



Evaluating Social Return on Investment of Nepalese Commercial Banks

Pranju Shrestha

**University of Northampton
Faculty Business & Law
Bachelor's of Business Administration (Hons)**

October 2023

Abstract

With the increasing emphasis given to ‘Corporate Social Responsibility’ throughout the world, many corporations now have separated a section for it in their official websites. Corporations in Nepal spends millions of rupees every year in this mandatory activity. For a publicly listed company like commercial banks, there are pressures from its stakeholders to operate in a socially responsible way as much as earn profits. With NRB’s regulation for commercial banks to allocate 1% of their profit every year on such activities, there is gradual improvement in its practices. However, there are not much data on how those practices have really helped the communities and there is no measurement of impacts of such activities. Social return on investment is an impact measurement tool which helps to find the return of social activities and to make strategic decisions so that the social activities done could make a longer impact in a society. This research focuses on three commercial banks of Nepal namely, Nabil Bank, Nepal Merchant Bank and NIC Asia Bank and studies their CSR activities in the recent years. The research further evaluates the SROI of NMB in health sector with its donation of medical equipment in Dhulikhel Hospital. This research done with application mixed methods and followed by the guidelines provided by the SROI Guide 2012 found the SROI ratio to be NRs 2.16: NRe 1. This means that for every rupee invested by NMB towards medical equipment for Dhulikhel Hospital, there was a social return of NRs 2.16 which is more than double of the initial investment.

Keywords:

CSR, Corporate Social Responsibility, CSR in Nepalese banks, Social Return on Investment, SROI, SROI of banks, Nepalese Commercial Banks, Social work of Nepalese banks, Philanthropic activities of Nepalese banks, Impact of CSR activity, Impact measurement.

Abbreviations

ADBL	Agriculture Development Bank Limited
BFI	Banking and Financial Institutions NRB: Nepal Rastra bank
CB	Commercial Bank
CSR	Corporate Social Responsibility
FI	Financial Institution
INR	Indian Rupee
JV	Joint Venture
MDG	Millennium Development Goals
ICSC	Indrawatee Community Service Centre
CWIN	Child Workers In Nepal
ICIMOD	International Centre for Integrated Mountain Development
FINLIT	Financial Literacy
NBI	National Business Initiative
NBL	Nepal Bank Limited
NIC Asia	Nepal Industrial and Commercial Bank Asia
NMB	Nepal Merchant Banking and Finance Limited
NPR/ NRs	Nepalese Rupee
NPV	Net Present Value
SDG	Sustainable Development Goals
SROI	Social Return on Investment
TBL	Triple Bottom Line
TPV	Total Present Value
UN	United Nations

Introduction

Organizations keep track of their investments, and every investor expects a return on their investment. The measurement of their return encourages or discourages them from future investments. It is common to see organizations investing in a social cause, but it is rare to find organizations keeping track of social investment just as their other investment which provides monetary or wealth increasing return. It happens because many people don't have any idea that even social investments can be tracked, and their return can be calculated. Such calculations can motivate the investor further for CSR activities and it leads to increased transparency in the company's report. The forecasting SROI would allow a company to measure the impact before investing which helps to make strategic decisions (Maier, *et al.*, 2015; Mook, *et al.*, 2015).

Corporate Social Responsibility or CSR is a commitment to enhance the well-being of society through discretionary business practices and the contribution of corporate resources (Kotler and Lee, 2005). The concept emphasizes acting ethically and making a positive impact on social, economic, and environmental aspects of society (Du et al., 2010). It has been found that 67% Americans believe that businesses have a responsibility to address the societal problem (Tyson *et al.*, 2023). Sustainability is the capacity to satisfy current needs without jeopardizing the ability of future generations to satisfy their own needs. Economic, social, and environmental factors all fall under this umbrella notion (Giovannoni and Fabietti, 2013).

The main purpose of this research is to investigate the Social Return on Investment (SROI) from the implementation of CSR practices in commercial banks operating in Nepal. With the rise of emphasis given to CSR practices all over the world, the bank plays a crucial role in implementing CSR policies into practice and fostering the overall well-being of society, the environment, and the economy. Moreover, this research will shed some light on the impact created by the CSR initiatives undertaken by the commercial banks in Nepal and especially assess the social return on the investment.

This study is done in the context of Nepal. Nepal is a small underdeveloped landlocked country located in South Asia sandwiched between the two largest countries India and China which have great influence in Nepal. It has an area of 147,516 sq km and a population of just 30.6

million (BBC, 2023). As of World Bank (2022), the GDP of Nepal is estimated around 40.83 billion with an annual growth rate of 5.6 %. Nepal was closed to the outside world until the 1950s because of the Himalayas and the domination of the monarchy by Ranas. Nepal has eight of the world's highest mountains including the highest mountain itself, Mount Everest. Nepal is also a home country of Lord Buddha who spread the religion Buddhism followed by 6.6% of the world's total population (World Population Review, 2023).

[Full document isn't available for general public view]