AN INVESTIGATION INTO THE ASSOCIATIONS BETWEEN REPORTED CORPORATE GOVERNANCE AND CORPORATE SOCIAL RESPONSIBILITY PRACTICES, AND CORPORATE FINANCIAL PERFORMANCE IN NEPALESE LISTED PUBLIC COMPANIES

A Thesis submitted by

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Abstract

Purpose – There are three main purposes of this research. Identifying the level of reported corporate governance (CG) practices and reported corporate social responsibility (CSR) practices in the annual reports of listed public companies on the Nepal Stock Exchange (NEPSE). A further purpose is to investigate the relationship between reported corporate governance (CG) practices and corporate financial performance (CFP) as well as the relationship between reported corporate social responsibility (CSR) practices and CFP for these companies. In addition to this examination of the individual relationships with CFP, the final purpose is to test, collectively, the relationship between reported CG practices and reported CSR practices on CFP for these companies.

Design/methodology/approach – This study investigates the three identified purposes using the 2015-16 annual reports for 155 of the 222 listed public companies on the Nepal Stock Exchange (NEPSE). Necessary data were not available in the 2015-16 annual reports for the remaining 66 listed companies. This single year was selected due to events that occurred in previous years that may have a significant compounding impact on CFP at that time. The data were analysed (using content analysis, multivariate analysis, and regression analyse) to test the hypothesised relationships.

Findings –This study is useful for academics and companies seeking to understand the extent of reported CG practices and reported CSR practices that are undertaken in Nepalese companies in different sectors. As there were no significant relationships found between reported CG practices and CFP, or reported CSR practices and CFP, as well as CG and CSR, collectively, on CFP, additional analyses were undertaken. The findings were significant for the different phases of sustainability acceptance on the extent of CSR reported practices. Although there was no significant interaction (moderating) effect by CG and CSR on CFP, the mediating effect of CSR on the CG to CFP relationship was tested using structural equation modelling (SEM). The SEM found significant indirect results to support this mediating effect of CSR.

Research limitations – The research is subject to two limitations. Firstly, the study examines only one year of annual reports and therefore will be subject to the normal limitation of a cross-sectional study. Secondly, the study analyses the reported CG and CSR, not actual CG and CSR.

Research implications – This study contributes to an understanding of the reason for inconsistent results in prior studies. Future research should consider contingency theory related to the phase of sustainability adopted by the organisations on their reported CSR practices. Furthermore, future studies should examine the indirect sequential relationships between CG and CSR as well as CSR and CFP.

Originality/Value – This research is original and a significant contributor for future researchers, the government of Nepal and other stakeholders to understand reported practices in publicly listed Nepalese companies in both banking and finance and non-banking sectors. This research was conducted on 155 companies from banking, finance and non-banking sectors.

Key words – Corporate Governance (CG), Corporate Social Responsibility (CSR), Corporate Financial Performance (CFP), Nepal Stock Exchange (NEPSE).

Paper type – Master's thesis

Statement of original authorship/ Thesis certification page

This thesis is entirely the work of **Prakash Sapkota** except where otherwise acknowledged. The work is original and has not previously been submitted for any other award, except where acknowledged.

Principal Supervisor: Professor John Sands FCPA (PhD)

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Student and supervisors' signatures of endorsement are held at the University.

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Abbreviations

ADB	Asian Development Bank
ADB	Agricultural Development Bank
AGM	Annual General Meeting
ANCOVA	Analysis of Covariance
ANOVA	Analysis of Variance
BOD	Board of Directors
CFP	Corporate Financial Performance
CG	Corporate Governance
CSR	Corporate Social Responsibility
CSP	Corporate Social Performance
EBIT	Earnings before income and tax
EPS	Earnings per share
FP	Financial Performance
GDP	Gross Domestic Production
IMF	International Monetary Fund
NAB	Nepal Agriculture Bank
NBL	Nepal Bank Limited
NEPSE	Nepal Stock Exchange
NLC	Nepal Law Commission
NRB	Nepal Rastra Bank (Central Bank of Nepal)
OCR	Office of Company Registration
OECD	The Organisation for Economic Cooperation and Development
ROA	Return on Asset
ROCE	Return on Capital Employed
ROE	Return on Equity
ROSC	Report on the Observance of Standards and Codes
SAARC	South Asian Association of Regional Cooperation
SEBON	Securities Board of Nepal
WB	The World Bank

Chapter 1 Introduction

1.0 Introduction

This research topic has several aims. Firstly, to identify the level of reported corporate governance (CG) practices and reported corporate social responsibility (CSR) practices that are disclosed by listed public companies in the Nepal Stock Exchange (NEPSE). Secondly, the study aims to investigate two direct associations: reported CG practices to corporate financial performance (CFP); and reported CSR practices to CFP. Finally, collectively CG and CSR to CFP is also examined for publicly listed companies on the Nepal Stock Exchange (NEPSE).

Various reasons have been reported to explain inconsistent results in prior studies for the relationship between either CG reported practices and CFP (e.g., Ghimire et al. 2015; Shrestha et al. 2015) or CSR reported practices and CFP (e.g., Chapagain 2010; Dhungel 2013; Adhikari et al. 2015.). Therefore, this research will focus on listed public companies in the Nepal Stock Exchange (NEPSE) for all industry sectors, using multidimensional measures for the CG and CSR reported practices, it will also undertake additional exploratory analysis not previously considered in the literature.

1.1 Country overview – Nepal

Nepal is a member country of the South Asian Association for Regional Cooperation (SAARC). It is situated between the Federal Republic of India in the south and the People's Republic of China in the north. Economic growth in the country in 2016 was 0.60% to 5% (projection) in 2017 with GDP of $US 21.13 billion (The World Bank 2016). According to published rankings in the Global Finance Magazine it was reported that Nepal is ranked the 28th poorest country with GDP per capita of $2480 based on Purchasing Power Parity (PPP) (Gregson 2017). Nepal's economy is primarily based on agriculture. In recent years, remittances from thousands of young citizens who have migrated overseas for employment is now the second highest contributor to the Nepalese economy. Many people in Nepal earn less than $2 a day on which to survive and, therefore, are living below the poverty line.

Figure 1.1 Map of Nepal

Source: Nichalp. "Map of Nepal." Https://Commons.wikimedia.org/Wiki/File:Nepal_map.Png, 3 Aug. 2019, 19:52.

1.2 Research background

Traditionally, CG and CSR are reported in developed countries even though CSR reporting is not mandatory. Significant deficiencies in the current Nepalese CG laws have led to a weak level of CG disclosure in Nepal, which limits the shareholders' confidence in the capital market (World Bank 2005). In recent years, the awareness and importance of CG and CSR are growing significantly in Nepal.

The Nepal Rastra Bank (NRB), the central bank of Nepal, has introduced higher CG standards for banking and other financial institutions as part of a wider program to reform the reporting process (ROSC 2005) However, other sectors (such as manufacturing, hydroelectric, hotel and tourism – see Appendix 3) are not included in these mandatory CG benchmark standards. Additionally, the pivotal legislation for Nepalese companies, the Company Act 1997 and the Security and Exchange Act 1983, have both been criticised for their significant deficiencies (ROSC 2005; The World Bank 2005).

1.3 Statement of problems

The concepts of CSR and CG practices are key to achieving the balance between profitability and accountability because CSR and CG practices contribute to sustainable economic development (Rosam & Peddle 2004). As a consequence of corporate failures and scandals, attention has been redirected away from the capitalistic and market philosophy with its profit centric focus towards issues of good governance, ethics, trust and accountability, leading to CG and CSR becoming popular concepts (Jamali 2008). The refocus towards the topics of CG and ethical economic conduct highlights the shift in the type of information disclosure desired by the market. Another issue identified is that past research has discussed either CG reported practices or CSR reported practices independently.

However, there is support in the literature that these two concepts are strongly associated and should be investigated together with CFP (Jo & Harjoto 2011). Also, the posited associations in this study between the more responsible disclosure of CG and CSR practices implicitly encompass ethical business practices. These CG and CSR practices are commensurate with social expectations and may be achieved for all stakeholders while business entities still maximise their profit for shareholders. Therefore, it is timely and important to study the association between CG, CSR and CFP in the Nepalese market.

1.4 Research motivation

A number of researchers have studied the influence of CG and CSR for the firm's sustainable economic growth (Chapagain 2010; Adhikari 2012; Kshitiz Upadhyay-Dhungel 2013). From a micro-performance perspective, a number of researchers (Jamali 2008; Said 2009; Jo & Harjoto 2012) have attempted to investigate separately the association between CG, CSR and a company's CFP in a developing country's context. However, these investigations have not provided any significant or convincing evidence about their investigations into the associations between reported CG, CSR practices on a firm's CFP within Nepal and abroad. More specifically for this study, it would appear that there is very limited research aimed at establishing any associations between CG, CSR and CFP, especially in the Nepalese context. Furthermore, the association between CG, CSR (collectively) and CFP growth in Nepalese public listed companies has been overlooked by researchers. This study, therefore, plays a significant role in addressing this current gap of study.

1.5 Focus of study, research questions, and hypotheses

This study aims to answer the following research questions related to CG and CSR reported practices and their association with the CFP of publicly listed Nepalese companies on the Nepal Stock Exchange (NEPSE).

1. To what extent are CG reported practices disclosed in the annual reports of publicly listed Nepalese companies?
2. Is there a direct relationship between CG reported practices and the CFP of publicly listed Nepalese companies?

3. To what extent are CSR reported practices disclosed in the annual reports of publicly listed Nepalese companies?
4. Is there a direct relationship between CSR reported practices and the CFP of publicly listed Nepalese companies?
5. Is there a direct relationship between CG as well as CSR reported practices on the CFP of publicly listed Nepalese companies?

Findings for two of these five research questions (RQ1 and RQ3) will be provided using qualitative analysis. The remaining three research questions (RQ2, RQ4 and RQ5) are developed into three alternate hypotheses listed below to enable the testing of these alternate hypotheses using quantitative analyses:

Ha1: Reported corporate governance (CG) practices have a positive effect on a company's financial performance (CFP) in listed public companies in Nepal.

Ha2: Reported corporate social responsibility (CSR) practices have a positive effect on CFP in listed public companies in Nepal.

Ha3: Collectively reported CG and CSR practices have positive effects on CFP in listed public companies in Nepal.

1.6 Scope and significance of research study

Literature and legislative documents about the Nepalese market acknowledge that Nepal has deficiencies in its CG and CSR reporting regulatory requirements. Consequently, unlike banking and finance sector companies that must report their CG activities to the central bank, no Nepalese listed company is required to disclose their CG and CSR practices in their annual reports. Further, while some industry sectors (identified in Appendix 3) are subject to the mandatory disclosure of CG principles by the central bank legislation, not all of these companies disclose their CG and CSR practices in their NEPSE annual report. However, many Nepalese listed companies (whether the company is or is not required to report for central bank requirements) are voluntarily disclosing their CG and CSR practices, which is similar to the voluntary disclosure in the US and Australia.

While the regulatory requirements in Nepal differ to other developing countries, due to the deficiencies in the legislation in Nepal, there may be some motivation to satisfy the needs of stakeholders. This may ultimately flow through to CFP, as occurs in developed countries where companies voluntarily disclose their practices. It is particularly interesting that some companies are required to report CG to the central bank, yet they can then choose to voluntarily disclose or not disclose such information in their annual reports. Therefore, this study is a timely and useful investigation into the association between CG and CSR reported practices, and the CFP of listed public companies in Nepal

This research will be conducted with a focus on all 222 publicly listed Nepalese companies. These companies operate in various sectors, including finance (which is subject to mandatory CG reporting requirement) as well as manufacturing, and hydroelectric companies (which are not subject to mandatory CG reporting requirement). Appendix 3 provides details of the number of companies operating in these different sectors.

The 2015-16 annual financial reports will be used to gather data about CG reported practices, and CSR reported practices and companies' CFP. This data will be analysed to investigate the association between CG, CSR and companies' CFP outlined in the research questions. The reason this year was selected is explained in Appendix 4.

1.7 Challenges and limitations of the research project

The main challenges to this research will be accessing information from listed companies in Nepal. This challenge will relate to not only poor compliance with requirements by Nepalese companies but also the limitations of the Office of Company Registration (OCR). Another limitation is that certain information provided to NEPSE is not publicly available (ROSC 2005). However, the separation of the 222 companies into different industry groups as illustrated in Appendix 3 will enable all companies to be included into one of the groups for analysis purposes.

1.8 Ethics of the research project

As ethical issues are a crucial element of social research (Mollet 2011), it is important for a social researcher to apply for ethical clearance before conducting interviews. As this study examines the association between reported CG practices and CFP as well as reported CSR practices and CFP, ethical considerations need to be observed in order to assess the required data from the annual reports of these listed Nepalese companies. Because the data is gathered from a secondary source, no official ethical clearance application is needed (USQ Ethical Committee Guidelines). However, in accordance with Athanasou et al (2011), an email was submitted to the USQ ethics committee on 27 July 2017 (and a confirmation received from the USQ Ethics Officer on 28 July 2017) to fulfil this process.

1.9 Sequence of thesis outline

A thesis should have a unified structure (Perry 1998). This thesis is structured into seven chapters: introduction, literature review, theoretical framework, methodology, analysis of data and results, discussion of results and, finally, conclusions, limitations and implications.

1.10 Chapter summary

The introduction has provided an overview of the setting of the study: the country of Nepal. It has outlined the research problem, the focus of the study, five research questions and the three alternate hypotheses. The importance of the research has been explained along with the scope of the study and its significance.

Chapter 2 Literature Review

2.0 Introduction

This chapter will review previous empirical studies on corporate governance (CG), corporate social responsibility (CSR) and corporate financial performance (CFP). The intention of this chapter is twofold. Firstly, to review and identify relevant prior literature that provides guidance about historical corporate governance (CG) and corporate social responsibility (CSR) and their relevance to Nepal. This will help to identify the research questions about current levels of reported practices. Secondly, the intention is to review and identify the findings of prior studies into the associations between reported corporate governance practices and corporate financial performance as well as between reported corporate social responsibility practices, and corporate financial performance in Nepal and other countries.

2.1 Chapter structure

The chapter is organised as follows.

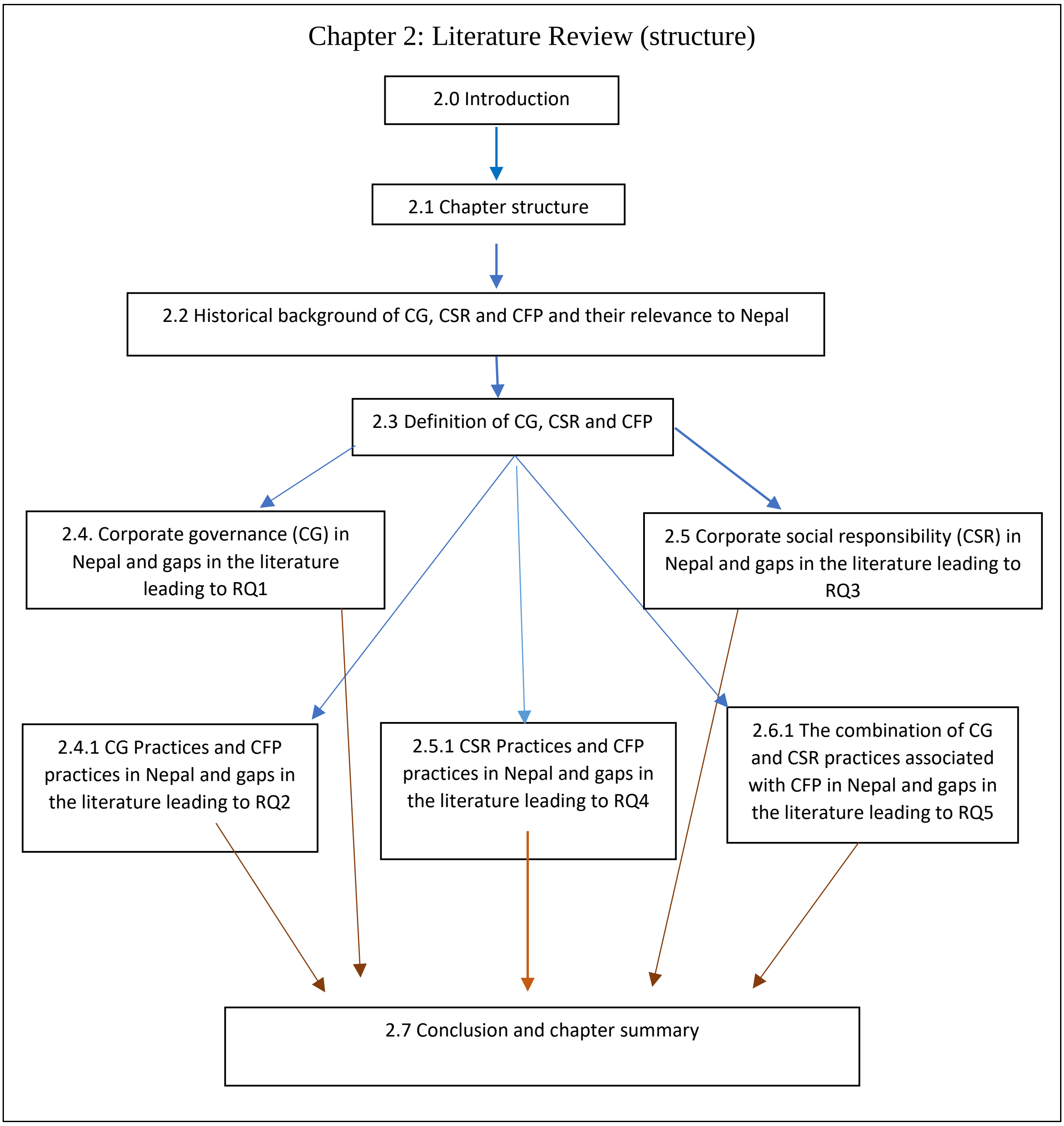

Figure 2.1 Chapter structure - literature review

2.2 Historical background – corporate governance (CG) and corporate social responsibility (CSR) and their relevance to Nepal

Corporate Governance (CG) normally involves a set of relationships between a company's management, its board and its stakeholders, including both its shareholders and its other stakeholders. Corporate Social Responsibility (CSR) is a business approach that contributes to sustainable development by delivering economic, social and environmental benefits for all stakeholders (Shah & Hasan 2016). It is a very broad concept that addresses many topics, including human rights, corporate governance, health and safety, environmental effects, working conditions and contributions to economic development (Shah & Hasan 2016).

