs contextualisation and an in-depth study of institutions that govern the country. As depicted above, CSR is often perceived as *Samajik Kartavya*.

On the face of it, *Samajik Kartavya* is merely fulfilling ones' social responsibility towards their community. The construct of *Samajik Kartavya* is complex and the answer to what is ones' social responsibility may invite debate. The study and understanding of *Samajik Kartavya* needs contextualisation. One needs to understand what *Samajik Kartavya* means in the Nepali context and how *Samajik Kartavya* works to understand what CSR is for companies operating in Nepal.

*Samajik Kartavya* is a duty towards one's community. But what is this duty and why do companies operating in Nepal perceive they have this duty towards community? This requires an in-depth understanding of the institutional environment that may shape *Samajik Kartavya*. Whitley's (1994) features of national business systems provides an appropriate lens to study these contextual issues that give rise to *Samajik Kartavya*. Business systems cannot be developed independently of the external environment within which they operate and *Samajik Kartavya* is a product of business systems. In other words, *Samajik Kartavya* tends to be a *by-product* of the interaction between *business system characteristics* and *dominant social institutions* in economies (Whitley, 1999).

Whitley (1992) argues that institutions could be broadly classified into background and proximate social institutions. Proximate social institutions are institutions that are likely have a more immediate influence on the economy, such as the state and financial system, than the background institutions (Redding, 2005). Background social institutions are *informal* institutions, such as values and norms, in which change and its influence on the economy is likely to occur over a prolonged period of time. In the case of developing countries, informal influences tend to largely guide the means by which formal rules of the game are practised (Wood and Frynas, 2006; Yousfi and Humphrey, 2008; Martinsons, 2002; 2005; 2008, Amaeshi et al., 2016).

Across the proximate and background social institutions, a number of *key* social institutions have been specified: the state, the financial system, skill development, control system and finally trust and authority relations (Whitley, 1999). These *key* institutions are argued to control critical resources within economies and to have a direct influence on the generation and development of business systems in economies. Hence, to understand where *Samajik Kartavya* comes from requires an in-depth study of these key institutions.

### **8.4.1 The State**

Nepal has always been an independent economy but is still a conflict-ridden country. One of the distinct features that informs what one's *Samajik Kartavya* is, has to do with the power of state or the lack of the power of state in Nepal. While Nepal is rebuilding from civil war, there has been an ongoing political unrest. When studying the drivers of CSR in challenging and non-enabling institutional context, Amaeshi et al. (2016) argued that morality and social legitimacy (to operate within the norms of the society) drove CSR in Nigeria.

The state in Nepal is under resourced due to conflicts and political instability. Perhaps due to the overburden on the state to address local issues, this has given rise to companies addressing *Samajik Kartavya* and filling in where the government cannot. This role of state gets blurred in developing countries. Wood and Frynas (2006) critiqued the very idea of state on studying business systems in East Africa. They argue that states in East Africa do not act as a force but assumes a hindrance role.

The state does not directly encourage and rewards companies that pursue community related activities. States and their regulative functions in enforcing hard-laws are questionable in developing countries. Past studies have argued that in a context where there is weak governance, a 'political CSR' is prevalent (see Jamali et al, 2009; Matten and Moon 2007;

Muthuri et al, 2008; Amaeshi et al, 2016). Weak governance has indirectly encouraged companies to be socially embedded organisations (Granovetter, 1985) because they are the entities with the resources and the capacity to address social issues

The Nepali government is relatively weak as an institution because political instability has diminished the trust people have in the government (Bohora, 2019) . The poor and weak state has meant that there is no investment or encouragement from the government to pursue CSR. In that sense, the political system is weak to enforce policies and rules on CSR, thereby creating the self-governance of CSR. The lack of government to ensure fulfilment of social issues has led to business elites assuming a governance role in addressing social issues. The lack of a strong political system creates an environment that only encourages *Samajik Kartavya* not just from businesses but from everyone.

*“Nepal is a poor country; the government is poor. If we leave things for government to do, then it will be too slow. We cannot compare our country with others. Perhaps the government is doing its job, but we ought to do ours too. We cannot depend on them. “(Chief Operating Officer, Case Study 1)*

The other issue in Nepal, just like many other developing countries, is weak governance. Weak governance has driven away investments, mainly due to the *fragmented* nature of the state and relevant laws that encourage investments by foreign companies (Thapa, 2019). For example, in Nepal, political instability has driven away foreign investment and diminished the role of the state as a regulative body. It could be argued that the lack of foreign investment in Nepal means that importation of CSR policies is still minimum. Companies operating in Nepal are mostly home-grown and they have their own version of CSR which addresses local issues; therefore as a result, *Samajik Kartavya* is their way of looking after their community and it could be argued as the most dominant form of CSR in companies operating in Nepal.

In Nepal the question as to if indeed state is a regulative actor requires more debate.

The failure of state to create laws that govern CSR perhaps guides *Samajik Kartavya* in companies operating in Nepal. *Samajik Kartavya* as a social obligation has an element of 'morality' to pursue and address social challenges. The political system of Nepal is such that it is under resourced and under managed. The lack of stable government has created an environment whereby companies are expected to fill in where the government cannot. One could argue that the very nature of the unstable political system has also encouraged *Samajik Kartavya* in companies operating in Nepal. The lack of motivation from the state to pursue CSR has left companies operating in Nepal to pursue their own version of CSR. CSR is thus driven by the norms and values that support *Samajik Kartavya*.

Socio-economic priorities such as education and health, historically associated with the duty of the government, form the majority of CSR activities pursued. The state does not have enough resources to meet societal expectations. Hence, companies perceive they have the duty to pursue *Samajik Kartavya* by addressing these societal issues. The context and the state of the political system has placed both coercive and normative pressures to address socio-economic priorities. These coercive pressures are not driven by hard laws but norms and expectations from the society they operate in. Companies are expected to address these socio-economic priorities. These expectations amount to coercive pressures because if they do not pursue these activities, there are no other actors who can. Companies must address these issues both as a societal good and to legitimise their actions to the society in which they operate. In a country where personal relationships matter the most, companies must abide by these norms.

*".... these issues particularly to do with education and health are that of government but our government is poor, we cannot expect them to do it on their own. If all (private) companies do*

*their part (of CSR), these issues probably would get less. We have to look after our community, if we do not then who will?" (Director, Case Study 3, Manufacturing Company)*

## **8.4.2 Norms and Values Governing Trust and Authority**

### **Relationships**

The role of the state in motivating CSR is weak. As a result, CSR is driven by the Nepali way of life. Norms and values thus play a pivotal role in shaping and forming *Samajik Kartavya*. These are unspoken and unsaid rules that govern business activities.

#### **8.4.2.1 Religion**

Before 2007, Nepal was regarded as the only Hindu Kingdom in the world. Hindu practices and traditions play an important part in day-to-day life for Nepali people. Religion is more than just faith, as festivals and rituals help promote group cohesion and solidarity (Pyakuryal and Suvedi, 2000). In Nepal, a commonly practiced ritual is morning prayer at neighborhood shrines (Burbank, 2002). Despite religion being an integral part of the Nepali way of life, religious education is not taught in primary and secondary school as a part of the curriculum. The Hindu religion in Nepal teaches the concept of Dharma. "Dharma" is a concept first introduced in Bhagavad Gita.<sup>36</sup> Dharma is a "law of the universe," "social and religious rules," and/or one's own individual mission. In the Bhagavad Gita, Krishna (the lord) points out to Arjuna (the warrior) that his Dharma is to be a warrior whether he likes it or not. He cannot escape his Dharma and he must fulfil it. As a religious being, one's "dharma" is giving back to society. In the context of Nepal, people speak of Dharma as something one does, rather than

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<sup>36</sup> Bhagavad Gita, often referred as the Gita, is a 700-verse Hindu scripture in Sanskrit that is part of the Hindu epic Mahabharata.

something one believes in (Pyakuryal and Suvedi, 2000). Bhagavad Gita speaks of a culture of giving, a concept of “dana”. It voices that a gift given without any expectation of appreciation or reward is beneficial to both giver and recipient, as it attributes towards moksa. Moksa is the state of attainment and liberation. This concept is practiced by most religious Hindus and is therefore an important part of the faith in Nepal.

While the modern-day concept of CSR is formulated in the west, the culture of giving in Nepal has long existed. About 90% of Nepali people identify themselves as either Hindu or Buddhist. Both these religions identify “dana” or “daan” as the integral part of their teaching. In Hinduism, “dana” means giving, often in the context of donation and charity. Dana is related to and mentioned in Bhagavad Gita with concepts of “*paropakar*” which means helping others. Giving to others is crucial in Buddhism and “dana” in Buddhism is the “perfection of giving”. As religion is an important aspect of Nepali life, the culture of giving forms a major part of the Nepali way of life. This culture of giving is locally referred to as *Samajik Kartavya* and *Samaj Sewa*.

To the present day, philanthropy (especially donations) amounts to the majority of *Samajik Kartavya*. The roots of *Samajik Kartavya* are ingrained in the concept of “dana”, thus *Samajik Kartavya* is perceived as giving back to society and not a business strategy. Most community related activities are philanthropic in nature.

*“As part of our Corporate Social Responsibility (CSR), we provide scholarships of almost Rs. 5 million each to two students each year from the remote districts of Nepal for five-year long MBBS programmes at a leading medical college <<name>> in the name of our founders.”*  
(Chief Operating Officer, Case Study 1).

Philanthropy or “dana” is ones 'duty and should be pursued without any expectations in return. One of the main teachings of Hinduism is that money cannot bring happiness specially if it is

not shared with the poor. Hinduism has always placed “dana” as a core concept for looking after the poor or underprivileged. The prevalence of Hinduism has created a culture of *Samajik Kartavya* in Nepali people and Nepali business organisations. The Nepali market is dominated by family-owned companies. Of the 10 cases studies, 6 were family-owned. The values/beliefs of owners are what guides the *Samajik Kartavya* of businesses. In a family-owned business, the *Samajik Kartavya* of the owner -manager are perceived as *Samajik Kartavya* of the business itself. This creates an environment where the owner-manager’s values guide community related activities.

“.... whatever we have achieved is by god’s grace, we feel peace in giving back. This is who we are.” (Director, Case Study 3).