2.2.1 Historical background of reported CG and CSR practices from a Nepalese context

Nepal is a member of the South Asian Association for Regional Cooperation (SAARC) and is situated between the Federal Republic of India in the south and the People's Republic of China in the North. Economic growth in the country in 2016 was 0.60% to 5% (projection) in 2017 with GDP of $US 21.13 billion (The World Bank 2016). Nepal has been ranked the 28th poorest nation according to rankings released in the Global Finance Magazine. The per capita GDP based on Purchasing Power Parity (PPP) is $2480 (Gregson 2017). The economy of Nepal is based mainly on agriculture. In recent years, remittances from thousands of young citizens who moved to work abroad are now the second largest contributor to the Nepalese economy. Many people in Nepal earn less than $2 a day income to survive and therefore are still below the poverty line.

Traditionally, CG and CSR reported practice may be observed in the developed countries even though CSR reporting is not mandatory. Significant deficiencies in the current Nepalese CG laws has led to a weak level of CG disclosure in Nepal, which limits the shareholder's confidence in the capital market (The World Bank 2005). In recent years, the awareness and importance of CG and CSR has been growing significantly in Nepal.

The Nepal Rastra Bank (NRB), a central bank of Nepal, has introduced higher CG standards for banking and other financial institutions as part of a wider program to reform the reporting process (ROSC 2005). However, other sectors (such as manufacturing, hydroelectric, hotel and tourism – see Appendix 3) are not included in these mandatory CG benchmark standards introduced by the central bank.

Even though accounting and auditing standards are being developed, there is no coordination due to the lack of a precise legislative framework for the overall Nepalese market.

Two important pieces of legislation in Nepal for the capital markets are the Company Act 1997 and the Security and Exchange Act 1983; both are based on common law. These two current Nepalese laws have critical deficiencies (ROSC 2005; The World Bank, 2005). Market participants consider each Act to have significant deficiencies and require redrafting of these Acts and enactment of the new laws. However, NEPSE listed companies' corporate disclosure requirements are not clearly prescribed by either the legislation or listing requirements. Similarly, there is no mandatory disclosure requirements of listed public companies in Nepal for CG and CSR reported practice due to these deficiencies in the two laws. However, while NEPSE does not require the disclosure of any CG and CSR reported practices, about half of NEPSE listed companies have adopted voluntary disclosure of CG and CSR reported practices.

While it has been documented that business enterprises in Western society have undertaken charitable ventures to support the needs of society for at least 2000 years (Holmes 1976), the reported history of charitable giving in Nepal is slightly shorter. Chapagain (2010) states that it is recorded that CSR was practiced in the Lichhavi (one of the Royal Dynasties) Era (400-750 AD) in the form of philanthropic contributions such as building a 'Dharamshala' (a common place for the homeless, orphans and the aged to live) or building a temple. In the context of Nepal, corporate social responsibility (CSR) practice is driven by cultural and religious norms, values and practices (Adhikari 2012). An observation of Nepal's historical CSR practices reveal that they were driven by cultural and religious terms such as 'Narka' (hell), 'Sworga' (heaven) and 'Daan' (donations), learned through religious practices and religious books (Chapagain 2010). These formed an ethical code of practice for all members of society, especially those involved in business practice. Chapagain (2010) argued that ethical standards were based on cultural beliefs such as if you do good for others then you go to 'heaven' or, conversely, if you exploit people, as a punishment you will go to the 'hell'.

Research reveals that, while giving in the corporate sector seems low, businesses in Nepal have been practicing silent corporate philanthropic activities for decades, such as building roads, temples and donating to school or community development. However, a lack of policies and regulations that require the disclosure of such practices could be the reason businesses have not reported CSR (Katuwal 2010, p.58). A study also found that CSR is not mandatory in Nepal and that all the banks that have disclosed social responsibility have done so on a voluntary basis (Dhungel & Dhungel 2013). In addition, Nepalese corporate practices are influenced by cultural and religious factors. Private sector companies have very little involvement in CSR activities (Chapagain 2010) when compared with publicly listed companies. The majority of literature reveals that ‘companies in Nepal still think of profit as the main objectives of their operation and CSR seems to be an optional luxury due to continued political and social disturbances in [the] last one and [a] half decades where most of the companies focus their attention to minimise costs and to create profit’ (Adhikari 2012, p. 653).

Nepal is passing through a transitional phase of institutional and governance reform. The high concentration of corporate ownership structure and dominance of family business groups as the shareholders of these companies, have become major constraints in exercising good corporate governance (Pokhrel 2007).

2.2.1.1 Motivation for study

There has been a number of empirical studies on the influential position of corporate governance (CG) and corporate social responsibility (CSR) on sustainable economic growth (Adhikari 2012; Chapagain 2013; Dhungel & Dhungel 2013). From the micro-performance perspective, a number of researchers (Jamali & Mirshak 2006; Said et al. 2009; Jo & Harjoto 2012) have attempted to investigate, separately, the association between CG, CSR and companies’ CFP in the context of developed countries. There is very limited research aimed at establishing any associations between reported CG, reported CSR and CFP especially in a Nepalese context. Furthermore, the limited prior studies investigating these relationships have reported inconsistent findings for the relationship between CG and CFP (Ghimire et al. 2015; Shrestha et al. 2015) and between CSR and CFP (Chapagain 2010; Dhungel 2013; Adhikari et al. 2015) in Nepal (see Appendix 2). Consequently, further investigations are needed into these relationships, which is the motivation for this study.

Prior studies have focused on the banking and financial sectors (Dhungel & Dhungel 2013), manufacturing (Chapagain 2013) and corporate governance (Gyamerah, & Agyei 2016). Some studies focus on the relationship between CSR and Nepalese banking and financial companies’ corporate financial performance in Nepal (Adhikari 2012). Therefore, due to the inconsistent results in prior studies and the specific industry focus of Nepalese-based studies, the motivation for this study is to investigate an association between reported CG, CSR and CFP in listed public companies in Nepal across all industries.

A number of researchers have studied the influence of CSR and CG on sustainable economic growth (Chapagain 2010; Adhikari 2012; Kshitiz Upadhyay-Dhungel 2013). From a micro-performance perspective, other researchers (Jamali 2008; Said 2009; Jo & Harjoto 2012) have attempted to investigate the association between CG, CSR and company’s CFP in the context of developing countries. However, there is no evidence of investigations being conducted in Nepal into associations between CG reported practice and CFP as well as CSR reported practice and CFP. More specifically for this study, it would appear that there is very limited research aimed at establishing any associations between reported CG, reported CSR and CFP, especially in the Nepalese context. Furthermore, the association between reported CG, reported CSR, and CFP, leading to the sustainable economic growth of Nepalese listed public companies has been overlooked by researchers. This study, therefore, plays a significant role to address the current gap.

2.3 Definition for corporate governance (CG), corporate social responsibility (CSR), and corporate financial performance (CFP)

Under this section, CG, CSR and CFP will be defined. The proposed impact of CG and CSR on corporate financial performance (CFP) will also be reviewed.

2.3.1 Defining corporate governance (CG)

The term 'corporate governance' has been defined by various authors, researchers and academia. Even though there is no single accepted definition of corporate governance (CG), Parkinson (1994) defined the corporate governance as a process of supervision and control intended to ensure that the company's management acts in accordance with the interests of shareholders. Shah and Napier (2016, p. 4) define corporate governance as 'the system by which companies are directed and controlled'. Jamali et al. (2008) explain the control aspect of corporate governance embraces compliance, accountability and transparency and how managers discharge responsibility in accordance with rules, regulations and a code of conduct. According to the Organisation for Economic Cooperation and Development (OECD), corporate governance is the set of rules and practices that are used to govern the relationships between a company's management, its board, shareholders and other stakeholders of the corporation (OECD 2004).

2.3.2 Defining corporate social responsibility (CSR)

Dahlsrud (2008) analyses the 37 CSR definitions to define the CSR phenomenon to present guidance on how to manage challenges within CSR. Although Corporate Social responsibility (CSR) became a global phenomenon, it has no universally accepted definition. Generally, it refers to clear business practice with respect to ethical values, compliance with legal requirements (Galant & Cadez 2017) and respect for economic values. Corporate social responsibility (CSR) is a business approach that contributes to sustainable development by delivering economic, social and environmental benefits for all stakeholders. CSR is a concept with many definitions and practices.

2.3.3 Defining corporate financial performance (CFP)

Corporate financial performance (CFP) is a subjective measure of how well a firm can use assets from its primary mode of business and generate revenue. Consequently, CFP means measuring the results of a firm's policy and operations in monetary terms. These results are reflected in the firm's return on investment (ROI), return on assets (ROA) or as a value-added form. Financial performance can be measured in two ways – one, market-based performance (e.g., stock price, dividend payout and EPS) and two, accounting-based performance (e.g., ROA, ROE) (Tyagi & Sharma 2013).

2.4 Reviews on corporate governance (CG) practices

Corporate governance has become an important topic for all developed, developing and transitional economies in recent years. Hundreds of articles and books have been written about corporate governance in the last few years alone. Good corporate governance improves economic efficiency and growth as well as enhancing investors' confidence (Fanta et al. 2013) and increases access to external financing by firms, lowers the cost of capital and increases operational performance (OECD 2004). Evidence suggests that firms in growing economies are low priced in financial markets because of their weak governance (La Porta et al. 2000). As such, improvements in corporate governance could enhance investors' confidence and increase these firms' access to capital markets (Rajagopalan & Zhang 2009). A summary of the literature reviewed on CG practices is provided in Appendix 1 Table 1.1.

Based on the literature discussed in this section, this study aims to answer the following research questions related to CG reported practices for Nepalese companies listed publicly on the Nepal Stock Exchange (NEPSE).

Research question 1 (RQ1): ***To what extent are CG reported practices disclosed in the annual reports of publicly listed Nepalese companies?***

2.4.1 Reviews of CG practices on CFP

Theoretical and empirical research shows that the relationship between corporate governance (CG) and corporate financial performance (CFP) (Malik & Makhdoom 2016) is not always positive; there is evidences of negative or controversial results as well (Suteja et al. 2017).

This section of the study focuses on an association between corporate governance (CG) reported practices and corporate financial performance of Nepalese listed public companies. Cadbury (2000) defined CG as a system through which organisations 'are directed and controlled'. In addition to compliance notions, accountability and transparency (MacMillan et al. 2004), the control aspect also focuses on the way in which the managerial functions are carried out via respective codes of conduct and laws (Cadbury 2000).

CG is considered important because it refines the laws, regulations and company contracts that govern corporate operations, ensures that shareholder rights are protected, interests of stakeholders and managers are compatible, and maintains transparency of the environment to enable each party to carry out its duties and promote the organisation's welfare as well as create value (Jamali et al. 2008; Carroll 2000; Hancock 2005) to the organisation (Page 2005). However, companies may report CG practices voluntarily because they recognise and respect their stakeholders' rights and needs.

In the past, much empirical research has focused on investigating the relationship between corporate governance (CG) and corporate financial performance (CFP). A study of the Ethiopian banking sector shows that board size and the existence of an audit committee have a statistically significant negative effect on bank performance (Fanta et al. 2013); while bank size and bank performance has a statistically significant positive relationship. Additionally, the study also examines the capital adequacy ratio to measure the external corporate governance mechanism that shows a statistically significant positive result with bank performance.

Gonzalez et al. (2004) argue that a low level of conflict between inside controlling agents and external financiers in Asian firms increases the firm's performance and productivity. They claim that this low level of conflict is due to ownership concentration and low operating costs in the short term; but in the long-term, a transparent and regulated framework or corporate governance yields better economic growth and productivity. Maskay (2004) discusses the factors affecting productivity in Nepalese firms including the awareness of good governance practice by management which plays a significant role to address broader stakeholder interests.

Some prior studies show mixed results in the relationship between corporate governance and banking efficiency in Nepalese commercial banks. A study by Sapkota et al. (2015) showed that there is a statistically significant impact between corporate governance and efficiency in commercial banks in Nepal, measuring CFP as ROA and ROE. In the same study, results reveal that there is a negatively significant relationship between board size, board independence and institutional ownership and CFP (i.e., ROA).

A recent study on CG and Nepalese financial institutions and their financial growth and performance shows mixed results (Acharya 2018). The following CG reported practices: board size, existence of chief financial officer (CFO), the high number of minority directors and the high number of female directors, have statistically significant positive effects on performance (i.e., CFP)). However, the study also reported negative significant results about the influence of the number of external directors on a bank's performance (Acharya 2018).

Shrestha's (2015) study on Nepalese commercial banks investigated the relationship between corporate governance and banks' performance with mixed outcomes. Firstly, CEO duality, the high/low number of independent directors and high/low amount of debt used had a negative impact on a firm's performance, using ROA and ROE as dependent variables. Secondly, this research also suggested that the board size, EPS, total equity, and total assets all have a positive impact on a firm's performance. Further results show the insignificant relationship between an audit committee, board composition and CEO duality on ROA and ROE (Ghimire et al. 2015).

Studies based on commercial banks show a positive relationship between the variable (leverage) and the performance of the commercial bank (Bhusal et al. 2015). Research on large Indian firms demonstrates a positive relationship between CG and a firm's performance (Sen & Garani 2015).

In summary, there are inconsistencies in the findings of prior studies. Appendix 1, Table 1.1 provides a summary of the studies that have examined this relationship. The following subsections consider the potential causes of these inconsistent results.

2.4.1.1 Why are these results inconsistent?

Inconsistent results have been reported in prior studies due to the variance in industry sectors, business environment and country where the study was based. A study of the banking sector in Ethiopia (Fanta et al. 2013) yielded positive significant results; whereas similar studies in Nepal have negatively significant relationships (Shrestha et al. 2015). Studies show inconsistent results between financial sectors (Sapkota et al. 2015) and between companies with different ownership structures in Nepal (Maskay 2004).

2.4.1.1.1 What may be the cause of these inconsistent results?

One of the main causes of inconsistent results from prior studies may be the variance in sample sizes of the studies examined. For example, positive significant results between CG and CFP relationship were found in a study where a small sample size was studied (Maskay 2004). An insignificant relationship result was found for the relationship between CG and CFP for studies with a normal sample size (Bhusal et al. 2015; Shrestha et al. 2015). Another possible cause may relate to the industry sectors where commercial banks and firms in general have inconsistent relationships (Maskay 2004; Sharma 2014). Further investigations are needed for the CG and CFP relationships in Nepal.