The interviewees perceive *Samajik Kartavya* as their “social obligation” towards the community they operate in. As social obligation, is *Samajik Kartavya* a voluntary practice like CSR? The answer is not that simple. There is no legal requirement for business organisations to pursue *Samajik Kartavya*, but the values and culture creates both coercive and normative pressure on companies to pursue *Samajik Kartavya*. *Samajik Kartavya* is not merely a matter of choice. It could be argued that the companies need to legitimise their actions as per society’s expectations.

*Samajik Kartavya* is a “way of life”, and it has long existed in Nepali community and Nepali businesses. As a community, there is a long history of Nepali people coming together to listen to Srimad Bhagavat<sup>37</sup> and making offerings towards the poor and needy. Srimad Bhagavat are run to collect donations towards a certain cause such as building hospitals or schools. It is

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<sup>37</sup> Srimad Bhagavat in Nepal is a religious gathering where 18 great Puranas (*Mahapuranas*, great histories) of Hinduism are read and people come to listen to the puranas. People make offerings to the poor.



perceived that social service is rewarded with peace. This very notion of giving back to society is reflected in the CSR construct of Nepali businesses. Norms and values are at the core of *Samajik Kartavya*.

### **8.4.3 Nepali Economic Environment**

Nepal operates under its own stock exchange referred to as the NEPSE. NEPSE is young and has been in operation since 1993. Corporate ownership in Nepal is dominated by family-owned business houses. The industrial activity of the country is concentrated in a small number of powerful families who own and control about 27% of total assets in the country (Spedding, 2009). Of the 10 case studies interviewed, 6 of them were family-owned which is reflective of the financial systems in Nepal.

Ownership plays a key role in economic functions because family business tends to focus more on personal relationships than non-family business. It is argued that family-owned companies have greater personal commitment to the company, its success and to employees' wellbeing (Floren and Wijers, 1996). They further argue that family run business often focusses on long-term planning because any activities company pursue are reflected upon them. Nepal is a community-based country with a culture that favours paternalism. Paternalism is a "style that combines strong discipline and authority with fatherly benevolence" (Farh and Cheng, 2000, p.91). Paternalist culture is reflected in business practices that are hierarchical in nature and assumes a 'father son like relationship' between the employer and the employees. The case study companies were dominated by family-owned companies and often the leaders of these companies were perceived as their 'father figure' who drives all operations. Family-owned business blends economic roles with traditional roles of family and thus acts differently to non-family business (Ulhaner, Balk and Masurel, 2004). Family-owned businesses dominate the

Nepali market creating an environment for *Samajik Kartavya* to flourish. In a family-owned business, personal beliefs of owners are reflected in business practices.

*” The founder and his family started this business as a small one shutter shop and they believe that all they are today is because of the community. They believe that our organisation cannot exist without the support of this community. They never say no to any community related activities. The MD (founder) sits with us in the board when we decide on which CSR activities to pursue. You should know this company is like a family.” (Chief Operating Officer, Case Study 1).”*

Family-owned businesses believe that their owners have a key role in shaping community related policies. Their personal values shape both organisational culture and *Samajik Kartavya*. In family businesses, the line between personal values and business is blurred. As a result, CSR policies reflect that. Deploying *Samajik Kartavya* is fulfilment of the owner-manager’s ‘duty towards the community. *Samajik Kartavya* is driven by the values of the owners and it is argued that it is embedded in the culture. *Samajik Kartavya* is a part of who they are, and it is not perceived as something external to the company. This is reflective in Nepali businesses, as most companies do not have a separate CSR function. In this research, all but one sample company had a clear CSR budget. CSR activities are carried on an ad-hoc basis with society approaching the owners with proposals for community related activities. Companies then pursue these activities as their *Samajik Kartavya*.

*“Local communities and even our staff come with a proposal and it is the board that signs and gives a green signal to these projects. Here, we (In Nepal, the corporate owners) are accessible so people often come to our house to ask for help. Most of these activities are pursued on an ad-hoc basis.” (Director, Case Study 3).*

The lack of a strong political and financial system has led CSR open to interpretation. CSR is created at the discretion of the owners and their beliefs. It is the owners' *Samajik Kartavya* that governs Nepali CSR.

#### **8.4.4 Education**

On studying the CSR differences between USA and Europe, Matten and Moon (2007) argue that post-secondary school education played a key role. They argue that the post-secondary education of CSR in Europe is relatively new. They further argue that in companies in Europe participate in CSR is due to norms and regulations.

The Oxford dictionary defines norms as "a standard or pattern, especially of social behaviour, that is typical or expected". Education has a capability to set a norm for CSR. 45% of the interviewees hold an MBA degree. Perhaps the role of the education system is an important aspect in setting a norm for CSR. Yet CSR as a concept is perceived as relatively new; as a result, even in a postgraduate business course there is limited emphasis on CSR education in business schools in Nepal. There is little theoretical conception of CSR and CSR is not perceived as being strategy. CSR is carried out on an ad-hoc basis without a pre-allocated budget. CSR is limited to philanthropy in Nepal. It is driven by mainly values giving rise to *Samajik Kartavya*. *Samajik Kartavya* still amounts to mostly donations and sponsorship. The lack of strong education systems means CSR reporting is still new because companies do not perceive the benefits of CSR reporting.

With globalization and the rise of social media, the world today is a small place to live in. This rise might lead companies to mimic other companies in the world and reshape CSR policies and CSR strategies, as CSR may be a way to enter the foreign market (Eteoukelous et al, 2016). Formal courses on CSR in schools and universities might make CSR mainstream because

managers who have studied CSR strategies may be more likely to shape and design CSR policies. In the future, if there is an increase in MNC's presence or if companies enter the foreign market, there might be homogenisation of CSR practices.

## **8.5 Samajik Kartavya: A result of the Segmented Business System?**

According to business system theory, national institutional arrangements shape company practices. The four features of business systems that may shape *Samajik Kartavya* was discussed above. The underlying institutions in Nepal broadly support the assertion of the segmented business system, developed to describe the situation in East African nations, such as Kenya, Uganda and Tanzania (Wood and Frynas, 2006). One of the main features of the segmented business system is a 'tendency of consistent regulatory failure' (Wood et al, 2011, p.33) questioning the governance role of the government.

*'The politics of inclusive growth in Nepal are marked by: high political fragmentation; political instability; zero-sum decision-making government practices; tacit consensus on economic management; personality-driven processes and political vacuums; limited domestic pressure for reform; and an unclear form of federal government. Furthermore, the effectiveness of the bureaucracy and public administration are constrained by patronage and corruption, lower capacity, little government coordination or policy coherence, low accountability and effectiveness outside Kathmandu, and a questionable bureaucratic culture. The growth of the private sector is held back by low trust, cartels, a fragmented business lobby, and risk-averse business behaviour.'* (Basnett, 2014 , p. v-vi)

Overall, there is diminished trust in the government and its role to look after the people. Transparency International Corruption Index<sup>38</sup> places Nepal in 131<sup>st</sup> position (out of 171 countries). There is a high level of perceived corruption in the government. Nepal has always been a religiously harmonious country which has led to a community-based society. People have always cared for each other locally. The role of local government to carry out rehabilitation since the earthquake in 2015 has been questioned due to poor management (Sharma, 2018), as the victims are still living their lives in make-shift houses. People, businesses and civil society instead have come together in the rehabilitation work, questioning the management of government in undertaking timely restoration and rehabilitation. Business ethics is a part of the Nepali way of life. *Samajik Kartavya* in Nepal is a product of culture, tradition and the lack of strong government.

The government of Nepal is working towards making Nepal attractive for foreign investors. In February 2015, the government issued the new Foreign Investment and One-Window Policy 2015. The new policy defines priority sectors for foreign investment, including hydropower, transportation infrastructure, agro-based and herbal processing industries, tourism, and mines and manufacturing industries. The Foreign Investment and One Window Policy also establishes currency repatriation guidelines, outlines visa regulations and arbitration guidelines, permits full foreign ownership in most sectors, and creates a “one window committee” for foreign investors. Despite the government’s efforts to invite foreign investment, foreign companies say that investing in Nepal very difficult. While official laws are generally welcoming to foreign investors, the investment climate remains challenging. As an example, in January 2016, the Norwegian company Statkraft notified the Investment Board of Nepal (IBN) that it was discontinuing work on the 650 MW Tamakoshi hydropower project

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<sup>38</sup> Transparency International (TI) publishes the Corruption Perceptions Index(CPI) since 1995, annually ranking countries "by their perceived levels of corruption".

and withdrawing from discussions on a Project Development Agreement. The company cited the “absence of necessary policies and regulatory framework,” and “increased bureaucratic hurdles for foreign investments” as reasons for its withdrawal. Hence, there is little presence of foreign companies in Nepal. Despite the context of homogenization of CSR practices in a global context, CSR in Nepal is essentially homegrown.

A segmented business system supports informal relationships and SMEs with a strong presence of family-owned indigenous companies (Wood et al., 2011). Family-owned conglomerates run by a handful of prominent and elite families dominate the Nepali economic market. Family-owned business are unique, because they assume a holistic paradigm and a long-term orientation that traditional public firms lack (Kennedy, 2013). Sustainability often requires choosing long-term over short-term gain, a natural concept for family-owned businesses. Companies in Nepal are actively managed by the owners which creates a little separation between owners and the company. The personal values of the owners are reflected in the organizational culture and CSR activities reflect the owners’ contribution towards the society. One could say CSR is *Samajik Kartavya* to the society from the family that owns the company. CSR as *Samajik Kartavya* is a way of life and is a product of the segmented business system that exists in emerging economies like Nepal.

## **8.6 Overall Remarks on CSR reporting**

From the analysis of reports, it was evident that the GRI framework did not capture the CSR reporting of companies operating in Nepal. The GRI indicators were poorly reported. The further content analysis of the annual reports revealed that 67% of sample companies reported on CSR. CSR is an emerging concept, hence CSR reporting is still new. CSR reporting is

descriptive and forms a part of annual reporting. The extent is still generally low with a few sentences to a few pages dedicated to CSR.