2.4.1.1.2 Studies that examine different or specific industry sectors in Nepal

Studies on Nepalese commercial banks reveal positively significant results between CG and CFP (Maskay 2004; Bhusal et al. 2015) Conversely, another study shows insignificant relationships between capital structure (the board size, CEO duality, tangibility) and return on assets (CFP) within the banking sector in Nepal (Shrestha et al. 2015). While there are some consistent findings, there are also inconsistent findings within Nepalese studies.

Interestingly, there are inconsistent results with Nepalese studies. Maskay (2004) studied 12 Nepalese companies (three listed and three unlisted private companies and six public sector companies) and concluded that raising CG awareness had positive consequences for a firm's performance, growth and productivity. The results for some studies of Nepalese commercial banks reveal the positively significant results between CG and CFP (Maskay 2004; Bhusal et al. 2015). Conversely, other studies based on banking sectors reveal statistically insignificant relationships between CG and CFP (Ghimire et al. 2015; Magar et al. 2015; Acharya 2018). The Nepalese financial system consists of banking and non-banking sectors. An extensive review of the literature has revealed only one small study that examined both banking and non-banking industry sectors (Maskay 2004). With the inconsistent results for the banking sector and the paucity of data across different industry sectors, it seems to be timely to examine the CG and CFP across different industry sectors.

2.4.1.1.3 Studies using different measures for CG and CFP

In different empirical studies, different measures have been used to investigate the relationship between corporate governance and corporate financial performance (see Appendix 2 Prior studies relationships among variables). The majority of empirical studies have commonly used the return on asset (ROA) and return on equity (ROE) approach to measure the CFP (Maskay 2004; Fanta et al. 2013; Acharya et al. 2015; Bhusal et al. 2015; Sapkota et al. 2015). However, while these are appropriate measures to relate to the efficient or effective use of assets or internal funding (equity), the inconsistent results in prior studies may not be linked to corporate governance. There has been a range of similar, as well as dissimilar, independent variable measures used in prior studies. Some common measures chosen by researchers include board size, business size, existence of audit committee, and CEO duality (Ghimire et al. 2015; Sen & Garani 2015; Zhang 2016). Ghimire (2015) also used leverage ratio, interest coverage ratio, earning per share as additional independent variables to investigate the relationship between CG and CFP. The use of measures that are relevant for CG and CFP should be considered and selected when conducting a study into this relationship in Nepal.

Based on the literature discussed in this section, this study aims to answer the following research questions related to an association between CG reported practices and CFP for Nepalese companies listed publicly on the Nepal Stock Exchange (NEPSE).

Research question 2 (RQ2): ***Is there a direct relationship between CG reported practices on the CFP of publicly listed Nepalese companies?***

2.5 Corporate social responsibility (CSR)

CSR has the hallmark of being a truly global idea which originated in the United States (US) (Carroll 1999) and is endorsed by The World Bank, the OECD, the UN and the International Criminal Court (ICC) (Gjølberg 2009). Even though the measuring and quantifying of CSR practice and performance is relatively challenging, it is equally important to develop an index to analyse the CSR performance (Gjølberg 2009). Adhikari (2012) purports the religious motives of a handful of business communities and landlords have fostered support for philanthropy. More recent studies show that the majority of companies are motivated to gain profit as their core business activities (Adhikari 2012). Adhikari et al. (2015) examined CSR activities in Nepal following the domains of Carroll (1999).

Various studies have been conducted globally on CSR (Kandel 2018); however, there have been few studies on the relationship between CSR and firms' performance other than focusing on profit maximisation activities for the business.

However, CSR is not a 'Yes' or 'No' issue. Rather, it is more concerned with the rights and needs of all stakeholders and aims to protect and develop sustainable economic practice across business organisations. CSR is concerned with the impacts that the activities of an organisation have on the social, environmental and economic context in which it operates (Rosam & Peddle 2004), which underpin sustainable development and therefore the responsible consumption of resources which is key to maintaining a common future assuring intergenerational equity through eco-justice and eco-efficiency (Rankin et al. 2012).

Even though CSR has become a widely accepted concept within developed economies, self-regulated CSR has been poorly implemented in most developing economies. It seems that in most of the weak economies, corporate regulation laws do not possess any continuous influence to ensure the implementation of corporate self-regulations that are needed to create a fair social, environmental and economic corporate culture (Rahim 2013). Chapagain (2013) reveals that managers in both financial services and manufacturing sectors have a degree of strategic and moral motivation towards CSR even though the extent of companies reporting their actual CSR performance is not encouraging.

Four strong drivers of CSR taking hold in the 1990s and continuing forward have been justifying its primacy (Carroll 2015b). These include globalisation, institutionalisation, reconciliation and academic proliferation. Globally, countries have been quickly adopting CSR practices in both developed and developing regions.

Additionally, Chapagain (2012) concluded that actions by government, pressure groups, and other stakeholder groups are required to encourage socially responsible corporate behaviour in order to sustain and increase their degree of positive views and actual practice on CSR. Similarly, the implication of measuring CSR reported practice should support the proposition that CSR reported practice impacts a company's financial performance at economic, social and organisational levels (Krisan-Mitra 2015) and links the association with CG reported practice (Jo & Harjoto 2012). A summary of the literature reviewed on CG practices is provided in Appendix 1 Tables 1.1.

Based on the literature discussed in this section, this research study aims to answer the following research questions related to CG reported practices for Nepalese companies listed publicly on the Nepal Stock Exchange (NEPSE).

Research question 3 (RQ3): ***To what extent are CSR reported practices disclosed in the annual reports of publicly listed Nepalese companies?***

2.5.1 Review of CSR practice on CFP

This section reviews the findings of prior research regarding the association between corporate social responsibility (CSR) and corporate financial performance. Some findings show a positive relationship between the two constructs, while others show a negative relationship. The study by Cai et al. (2012) presented the positive association between CSR and CFP where companies can improve their financial performance as they participate in CSR practice. On the other hand, a study by Cheng and Feng (2015) suggested the impact of CSR is costly to the firms and, in some cases, results are neutral where the relationship cannot be proved

The relationship between corporate social responsibility (CSR) and corporate financial performance (CFP) has been subjected to extensive empirical enquiry. An issue in corporate governance is the influence of CSR on companies' performance, especially financial performance. Companies tend to maximise profit because their main objective is to reflect a positive financial performance to enhance shareholders' confidence in capital markets. If better CSR practices resulted in improved CFP, then companies would be more motivated to adopt

CSR activities due to them fostering a strong financial position that leads to a sustainable business operation.

Among many empirical research studies, the majority of the results show statistically insignificant relationships between corporate social responsibility performance (CSR/P) and corporate financial performance (CFP). Research (Soana 2011) conducted in Italian financial companies produced conflicting and inadequate results in financial sectors showing that there is no statistically significant relationship between corporate social performance (CSP) and CFP. Tyagi and Sharma (2013) investigated the association between CSP and CFP in some Indian firms which showed statistically negative and insignificant results. A quantitative study on Swedish publicly traded companies also showed the negative relationship between CSR and CFP (Johanson et al. 2015).

Furthermore, a study of the largest South African listed companies on the Johannesburg Stock Exchange (JEE) showed no significant association between CSR disclosure and a firm's value. However, additional analysis found a significant negative association between CSR disclosure and firms' value for those listed companies that were not listed in the Socially Responsible Investment Index (SRII) (Horn et al. 2018). Galant and Cadez (2017) identified 13 studies from their review of empirical evidence on the relationship between CSR and CFP. The results were summarised into four outcomes: positive, negative, no relationship, and U-shape/inverted U-shape.[1]

In summary, there are inconsistencies in the findings of prior studies. Appendix 1 Table 1.1 provides a summary of the studies that have examined this relationship. The following subsections consider the potential causes of these inconsistent results.

2.5.1.1 Why are there inconsistent results?

Prior studies examining the CSR and CFP relationship have found inconsistent results across industry, country and different business environments. For example, in a study on financial and banking sectors (Soana 2011) the results did not reveal a statistically significant relationship between CSR and CFP performance, which differs from the results by Galant and Cadez (2017). The following subsection discusses these inconsistencies in the results and identifies potential reasons for these differences.

2.5.1.1.1 Studies that examine different countries and business environments

An Indian study by (Tyagi & Sharma (2013) examined 297 firms listed on the National Stock Exchange (NSE) from 2005 to 2011. Results show the neutral though modest negative

[1] See Table 1 on page 679, *Galant & Cadez (2017)*, 'Corporate social responsibility and financial performance relationship: a review of measurement approaches', *Economic Research*, vol. 30, no. 1, pp. 676-93..

relationship between CSP and CFP. Similar results were reported by an Anglo-American study (Soana 2011) and a German-based study (Zhang 2016). The study of a Swedish publicly traded company showed a statistically insignificant relationship between CSR and financial performance (Johanson et al. 2015). A similar insignificant relationship between CSR and firms' value resulted when Horn et al. (2018) examined South African firms. However, the researcher also found a greater negative relationship exists between CSR and the value for companies that were not listed in the SRII, suggesting the level of recognition of the importance of CSR has a significant impact on the CSR and CFP relationship. The identification of the level of recognition of the importance of CSR by companies seems to be an influencing factor and further identification of this level of recognition should be examined by investigating the CSR and CFP relationship.

2.5.1.1.2 Studies that examine a different or a specific industry sector in Nepal

Adhikari et al. (2015) claim that their study is most likely the first to investigate CSR in the Nepalese context. Following an extensive literature search, they state that no published Nepalese studies investigating Nepalese CSR could be located. Kandel (2018) concluded from his qualitative analysis of CSR and the Nepalese banking industry that Nepalese banks do not emphasise CSR activities but place their priorities on earning more profit. It therefore appears warranted and timely to conduct the first study to investigate the relationship between CSR and CFP in in Nepal.

2.5.1.1.3 Studies using different measures for CSR and/or CFP

Even though the literature on how to measure CSR performance at a company level is evolving rapidly, there is still no generally established method to measure CSR performance (Gjølberg 2009). Galant and Cadez (2017) identified two reasons for the lack of consensus and complexity of measuring CSR which could possibly influence the inconsistent results. They cite Dahlsrud's (2008) conclusions as the first reason, which revolve around the lack of consensus for a theoretical meaning of the concept CSR. The second reason is the complexity of the multidimensional nature for the four domains created by Carroll (1979). Additionally, although prior studies used ROA and ROE as CFP measures (Johanson et al. 2015; Horn et al. 2018), Galant & Cadez (2017) discussed the limitation of using some accounting-based measures which failed to take into account the different sizes of companies. The lack of consensus and complexity of measuring CSR, as well as the limitations of using some accounting-based measures, should be considered in the current study.

Based on the literature discussed in this section, this study aims to answer the following research questions related to an association between CSR reported practices and CFP for Nepalese companies publicly listed on the Nepal Stock Exchange (NEPSE).

Research question 4 (RQ4): ***Is there a direct relationship between CSR reported practices on the CFP of publicly listed Nepalese companies?***

2.6 CG and CSR practices associated with CFP

The concepts of CSR and CG practices are key to achieving the balance between profitability and accountability because CSR and CG practices contribute to sustainable economic development (Rosam & Peddle 2004). As a consequence of corporate failures and scandals, attention has been redirected away from the capitalistic and market philosophy with its profit centric focus towards issues of good governance, ethics, trust and accountability, leading to CG and CSR becoming popular concepts (Jamali 2008). The refocus towards the topics of CG and ethical economic conduct highlights the shift in the type of information disclosure desired by the market. Another issue identified is that past studies have discussed, independently, either CG reported practices on CFP or CSR reported practices on CFP.

However, there is strong support in the literature that these two concepts are associated and should be investigated together (Jo & Harjoto 2012; Jamali & Safieddine 2008). Also, the posited associations in this study between the more responsible disclosure of CG and CSR reported practices implicitly encompasses ethical business practices. These CG and CSR reported practices are commensurate with social expectations and may be achieved for all stakeholders while business entities still maximise their profit for shareholders. The concepts of CG and CSR are within stakeholder theory, which aim to help organisations achieve a balance between profitable operations and ethical practices (Rosam & Peddle 2004). Both concepts provide guidance for organisations to operate not only profitably but also in a socially and environmentally responsible manner to achieve business sustainability and stakeholders' confidence, which includes both shareholders and other stakeholders (Rosam & Peddle 2004). Neal and Cochran (2008) concluded that the market not only identified good CG but also CG reported practices are integral to CSR reported practices and, in turn, financial performance.

Prior studies either examine CG or CSR separately, or individually in association with CFP. Also, past CG and CFP studies have focused mainly on one or two sectors of the Nepalese market. It is timely to conduct research into the CG and CSR reported practices of public companies across all sectors of the Nepalese market and their CFP by comprehensively examining the future implication of these different past studies. Except for the single paper by Neal and Cochran (2008) provided in Appendix 1 Table 1.1 that reviewed literature related to the relationship, no published study was found for CG, CSR and CFP. However, Neal and Cochran (2008) found compelling empirical evidence to support the existence of this relationship.

Based on the literature discussed in this section, this study aims to answer the following research questions related to an association between CSR reported practices and CFP for Nepalese companies listed publicly on the Nepal Stock Exchange (NEPSE).

Research question 5 (RQ5): ***Is there a direct relationship between CG as well as CSR reported practices on the CFP of publicly listed Nepalese companies?***

2.7 Summary

This chapter reviews relevant literature to frame the scope of the research problems through the development of a conceptual framework to investigate the association between reported CG practices and CFP, CSR reported practices on a company's CFP, and a combination of reported CG practices and CSR reported practices on CFP, in publicly listed Nepalese companies.

Chapter 3 Theoretical framework

3.0 Introduction

This chapter reviews the theories used in this study to investigate the association between reported corporate governance (CG) and reported corporate social responsibility (CSR) practices and corporate financial performance (CFP) in Nepalese listed companies.

The theoretical framework is the structure that can hold or support a study and introduce and describe the theory that explains why the research problem under study exists (Abend 2009). A theoretical framework consists of concepts, definitions, references to relevant scholarly literature and an existing theory (or theories) that is used for the particular study. In this research topic, various concepts and theories are being used to answer the research problems.

3.1 Chapter structure - theoretical framework

The chapter is organised as follows:

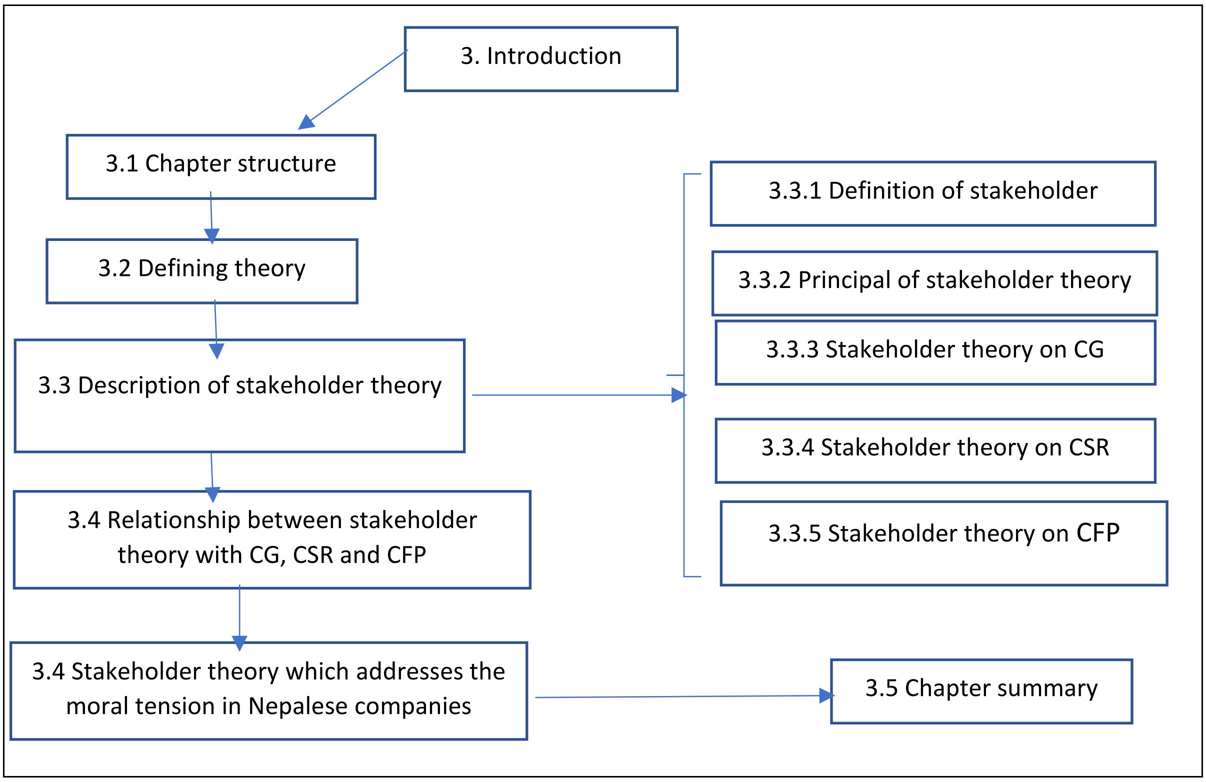

Figure 3.1 Chapter structure – theoretical framework

3.2 Defining theory

Kerlinger (1973, p.9) defines theory as a set of interrelated constructs (concepts), definitions and propositions that present a systematic view of phenomena through specifying relations among variables and predicting the phenomena. The main aim of the theory is to 'answer the questions of how, when and why unlike answering the questions in terms of what or who' (Wacker 1998).