The nature of CSR activities reflects the institutional context of Nepal as a country. Philanthropy is a major element in CSR reporting in Nepal. CSR reporting in Nepal addresses issues different from the developed world because the kinds of activities pursued differ from that of the developed world. Chapple and Moon (2005) studied website reporting to explain CSR variation among seven South Asian Countries. They stated that, “*there is no single pattern of CSR in Asia*” (p. 436) but the difference in CSR is supported by national factors implying the importance of both formal (regulative) and informal (culture and norms) institutions in shaping CSR. The lack of formal institution such as laws in supporting CSR might be one of the reasons for the low extent of CSR reporting among companies operating in Nepal.

The lack of the regulative pillar creates an environment whereby companies are able to create their own CSR strategies. Kemp (2001) argues that the economic crisis in Indonesia resulted in instability, fear and violence creating an opportunity for “home grown” CSR. He further argues that “home grown” CSR can make a real difference in human rights. Nepal is in a transitional phase post-civil war and with little regulation on CSR, companies are creating their own “home grown” CSR policies that fight real issues of health and education that hinder Nepali life. *Samajik Kartavya* is a home grown mechanism encouraging companies to pursue community related activities. As discussed above, the roots of *Samajik Kartavya* are based on the Hindu concept of *dana*, where offerings are made without any expectations. CSR reporting, unlike the culture of giving, is focussed on presenting community related activities pursued to the wider world. CSR reporting requires self-praise, which is forbidden in *dana*. Reporting and *Samajik Kartavya* therefore contradict each other because one requires self-praise on pursuing

societal issues, while the other requires looking after the community without any expectations in return.

This conflicting relationship between *Samajik Kartavya* and CSR reporting leads one to question the appropriateness and completeness of CSR reporting in studying the CSR construct of companies operating in Nepal. Developing countries like Nepal have these complex cultures informing everyday life including business transactions. Taking a similar viewpoint, Belal and Cooper (2011), on studying CSR reporting in Bangladesh, argue that Bangladeshi companies fear a complex cultural environment that discourages self-praise, which resulted in companies not reporting CSR activities.

CSR reporting might not capture the *Samajik Kartavya* pursued because CSR reporting is an emerging concept in Nepal and many companies do not necessarily report on CSR. The content analysis resulted in 33% of sample companies not reporting on any form of CSR; however that does not necessarily mean that they did not pursue CSR. CSR reporting is a new concept especially in a country where many listed companies do not have a working website.

This was confirmed by interviewees where 95% of interviewees argued that while *Samajik Kartavya* is on their agenda, CSR reporting is not.

*“We report but we do not report everything. It is not something to be reported, that is what I think. The community will know it by itself. Rather than shouting out what we did or what we are doing for community, it is better that they see it by themselves. Though we publish on our website, we do not focus on letting people know what we have done under CSR (Chief Operating Officer, Case Study 1)”*.

Similar were the views of a director of a food manufacturing company:



“... we do not report on CSR. It does not look good to advertise what CSR activities we are doing or what activities we have done. We do not do it for publicity, we do it for ourselves. I think it is best that people know it by themselves than us focussing on letting people know” (Director, Case Study 3).

CSR reporting as a concept is new in Nepal. Nepal has a close-knit society. One of the reasons for a close-knit society is because as a country Nepal has faced both natural and political disasters leaving people to look after each other. The sense of community is high that not “fitting in” with community norms amounts to defying the values of the community. CSR in Nepal is perceived as their *Samajik Kartavya* and *Samajik Kartavya* in effect has its roots in Hinduism. It could be argued that *Samajik Kartavya* is perceived as “dana” hence as Hindus, *Samajik Kartavya* is one’s “dharma” or a moral duty. CSR reporting on the other hand would go against the concept “dana” because dana is supposed to be selfless and not for the world to see. The lack of reporting could be due to norms such as a concept of “dana” that places normative pressure on companies not to report on CSR. Reporting on CSR could be perceived as going against the basic teachings of Hinduism and hence being an outcast to society. Reporting is not on the agenda because companies need to legitimise their actions as per the institutional environment they operate in.

One of the other reasons for the lack of motivation for reporting could be a lack of regulations that support CSR reporting. As a result, CSR in Nepal is open to interpretation. This has led to a lack of guidance for companies to report on CSR. There are no pressures for companies to report on CSR. Due to political instability and rigid laws for foreign investment, the environment does not support MNC presence. There are limited foreign companies operating

in Nepal. CSR is almost all “home grown” and CSR reporting as a concept has not evolved and developed.

CSR reporting as a concept is new to Nepal hence not many companies report on it. While content analysis provided a snapshot of what CSR in Nepal might be, the triangulation from interviews concluded that CSR reports alone will not provide a true CSR picture because senior managers do not perceive CSR reporting as their *Samajik Kartavya*. They see CSR reporting as a hindrance to their way of life.

The roots of CSR uptake (i.e. contributing towards societal good) are ingrained in the Nepali way of life. There is limited research studying CSR in the Nepali business market. One of the earlier studies on Nepali CSR is by Welzel (2006) titled “CSR in Nepal: a chance for peace and prosperity?”. He argues that while the state should act as a driver or at least a supporter of CSR, in the context of Nepal, the state is absent in creating an environment that supports CSR.

Even a decade after that research, there are few visible policies that enhance CSR in Nepal. Some legislative acts that could influence CSR are the Labour Act 1992<sup>39</sup>, the Environment Protection Act, 1997<sup>40</sup> and the Prevention of Corruption Act. In 2009, leaders held a summit in Everest to highlight the issue of global warming to the world. The then forest minister, Dipak Bohora, urged developed countries to contribute 1.5% of their earnings to help poorer nations to fight global warming. Yet the Nepali government did not pledge any amount for the cause and remained silent on involving the private sector in addressing global warming. The role of government is absent in encouraging companies to pursue CSR.

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<sup>39</sup> Labour Act, 1992 addresses provisions relating to labors rights, interests, facilities and safety of workers.

<sup>40</sup> Legal provisions in order to maintain clean and healthy environment by minimizing, as far as possible, adverse impacts likely to be caused from environmental degradation on human beings, wildlife, plants, nature and physical objects; and to protect environment with proper use and management of natural resources, taking into consideration that sustainable development could be achieved from the inseparable inter-relationship between the economic development and environment protection;

Reporting on CSR is completely voluntary in Nepal just like most countries around the world. In the last five years, companies especially in the sector of banking and finance, have been reporting on CSR. Upadhyay-Dhungel and Dhungel (2016) on studying CSR reporting in banking sector, identify that most CSR interventions are carried out in the education sector (69.29%) and welfare of the underprivileged (64.29%). They further argue that the prominent state-run banks have an active participation in CSR but do not report on it. The lack of uniform standards and frameworks has led to different types of CSR reporting by different organizations making it difficult to compare them. Strategic CSR is absent in Nepal; CSR as a part of culture has always been a way of life. CSR reporting on the other hand is a completely new concept that has just set foot in the Nepali market.

## **8.7 Pressures that influence Samajik Kartavya in companies operating in Nepal**

*Samajik Kartavya* drives companies to pursue community related activities. The cultural system plays a key role in the prominence of *Samajik Kartavya*. It was also argued that the existence of the segmented business system, i.e. weak government and a business environment that supports family-owned business houses, supports an environment that let *Samajik Kartavya* flourish.

The question of why a corporation acts in a socially responsible manner has been studied in different contexts (Campbell, 2006; Matten and Moon, 2008; Amaeshi et al., 2016). To survive, organisations must conform to the rules and systems prevailing in the environment because of pressures referred to as institutional isomorphism (DiMaggio and Powell, 1983). Institutional isomorphism is driven by three types of forces: “coercive forces”, “mimetic forces” and

“normative forces”. These forces arise from three institutional pillars: regulative, normative and culture-cognitive. One or more institutional isomorphisms could exist in the institutional pillars. Different societal actors in the profit, non-profit and public sectors encounter, define and influence the institutional norms, values and regulations in the institutional environments within which they operate; and only when these actors accept a shared definition of ‘socially responsible behaviour’ can we say that institutionalisation has occurred (Muthuri and Gilbert, 2011, p469). Following the analysis of the 10 cases, the pressures that have driven *Samajik Kartavya* in companies operating in Nepal will now be discussed. While culture/religion informs *Samajik Kartavya*, there are different types of pressures that inform *Samajik Kartavya*. These pressures arise from regulative, normative and culture cognitive pillars.

### **8.7.1 Regulative Pillar**

The in-depth understanding of how the regulative pillar shapes CSR is discussed theoretically in Chapter 2. The regulative pillar bases its legitimacy on legally-sanctioned rules and laws and its basis of compliance. The mechanism of this pillar is coercion and its logic is instrumental and consequentialist (Scott, 2001). It is assumed that organisations, faced with strong law enforcement, usually comply with the law. This pillar is driven by the authoritative role of the government, especially governance systems with protocols and standards that require organisations to comply with mandated specifications. This pillar relies on explicit rules and laws and recognises that the State as the main actor establishes hard laws and rules. Other actors can create rules but they are norms or soft laws which actors can practice on a voluntary basis (Campbell, 2007).

Regulations are crucial to ensuring new practices. In developing countries, the regulative systems are weak. Usually in developing countries, governments do not have the resources or

capabilities to regulate CSR issues, leaving companies to self-regulate CSR (Moon and Vogel, 2008; Muthuri and Gilbert, 2011). The State does not usually exert pressure on companies to follow CSR and the other actors that can possibly exert coercive force are locally domiciled MNCs. MNCs tend to have a significant amount of power because they can impose practices on their suppliers. Thus, while regulations as hard laws act as a driving force to ensure CSR, the rules set up by a parent company can also coerce actors to pursue CSR.

### **8.7.1.1 State**

As with most developing countries, there are not many laws that encourage companies to pursue CSR. Some of the laws that might encourage CSR are the Industrial Enterprises Act, 1992 which ensures a reduction of 50% of taxable income on adoption of pollution control. The state as a governing body has power to mandate CSR. For example, as per the Local Self Governance Act, 2065, Pokhara, a sub metropolitan city, was declared a 'polythene bags and plastic cups free zone'. Of the 10 cases in this study, 3 are headquartered in Pokhara.

The authoritative role of government plays an important role in governance. While there are laws that ensure CSR, there is little evidence on sanctions for non-fulfilment of those laws. Political instability in Nepal has created a general lack of trust in government. This lack of trust has led to questioning the governance role of the government.