There are four commonly used socio-political theories to explain the legitimacy of CSR and CG practices: stakeholder, agency, legitimacy and institutional. For this study, stakeholder theory provided the foundation of the theoretical framework and the remainder of this chapter will be focused on the link between stakeholder theory and the direct associations, individually and collectively, between CG, CSR and CFP.

3.3 Description of stakeholder theory

In this section, both a definition for stakeholder theory, as related to this study, a description of stakeholder theory and the relationship of stakeholder theory for CG, CSR and CFP are provided in the following subsections.

3.3.1 Definition of stakeholder theory

Stakeholder theory is one of the most frequently used theories in CSR studies (Horich, Freeman & Schaltegger 2014). The concept of the stakeholder was defined by Freeman (1984) as 'any group or individual who can affect or is affected by the achievement of the firm's objectives' (Freeman 1984, p.53). Michell, Agle and Wood (1997) define in greater detail the two basic criteria: the first one is the power of stakeholders linked to the resources they control and the second one is the legitimacy of these stakeholders, which is their moral right over and above the legal context, to intervene in the life of a company (Frooman 1999).

According to Deegan (2000), stakeholder theory has been defined as both an ethical (moral) or normative branch, as well as a positive (managerial) branch. The ethical or normative stakeholder perspective argues that all stakeholders have the right to be treated fairly by an organisation, and that issues of stakeholder power are not directly relevant. Conversely, the positive (managerial) branch of stakeholder theory explains that corporate management addresses the expectation of particular (powerful or less powerful) stakeholders. In practice it is to be expected that organisations will have a series of social contracts with various stakeholder groups and that the importance of the compliance with particular contracts will, in part, be dependent upon the power of the respective stakeholder groups.

3.3.2 Principle of stakeholder theory

Stakeholder theory, states that a company owes a responsibility to a wider group of stakeholders, other than just shareholders. A stakeholder is defined as any person or group, which can affect or be affected by the actions of a business. It includes employees, customers, suppliers, creditors and even the wider community and competitors. Many observers argue that the prominence of stakeholder theory has occurred because they claimed that recent business failure scandals serve as evidence of the failure of the shareholder theory. Smith (2003) argues that stakeholder theory requires managers to consider all stakeholders' rights (such as employees, customers and local community); whereas shareholder theory has lost its relevance because, under this theory, managers primarily have a duty to maximise shareholders' returns. Stakeholder theory states that a manager's duty is to balance the shareholder's financial interest against the interest of other stakeholders such as employees, customers and the local community (Smith 2003).

3.3.3 Stakeholder theory and corporate governance (CG)

Dobers and Springett (2010) argue that research into CSR has developed an harmonious association where corporate governance and social responsibility are encompassed as pertinent parts of corporate strategy. The underlying tenets of stakeholder theory are that companies (that is, the company directors and management) have a duty to be aware of and meet the needs of stakeholders. The disclosure of CG reported practices aims to increase the confidence and acceptance of the corporation by its stakeholders. Stakeholders include the wider community whose acceptance helps to generate revenue and goodwill. Following this disclosure and revenue and goodwill generating sequence, it may be posited that there is a positive impact on CFP. As a company's reported CSR practices are disclosed, they may be viewed as meeting the stakeholders' needs. This stakeholders' perception provides an acceptance of its business operation (licence to work) within the community. It follows that this stakeholders' legitimisation of their business operations should further enhance their reputation, goodwill and profitability (Preston 1995).

3.3.4 Stakeholder theory and corporate social responsibility (CSR)

The original proposer of the stakeholder theory, Edward Freeman, recognised stakeholder theory as one of the important elements of the economic, legal, ethical, CSR, and philanthropic responsibilities of corporations (Corplaw Admin 2013). Garriga and Melé (2004) classified the main CSR theories into four dimensions: profit, political performance, social demands and ethical values. Their findings suggest the development of the business and society relationship, which should integrate these four dimensions where long-term profit is achieved in a responsible manner while contributing to social and societal demands. Mason and Simons (2014) used an holistic approach to study the associations between the concerns of the company, shareholder and wider stakeholder groups. They addressed the concerns of researchers and practitioners by offering a new conceptual framework that aligns a profit centred focus and social responsibility concerns.

3.3.4.1 Carroll's CSR model

Initially, Carroll (1979) developed 'A three-dimensional conceptual model of corporate performance' (economic, legal, and ethical) to address the range of obligations that businesses have towards the society where they operate their business activities. Subsequently, Carroll (1991) expanded the model to incorporate the fourth dimension of philanthropic responsibilities.

In this review subsection, Carroll's corporate social responsibility (CSR) pyramid model will be used to categorise the Nepalese listed public companies in their varying levels of responsibility and to observe the association with their financial performance.

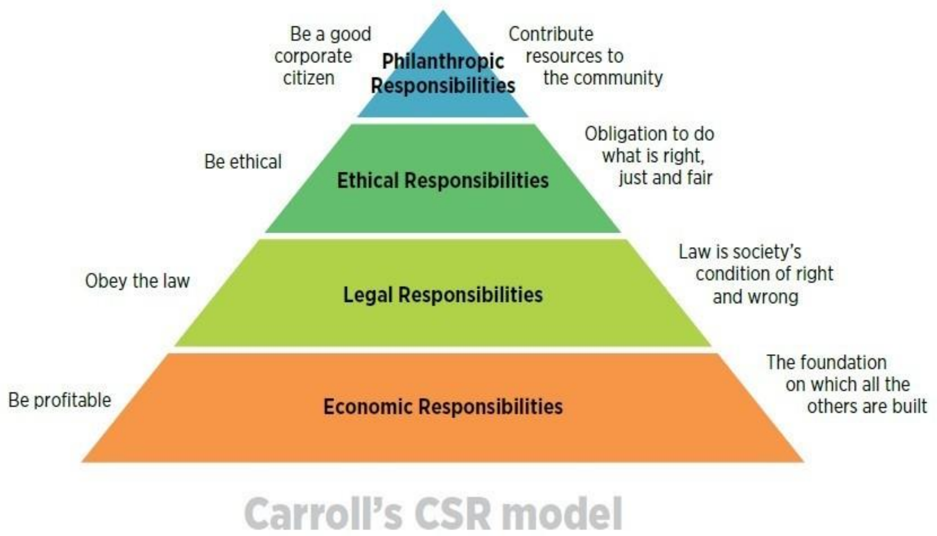

Figure 3.2 Carroll's CSR pyramid (1991)[2]

3.3.4.1.1 Economic responsibility – have the capacity/ability to be profitable

The first and foremost social responsibility of any business entity is to make the organisation profitable (Carroll 1979). Profit enables companies to fulfil other business

[2] Source: A. B. Carroll, 'The pyramid of corporate social responsibility: Toward the morall management of organizational stakeholders', Business Horizon (July-August 1991), pp 39-48.

responsibilities such as legal, ethical and discretionary responsibility. Profit is required so that a business is sustainable and able to provide continuous services.

3.3.4.1.2 Legal responsibility

Carroll (2016) explains that the ground rule of legal responsibility is to obey the laws and regulations to establish and operate the business within society. The laws and regulations create an explicit legal relationship between business and stakeholders both internal and external. For example, paying tax, registration fees to the government, paying salaries to employees and providing goods and services that meet the legal requirements are all legal responsibilities.

3.3.4.1.3 Ethical responsibility

Ethical responsibility is an implicit responsibility not explained in regulations and rules. There are additional ethical norms, activities and behaviours not necessarily codified or defined elsewhere. Even though the debates continue as to what is ethical and what is not, business operators must act ethically in accordance with what is acceptable to the larger community so as to be considered a responsible organisation. When organisations fail to act ethically, stakeholders are unlikely to engage with and support such organisations.

3.3.4.1.4 Philanthropic (discretionary) responsibilities

Philanthropic or discretionary responsibilities address the term 'giving back to society' which is not clearly codified or explained in a black and white statement. Discretionary/philanthropic responsibility still plays a significance role towards the community in which the business operates. They help businesses to gain a 'Social licence to operate (SLO)' as defined by Willburn and Willburn (2011, pp. 1-15) by contributing 'Charitable donations, aiming to lift the position of a deprived community and participating in poverty elevation programs'. The social licence to operate is absolutely essential to ongoing community support for organisations as it promotes trust in an organisation (KPMG 2018).

3.4 Relating stakeholder theory - CG, CSR and CFP

The impact of CG on CSR has been the focus of interest in many management studies (Arora & Dharwadkar 2011). Jo and Harjoto (2012) empirically tested the CG–CSR nexus and found evidence of the nexus that is consistent with prior studies.

Roberts (1992) suggests that the measures of stakeholder power, strategic posture, and economic performance are significantly related to levels of corporate social disclosure. More recently, Barnett (2016) reviewed the literature to provide discussions on this association from varying positions. His conclusion is that literature supports the notion of companies that help others help themselves (e.g., Orlitzky et al 2003), which occurs especially when the company defines others as its primary stakeholders (e.g., Walsh 2005). The conclusion raised by this knowledge should be that ongoing CG and CSR reported practices should be widespread; but the six-phase model proposed by Benn et al. (2014) shows variations in the adoption of CG and CSR compliance strategy by companies. Hahn et al (2010) suggest there are numerous trade-offs within social, financial and environmental strategies to achieve a profit maximisation goal by adopting CSR practice.

Further, Barnett (2016) argues that there may be an indirect association between companies' profit and CSR, which may require various conditions for companies to achieve a benefit. The introduction of suitable and desirable government legislation was suggested as a way of managing the misalignment between the pursuit of profit and CSR (Barnett 2016). Margolis and Walsh (2003) concluded a positive but weak association between CSR and CFP from their study of 127 empirical studies and 13 surveys that focused on the relationship between CSR and CFP. Finally, Aras and Crowther (2010) argue that good CG will address CSR and CFP aspects of business. Appendix 2 Tables 2.1 and 2.2 provide a summary of the studies that have examined these relationships.

The objective of this research is to investigate the associations between reported CG and reported CSR practice and CFP in listed public companies in Nepal. The study is restricted to listed Nepalese public companies because small, medium and large business entities, which are not listed on the NEPSE, are not required to disclose their annual report to stakeholders, which prohibits access to this private information to assess the association between CG, CSR and CFP.

The following two hypotheses have been developed from the preceding discussion:

Ha1: Reported corporate governance (CG) practices have a positive effect on companies' financial performance (CFP) in listed public companies in Nepal.

Ha2: Reported corporate social responsibility (CSR) practices have a positive effect on CFP in listed public companies in Nepal.

Stakeholder theory is a conceptual framework of business ethics and organisational management. It addresses the moral and ethical desire of the management to operate in a responsible manner that takes into account the perceived needs of stakeholder groups. Moral and ethical values drive management to ensure organisations operate in an acceptable way. As organisations address environmental, social and governance responsibilities to meet stakeholders' needs and wellbeing, this demonstrates legitimacy to the market, customers and the community. The logical consequential outcomes are the level of stakeholders' support that provides an adequate corporate financial performance (profit) for shareholders and employees (job security).

The proposed association between management acting responsibly towards their organisations' stakeholders and expected stakeholder support provides a framework for investigating the relationship between CSR and CG reported practices of organisations (as a means of meeting demands of multiple stakeholders) and organisations achieving their financial goal (CFP and associated long-term financial and sustainable benefits). This indicates that the short-term benefit of improving CFP by increasing sales in the short- term significantly impacts on the long-term benefit of the organisation such as goodwill and a positive perception from stakeholders (Ruf 2001).

It has been widely recognised that CG can play a key role in improving CFP, through focusing on protecting the interests of stakeholder groups. Therefore, stakeholder theory is the most relevant to analyse the CG and CSR practice and disclosure for coordinating stakeholder's interests in contrast to the shareholder-centric view of making profit for their owners (Heath 2004).

In summary, stakeholder theory reflects managers' self-generated environmental, social and governance responsibilities towards their organisations to ensure they are operating in a sustainable manner to satisfy the needs of multiple stakeholder groups. In return, organisations enhance their short-term and long-term financial benefits that are reflected in a corporation's financial performance (CFP). As part of managers' self-generated responsibility, stakeholder theory proposes that management make decisions to develop a set of CG and CSR disclosures to report its practices to its stakeholders. Additionally, when corporations disclose practices, they help stakeholders' perceptions of the corporations' legitimacy due to their transparency, thus obtaining a 'licence to operate businesses' within the broader community.

CG and CSR are the concepts within stakeholder theory which aim to help organisations achieve a balance between profitable operations and ethical practices (Rosam & Peddle 2004). Both concepts provide guidance for organisations to operate not only profitably, but also in a socially and environmentally responsible manner to achieve business sustainability and stakeholders' satisfaction, which includes both shareholders and other stakeholders (Rosam & Peddle 2004).

Legitimacy theory has been used to understand the reasons why corporations undertake actions and activities, particularly relating to social and environmental issues. An implicit social contract between the stakeholders and the company provides an opportunity, termed as the 'licence to work', for a business entity, with the stakeholders' permission, to operate within society safeguarding social values and norms while, at the same time, adopting sustainable business practice (Rankin et al. 2012, pp. 142-143), especially when considering the broader concept of CG. It is clear that good governance entails responsibility and due regard to the wishes of all key stakeholders (Kendall 1999) and ensures companies are answerable to all stakeholders (Dunlop 1998). Appendix 1 Table 1.1 shows that there is no published study found for CG, CSR and CFP. However, Neal and Cochran (2008) found compelling empirical evidence to support the existence of this relationship from their review of related literature.

The discussion developed around the prior studies mentioned in this section has led to the development of the following hypothesis.

Ha3: Collectively reported CG and CSR practices have positive effects on CFP in listed public companies in Nepal.

3.5 Stakeholder theory addresses the moral tensions faced by Nepalese companies

This proposed research aims to investigate the association between reported CG, CSR practices and the CFP of listed Nepalese companies. Nepalese companies are expected to be more profit centric, focusing on wealth maximisation of shareholders due to the absence of legal framework as well as inadequate policies and procedures in Nepal (ROSC 2005). In contrast, stakeholder theory is a conceptual framework that promotes moral and ethical values in business operation towards multiple stakeholders' groups. That is, stakeholder theory addresses not only shareholders' needs, but also the needs of the broader community of stakeholders. Therefore, the conceptual framework of stakeholder theory promotes the association between CG reported practices, CSR reported practices and CFP that ensures maximising profit in a sustainable manner. The needs of the broader stakeholder community will be addressed, and it will create an harmonious environment between businesses and stakeholder groups, so as to ensure positive perceptions and acceptance. Therefore, this study will use stakeholder theory as its underpinning framework for associations between CG, CSR and CFP.

3.6 Chapter summary

Many researchers have used agency theory, stakeholder theory, institutional theory and stewardship theory as the key theories to legitimise their social science studies. In this study, stakeholder theory will contribute to investigate the association between reported CG, CSR practice and CFP in listed Nepalese companies using the above-mentioned theories as a framework.

Chapter 4 Methodology

4.0 Introduction

Based on the research questions developed in Chapter two of the literature review and the conceptual framework to support the testing of research questions, this chapter presents the research data gathered and the converting of the data into measurable variables. The purpose of this chapter is to gather required data from selected listed Nepalese companies' websites and other resources[3] from stock trading markets including the Nepal Stock Exchange (NEPSE), Share Sansar, Mero Lagani and Nepali Paisa. The chapter initially describes the environment and context of data collection then the research design and data collection methods and it concludes with data analysis.

4.1 Research methodology chapter structure

The chapter is organised as follows.

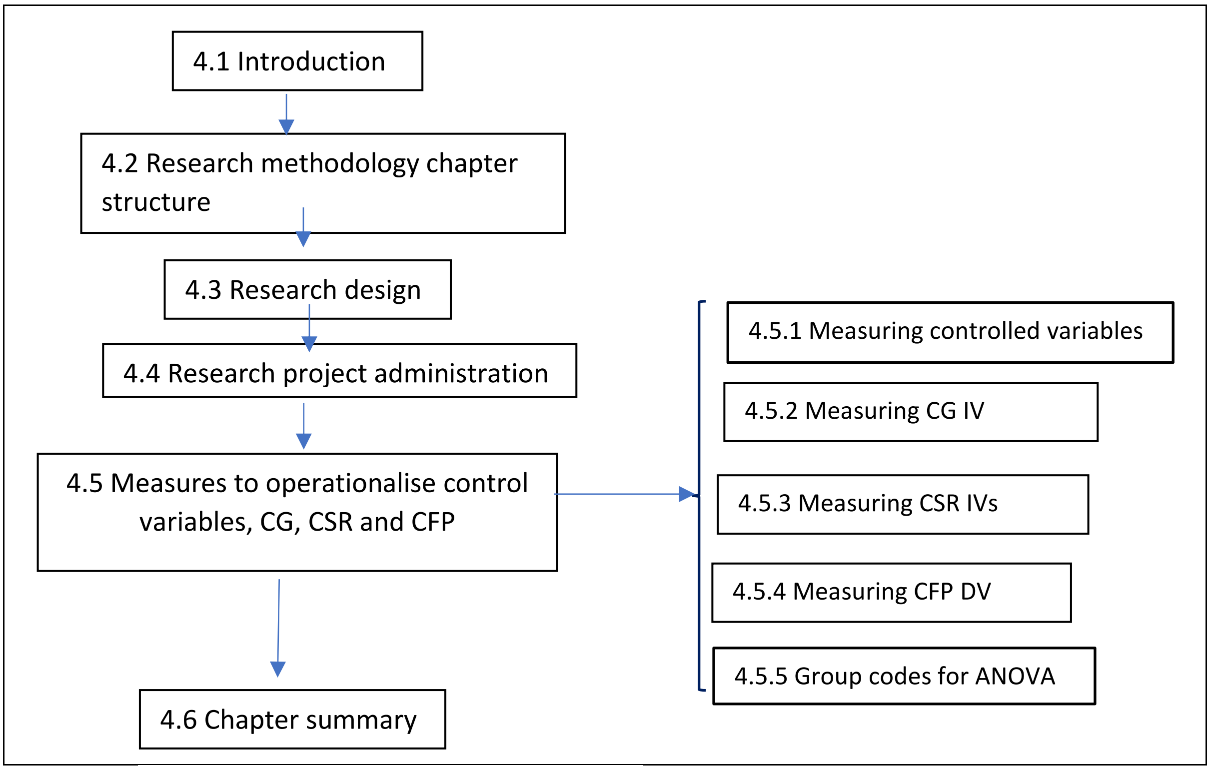

Figure 4.1 Chapter structure - research methodology

4.2 Research questions and hypotheses

This study aims to answer the following research questions developed in both the introduction chapter and literature review chapter:

Research question 1: *To what extent are CG reported practices disclosed in the annual reports of publicly listed Nepalese companies?*

Research question 2: *Is there a direct (main effect) relationship between CG reported practices and the CFP of publicly listed Nepalese companies?*

Research questions 3: *To what extent are CSR reported practices disclosed in the annual reports of publicly listed Nepalese companies?*

Research question 4: *Is there a direct relationship between CSR reported practices and the CFP of publicly listed Nepalese companies?*

Research question 5: *Is there a direct relationship between CG reported practices and CSR reported practices on the CFP of publicly listed Nepalese companies?*

The level of CG reported practices (RQ1) and CSR reported practices (RQ3) disclosed in the annual reports of publicly listed Nepalese companies will be evaluated through a search of the available sources for such information. The remaining three research questions were developed into three alternate hypotheses in Section 3.4 as set out below:

Ha1: Reported corporate governance (CG) practices have a positive effect on companies' financial performance (CFP) in listed public companies in Nepal.

Ha2: Reported corporate social responsibility (CSR) practices have a positive effect on CFP in listed public companies in Nepal.

Ha3: Collectively reported CG and CSR practices have positive effects on CFP in listed public companies in Nepal.

The study will examine, individually, the association between reported corporate governance and corporate financial performance (*Ha1)*, and reported corporate social responsibility practices and corporate financial performance (*Ha2)* as well as the collective association between reported corporate governance and reported corporate social responsibility practices and corporate financial performance (*Ha3)* in Nepalese listed public companies.

For this purpose, data collection was achieved using company websites, NEPSE website and other resources. There are 222 listed companies on the Nepal Stock Exchange website[3] and 155 companies annual reports are used (Appendix 3 Table 3.1). The breakdown of companies by legislative requirements and industry sectors are included in Appendix 3 (Tables 3.1 to 3.8).

[3] Company listing, Nepal Stock Exchange, http://www.nepalstock.com/company

4.3 Research design

This study uses a concurrent mixed methods approach. Data were collected concurrently from publicly available sources. Qualitative data were gathered to evaluate RQ1 and RQ3 using a qualitative approach. Quantitative data analyses were used to test Ha1, Ha2, and Ha3. Descriptive data retrieved from companies' annual reports, financial reports and other documents, administered via companies' official websites and the Nepal Stock Exchange (NEPSE) and other stock trading company websites will be reported.[4]

Relevant data was gathered from all 222 listed companies on the Nepalese stock exchange. The 2015-2016 annual reports will be used to gather data because, in the three years prior to that year, there were significant events that caused major disruptions to the economy. A summary of these events is provided in Appendix 4 Table 4.1 while Appendix 4 Table 4.2 provides a justification for not selecting prior years by outlining the economic consequences of these events. Consequently, a single year was selected to avoid compound effects for the financial years 2012-2013, 2013-2014, and 2014-2015.

The study adopted a quantitative research design, and deductive approach, to test the three hypotheses about the direct associations by using three multiple regression analyses. Analysis of Variance (ANOVA) will be used to analyse the differences in the level of disclosure of CG and CFP as well as the level of disclosure of CSR and CFP among the 222 companies. The basis of this categorisation will be the phases on sustainability developed by Dunphy, Griffiths and Benn (2007). These categorisations are described in more depth in subsection 4.5.5 (Group coding for ANOVA analysis).

4.4 Research project administration

Although the research plan was to gather financial and non-financial data from the FY 2015-16 annual reports of the 222 companies listed in the Nepal Stock Exchange (NEPSE), data from only 155 companies could be used. Sixty-seven (67) companies are not included in the study for two reasons: either lack of reliable and sufficient data or partial availability (see Appendix 3 Table 3.1).

4.5 Measures to operationalise control variables CG, CSR and CFP

The measures used for this study were gathered or calculated using data extracted from 156 companies' annual reports (2015-16). Data were gathered using (1) online data available

[4] Nepal Stock Company, ShareSansar.com, Merolagani.com, Nepalipaisa.com

from the Nepal stock exchange, (2) each company's own website, and (3) other stock markets (i.e., Mero Lagani, Share Sansar, Nepali Paisa). Annual reports of 115 financial institutions (development banks, commercial banks, finance companies, microfinance companies) and 40 non-financial companies (hydropower, life insurance and non-life insurance) are included (see Appendix 3 Tables 3.1 to 3.8 for a comprehensive list of the companies used in this study).

4.5.1 Measuring controlled variables

Two variables, organisational size and firm age, are held constant (controlled) during the observation and testing period. The impact of organisational size and age on firm-level performance has created large amounts of theoretical and empirical research in the economics, management and sociology disciplines (Hehran 1995; Majumda 1997).

4.5.1.1 Firm size

Although various methods have been employed by researchers to measure firm size, for this study, firm size is measured as a company's total assets with the sum of the current assets and the long-term assets representing the total asset. On average, it is assumed that the larger companies are able to perform better as they have the capacity to diversify their risk (Ghosh 1998). Total assets have been used in this study as an accounting control measure.

4.5.1.2 Firm Age

In this research study, a firm's age (number of years in business) is the second control variable used. The life cycle of the company as explained by Shrestha et al. (2015) shows that as firms grow older their performance is reduced and that new firms tend to achieve better financial performance compared with old firms. In order to reduce the impact on research results by a firms' age in this research, it is measured as a control variable.

4.5.2 Measures operationalising independent variable – CG

Prior research has selected the following measures of corporate governance (CG). The following subsections will provide justification for the selection of each independent variable as proxies for CG in this study.

4.5.2.1 Board size

Board size has been used by numerous studies as a proxy for CG practices (Shrestha et al. 2015;Bhusal et al. 2015). This refers to the number of directors sitting on the company's board (Shrestha et al. 2015).This number varies from company to company and from country to country based on their Company (Corporation) Act.

4.5.2.2 Size of audit committee

An audit committee is one of the major operating committees of a company's board of directors that is in charge of overseeing financial reporting and disclosure. The concept of an audit committee originated around 60 years ago (Goddara & Masters 2000) and represents transparency in financial reporting and disclosure practice (Goldman & Barlev 1974). Many studies have used this measure as a proxy for CG (e.g., Fanta et al. 2013; Shrestha et al. 2015)

4.5.2.3 Professional qualifications of Board of Directors

Chapter 3 section 20 subsections (e, f) of *The Company Act - Nepal (2006)* outlines public companies' independent directors' qualifications. As provisioned in the Company Act, how many independent directors are disclosed in a company's annual report is considered as an independent variable in this study. The aim to include this variable is to investigate the association between companies' financial performance and the number of professionally qualified independent directors disclosed. Many studies have used this measure as a proxy for CG (e.g., Acharya et al. 2015).

4.5.2.4 Leverage (debt to equity ratio)

Leverage is the financial ratio that provides an indication of how companies' and businesses' operations are financed. There are several different leverage ratios that may be considered by companies' stakeholders including investors and analysts. If firms are unable to supply the required funds internally then they go into the external market to raise capital by issuing long-term securities. Leverage refers to the ratio of a firm's total liability to the total value of the asset. The study chose leverage as an independent variable. Weill (2003) revealed that leverage is one of the proxies of corporate governance. The study shows that there was a negative association between leverage and corporate performance in Italy. Whereas a positive association was identified in France's and Germany's listed companies. Furthermore, Majumdar and Chhibber (1999) investigated the relationship between leverage and corporate governance in Indian firms and found negative and significance relationship between CG and leverage.

Leverage

Debt to equity ratio = Total debt /Total equity

Barnett and Solomon (2012) show that leverage influences the behaviour of managers. Consequently, high leverage ratios impose discipline on managers and create constraints to the managers to make investment decisions to explore any new opportunities due to the weak profit of the firms. Many studies have used this measure as a proxy for CG (e.g., Bariya et al. 2015; Bhusal et al. 2015)

4.5.3 Measures operationalising independent variable – CSR

Even though the literature provides measures for corporate social responsibility (CSR) reported practices, performance at a company level is evolving rapidly (Clarkson 1995). There is still no generally established method which can serve as a basis for measuring CSR reported practices.

The global reporting initiative (GRI) formulated a framework and guidelines for disclosing information about corporate sustainability programs and encourages firms to report on economic, environmental and social performance (Katherine et al. 2011) .

In fact, the measurement of CSR reported practices has improved significantly since the late 1990s (Hopkins 2005). It is now possible to access some of the data which companies make available to their stakeholders. Galant and Cadez (2017) identified a number of studies (e.g., philanthropic activities including donations (Lin, Yang & Liou 2009); charitable contributions (Lev et al. 2010); public health policies (Naranjo-Gil et al. 2016)) which have used a one-dimensional construct and focus only on a single dimension of CSR. While a one-dimensional index of data minimises the data collection effort and comparability across firms, Galant and Cadez (2017) argue that such a single CSR domain focus is theoretically problematic because the CSR concept is clearly multidimensional (Carroll 1979, 1991). Their reasoning is based on the argument that a company may be strongly immersed in one domain but disregard other domains, which may result in incorrect or inaccurate findings.

Table 4. 1 Operationalising Carroll's (1994) CSR domains into independent variable measures

Carroll's Domain	CSR IVs	Measurement
Economic	Motivation to earn profit	Total dollar amount paid for employee benefits
Legal domain	Tax contribution to the government Tax contribution ratio	Tax payment to government in Australian dollars (quantitative measure) Ratio = Tax liability/No of employees
Ethical domain	Financial transparency	• Presence of financial statement and annual report on company's website (score = 1) • AGM held (score = 1) Maximum score =2
	Protect local culture and social values	Quantitative • Ratio = Donations/Total Assets Qualitative • Contribution to emergency relief (score = 1) • Protecting environment (score =1) • Contributing to build temple or aged care (score =1) • Contribution to sports (score =1) Maximum score =4
Philanthropic/ Discretionary	Reduce poverty	• Contribution to education (score =1) • Contribution to health (score =1) • Contribution to skill training in financial awareness programme (score =1) • Facilitating employee savings programme (score =1) • Financial initiative to deprived sector (score =1) Maximum score =5
	Employment opportunities	Quantitative • Ratio = Total Assets/Number of employees Qualitative • Career advertisements on company website, (score =1) • Media 1 (score =1) • Media 2 (Score =1) • Media 3 (Score =1) Maximum score =4

This study, therefore, considers the four domains of CSR. Measurements for these four CSR domains were collected using data available from listed public companies' annual reports and from companies' websites (in the case of employment opportunities others website were also used). These measures were used for the independent variable for this multidimensional

CSR domain concept. A conceptual framework for the measurement of reported CSR practices (Hopkins 2005) in this study are presented in Table 4.1 above. For the economic and legal domains amounts were calculated in Nepalese currency then converted into Australian dollars using a conversion rate of 1 Australian dollar equals 80.15 Nepalese rupees.

4.5.3.1 Motivation to earn profit (Domain – economic)

Carroll (2016) describes the four categories of CSR responsibilities in his CSR pyramid as economic, legal, ethical and philanthropic. Firstly, businesses have to be profitable to be sustainable and to meet their economic responsibility towards society where the business operates. Profits are necessary for investors as well as for the growth of the business. Although there are many motivational factors for the business to be profitable, one of the factors is to pay the employees.

4.5.3.2 Tax contribution to government (Domain - legal)

For the purpose of this research, a tax contribution (legal) by a company to the government to provide social overhead capital is taken as a means of contributing to the community, which is considered to be its corporate social responsibility.

The tax ratio (formula shown below) was then calculated to control for the fair relationship between small and big companies from different sectors, where the tax amount is used as numerator and the number of employees as denominator.

Formula used:

Tax ratio = Tax contribution made by individual company/ number of employees

4.5.3.3 Financial transparency (Domain – ethical)

A study by Dhaliwal et al. (2014) explains the effect between CSR disclosure and financial transparency in the stakeholder context. Firms grow in reputation by ethically disclosing their financial transparency to stakeholders and this reputation is expected to be reflected in a firm's financial performance. For purposes of this research, this IV is measured using a total score of two. If a company discloses its financial statements and annual reports on the company's website = 1 and if a company held an AGM = 1. Companies disclosing both activities will have a score of two.

4.5.3.4 Protect local culture and social values (Domain – ethical)

Nepal is rich in culture and social values and protecting those values and culture is important (Adhikari 2012). In Nepal, within the ethical domain, Nepalese firms are participating in contributing donations to charity, emergency relief, building temples, supporting sport and helping deprived communities. This variable was measured both quantitatively and qualitatively. The ratio of donations to total assets was calculated. To measure this variable qualitatively scores of one were added for each of the following activities being present: contribution to emergency relief, protecting the environment, contribution to temple or aged care, and contribution to sport. A score of one is given for each disclosed activity to a maximum score of four.

4.5.3.5 Reduce poverty (Domain – discretionary and philanthropic)

Major CSR philanthropic activities to alleviate poverty in Nepal are in the field of health, education, employment, supporting helpless people, providing financial awareness training programs and rural community infrastructure development programs (Ligal 2006). In this study, five activities are taken into account to measure the CSR reported practices by publicly listed companies in Nepal. These five are: contribution to education, contribution to health, contribution to sport, contribution to skills training in financial awareness, facilitating an employee savings programme and financial initiatives to deprived sectors. A score of one is given for each disclosed activity to a maximum score of five.