Weak governance has questioned the power of the state to coerce companies to follow any rules. The "red tape" and weak governance has led to an environment where following laws which are perceived as being bare-minimum is fulfilling one's highest level of responsibility in the context of Nepal.

*“... we are paying taxes when 98% are not doing it. And we take pride in it. Ultimately whatever productivity we gain is for the nation. (Executive Chairman, Case Study 5)*

This coincides with Visser (2008) who argues that fulfilling legal responsibility is something high above bare minimum in developing countries.

Given the instability in developing country context, the role of the state as a regulative pillar is questionable. The findings suggest that the role of the state is almost absent in encouraging and ensuring CSR. One of the reasons for this could be because CSR and sustainability issues are perceived as long-term matters (Ward, Fox, Wilson and Zarkasy, 2007). Often there are pressing issues on the State making the agenda on CSR passive. As evidenced from the interviews, the State does not behave as a regulator in CSR, leaving companies to self-regulate. These findings align with the discussion of Jamali and Neville (2011) who write that *“a careful review of literature moreover suggests that the role of government is limited in social domain and that CSR is often conceived as a way to fill in as governments fall short”* (p. 601).

The lack of the state to create laws to create a coercive force to ensure CSR has meant that CSR is a form of self-governance. Because there is limited coercive pressure from the state, there is no mandate on if and how to pursue CSR. CSR therefore is carried out by the responsibility that the private actors perceive they have. This might be one of the reasons why the companies studied perceive they have *Samajik Kartavya* and pursue *Samajik Kartavya*.

### **8.7.1.2 MNC presence**

It has been argued that companies leading in CSR are subsidiaries of foreign-owned companies or MNCs. In other words, local companies perceive that MNCs place rules which pressure them to engage in CSR. While MNCs do not have the power to set hard laws, they still have

power to coerce CSR uptake. MNCs are sometimes bigger than the nation themselves which leads them to having the greater bargaining power in the environment.

Of the 10 cases, one was a fully-owned subsidiary of a MNC. As a subsidiary, they followed their parent companies' guidelines on CSR.

*...as a subsidiary, we get all the directions from our parent company. We also report on CSR as per GRI guidelines on a yearly basis.” (HR Manager, Case Study 4)*

Their CSR policies accommodated the socio-economic issues of Nepal. Studies show that MNCs translate CSR practices to accommodate local contexts (see Jamali, 2010). Companies “localise” CSR policies because they need to maintain legitimacy with local stakeholders. The subsidiary had a clear budget and priority areas on which they would invest. CSR was actively perceived as their strategy, unlike local companies.

One of the other sample companies, an automobile giant, while a local company, is a distributor for an MNC. As a distributor for a giant MNC, the bargaining power of the company is relatively low. There is set guidance from their supplier that they must adhere to if they want to sell the automobiles of the MNCs. To sell the automobiles of the MNC, the company was required to adhere to ISO standards set by the MNC.

As a distributor of an MNC, the company is bound to follow the codes set up by their supplier. Hence, one could argue that the presence of MNCs impacts CSR issues. Companies that are affiliated to MNCs tend to reshape their CSR policies in accordance with the MNC and the international market. In a country such as Nepal, where the regulative role of the state is weak, other actors, such as MNCs, can exert pressure on companies to pursue CSR. MNCs mandate their subsidiary, suppliers and buyers to adhere to their norms on CSR. Djelic and Sahlin-Anderson (2009) argue that the state as a regulative actor is a narrow conception - there are a

*“multiplicity of regulative actors fighting for attention, resources and authority in multi-centered and fluid area” (p.5).*

In 2017, the Ministry of Industry, the National Planning Commission and the Investment Board Nepal jointly held the Nepal Investment Summit on March 2<sup>nd</sup>; the message of which was “Nepal is open for business”. The Nepal Investment Summit garnered foreign investment totalling 13.53 billion USD. As foreign investment grows, it will be interesting to see if institutions that shape and inform *Samajik Kartavya* change. The notion of *Samajik Kartavya* itself may change leading to a ‘corporatisation of CSR practices’. *Samajik Kartavya* was discussed as a social obligation to give back to the society. *Samajik Kartavya* has a moral dimension to it and may be pursued even when there is no economic benefit associated with it. As foreign investment in Nepal grows, CSR may be an integral part of the business strategy which may see CSR as a way to enhance the financial objectives of profit-making (McWilliams and Siegal, 2011) . One seems to question how and if *Samajik Kartavya* will change when CSR becomes a strategy.

## **8.7.2 Normative Pillar**

The normative pillar bases its legitimacy on morality and perceived social obligations, with or without formal enforcement. This pillar is built around the expected role of the organisation in society (goals and activities) and it primarily relies on normative pressures. Normative systems enable social action through rights and responsibilities (Scott, 2004). This pillar is built on values and norms translated into certifications, standards and professional codes of conduct. Scott (2011) explains that *“normative elements introduce prescriptive, evaluative and obligatory dimension into social life” (p.42)*. As the pillar is based on morality and obligation, it could include formal conventions such as standards, certifications and informal conventions



such as expected behaviours. The systems and processes are morally governed; hence actors pursue CSR for their honour and reputation. One could argue that the normative pillar could exert coercive, mimetic and/or normative forces that influence CSR uptake.

In developing countries where the regulative power is weak, it is assumed that the normative pillar and culture-cognitive pillar drive CSR uptake.

### **8.7.2.1 Governance Gaps**

Governance is traditionally associated with the state. In developing countries, the state has limited resources and capabilities to address mounting socio-economic priorities. It has been argued that it is in developing countries that there is an actual need for CSR. CSR practices in developing countries have been long argued as a response to governance challenges (see Matten and Moon, 2002a; Chapple and Moon, 2005; Blowfield and Frynas, 2005). CSR is argued to plug into weak, corrupt and under resourced governments that fail to provide social services.

Both CSR reporting analysis and interviews with senior management revealed that the majority of CSR addresses issues on the national agenda. As a result, CSR activities address education issues and health issues - the areas Nepal as country is facing.

There has been ongoing political instability in Nepal for over a decade.. This has resulted in weak governance. Thus, profit-oriented companies are addressing and pursuing issues such as contributing towards education and health issues which are primarily understood to be the duty of the government. Companies fill the gaps where the government cannot and is not.

On discussing the role of the government, a manager of Case Study 6 stated:

*” With so much political instability, the government’s hands are tied. We should do everything we can to help take things off the government’s shoulder.” (Manager, Case Study 6 Automotive)*

Along similar lines, speaking of the role of the government, the director of Case Study, 10, Hydropower stated:

*“...The government is too slow and to be honest no one cares about such small villages.”  
(Director, Case Study 10)*

It is evident that the interviewees were aware that the government is constrained in its resources to support CSR. The government is weak to address socio-economic priorities. As a result, there is undue expectation on companies to address these issues. The expectations have created both coercive pressure and normative pressure for companies to engage in CSR. Coercive pressure occurs because, as profit-oriented companies, they are the only actors that can address CSR and they are the only actors that are expected to address socio-economic issues.

### **8.7.2.2 Ownership Structure**

Ownership Structure plays a key role in encouraging CSR. As discussed earlier in the chapter, corporate ownership is dominated by family-owned business houses in Nepal. There are a handful of prominent families that dominate the Nepali economic market. It could be argued that families often value personal relationships, hence they focus on long-term goals. Despite studies linking CSR and financial performance (see McWilliams and Siegel, 2011), there is no consensus on whether or not CSR supports financial performance. CSR is often argued as being beneficial in the long-run rather than in the short-term. As family ownership supports long term goals, it creates an environment for CSR to flourish more than in companies that focus on year-end profits.

As discussed earlier, family ownership dominates the Nepali market. Of the 10 case studies, 6 were family-owned companies. In family-owned companies, the values of the founder or the family dominate the culture of CSR being undertaken. The activities that the company pursues reflect on the family that owns the company. The line between personal values and business operations are blurred in a family-owned company. Often, the activities of the family are perceived as the activity of the company and vice-versa. CSR policies devised are thus mostly at the discretion of the founding family.

The cases in this research were dominated by family-owned companies and CSR policies revolved around the values of the owners. For example, in Case Study 3 (a manufacturing company), the locals visited the personal residence of the owners with their proposal for CSR with the director stating, *“people come to our house to ask for help”*. It is evident that the family has an influence on CSR uptake. It could be argued that CSR uptake is largely dependent on the personal beliefs of the family that owns the company. If the family perceives CSR as an important aspect, it reflects it in the organisational culture. Of the 6 family-owned case studies, 5 of them resonated with the fact that the founding family’s personal beliefs drive CSR policies.

*“At the end of the day, it is a family business. They (owners) are socially inclined people. If the top guy believes in something then it flows downwards. It is what is happening here (implying CSR uptake) ... (Chief Operating Officer, Case Study 1)*

As discussed above, there is a governance gap and companies fill in where the government cannot. Also, due to political instability, people trust the families more than they do the government. Firstly, the families are more approachable than the government and secondly on addressing social issues companies tend to be faster than the over-stretched government. As discussed above and in earlier chapters, companies tend to address local issues presented to

them because they have the capability to do so. The governance gap has created expectations in these families to look after the community. It could be argued that the pressures to provide for the community arise out of coercive forces to adhere to community expectations and normative forces to address local issues. As evidenced from the case study companies, often the local community approaches the businesses to address social issues. Family-owned companies dominate the Nepali market and there is less 'corporatisation' of CSR practices. It cannot be ignored that the CSR practices are similar across the companies studied. They are philanthropic in nature and address the socio-economic priorities of the country. DiMaggio and Powell (1983) argue that not all the activities of companies may be influenced by the coercive authority. They further argue that 'uncertainty encourages imitation' (p152). The companies operating in Nepal function in a political environment that is uncertain, it may be argued that there may be mimetic isomorphism which has led to the homogenisation of the CSR process in companies operating in Nepal. Mimetic pressures are copying/imitating behaviours in an uncertain environment (DiMaggio and Powell, 1983). This thesis found that there are similarities across CSR practices in companies operating in Nepal. For example, it was discussed that the companies often avoided reporting CSR to fit in the norms of the society. It could be argued that when there is an avoidance to account CSR practices, if competitors can imitate the process to CSR. The interviews showed that CSR was pursued due to the *Samajik Kartavya* of owners towards the society. Family owned companies dominated the population sample, and therefore it was discussed that the values and norms of the owners drove CSR. The owners are actors within the society. The CSR activities were often pursued when the society proposed the companies to engage in the local issues. So, in essence it was the local communities and their needs that drove CSR engagement. As an under-resourced and poor country, the issues the society faces are similar – they were to do with the lack of education and an access to healthcare. As a result companies pursued these activities as their CSR

activities. So, perhaps it may be safe to say, that while there are similarities in CSR activities pursued, the norms and behavior predominantly drives CSR activities.