4.5.3.6 Employment opportunities (Domain – discretionary and philanthropic)

Employment opportunities were measured both quantitatively and quantitatively. The asset backing per employee was used to determine capacity to employ based on size. The qualitative measures were used in relation to the discussion for RQ3 while the quantitative measure was used in the regression analysis to test Ha2 and Ha3. Disclosure of jobs identifies how firms initiate the employment opportunities for members of the public was a means used to measure the independent variable 'employment opportunities' as reported in CSR practices. In this study, the measure used was employment opportunities (discretionary) considering some of the factors (job advertisements using a firm's website, advertising the job with a number of employment agencies using social media) and a score of zero to four was used.

Advertise on company website = 1

Media 1 =1

Media 2 =1

Media 3 = 1

A score of one is given for each disclosed activity to a maximum score of four.

4.5.4 Measures operationalising dependent variable – CFP

The operationalising of the dependent variable corporate financial performance (CFP) is normally achieved in prior studies by using either accounting-based measures or market-based indicators (Galant & Cadez 2017). These authors presented a number of limitations for some accounting-based measures. For example, they identified that net profit (before or after tax) fails to take into account the different company sizes. Furthermore, return on assets (ROA) ratios may be biased if the sample includes companies from different industries (due to the varying age and structure of assets across industries). To mitigate the limitations mentioned, the dependent corporate financial performance (CFP) variable is measured using the accounting-based ratio return on capital employed (ROCE).

Return on capital employed is a profitability ratio that measures how efficiently a company can generate profit from capital employed (total assets - current liabilities) by comparing net operating profit with capital employed. A higher ROCE indicates that a large portion of profit generated can be re-invested into the company for the benefit of stakeholders, including shareholders.

ROCE = EBIT/Capital employed

Where:

ROCE = Return on capital employed

Capital employed = Total assets – Current liabilities

EBIT = Companies earnings before interest and tax

Re-investing profit as additional capital generates additional profit that improves the earning per share, and higher corporate performance indicates opportunities to participate in CSR activities.

4.5.5 Group coding for ANOVA analysis

The purpose for creating categorical group coding for companies reporting CG and CSR practices is to identify the effect of mandatory reporting of CG practices under legislation and the reporting of CG and/or CSR to the Nepal Stock Exchange (NEPSE).

4.5.5.1 Company needs to report under Banks and Financial Institutions Act 2006

The first categorical group variable is whether companies need to report or not to the NRB (Central Bank of Nepal) under the Nepal Company Act 2006 and the Banks and Financial Institutions Act 2006. For the purpose of coding this variable, the code for ‘needs to report to the NRB, under Nepal Company Act 2006 and Banking and Financial Act 2006’ is 1, if not required then the code is 0. The reason for this coding is explained in the following paragraph.

In Nepal, to register a public company, companies must follow the Company Act and relative industry sector Act as required. In addition, companies are required to comply with the Securities Act of Nepal to list their company on the Nepal Stock Exchange for share trading.

There are two categories of company in Nepal. Firstly, the 128 financial companies are listed on the Nepal Stock Exchange, reporting to Nepal Rastra Bank (NRB-central bank of

Nepal) directly under the Companies Act 2006 and Banks and Financial Institutions Act 2006. Out of 128 companies, a total of 115 companies' annual reports are available and included in this study (these companies are required to report CG to the NRB but can choose whether or not they disclose CG in their annual reports).

The second category of companies is those not reporting to the Nepal Rastra Bank but reporting CG and CSR disclosure voluntarily. A total of 94 companies is listed on the Nepal Stock Exchange (NEPSE) from different sectors and 40 companies are taken into this research as a population.

4.5.5.2 Companies voluntarily disclosing CG practice

For this categorical group variable purpose, if the banking sector company (coded 1) voluntarily reports their corporate governance (CG) practices then their code (required to report under banking legislation, voluntarily reporting to stock exchange) = 1, 1 and companies not reporting voluntarily have code = 1, 0. For a non-banking sector company (coded 0), voluntarily reports their corporate governance (CG) practices then their code = 0, 1 and companies not reporting voluntarily have code = 0, 0.

These coding created four groups to enable an ANOVA to be conducted. Non-banking sector companies that have not reporting CG practices voluntarily were allocated group 1. Banking sector companies that have not reporting CG practices voluntarily were allocated group 2. Non-banking sector companies that have reporting voluntarily CG practices were allocated group 3 while banking sector companies that have reporting voluntarily CG practices were allocated group 4. An illustration of this quadrant is provide in section 5.3.1; ANOVA results.

4.5.5.3 Companies voluntarily disclosing CSR practice

Based on Nepal Stock Exchange listings, there are 94 companies in different industry sectors such as hydropower, life insurance and non-life insurance. However, only 40 of these companies are included in this research (Appendix 3 Tables 3.6 to 3.8). Out of 40 companies, those voluntarily reporting CSR practice are classified into four groups that reflected the individual company's extent of voluntary CSR reported practice disclosure. Group 0 did not voluntary disclosure CSR reported practices while group 1 had a low extent of voluntary CSR disclosure. Group 2 were judged to have a medium extent of CSR reported practice disclosure and group 3 arbitrated to have a high extent of voluntary disclosure. An illustration of this quadrant is provide in section 5.3.1; ANOVA results.

4.6 Chapter summary

This chapter outlines the data collection methods used in this study. The researcher discusses evidence about research design, population and the selection of participants. The chapter concludes with a review of the data collection process and the analysis of the data related to this study.

Chapter 5 Analysis of Data/Results

5 Introduction

In this chapter, the discussion will analyse the data collected, described in Chapter 4, to justify the validity of the data related to the multiple regression assumption. Additionally, this chapter contains results of the tests for the associations between reported CG on CFP (RQ2; Ha1), CSR on CFP (RQ4; Ha2), individually, and collectively, the association of CG and CSR on CFP (RQ5; Ha3) within Nepalese listed companies. These RQs were developed in Chapter 2 (Literature review) and the three alternate hypotheses developed in Chapter 3 (Theoretical framework). In Section 5.1, descriptive statistics will be provided while assumptions will be discussed in Section 5.2. Results from the regression analyses conducted using SPSS software are presented in Section 5.3 for the three alternate hypotheses. The inconsistent results in Section 5.3 led to further exploratory tests being conducted which are described and discussed in Section 5.4

The chapter is organised as follows:

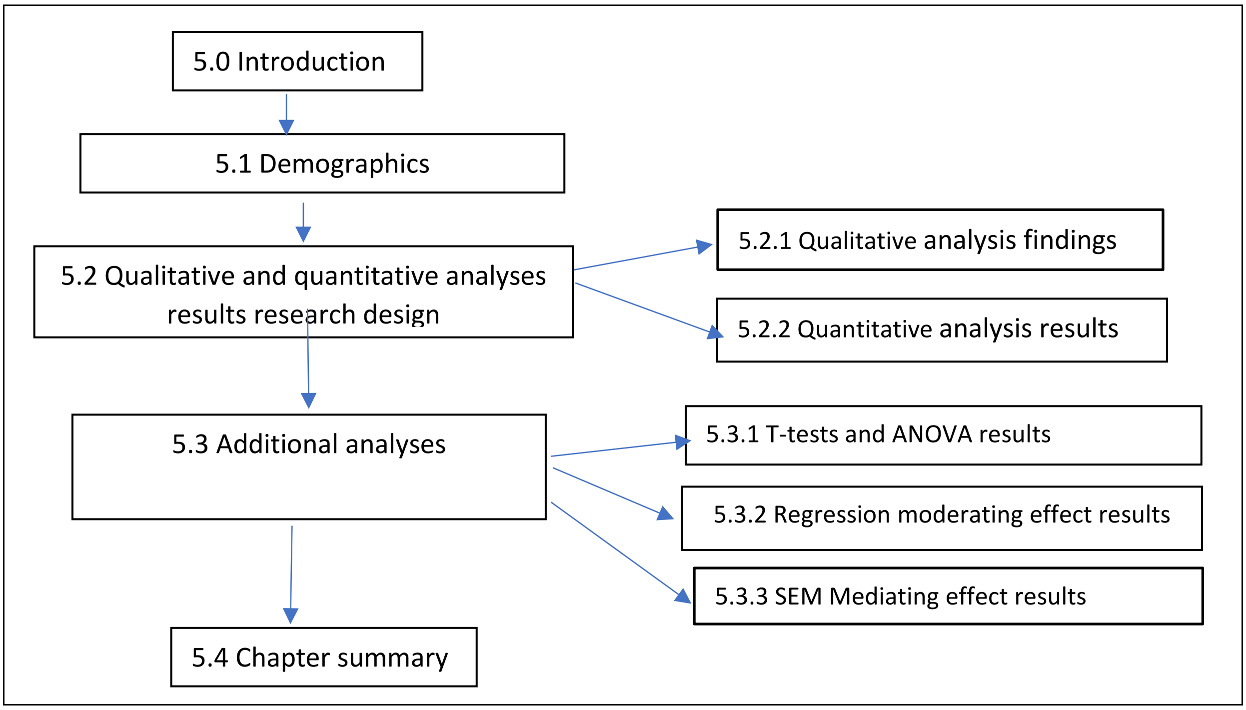

Figure 5.1Analysis of data results chapter structure

5.1 Demography

The target population of this research study was 222 listed public companies from various sectors operating within Nepal. During the data collection process, due to lack of availability of annual reports and other information, only 155 listed public companies were included from banking and finance, life insurance, non-life insurance and hydroelectric sectors. (See Table 5.1 below).

Table 5. 1 Demographics of available source companies

Total listed companies based on sector	Total number of listed companies	Number of companies taken into study	Percentage of industry included in study's data
Companies reporting to both Nepal Rastra Bank (central bank of Nepal) and Office of Company Registrar as per Companies Act 2006 (Sections 108 and 109) and Banks and Financial Institutions Act 2063 (2006)			
Commercial Bank	27	27	100%
Development Bank	33	32	97%
Finance	27	19	70%
Micro-finance	41	37	90%
Total number of companies from banking and financial sectors and percentage used as data source	**128**	**115**	**90%**
Companies reporting to Office of Company Registrar (OCR) as per Companies Act 2006 (Sections 108 and 109)			
Manufacturing and processing	19	0	0%
Life insurance	7	7	100%
Non-life Insurance	15	15	100%
Hotels	4	0	0%
Hydroelectric	27	18	67%
Trading	4	0	0%
Pref. Stock	1	0	0%
Others	4	0	0%
Mutual funds	13	0	0%
Total companies listed other than banking and finance and percentage used as data source	**94**	**40**	43%
Percentage of total listed companies in NEPSE as of 25/4/2019 as data source for this study	**222**	**155**	**70%**

The use of 70% of the listed companies provides data representing the majority of companies that report CG and CSR practices and, therefore, is a representative sample of the disclosure levels for CG and CSR disclosure.

In the following section, the qualitative findings and the quantitative result for the study will be discussed; together with any assumptions related to these analyses.

5.2 Qualitative and quantitative analyses results

The findings and results for this study will be discussed under two subsections. Subsection 5.2.1 will contain discussions about the investigations into the level of disclosure of CG practices (RQ1) and CSR reported practices (RQ3) within the annual reports. The statistical results for the assumptions associated with standard multiple regression will be reported in Subsection 5.2.2 along with the quantitated results from multiple regression analyses for Ha1 (RQ2), Ha2 (RQ4), Ha3 (RQ5).

5.2.1 Qualitative analysis findings

The following discussion provides information about the availability and source of CG and CSR reported practices. Section 4.5 explains the measures used for investigating CG and CSR.

A search of the listed Nepalese public companies has revealed (see Table 5.1) that there are 128 companies within the banking and finance industry sectors that will be subject to the Nepal Rastra Bank's (Nepalese Central Bank) mandatory requirements. In comparison, there are 94 listed Nepalese public companies operating in the non-banking and finance industry sectors. These latter companies are not required to mandatorily disclose their CG reported practices. The reporting of CSR practices is voluntary for all industry sectors of listed Nepalese public companies.

A t-test was used to test for any significant difference in the reporting of CG and CSR practices between the banking industry sector and non-banking industry sectors. This test was selected because it may be argued that if the information is already compulsory for one sector then it may have a competitive advantage to disclose this information at no additional cost in their annual reports.

Appendix 6 contains the result from the t-test. The results support the position that there are characteristics of CG and CSR practices that are not reported at a significantly different level. The following CG and CSR practices were found to be not significantly different: professional qualifications (CG Variable), board Size (CG Variable), extent of financial transparency, donation culture and social values (CSR Ethical domain), activities contributing to culture and social values. Also, the corporate financial performance (CFP) variable measurement, ROCE, was not significantly different for these two sectors.

Table 5.2 provides details of the CG and CSR practices that are reported at a significantly different level.

Table 5.2 Level of CG and CSR reported Practices

Reported CG or CSR practices and characteristics	Higher mean with banking or non-banking sector
Firm size (control variable)	Banking
Business age (control variable)	Non-banking
Audit committee size (CG variable)	Banking
Leverage (CG variable)	Banking
Tax contribution (CSR IV Legal domain)	Banking
Motivational payments to employees (CSR IV Economic domain)	Banking
Employment opportunities (CSR IV Philanthropic domain)	Banking
Disclosure of jobs (CSR Philanthropic domain – quantification of qualitative data)	Banking
Reduce poverty efforts (CSR Philanthropic domain – quantification of qualitative data)	Banking

These results support the existence of significant differences in the reporting of CG and CSR practices between the banking industry sector and non-banking industry sectors. Furthermore, it appears that the mandatory CG reported practices by the Banking Act has a 'follow-on' effect, not only for higher reporting levels of CG practices, but also for CSR practices. In addition to this analysis, the following provides a description of the sources used to gather data that were used in this project.

Corporate governance (CG) disclosure is defined as the communication between a firm's management and stakeholders outside the firm. The main aim of corporate disclosure is to communicate a firm's performance, as well as its governance, to investors and other key outside stakeholders (Healy & Palepu 2001). During 1990, due to the series of corporate failures in the Western world, the term 'corporate governance' become buzz words and practice of corporate governance became more evident. The OECD Principles of Corporate Governance and the

Basel Committee's Corporate Governance Framework published in 1999 provide guidance to member countries, especially in the banking and finance sectors (Adhikari 2014).

5.2.1.1 Reported CG practice in the banking and non-banking sectors in Nepal

The following subsections report the findings for the qualitative analyses segmented into banking and non-banking sectors.

5.2.1.1.1 Reported CG practice in the banking and finance sectors

As of 25 April 2019, the Nepal Stock Exchange listed a total of 222 companies that included 128 banking and finance companies and 94 companies from the non-banking sector. Table 5.1, Demographics of available source companies, shows that 115 companies (90% of all listed banking companies) reported some corporate governance (CG) practices and 13 companies (10% of all listed banking companies) failed to report, were lacking annual reports and did not report on their company website and, in some cases, there was no company website. Out of 13 non-reporting companies, a total of 8 finance companies failed to report. These companies did not have either annual reports or company websites. CG reporting disclosure from commercial banks, development banks, and micro-finance are higher at 100%, 97% and 90% respectively; whereas the finance companies' CG reporting is only 70% (see Table 5.1).

Table 5.3 details the level of disclosure of CG reported practice using annual reports, company websites and other resources that include NEPSE and other stock trading companies' websites (Share Sansar, Nepali Paisa). The practice shows that the majority of companies report through their annual reports, followed by company websites, with a few companies reporting CG practice through other resources. Firm size and leverage were reported by all companies in the sample. The age of the business, board size and audit committee were reported by most companies (95%, 96%, and 74% respectively). However, the reporting on the qualifications of the board of directors was very low at 24%.