Overall, the family ownership culture of business creates an environment that supports CSR.

### **8.7.2.3 International Standardisation**

With globalisation, international standards are imperative in facilitating international trade. International standardisation acts as a soft law to ensure the companies seeking standardisation adhere to a minimum set guidelines for the standard. For example, the International Organisation for Standardisation (ISO) is a non-profit organisation that sets standards and is currently working in 162 countries. ISO ensures that products and services are safe, reliable and of good quality. For business, they are strategic tools that reduce costs by minimizing waste and errors and increasing productivity. They help companies to access new markets, level the playing field for developing countries and facilitate free and fair global trade.

Of the 10 cases studied, 3 adhered to ISO certification. Of the three companies that endorsed ISO certification, one was a subsidiary of a foreign-owned multi-national, one was the sole distributor for a foreign MNC and one exported their products to foreign countries. It could be argued that the connecting link that supported international standardisation is the presence of foreign trade. It seems that either a foreign company requires for a company to be ISO certified or an ISO certification is required to venture into a new market. ISO creates both normative pressure and coercive pressure for companies to address social issues.

*“ we are ISO 9001 :2015 certified, we have to follow all safety standards prescribed by ISO 9001 ..... It is important for us to be seen as being ISO certified...(implying as a manufacturing company that exports its product)” (Manager, Case Study 3)*

It could be argued that as globalisation increases, companies operating in Nepal will pursue foreign trade and more companies will adhere to international standardisation.

#### **8.7.2.4 Crisis Response**

There are crises associated with developing countries that elicit CSR responses. These crises can be economic, political or natural. For example, Newell (2005) argues that an economic crisis in Argentina marked a turning point creating a debate on the role of businesses to alleviate poverty. Similarly, Hoffman (2005) sees climate change as a catalyst influencing environmental CSR.

History suggests that catastrophic events elicit CSR responses of a philanthropic kind. Mike Adamson, the chief executive of the British Red Cross in the Civil Society's new blog wrote that *"in 2017, the generous British public helped us raise an incredible £284.5m for people in crisis. The income growth is largely due to our role in raising money for the people affected by last summer's domestic tragedies. The Manchester Arena bombing, London Bridge attack and the Grenfell Tower Fire took place within three weeks in 2017"*. (Adamson, 2018).

Nepal is in a transitional phase post-civil war that ended in 2006. During the period of the research (April 2015), Nepal underwent an earthquake that killed more than 9000 people. The field study was carried out post Nepal earthquake. CSR activities of all but one company addressed the earthquake. The immediate response was to provide food and shelter to the victims. One of the case studies was a food manufacturing company and the director suggested that continuing the production line was the highest level of CSR they could pursue at that time.

Overall CSR activities reflected rehabilitating earthquake victims by supporting victims. Catastrophic events bring together all actors to work for societal good.

### 8.7.3 Culture Cognitive Pillar

The culture cognitive pillar is not straight forward. It confirms the influence of sociology in institutional theory and the general assumption is that its meanings arise from interaction and “are maintained and transformed as they are employed to make sense of the on-going stream of happenings” (Scott, 2004, p57). Therefore, this pillar bases its legitimacy on culturally-supported meaning and a shared understanding of conduct, drawing its order from the constitutive scheme that supports local identity. The underlying assumption is that cultural systems operate in an implicit and symbolic manner (Swidler, 1986). This cultural-cognitive pillar is driven by categories, frames and characterisations. This pillar is founded in “the way we do the things”. Hence, it is not easy to identify actors that exert pressure. The unspoken and unsaid values that have been practiced over years impact actions in an unconscious and implicit manner (Thornton et al., 2012).

In culture, there are no definitive actors that exert pressure, such as the state or MNCs, but there are a set of values that shape rather than determine actions. The identification of these values is important because “*culture is more like a tool-kit or a repertoire from which actors select different pieces for constructing lines of actions*” (Swidler, 1986, p277). Culture is a dynamic process and is understood as the process.

In this context, the findings of this research emphasise the importance of the Nepali “way of life” that supports religious values and family traditions in shaping CSR in Nepal.

### 8.7.3.1 Religious values and traditions

According to the 2011 census, over 81% of Nepalese are Hindu. The practice of Hinduism is prevalent in every aspect of the Nepali way of life. On studying annual reports, companies reported on pursuing religious CSR such as building temples and donating to religious causes.

*“We have funded construction of Ganesh Temple (Khotang), Sai Centre (Narayan Chaur) and Shiva Temple (Haridwar, India).”* (Corporate Website, Case Study 1)

The interviews triangulated the finding with senior management, confirming that religious CSR formed a part of their CSR strategy. As companies in Nepal are dominated by family-owned companies, the religious belief of the owners plays a key role in determining CSR activities. One interviewee explained that religious CSR was something inherent in their way of life and was carried out merely to give back to community.

*“when we are donating or helping a local temple, we do not see it as CSR. Whatever we have achieved is by god’s grace, we feel peace in giving back. This is who we are.”* (Director, Case Study 3).

On studying the influence of Bhagavad Gita on the CSR of Indian Companies, Muniapan and Satpathy (2011) write that “dharma is the way of life for every man and this is true for a corporation. It is not a question now whether the corporations have social responsibility or not but the question is how to discharge the corporate responsibility.” (p.179). Companies in Nepal are dominated by family-owned companies. The CSR practices reflect the beliefs of owners and the ownership structure creates an environment for religious CSR to flourish.

However, a chief operating officer of the retail company perceived addressing religious CSR as strategy. He argued that as Nepal is a religious society, the construction of temples creates



social cohesion in the community and such activity garners positive attention among the locals. Addressing religious CSR reflected the founders' personal values but it is a strategy to keep the local community as a stakeholder group happy.

*“As our society is religious, addressing such CSR activity helps us generate good faith in the locals. We want to keep the locals happy.” (Chief Operating Officer, Case Study 1)*

At the very least, addressing religious CSR is reflective of the society within which the companies operate. Religion is an important part of Nepali life; so is religious CSR. As companies are dominated by family-owned companies, family tradition is also prevalent in business operations. The corporate culture is often informal and reflects the notion of joint family in the Nepali way of life. A joint family system is where generations of families live together and often the oldest male is the head of the family. As with joint family system, the founders are perceived as father figures that must look after everyone in the company.

*“Our founder is not just our boss he is a well-known social worker. He is a spiritual man who has always looked after us and has given back to the local community.... He treats us like a family.” (Manager, Case Study 3)*

In this context, CSR activities reflect the Nepali way of life. As a close-knit society, CSR is embedded in tradition and religion. Hence, religion and family tradition drive CSR in Nepal.

## **8.8 How Samajik Kartavya compares with CSR?**

CSR in Nepal is perceived as deploying one's *Samajik Kartavya* towards one's community. *Samajik Kartavya* is a social obligation to give back to society. Therefore, *Samajik Kartavya* has a moral dimension attached to it. But why do the companies perceive themselves as having

a social obligation to pursue *Samajik Kartavya*? The answer to this is perhaps rooted in understanding the normative and culture-cognitive pillar of the context. The values and religion are what mainly drive *Samajik Kartavya* in companies operating in Nepal. One of the central questions that could be asked is if *Samajik Kartavya* complements or contradicts CSR. Is *Samajik Kartavya* synonymous to CSR as we understand or is it something that is an entirely different concept?

There are varying definitions to what CSR is. CSR is a broad concept. To different writers it means different things. At the heart of it, is business-oriented companies assuming some form of social responsibility. The social responsible acts however are context specific and, as institutional theory argues, are subject to change as the institutions governing any organisations change. CSR, as discussed by Bowen (1953), was initially referred to as merely ‘social responsibility’. Over the years of formalisation and dominance of corporations, it became corporate social responsibility. In the beginning social responsibility was limited to philanthropy. *Samajik Kartavya* shares similarities with the early conception of CSR. The literal translation of *Samajik Kartavya* is social obligation, which focusses on community related activities. Philanthropy forms the majority of community related activities pursued just like old CSR. The modern-day CSR discourse has benefitted from over 70 years of formalisation. However, studying *Samajik Kartavya* offers just a beginning of formalisation on CSR of companies operating in Nepal. Perhaps, more research on community related activities of companies operating in Nepal will lead to the formalisation of *Samajik Kartavya*.

Particularly in the context of companies operating in Nepal, *Samajik Kartavya* is driven by the inherent teachings of Hinduism. The notion of a need to do “dharma” to obtain “moksha” is central to *Samajik Kartavya*. Dharma is carried without any expectations in return. The roots of *Samajik Kartavya* conflict with some aspects of CSR. Even in the 1950s, CSR was perceived

through an economic lens. *Samajik Kartavya*, as rooted in the concept of “dana”, cannot directly be an economic CSR. *Samajik Kartavya* as depicted are separate from strategy. It could be argued that for the very reason, *Samajik Kartavya* are limited to philanthropy and are separate from operations. *Samajik Kartavya* are carried without any expectations in return and this is one of the reasons that CSR reporting is still new. Reporting on CSR would be defying the essence of *Samajik Kartavya* that discourages self-praise.

While there are similarities and differences between CSR and *Samajik Kartavya*. *Samajik Kartavya* still complements CSR because at the heart of both terminologies is the need to give back to society. *Samajik Kartavya* as it stands is guided by the culture-cognitive pillar and normative pillar and thus is driven by values and religion. *Samajik Kartavya* will be subject to change. With MNCs penetrating the Nepali market, the essence of *Samajik Kartavya* may diminish. Companies will monetise and there will be corporatisation of CSR policies.

As it stands, CSR discourse is new in the Nepali market. Most community related activities are pursued as *Samajik Kartavya* towards society and are driven by values and religion. Nepal is in the initial stage of understanding CSR, and *Samajik Kartavya* complements CSR, but it is much more than that. It is a way of Nepali life.

## **8.9 Summary and Conclusion**

The CSR literature is underrepresented in conflict-ridden economies beyond a multinational facet. In the past decade, the growing literature identifies that the nature of CSR in such economies is different (see Visser, 2007; Dolbers and Halme, 2009; Muthuri and Gilbert, 2011) but the literature fails to address how local companies in these economies perceive and understand CSR and why these local companies engage in CSR activities.

This chapter revisited the findings and discussed key themes emerging from them. It was found that the reports on non-financial reporting were not in alignment with GRI guidelines, with only one economic indicator represented by more than 5% of the sample companies. The GRI guidelines were too comprehensive to capture the CSR reporting of companies operating in Nepal. 67% of the sample companies reported on CSR activities, which was descriptive in nature. Activities such as free health camps, blood donation and education sponsorship were reported as CSR activities. The nature of CSR activities was philanthropic and reflected issues on the government agenda.

Interviews conducted with senior management in ten companies formed cases for this research. The interviews reflected that CSR perception and CSR activities were driven by the institutional environment. CSR was understood as *Samajik Kartavya* towards the community arising from the “culture of giving” ingrained in the Nepali way of life.

The interviews reflected that companies pursued *Samajik Kartavya* mainly because of coercive and normative pressures arising from the normative and culture-cognitive pillars that govern Nepali society. As a country in a post conflict era, rehabilitating from a natural disaster<sup>41</sup>, there are governance gaps. The governance gaps have created an environment where private companies are expected to contribute towards social issues and these companies are the ones that have resources and capabilities to address the issues in the form of CSR activities. Family-owned companies dominate the Nepali market and the values and religion of owners are reflected in their business practices, driving operations and CSR activities. The economic, social and cultural challenges faced by Nepal as a community drives *Samajik Kartavya* in companies operating in Nepal. Companies are assuming a political role, whereby they are

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<sup>41</sup> Nepal suffered Earthquake in April 2015, killing about 15000 people

addressing issues such as health and education which are primarily associated with government.

In conclusion, CSR is ingrained in the Nepali way of life. While CSR reporting is a new concept, CSR is not. CSR is perceived as a part of “who they are”. In a conflict-ridden economy such as Nepal, CSR is perceived as an obligation, hence not entirely voluntary. Normative and culture cognitive pressure to support the community drives CSR policies. Samajik Kartavya is a form of home-grown CSR mechanism that the companies pursue.

# Chapter 9

## Implications and Conclusions

### 9.1 Introduction

This thesis is concerned with exploring the construct of CSR in post-conflict Nepal. In doing so, it studied the non-financial reporting of companies operating in Nepal; explored perception of CSR in companies operating in Nepal; and reviewed predeterminants to CSR in Nepal. These issues were explored and understood through the lens of institutional theory. This study utilised institutional theory to make inferences from the research..

The preceding chapter discussed the findings of this PhD research through an institutional lens. Key findings and implications were explored. It was deduced that CSR in companies operating in Nepal is a result of the *normative* and *culture-cognitive* pillar (Scott, 2001) that drives Nepali society. As a result, CSR has long existed in Nepali society and it is a way of life. It is perceived as *Samajik Kartavya* and is complementary to CSR.

This chapter provides an overview of this research. In doing so, it revisits key findings from the research. It discusses how each research questions was answered. It explicitly discusses how this research has contributed to the literature both empirically and conceptually. This chapter also discusses the limitations of this research and provides guidelines for future research before concluding this thesis.

## 9.2 Research Overview

CSR is a multi-faceted concept. It includes economic, social and environmental issues pursued by companies. With globalisation and the presence of social media, CSR has gained prominence in last couple of decades. Over 93% of world's largest 250 companies produce standalone CSR reports (KPMG, 2017). The dominance of MNCs has led to the adoption of CSR practices across the globe. Yet, in comparison to the west, CSR and the CSR literature are still in their infancy in developing or emerging economies. There is evidence that CSR in developing countries is 'home grown' yet CSR in developing countries are often perceived as a by-product of MNC presence.

The study of CSR in Nepal is relatively new, and there is little empirical research on CSR in Nepali context. One of the earliest empirical studies on CSR in Nepal is by Upadhyay-Dhungel and Dhungel (2013). They studied the non-financial reporting of commercial banks in Nepal. They argue that commercial banks have driven CSR in Nepal and identify social issues pursued as CSR by commercial banks. The few studies of CSR in Nepal are limited to explanatory research examining CSR reporting by companies operating in there. Unlike other South Asian economies dominated by MNCs, the presence of home-grown companies dominates the Nepali market. Yet, the answer as to how CSR is understood in Nepal and what motivates/demotivates companies in Nepal to pursue CSR has not been studied. This study is one of the first comprehensive studies to explore how CSR is perceived in companies operating in Nepal and it discusses the drivers that influence CSR uptake in companies operating in the country.

This research has therefore attempted to understand CSR practices prevalent in companies operating in Nepal, where CSR is a relatively new concept. Over the course of this thesis, CSR and CSR reporting in Nepal have experienced significant growth. It is more common now than

ever for companies to have a corporate website with a dedicated section on CSR practices. In a nutshell, this PhD attempts to make sense of CSR in Nepal. In doing so, it studies CSR reporting practices, and explores CSR perception and CSR drivers/deterrents.

Undertaking a grounded theory approach, this research has sought to find out the extent and nature of CSR reporting, has explored how CSR is perceived and considered the drivers that influence CSR. It studies annual reports of 100 companies listed on the NEPSE to examine the nature and extent of CSR reporting. The analysis resulted in identifying CSR themes prevalent in companies operating in Nepal. 67% of the sample companies reported education and health related CSR activities. Philanthropy is the most popular way to pursue CSR. Then, taking an explorative direction, 20 semi-structured interviews were carried out in 10 case study companies to understand their perception of CSR and what drives it. Interviews were carried out with senior management directly involved in making decisions on CSR practices. The findings from the interviews were analysed through the lens of institutional theory to explore what institutions drive and shape CSR in companies operating in Nepal.

This research revealed that, contextually, Nepal operates in a segmented business system (Wood and Frynas, 2006). The political instability and governance gaps have led to a weak governance system. As a result, the *regulative pillar* of CSR is weak in driving CSR. CSR is mainly a function of the *culture-cognitive pillar* and to some extent it is driven by the *normative pillar*. As CSR is driven by the *culture-cognitive pillar*, CSR in Nepal has long existed and is a 'way of life'. CSR is one's *Samajik Kartavya*. *Samajik Kartavya* is home grown and is ingrained in the Nepali way of life. *Samajik Kartavya* is CSR and much more.



## 9.3 Research Contribution: Empirical

This research makes theoretical and empirical contributions to the existing CSR literature and the CSR literature in developing countries. These contributions are briefly discussed below.

At the beginning of the research, it was apparent that the CSR literature in the Nepali context was limited to a couple of studies. These studies were descriptive. As far as the researcher is aware, this is one of the first PhDs that is trying to make sense of CSR practices in Nepal. Prior research presented CSR reporting in companies operating in Nepal. This research explores CSR and its construct from an institutional perspective. It provides insight into how CSR is understood and why companies in Nepal pursue CSR. It provides a basis for comparison with other developing countries that are conflict-ridden and do not have a strong MNC presence. This study argues that CSR can exist independently of the influence of MNCs. The fragmented market and segmented business creates an opportunity for companies to address social issues existing in local communities.

This study carried out an analysis of annual reports of 100 listed for non-financial reporting. It discovered the nature and the extent of CSR reporting in Nepal and further research questions were formulated based on themes emerging from the results of the data analysis. As a result, the research questions were tailored to the Nepali context. The analysis of the annual reports presents insight into the extent and nature of CSR reporting. The empirical analysis led to the identification of CSR themes prevalent in companies operating in Nepal. Following the identification of these CSR themes, in-depth semi-structured interviews were carried out. Interviews as a qualitative research method triangulated the findings from the data analysis and provided in-depth answers to what CSR is and why companies pursued it. The use of content

analysis, and studying the CSR reports and the interviews in case study companies led to a richer explanation because it provided opportunity for triangulation of the findings.

This study contributes to the existing literature on two different levels. Firstly, one could argue that CSR as a terminology, does not encapsulate Nepali ethical business practice. Pursuing societal issues are understood as businesses' *Samajik kartavya*. *Samajik Kartavya* are context driven and ingrained in the Nepali way of life arising out of coercive/normative pressure. Fulfilling one's *samajik kartavya* is a social obligation and not entirely voluntary, therefore differing from the broader concept of CSR. Secondly, this research argues that companies in conflict-ridden economies such as Nepal must assume a governance role. Private companies have an authoritative role whereby they pursue practices normally considered a government role, while also fulfilling their economic responsibility. The regulatory role of the state cannot always be assumed to give rise to the coercive isomorphic pressures (DiMaggio and Powell, 1983) that are normally associated with driving companies to adopt CSR. CSR prevails even when political institutions are near absent. This research concludes that there is a need to study CSR as a standalone topic in an emerging economy, because different economies have different societal institutions giving rise to different perceptions and meanings of CSR.

## **9.4 Research Contribution: Theoretical**

CSR is different in developing countries because the challenges faced by these countries are different to those in the developed world. As discussed in Chapter 8, CSR in Nepal is perceived as one's *Samajik Kartavya*. On studying corporate governance systems in countries with Confucian beliefs, Miles (2006) questions the appropriateness of Western practices because they conflict with Confucian values and beliefs inherent to those countries, giving rise to

different corporate governance practices. Similarly, the study of CSR in Nepal needs contextualisation and the in-depth study of the institutions that govern Nepal as a country. *Samajik Kartavya* is a duty towards one's community. But what is this duty and why do companies operating in Nepal perceive themselves as having a duty towards the community? In answering these questions, institutions (state, education system, culture and financial systems) that govern Nepal were studied. Like Wood and Frynas (2006), it was argued that Nepal has a segmented business system, thereby questioning the role of the state in encouraging CSR.

Business systems cannot be developed independently of the external environment within which they operate and *Samajik Kartavya* is a product of business systems. In other words, *Samajik Kartavya* tends to be a *by-product* of the interaction between *business system characteristics* and dominant *social institutions* in economies (Whitley, 1999).