Table 5.3 Summary of CG reported practice in banking and finance sectors in Nepal

	Annual report	%	Company website	%	NEPSE/ Others	%	Total reported	%	Total number of companies examined
Firm size	94	82	12	10	9	8	115	100	115
Leverage	94	82	12	10	9	8	115	100	115
Age of business	13	11	70	61	26	23	109	95	115
Board size	91	79	16	14	3	3	110	96	115
Audit committee	78	68	6	5	2	2	86	75	115
Professional qualifications	24	21	3	3	1	1	28	24	115

Table 5.4 Summary of CG reported practice in non-banking sector in Nepal

CG measures	Annual report	%	Company website	%	NEPSE/Others	%	Total reported	%	Total number of companies examined
Firm size	35	88	4	10	1	3	40	100	40
Leverage	35	88	4	10	1	3	40	100	40
Age of business	0	0	40	100	0	0	40	100	40
Board size	29	76	9	24	0	0	38	95	40
Audit committee	23	92	2	8	0	0	25	63	40
Professional qualifications	10	91	1	9	0	0	11	28	40

5.2.1.1.2 Reported CG practice in non-banking sector

As of 25 April 2019, there was a total of 94 of non-banking companies incorporated under the Companies Act 2006 and listed on the Nepal Stock Exchange (NEPSE). For the purpose of this research, we included only 40 companies (43%) from the non-banking sector to gather reported CG practices. Table 5.1 shows 54 companies (57% of all listed non-banking companies) failed to disclose their CG practice as no annual reports were available and these companies did not have the information on their websites. 100% of life insurance and non-life insurance companies produced annual reports and 67% of hydroelectric companies reported.

Table 5.4 shows that the majority of non-banking companies disclosed their CG practice in their annual reports followed by company websites and a few used other resources. Age of business (100%) was obtained from company websites. Disclosing qualifications of company directors remained low at 28%, similar to banking and finance companies' disclosure.

The CG disclosure summary Table 5.4 above shows that 35 of the non-banking companies report their firm size and leverage (each 88%), board size (76%), audit committee (92%) and qualifications of their board of directors (91%) through their company's annual report. All of the non-banking companies reported the age of the company on their website (100%). There was minimal reporting made through NEPSE and other resources.

Based on experience during data collection and results from statistical analysis, reported CG and CSR practices between the banking and non-banking sectors reveals that the extent of CSR practices disclosed in the annual reports of publicly listed Nepalese companies varies significantly (based on t- test, Appendix 6).

An independent sample t-test was conducted to compare the reported CG and CSR practices between the banking and non-banking sectors. There were significant differences in scores for banking firm size (M = 247.91, SD = 399.22) and non-banking (M = 47.95, SD = 92.09; t (141.5) =-4.905, p =.000, two tailed). The magnitude of the difference in the mean (mean difference =-395.37, 95%, (cl -118.02-277.35) was moderate (eta square = 0.09). Similarly, audit committee and leverage have p value less .05 therefore the score is significant. Business age, professional qualification and board size have p value greater than 0.05; therefore, there was no significant differences in the scores.

These results provide some evidence to answer research question (RQ1) one, that there is support for a varying extent of reported GC practices between banking and non-banking sectors publicly listed Nepalese companies in their annual reports.

5.2.1.2 Reported CSR practice in banking and non-banking sector

For this study to investigate the extent of reported CSR practices in publicly listed Nepalese companies, it used the content available gathered from annual reports for 2015-16. This analysis shows different results in different CSR domains. In total, 155 companies were examined, comprising 115 from banking and finance and 40 from non-banking sectors.

5.2.1.2.1 Reported CSR practices in banking and finance sector in Nepal

First of all, disclosure of CSR practice is not mandatory for either banking or non-banking sector companies that are incorporated and operate businesses in Nepal. Although the concept and practice of CSR reporting originated in developed countries in Western society, for the past 100 years CSR related activities such as giving donations, building community buildings, temples and educational institutions are common in Nepalese society (Adhikari et al. 2015). Even though reporting of CSR practice is not mandatory, businesses are voluntarily disclosing their legal, economic, ethical and philanthropic CSR domain practices through their annual reports and their web pages. The table below summarises the reported CSR practices disclosed by banking and finance companies publicly listed at NEPSE.

Table 5.5 Reported CSR practice in Banking and finance sector in Nepal

Reported CSR practice in the banking and finance sector in Nepal						
CSR domain	**Annual report**	**Company web page**	**NEPSE / others**	**Total number of companies with CSR reported practices**	**N**	**%**
Tax contribution (legal)	95	14	0	109	115	95%
Employment opportunities (philanthropic)	0	86	0	86	115	75%
Motivation to earn profit (economic)	93	15	0	108	115	94%
Reduce poverty (philanthropic)	97	13	0	110	115	96%
Financial transparency (legal)	85	6	0	91	115	79%
Protect culture (ethical)	73	7	0	80	115	70%

Among 115 banking and finance companies examined, the majority of companies reported their CSR practices through their annual report. From the annual report 2015-16, 109 companies reported their tax contribution (legal) 95%, motivation to earn profit (economic) 93%, reduce poverty (philanthropic) 97%, (high disclosure) and financial transparency (legal) 79%, and protect culture (ethical) 70% (medium level disclosure). Out of 115 companies, 86 of them disclosed their employment opportunity to the public (75%) using the company's website as well as other social media (three media sites were viewed for job opportunities being published).

5.2.1.1.2 Reported CSR practices in non-banking sector in Nepal

Non-banking companies are incorporated under the Companies Act 2006 and industry related legislations such as Insurance Act 1992 to incorporate the insurance companies. A total of 40 companies reported CSR practice out of 94 (43%) and among them 7 from life insurance, 15 from non-life insurance and 18 from the hydroelectric sector. The table below shows the reported CSR practice in the non-banking sector that includes life insurance (7), non-insurance (15) and hydroelectric (18). A total of 54 companies is excluded from this research due to lack of annual reports and required information from which to gather the data.

Table 5.6 Reported CSR practice in non-banking sector in Nepal

Reported CSR practice in non-banking sector in Nepal						
CSR domain	**Annual report**	**Company web page**	**NEPSE/ others**	**Total number of companies with CSR reported practices**	**N**	**%**
Tax contribution (legal)	21	0	0	21	40	53%
Employment opportunities (philanthropic)	3	28	0	31	40	78%
Motivation to earn profit (economic)	30	0	0	30	40	75%
Reduce poverty (philanthropic)	25	0	0	25	40	63%
Financial transparency (legal)	26	1	0	27	40	68%
Protect culture (ethical)	24	3	0	27	40	68%

Twenty-one companies disclosed their tax contribution through their annual report (53%), employment opportunities were disclosed on company websites and other social media (78%), motivation to earn profit disclosed in annual reports (75%), reduce poverty (63%), financial transparency (68%) and protect culture (68%).

Companies predominately relied on using their website to report their employment opportunities (70%). For the purpose of research, three (3) major social media were chosen to obtain job opportunities in addition to companies' websites.

A comparison of reported CSR practice between banking and non-banking companies shows that banking and finance companies were the higher reporters of CSR practice. Non-banking companies reporting their CSR activities voluntarily and the level of reporting was between 53% and 78% for different aspects of CSR as shown in Table 5.6.

These results provide some evidence to answer research question (RQ3) three, that there is support for a varying extent of reported CSR practices between banking and non-banking publicly listed Nepalese companies in their annual reports.

5.2.2 Quantitative analysis results

Statistical analysis was undertaken to identify whether the data are meeting the general assumptions underpinning regression analysis. This subsection will also provide the results for the three regression analyses used to test the three alternate hypotheses developed in Chapter 3.

5.2.2.1 Multiple regression assumptions

Generalisability of the study's results will depend upon the representative nature of the data and the use of an adequate sample size for the variables examined by the study. An adequate sample size or maximum sample size for a regression analysis may be established using one of two calculations (Pallant 2016, p. 151). The first sample size measure for adequacy is to use 15 cases (companies) for each independent variable (Stevens 1996), while the second sample size adequacy measure is a formula N = >50 + 8m (where m = the number of independent variables) (Tabachnick & Fidell 2013, p. 123).

With a maximum of eight independent variables and two control variables used in the regression analyses for this study, the first sample size adequacy measure would represent 15 companies multiplied by 10 independent variables, which equals 150 companies. For the second sample size adequacy measure, the total companies required for this study would be represented by 50 companies plus 10 independent variables multiplied by eight. The total for this formula would be 130 companies. As data has been gathered from 156 companies, as set out in Table 5.1, this sample size requirement assumption would be satisfied for this study.

The second assumption, multicollinearity and singularity, relates to the relationship among the eight independent variables used in this study. There are two statistical indicators (tolerance and variance inflation factor [VIF]) that indicate the amount of variability that is not explained by other independent variables in the study. Appendix 10 (coefficients table) provides these two statistics to establish whether this second assumption has been violated. As the tolerance statistic for all independent variables is greater than .1 and the VIF statistics for all independent variables are less than 10, this would support that there is no problem of multicollinearity and singularity for the data used in the study.

The remaining assumptions are that the data does not contain any outliers, there is a normality about the data, a linearity as well as a homoscedasticity of the data and an independence of the residuals. Appendix 10 provides the normal P – P plot of the route regression standardised residual with a reasonable diagonal line from the bottom left to the top right of the chart and the scatterplot producers a roughly triangular line concentrated towards the bottom of the scatterplot. This provides confirmation related to these assumptions. Additionally, the Cook's distance statistics (at 0.338 is > 1) confirms that there are no major problems with the data used for the analysis.

Descriptive statistics for the control, independent and independent variables are provided in Appendix 7.

5.2.2.2 Multiple regression CG and CFP results

The following equation for multiple regression analysis was used to test Ha1.

$$Y\ (CFP) = ß_0 + ß_1X_1 + ß_2X_2 + ß_3X_3 + ß_4X_4 + ß_5X_5 + \beta_6X_6 + \varepsilon$$

Where

Y = Corporate financial performance (dependent variable DV)

β_0 = Value of y (when all the X values are zero)

X_1 = Firm size (total assets in Australian dollars) control variable

X_2 = Age of business (number of years in business) control variable

X_3 = Board size

X_4 = Size of audit committee

X_5 = Professional qualifications of Board of Directors (BOD)

X_6 = Leverage (debt to equity ratio)

ε = Error term in dependent variable

Appendix 8 provides the statistical analysis that is used to test hypotheses Ha1. The two major statistics to evaluate the model used in this regression analysis are the adjusted R square (-0.010) and the ANOVA (Sig = 0.593) statistic. Unfortunately, these statistics neither support any positive variance in the dependent variable explained by the selected independent variables nor indicate any significance in the result. Furthermore, all independent variables representing CG are not significant in their relationship with the dependent variable CFP.

Consequently, the results do not support the alternative hypothesis Ha1, but are consistent with there being no significant relationship between CG reported practices and companies' CFP.

5.2.2.3 Multiple regression CSR and CFP results

The following equation for multiple regression analysis was used to test Ha2.

$$Y\ (CFP) = ß_0 + ß_1X_1 + ß_2X_2 + ß_3X_3 + ß_4X_4 + + \varepsilon$$

Where

Y = Corporate financial performance (dependent variable DV)

β_0 = Value of y (when all the X values are zero)

X_1 = Donation culture and social values (CSR IV ethical domain)

X_2 = Employment opportunities (CSR IV philanthropic domain)

X_3 = Motivational payments to employees (CSR IV economic domain)

X_4 = Tax contribution (CSR IV legal domain)

ε = Error term in dependent variable

The statistical analysis used to test hypotheses Ha2 is provided in Appendix 9. The two major statistics to evaluate the model used in this regression analysis are the adjusted R square (0.076) and the ANOVA (Sig = 0.004) statistic. These statistics support any positive variance in the dependent variable explained by the selected independent variables and indicate a significant result. However, only one of the independent variables, tax contribution (CSR IV Legal domain, Sig = 0.014, β = 0.00005450), representing CSR, has a significant but only small relationship with the dependent variable CFP.

Consequently, the results provide partial support for the alternative hypothesis Ha2; but are not consistent with there being a significant relationship between all CSR reported practices and companies' CFP.

5.2.2.4 Multiple regression collectively reported CG and CSR, and CFP results

The following equation for multiple regression analysis was used to test Ha3.

$$Y\ (CFP) = \beta_0 + \beta_1X_1 + \beta_2X_2 + \beta_3X_3 + \beta_4X_4 + \beta_5X_5 + \beta_6X_6 + \beta_7X_7 + \beta_8X_8 + \beta_9X_9 + \beta_{10}X_{10} + \varepsilon$$

Where

Y = Corporate financial performance (dependent variable DV)

β_0 = Value of y (when all the X values are zero)

X_1 = Firm size (total assets in Australian dollars) control variable

X_2 = Age of business (number of years in business) control variable

X_3 = Board size

X_4 = Size of audit committee

X_5 = Professional qualifications of Board of Directors (BOD)

X_6 = Leverage (debt to equity ratio)

X_7 = Tax contribution (CSR IV legal domain)

X_8 = Motivational payments to employees (CSR IV economic domain)

X_9 = Donation culture and social values (CSR IV ethical domain)

X_{10} = Employment opportunities (CSR IV philanthropic domain)

ε = Error term in dependent variable

The statistical analysis used to test hypotheses Ha3 are provided in Appendix 10. The two major statistics to evaluate the model used in this regression analysis are the adjusted R square (0.071) and the ANOVA (Sig = 0.033) statistic. These statistics support any positive variance in the dependent variable explained by the selected independent variables and indicate a significant result. However, only one of the independent variables (tax contribution (CSR IV legal domain) Sig = 0.018, β = 0.00005665), representing CSR, has a significant but small relationship with the dependent variable CFP.

Consequently, the results provide partial support for the alternative hypothesis Ha3. The CG reported practices' results do not support any significant relationship between CG reported practices and companies' CFP. However, while there is some small significant relationship with one CSR reported practice, there is no significant relationship between all CSR reported practices and companies' CFP.

In summary, the statistics of this study did not support any of the three alternative hypotheses and only partially supported two of these hypotheses (Ha2 and Ha3). Further analyses were conducted due to these results and these additional analyses are discussed in the following section.

5.3 Additional analyses

These additional exploratory analyses are undertaken beyond the scope of the study because there was not full support for the three hypotheses even though the business community, as well as academia, in Nepal consider there is a need for CG reported practices. However, a CG reported practices' framework has not been well developed conceptually (Adhikari 2012).

The information in Table 5.1 as well as the results in Appendix 6, and the summary in Table 5.2, support the proposition that mandatory requirements of the Banking Act, lead to the consequence of higher levels of voluntary disclosure in the form of higher reporting levels of CG reported practices and CSR reported practices. Analysis of variances between groups (ANOVAs) were used in an attempt to identify the potential impact of the mandatory versus voluntary requirement of CG and CSR reported practices on CFP.

Furthermore, Appendix 11 provides prior research findings that have identified a relationship between CG reported practices and CSR reported practices as well as literature which has concluded there is a potential essential relationship between CG reported practices and CSR reported practices and CFP. These findings and conclusions raise the question of possible moderating effects (interaction effects between CG and CSR reported practices) or a mediating effect of CSR reported practices on the relationship between CG reported practices and CFP.

Therefore, the results of additional analysis, using ANOVA, interaction regression analysis, and structural equation modelling, are provided in the following three subsections.

5.3.1 ANOVA results

The construction of the relationship to be examined is illustrated in a tabular format in Table 5.7 below.

Table 5.7 ANOVA group categorisation

ANOVA group categorisation		
Must report under Banking Act	**Voluntarily disclosed CG reported practices**	
	1 = Yes = Voluntary	0 = No = not Voluntary
1 = Yes = Banking sector	Group 4	Group 2
0 = No = Non-banking sector	Group 3	Group 1

The ANOVA result (Sig = 0.526), contained in Appendix 12, does not support any significant differences between these four groups of companies. Therefore, the results suggest that while there are mandatory requirements to report CG practices under the Banking Act, the level of disclosure for the Nepal Stock Exchange (NEPSE) provides no significant disclosure level for the banking industry compared with all other industries.

In addition to identifying the mandatory reporting of CG practices, the following table adapts the six phases of sustainability concept, developed by Dunphy, Griffiths and Benn (2007), into three levels of voluntary disclosure of CSR reported practices, as demonstrated in Table 5.8.

Table 5.8 Level of CSR reported practice disclosure

Level of CSR reported practice disclosure	
New categorisation	Phases collapsed or matched five of the six phases of sustainability by Dunphy, Griffiths and Benn (2007)*
If 0 = group 0 then no voluntary CSR reported practice disclosure	Rejection: Phases 1 and 2 reject the need for sustainability and retain a profit maximisation primary focus and or non-responsiveness (Phase 2 not yet responded to progress towards sustainability mainly because management view sustainability as an unnecessary cost and ignore their stakeholders' concerns), (e.g., greenwash reporting)
If 1 = group 1 low extent of voluntary CSR reported practice disclosure	Compliance: (Phase 3 organisations decision to manage and reduce risk by focusing on sustainability issues that represent the highest litigation risk)
If 2 = group 2 medium extent of CSR reported practice disclosure	Efficiency: (Phase 4 displaying an increased appreciation of sustainability issues)
if 3 = group 3 high extent of voluntary CSR reported practice disclosure	Strategic pro-activity: (Phase 5 the focus is on a long-term growth strategy using the sustainability initiatives)

Source: Adapted from Dunphy D, Griffiths A. & Benn S. (2007), Organisational Change for Corporate Sustainability: A Guide for Leaders and Change Agents of the Future (2nd Edition) Routledge: UK and Mowen, M., Hansen, D., Heitger, D., Sands, J., Winata, L. & S. Su. (2019) Managerial Accounting: 2nd Asia-Pacific Edition, Cengage: Australia.