On a theoretical level, this research confirms that the Nepali institutional environment corresponds to the *Segmented Business System*. In the *Segmented Business System*, '*the state is extremely fragile with a narrow social base.*' (Wood and Frynas, 2009, p257). The Nepali market is dominated by family-owned companies. The existence of weak and under resourced government has led to market dominance by business elites, which is seen through the existence of prominent families dominating the Nepali business market.

Political instability has led to weak governance and, as a result, the role of the state in motivating CSR is merely ceremonial. The existence of patriarchal companies and a weak state has meant Employer-Employee relations driven by personal relationships. The nature of informal relationships has led to minimum adoption of internal CSR (such as HR, training). External CSR (such as philanthropy, sponsorship) forms the CSR activities pursued.

The *regulative pillar* is almost absent with limited laws that support CSR. Any CSR activities pursued are a result of the *normative pillar* and *culture-cognitive pillar* that shape institutions that guide the Nepali market. CSR reporting is relatively new and has arisen due to the mimetic isomorphism that companies have faced within their industry. Norms within a sector have influenced CSR reporting. So, for example, perhaps unsurprising to find, given their exposure to global business systems, commercial banks in Nepal are frontrunners in CSR reporting.

CSR on the other hand is driven by values and religion. The inherent teaching of Hinduism that supports philanthropy is prevalent in Nepali businesses. The dominance of family ownership means that there is little separation between ownership and control. As a result, *Samajik Kartavya* is a way of life in both private businesses and local communities. A segmented business system creates an environment that supports the prevalence of *normative* and *culture cognitive* pillars that shape CSR. The study of values and religion as informal institutions requires the understanding of the importance of history in shaping institutions.

Whitley's (1999) national business system does not explicitly speak about the importance of history in shaping institutions. But, the historical dimension offers a deeper understanding of institutions, as it plays an important role in shaping them. Until 2006, Nepal was the only Hindu Kingdom in the world. As a country that is historically driven by Hinduism, the teachings of Hinduism are prevalent in the Nepali way of life. Philanthropy is integral to Hinduism and it could be argued that the dominance of family ownership has meant that philanthropy has long existed in Nepali businesses. As a country, Nepal has been a conflict-ridden economy. The state is weak and there are governance gaps. As a country, that is rehabilitating from civil war and earthquake (in 2015, during the period of this PhD), the coordination between private businesses and local community is greater than the relationship between the state and local communities. These actors have supported each other, and philanthropy has been a way of life

to support deprived communities as a rehabilitation effort. The nature of CSR activities (such as education and health) reveal that CSR activities address the challenges faced by the community, which is a duty of the state. The hardships have led to the increased willingness of private companies to pursue social endeavours and has created expectations for companies to address these challenges. History is important in shaping culture-cognitive and normative pillars that drive Nepali CSR.

## 9.5 Reflections on CSR findings

The CSR literature underrepresents conflict-ridden economies. In the past decade, a growing literature identifies that the nature of CSR in such economies is different (see Visser, 2007; Dolbers and Halme; 2009; Muthuri and Gilbert, 2011) but they fail to address how local companies in these economies perceive and understand CSR and why these local companies engage in CSR activities.

The model of CSR discussed by Bowen (1953) was initially referred to as merely social responsibility. Over the years of formalisation and dominance of the corporation, it became corporate social responsibility. In the beginning, social responsibility was limited to philanthropy. There is therefore a parallel with the findings of this PhD. *Samajik Kartavya* shares similarities with early conceptions of CSR. CSR in Nepal is perceived as deploying one's *Samajik Kartavya* towards one's community. *Samajik Kartavya* is rooted in the culture driven by the *normative* and *culture-cognitive* pillars. Values and religion drive *Samajik Kartavya* in companies operating in Nepal. The literal translation of *Samajik Kartavya* is social obligation, which focusses on community related activities. Indeed, *Samajik Kartavya* forms the majority of community related activities pursued like the original CSR. The modern-day

CSR discourse has benefitted from over 70 years of formalisation. However, *Samajik Kartavya* is the beginning of formalisation in Nepali CSR. Perhaps, as with CSR, more research on community related activities of companies operating in Nepal may lead to formalisation of *Samajik Kartavya*.

However, the roots of *Samajik Kartavya* conflict with some aspects of CSR. Even during its inception, CSR was conceived through an economic lens. *Samajik Kartavya* in contrast is rooted in the concept of 'dana'. This cannot be a strategy and can never directly be economic CSR. *Samajik Kartavya* is separate from strategy. It could be argued that for this very reason, *Samajik Kartavya* is limited to philanthropy and separate from business operations. It is carried out without any expectations in return and is one of the reasons that CSR reporting in Nepal is still in its infancy. Reporting would be defying the essence of *Samajik Kartavya* that discourages self-praise.

While there are similarities and differences between CSR and *Samajik Kartavya*, *Samajik Kartavya* still complements CSR because at the heart of both terminologies is the need to give back to society. *Samajik Kartavya* as it stands is guided by the *culture-cognitive* pillar and a *normative pillar* and thus is driven by values and religion. *Samajik Kartavya* will be subject to change. With MNCs penetrating the Nepali market, the essence of *Samajik Kartavya* may diminish. Companies will monetise and there may be corporatisation of CSR practices. *Samajik Kartavya* might therefore form a part of strategy.

As it stands, CSR discourse remains in its infancy in Nepali market. Most community related activities are pursued as *Samajik Kartavya* towards society and are driven by values and religion. It is a way of Nepali life. This research shows an initiation to theorising CSR in Nepal. With more research on CSR in Nepal, *Samajik Kartavya* may be subject to change.

## **9.6 Limitations of this Research**

The limitations of this research lie in some of the methodological assumptions. Undertaking a grounded theory methodology, this research started by analysing the annual reports of listed companies. The purpose of this was to identify CSR themes in companies operating in Nepal. The inferences on understanding CSR themes were limited to analysing annual reports of listed companies. It could therefore be argued that prevalent CSR themes identified reflected CSR in big public companies not SMEs in Nepal.

The second limitation of this research is also related to data collection. Semi-structured interviews were carried out with individuals from sample case studies. The case study selection was a result of snowball sampling. The prevalent personal nature of the sample selection means selection bias could not be avoided. In the semi-structured interviews, inferences were made based on the narratives of interviewees. In a true sense, it is the perception of CSR that was being studied, not CSR construct itself. There is a risk that the interviews may reflect self-serving responses.

Despite the limitations, this research explores CSR in Nepal. It is one of the early studies that attempts to investigate the conception of CSR in Nepal.

## **9.7 Suggestion for Future Research**

Due to a lack of prevalent studies on CSR in Nepal, there are many avenues unexplored in terms of studying CSR in Nepal. This research tried to make sense of CSR practices in companies operating in Nepal. In doing so, it broadly studied CSR reports, explored CSR

perceptions and studied drivers that influence CSR uptake. Given the broad nature of exploring CSR in this study, future researchers may want to focus more closely on CSR reporting and stakeholder perception on CSR understanding. For example, researchers may use quantitative techniques to understand in depth the CSR reporting of companies operating in Nepal. On studying CSR reports, the CSR reports for year 2014 were studied. Future researchers may want to study reports over a period to identify if CSR themes differ over time.

The interviews conducted were limited to representatives from private companies. Future researchers may want to study the CSR perception of other stakeholders, such as the government, NGOs and communities, who may be equally responsible in motivating CSR in private companies. The inclusion of other stakeholder groups is important in understanding in particular the role of the regulative pillar in shaping CSR.

Of the case study companies, one did not pursue any CSR whatsoever. It was a new company with seven employees. Inclusion of more SMEs in studying CSR in Nepal and other developing countries might reveal how and if CSR practices differ in companies with varying sizes. Future research may want to focus on industries to see if CSR practices differ between industries. Due to the lack of existing literature, the avenues for future researcher in studying CSR in Nepal and other similar developing countries are exponential.

## **9.8 Summary and Conclusion**

This chapter summarised and concluded the findings of this research. Firstly, it briefly discussed the research process. It provided an overview of the research and presented the key findings. Secondly, it discussed the contribution of this research from an empirical viewpoint. Thirdly, it posited the contribution of this research from a theoretical perspective. In doing so,



it is argued that history plays a key role in shaping business systems and institutions. The segmented business system has led to dominance of the culture-cognitive pillar that drives CSR in companies operating in Nepal. Fourthly, the limitations of this research were presented. Finally, future implications for this research and potential directions for future research were presented.

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# Appendix

## GRI Performance Indicators

ECONOMIC		
	Code	Description
<b>Economic Performance</b>	EC1	Direct economic value generated and distributed, including revenues, operating costs, employee compensation, donations and other community investments, retained earnings, and payments to capital providers and governments.
	EC2	Financial implications and other risks and opportunities for the organization's activities due to climate change
	EC3	Coverage of the organization's defined benefit plan obligations.
	EC4	Significant financial assistance received from government.
<b>Market Presence</b>	EC5	Range of ratios of standard entry level wage by gender compared to local minimum wage at significant locations of operation.
	EC6	Policy, practices, and proportion of spending on locally-based suppliers at significant locations of operation.
	EC7	Procedures for local hiring and proportion of senior management hired from the local community at locations of significant operation.

	EC8	Development and impact of infrastructure investments and services provided primarily for public benefit through commercial, inkind, or pro bono engagement.
	EC9	Understanding and describing significant indirect economic impacts, including the extent of impacts.

**ENVIRONMENT**

Materials	EN1	Materials used by weight or volume.
	EN2	Percentage of materials used that are recycled input materials.
Energy	EN3	Direct energy consumption by primary energy source
	EN4	4 Indirect energy consumption by primary source
	EN5	Energy saved due to conservation and efficiency improvements
	EN6	Initiatives to provide energy-efficient or renewable energy based products and services, and reductions in energy requirements as a result of these initiatives
	EN7	Initiatives to reduce indirect energy consumption and reductions achieved
Water	EN8	Total water withdrawal by source.
	EN9	Water sources significantly affected by withdrawal of water



	EN10	Percentage and total volume of water recycled and reused
Biodiversity	EN11	Location and size of land owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas
	EN12	Description of significant impacts of activities, products, and services on biodiversity in protected areas and areas of high biodiversity value outside protected areas.
	EN13	Habitats protected or restored.
	EN14	Strategies, current actions, and future plans for managing impacts on biodiversity
	EN15	Number of IUCN Red List species and national conservation list species with habitats in areas affected by operations, by level of extinction risk
Emmission. Affluent and Waste	EN16	Total direct and indirect greenhouse gas emissions by weight
	EN17	7 Other relevant indirect greenhouse gas emissions by weight.

	EN18	Initiatives to reduce greenhouse gas emissions and reductions achieved.
	EN19	Emissions of ozone-depleting substances by weight
	EN20	NO, SO, and other significant air emissions by type and weight
	EN21	Total water discharge by quality and destination
	EN22	Total weight of waste by type and disposal method.
	EN23	3 Total number and volume of significant spills.
<b>LABOUR PRACTICES &amp; DECENT WORK</b>		
Employment	LA1	Total workforce by employment type, employment contract, and region, broken down by gender
	LA2	Total number and rate of new employee hires and employee turnover by age group, gender, and region
	LA3	Benefits provided to full-time employees that are not

		provided to temporary or part-time employees, by significant locations of operation
	LA15	5 Return to work and retention rates after parental leave, by gender
Labour/Management Relations	LA4	Percentage of employees covered by collective bargaining agreements
	LA5	Minimum notice period(s) regarding operational changes, including whether it is specified in collective agreements.
Occupational Health and Safety	LA6	Percentage of total workforce represented in formal joint management-worker health and safety committees that help monitor and advise on occupational health and safety programs
	LA7	Rates of injury, occupational diseases, lost days, and absenteeism, and number of workrelated fatalities by region and by gender

	LA8	Education, training, counseling, prevention, and risk-control programs in place to assist workforce members, their families, or community members regarding serious diseases
	LA9	Health and safety topics covered in formal agreements with trade unions.
Training and Education	LA10	Average hours of training per year per employee by gender, and by employee category.
	LA11	1 Programs for skills management and lifelong learning that support the continued employability of employees and assist them in managing career endings.
	LA12	Percentage of employees receiving regular performance and career development reviews, by gender.
Diversity and Equal Opportunity	LA13	Composition of governance bodies and breakdown

		of employees per employee category according to gender, age group, minority group membership, and other indicators of diversity.
Equal Remuneration for women and men	LA14	Ratio of basic salary and remuneration of women to men by employee category, by significant locations of operation
<b>HUMAN RIGHTS</b>		
Investment and Procurement Practice	HR1	Percentage and total number of significant investment agreements and contracts that include clauses incorporating human rights concerns, or that have undergone human rights screening
	HR2	Percentage of significant suppliers, contractors and other business partners that have undergone human rights screening, and actions taken
	HR3	Total hours of employee training on policies and procedures concerning aspects of human rights that

		are relevant to operations, including the percentage of employees trained
Non-discrimination	HR4	Total number of incidents of discrimination and corrective actions taken.
Freedom and Association of Collective Bargaining	HR5	Operations and significant suppliers identified in which the right to exercise freedom of association and collective bargaining may be violated or at significant risk, and actions taken to support these rights.
Child Labour	HR6	Operations and significant suppliers identified as having significant risk for incidents of child labor, and measures taken to contribute to the effective abolition of child labor.
Forced and Compulsory Labor	HR7	Operations and significant suppliers identified as having significant risk for incidents of forced or compulsory labor, and measures to contribute to

		the elimination of all forms of forced or compulsory labor
Security Practices	HR8	Percentage of security personnel trained in the organization's policies or procedures concerning aspects of human rights that are relevant to operations.
Indigenous Right	HR9	Total number of incidents of violations involving rights of indigenous people and actions taken.
Assessment	HR10	Percentage and total number of operations that have been subject to human rights reviews and/or impact assessments.
Remediation	HR11	Number of grievances related to human rights filed, addressed and resolved through formal grievance mechanisms
<b>SOCIETY</b>		
Local Community	SO1	Percentage of operations with implemented local

		community engagement, impact assessments, and development programs.
	SO9	Operations with significant potential or actual negative impacts on local communities
	SO10	Prevention and mitigation measures implemented in operations with significant potential or actual negative impacts on local communities.
Corruption	SO2	Percentage and total number of business units analyzed for risks related to corruption.
	SO3	Percentage of employees trained in organization's anti-corruption policies and procedures
	SO4	Actions taken in response to incidents of corruption.
Public Policy	SO5	Public policy positions and participation in public policy development and lobbying.
	SO6	Total value of financial and in-kind contributions to



		political parties, politicians, and related institutions by country
Anti-Competitive Behaviour	SO7	Total number of legal actions for anticompetitive behavior, anti-trust, and monopoly practices and their outcomes.
Compliance	SO8	Monetary value of significant fines and total number of non-monetary sanctions for noncompliance with laws and regulations.
<b>PRODUCT RESPONSIBILITY</b>		
Customer Health and Safety	PR1	Life cycle stages in which health and safety impacts of products and services are assessed for improvement, and percentage of significant products and services categories subject to such procedures.
	PR2	Total number of incidents of non-compliance with regulations and voluntary codes concerning health

		and safety impacts of products and services during their life cycle, by type of outcomes.
Product and Service Labelling	PR3	Type of product and service information required by procedures, and percentage of significant products and services subject to such information requirements
	PR4	Total number of incidents of non-compliance with regulations and voluntary codes concerning product and service information and labeling, by type of outcomes
	PR5	Practices related to customer satisfaction, including results of surveys measuring customer satisfaction.
Marketing Communication	PR6	Programs for adherence to laws, standards, and voluntary codes related to marketing communications, including advertising, promotion,

		and sponsorship.
	PR7	Total number of incidents of non-compliance with regulations and voluntary codes concerning marketing communications, including advertising, promotion, and sponsorship by type of outcomes.
Customer Privacy	PR8	Total number of substantiated complaints regarding breaches of customer privacy and losses of customer data.
Compliance	PR9	Monetary value of significant fines for noncompliance with laws and regulations concerning the provision and use of products and services.

## Stage 1: List of Companies in Sample

S/N	Company
1	Bank of Kathmandu
2	Commerz and Trust
3	Everest Bank
4	Kumari Bank
5	Nabil Bank
6	Butwal Power Company Ltd
7	Chilime Hydropower Company Ltd
8	Standard Chartered Bank Nepal
9	Agriculture Developmental Bank
10	Gorkhali Rubber Udhog
11	Machapuchhre Bank
12	Nepal Bangladesh Bank
13	NMB Bank
14	NIC Asia
15	Asian life Insurance
16	Alliance Insurance
17	Guras life insurance
18	Lumbini general insurance
19	Prime Life Insurance
20	Jyoti Bikash Bank
21	Ace development Bank
22	Alpine Development Bank
23	Apex Development Bank
24	Arun Valley Hydropower
25	Bagmati Development Bank
26	Bhargav Bikash Dev Bank
27	Bhrikuti Dev Bank
28	Birat Lakshmi Bikash Bank
29	Bishwa Bikash Bank
30	Citizen Investment Trust
31	City Development Bank
32	Civil Bank
33	Clean Energy Dev Bank
34	Ekata Bikash Bank
35	Everest Insurance
36	Fewa Finance
37	Gandaki bikash Bank
38	Global IME Bank
39	Hama Merchant and Finance
40	Hamro Bikash Bank
41	Himalayan Bank Limited

42	Himalayan distillery
43	ICFC Finance Limited
44	Infrastructure Dev Bank
45	Innovative Development Bank
46	International Dev Bank
47	Janata Bank
48	Jebllil's finance Limited
49	Jhumruk Bikash Bank
50	Jyoti Bikash Bank
51	Kabeli Bikash bank
52	Kailash Bikash bank
53	Kalika Micro-Credit Dev Bank
54	Kamana Bikash Bank
55	Kanchan Bikash Bank
56	Kankai Bikash Bank
57	Karnali Development Bank
58	Kaski Finance Ltd
59	Kastamandao dev Bank
60	Kathmandu Finance
61	Kuber Merchant finance Ltd
62	Lalitpur Finance Ltd
63	Laxmi Bank
64	Life Insurance Corporation Nepal
65	Lumbini Bank
66	Lumbini Finance Ltd
67	Maha Lakshmi finance LTd
68	Mahakali Bikash Bank
69	Manaslu Bikash Bank
70	Manjushree Finance LTd
71	Mega Bank
72	Metro Development Bank
73	Miteri Dev Bank
74	Mount Makau Dev Bank
75	Muktinath Bikash Bank
76	Narayani National Finance LTd
77	Naya Nepal Laghubitta Bikash Bank
78	Neco Insurance Ltd
79	Nepal Aawas Finance LTd
80	Nepal Bank ltd
81	Nepal Credit and Commerce Bank
82	Nepal Telecom
83	Nepal Express Finance LTd
84	Nepal Housing and Merchant Finance LTd
85	Nepal Investment Bank
86	Nepal Life Insurance LTd
87	Nepal SBI Bank

88	Nerude Laghubitta Bikash Bank
89	NIDC Dev Bank
90	Nirdhan Uttan Bank Ltd.
91	NLG Insurance Company Ltd
92	Om Finance
93	Pacific Development Bank
94	Paschimanchal Dev Bank
95	Paschimanchal Finance Co Ltd
96	Patan Finance Ltd
97	Pathibhara Bikash Bank
98	Pokhara Finance Ltd
99	Prabhu Bikash Bank
100	Prime Commercial Bank

# Interview Guide

## Introduction

Name: Sex: Male  Female

Age:

Years in this  
company:

Education Level: Bachelor's Degree  Master's Degree  Other

Email Address:

Number of

Employees:

## Understanding CSR

- Does your company have CSR policy/community related policies? YES  NO
- How do you define CSR?
- What is your company doing in regard to CSR?
- Who decides on how to pursue CSR? How is CSR pursued?
- Is there a budget allocated to CSR activities?
- What are the main motivations/deterrents for engaging in CSR?
- How is the role of government regarding CSR policies?
- I see that you have different projects that address socio-economic issues of Nepal, don't you think that it is the role of government to address such issues?

- Considering that Nepal has had an earthquake, has it affected your community activities? If Yes, how?
- Are CSR activities reflective of Nepalese culture?
- Do you work with external parties (..NGOs, schools) to carry out CSR activities?
- How important do you think it is to report/publish CSR activities?
  
- How important do you think CSR is for your corporate strategy?