The results for this ANOVA are provided in Appendix 13 and show three of the four CSR reported practices: tax contribution (CSR legal domain), Sig = 0.003; motivational payments to employees (CSR economic domain), Sig = 0.000; employment opportunities (CSR IV philanthropic domain), Sig = 0.000. The post hoc Tukey comparison reveals that there is a significant difference in the level of reporting tax contributions (CSR legal domain) for companies at level 3 than at level 0. However, the disclosed motivational payments to employees (CSR economic domain) and employment opportunities (CSR IV philanthropic domain) differ significantly across the four levels of CSR reported practice disclosure.

After testing CG reported practices and CSR reported practices individually to identify why there was no full support for the three alternate hypotheses, the following subsections examine the potential impact of the moderating effects (interaction effects between CG and CSR reported practices) or a mediating effect of CSR reported practices on the relationship between CG reported practices and CFP.

5.3.2 Moderating relationship between CG, CSR and CFP

The impact of corporate governance (CG) on corporate social responsibility (CSR) has been the focus of interest in many management studies (Arora & Dharwadkar 2011). Harjoto and Jo (2012) empirically tested the CG–CSR nexus and found evidence of a nexus that is consistent with prior studies. Appendix 11 summarises prior studies that have addressed this relationship.

Moderator analysis focuses on whether a particular known and measured variable influences the effect of one variable on another (Lehmann et al. 2001). As Barton and Kenny (1986) pointed out, intervening variables may be introduced if the relationship between independent variable (IVs) and dependent variables (DVs) do not exist as expected theoretically. If the relationship between IV and DV is unexpectedly strong, a mediator approach may provide explanations to justify the strong relationship. Conversely, if the relationship is unexpectedly weak, a moderator approach may provide explanations to justify the relationship between IVs and DVs (Lehmann et al. 2001). Ambler (1998) discusses moderating variables and the introduction of new independent variables. Applying that discussion to the current study would require the combination of CG and CSR to create a new independent moderating variable. That is, an analysis of the relationship between the interaction of CG and CSR on CFP within listed public companies on the Nepal Stock Exchange NEPSE. For this moderating analysis, 16 new interaction variables have been created by multiplying each of the components of CG (X3, X4, X5, X6) by each of the components of CSR (X7, X8, X9, X10), which have been detailed later in this section.

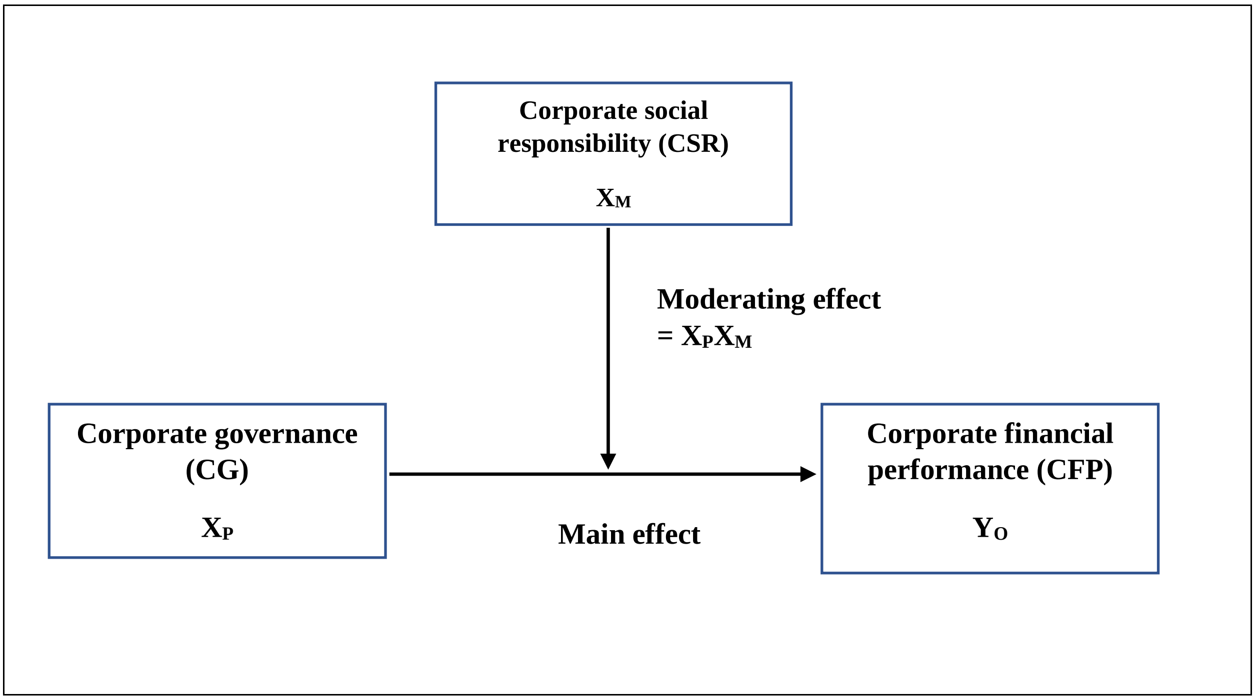

Figure 5.2 Moderating (interaction) effect of CG and CSR on CFP

The following equation for multiple regression analysis was used to test the potential interaction (moderation) effect.

$$Y\ (CFP) = ß_0 + ß_1X_1 + ß_2X_2 + ß_3X_3 + ß_4X_4 + ß_5X_5 + \beta_6X_6 + ß_7X_7 + ß_8X_8 + ß_9X_9 + \beta_{10}X_{10} + ß_{11}X_3X_7 + ß_{12}X_3X_8 + ß_{13}X_3X_9 + ß_{14}X_3X_{10} + ß_{15}X_4X_7 + ß_{16}X_4X_8 + ß_{17}X_4X_9 + ß_{18}X_4X_{10} + ß_{19}X_5X_7 + ß_{20}X_5X_8 + ß_{21}X_5X_9 + ß_{22}X_5X_{10} + \beta_{23}X_6X_7 + \beta_{24}X_6X_8 + \beta_{25}X_6X_9 + \beta_{26}X_6X_{10} + \varepsilon$$

Where

Y	=	Corporate financial performance (dependent variable DV)
β_0	=	Value of y when all the X values are zero)
X_1	=	Firm size (total assets in Australian dollars) control variable
X_2	=	Age of business (number of years in business) control variable
X_3	=	Board size
X_4	=	Size of audit committee
X_5	=	Professional qualifications of Board of Directors (BOD)
X_6	=	Leverage (debt to equity ratio)
X_7	=	Tax contribution (CSR IV legal domain)
X_8	=	Motivational payments to employees (CSR IV economic domain)
X_9	=	Donation culture and social values (CSR IV ethical domain)
X_{10}	=	Employment opportunities (CSR IV philanthropic domain)
X_3X_7	=	Board size x Tax contribution (CSR IV legal domain)
X_3X_8	=	Board size x Motivational payments to employees (CSR IV economic domain)
X_3X_9	=	Board size x Donation culture and social values (CSR IV ethical domain)
X_3X_{10}	=	Board size x Employment opportunities (CSR IV Philanthropic domain)
X_4X_7	=	Size of audit committee x Tax contribution (CSR IV legal domain)
X_4X_8	=	Size of audit committee x Motivational payments to employees (CSR IV economic domain)
X_4X_9	=	Size of audit committee x Donation culture and social values (CSR IV ethical domain)
X_4X_{10}	=	Size of audit committee x Employment opportunities (CSR IV Philanthropic domain)
X_5X_7	=	Professional qualifications of Board of Directors (BOD) x Tax contribution (CSR IV legal domain)
X_5X_8	=	Professional qualifications of Board of Directors (BOD)
X_5X_9	=	Professional qualifications of Board of Directors (BOD) x Donation culture and social values (CSR IV ethical domain)
X_5X_{10}	=	Professional qualifications of Board of Directors (BOD) x employment opportunities (CSR IV philanthropic domain)
X_6X_7	=	Leverage (debt to equity ratio) x Tax contribution (CSR IV legal domain)
X_6X_8	=	Leverage (debt to equity ratio) x Motivational payments to employees (CSR IV economic domain)
X_6X_9	=	Leverage (debt to equity ratio) x Donation culture and social values (CSR IV ethical domain)
X_6X_{10}	=	Leverage (debt to equity ratio) x Employment opportunities (CSR IV philanthropic domain)
ε	=	Error term in dependent variable

The standard multiple regression statistics are provided in Appendix 14. There is no support for any interaction effect based on the result of this regression.

5.3.3 The mediating effect of CSR on the relationship between CG and CFP

The impact of CG reported practices on CSR reported practices may be considered from an alternative perspective: the (mediating) effect of CSR reported practices on the relationship. This relationship is illustrated in Figure 5.2, through two forms of effect. The first form of effect is the direct effect between CG and CFP. An indirect effect is the second form of effect, which involves two relationship paths: one half between CG and CSR and the second between CSR and CFP.

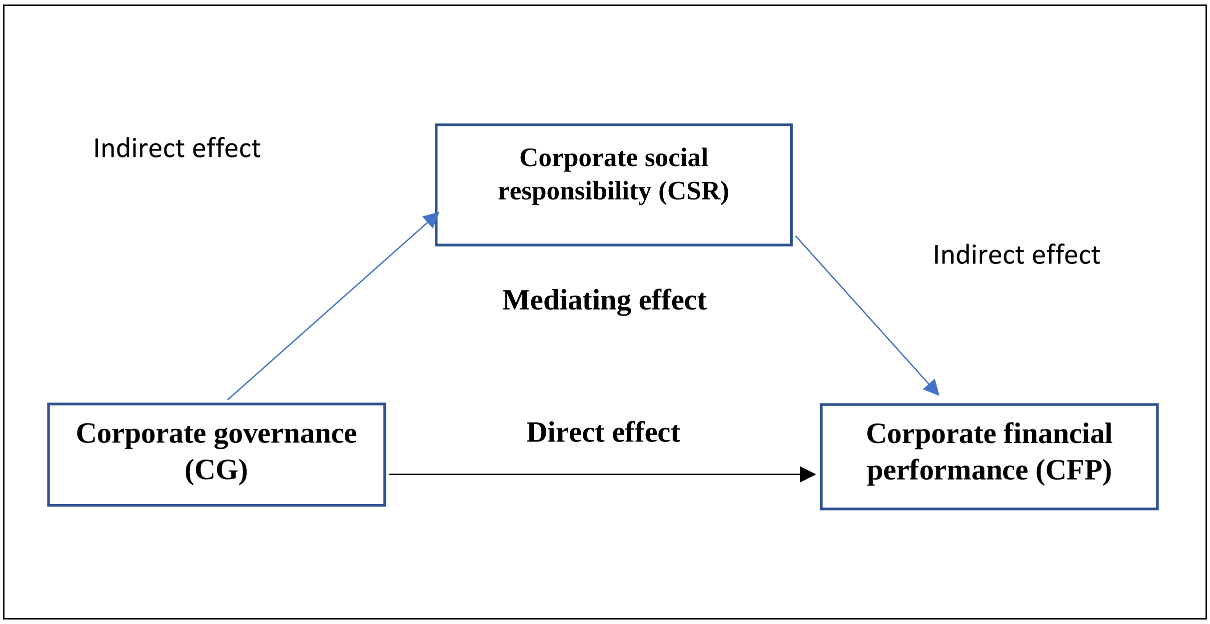

Figure 5.3 Mediating effect of CSR on relationship between CG and CFP

To test for this mediating effect, several steps are required. First, a rotated Varimax factor analysis was performed on the characteristics used to measure CG reported practices and CSR reported practices. The results of the factor analyses are contained in Appendix 15. The two factors emerged from these two factor analyses. For the first factor, three variables used to measure corporate governance [Audit Committee Size (CG IV), Professional Qualifications (CG IV), Board Size (CG IV)] loaded into the CG reported practices factor (see Table 15.3 CG rotated factor component matrix). The CG reported practices with a KMO = 0.000 that represents around 51% of the explanatory power for this variable. Three items, used in this study to measure CSR [Tax contribution (CSR IV Legal domain), Employment opportunities (CSR IV Philanthropic domain), Motivational Payments to Employees (CSR IV Economic domain], loaded onto the CSR reported practices factors; as shown in Table 15.6 CSR factor rotated component matrix. This CSR factor had a KMO = 0.000 and represents around 51% of the explanatory power for the second factor variable.

The two factors, mentioned in the previous paragraph and resulted from the rotated Varimax factor analysis (see Appendix 15, Tables 15.3 and 15.6), were then tested using a confirmatory factor analysis (CFA) to develop the measurement model (see Appendix 16). The same three items results from these two CFA analyses support the three items, mentioned in the previous paragraph, that have loaded onto the two different factor (latent) variables. Table 16.1 confirms the critical values for the three items corporate governance [Audit Committee Size (CG IV), Professional Qualifications (CG IV), Board Size (CG IV)], represent a good measurement model for the latent variable labelled the CG reported practices factor. Similarly, the critical values provided in Table 16.2 for the three items [(Tax contribution (CSR IV Legal domain), Employment opportunities (CSR IV Philanthropic domain), Motivational Payments to Employees (CSR IV Economic domain)], represent a good measurement model for the latent variable labelled the CSR reported practices factor.

After establishing the rigour of the two measurement models, the final step involves the construction of two SEM models. The first SEM model includes both the direct relationship and the two indirect relationships. The results provided in Appendix 17 support the two paths of an indirect relationship (CG to CSR path Est =0.447, C.R. 6.000, P = < 0.001; CSR to CFP path = Est =0.258, C.R. 2.666, P =< 0.008). However, the direct relationship path from CG to CFP is not significant (P = 0.932). This last non-significant result is consistent with regression analysis conducted to test Ha1.

The results of this first SEM model suggest there is an indirect relationship between CG and CFP formed by two separate paths: CG to CSR path and CSR to CFP path. To confirm the significance of this relationship and the model fit, a second SEM model was constructed. This model was called SEM model 2, and the results are provided in Appendix 17. The significant first path between CG and CSR remained statistically unchanged (Est =0.447, C.R. 6.000, P = < 0.001) but the second path between CSR and CFP increased in its significance (Est =0.254, C.R. 2.925, P =< 0.003). The results of these experimental SEM models support a mediating effect of CSR impact on the relationship between CG and CFP.

The use of latent variables within the SEM models provides an overall statistic of the relationship but it does not provide information about the relationship of all components of CG and the individual CSR components. To identify the specific relationships between the components of CG and each of the components of CSR, a separate path analysis needed to be completed. In Appendix 18, the two paths are illustrated. The first part involves a multiple regression that was used to test hypothesis Ha3 and therefore was not executed again. The results of this regression analysis are provided in Appendix 9. The statistic shows there are no significant relationships for any CG independent variables and only one significant CSR independent variable (tax contribution (CSR IV legal domain), Sig = 0.018).

Therefore, the second path illustrated in Appendix 18 required a series of three regression analyses between all CG IVs and each of the three CSR DV. The first of these regression analyses produced not significant results for any of the CG IVs and tax contribution (CSR IV legal domain DV) (Table 18.3 Appendix 18). The second regression for the second path shows no significant relationships between any of the CG IVs and motivational payments to employees (CSR IV economic domain DV) (Table 18.6 Appendix 18). The third regression analysis provided differencing significant results for two CG IVs and employment opportunities (CSR IV philanthropic domain DV). The two significant CG IVs were (audit committee size, Sig = 0.058; professional qualifications, Sig = 0.007) and employment opportunities (CSR IV philanthropic domain DV) (Table 18.9 Appendix 18).

In summary, Section 5.4 has provided a number of additional exploratory analyses. While these analyses are outside the scope of this study, the results provide some insight into the relationship between CG reported practices, CSR reported practices and CFP. These results help explain the reason for the non-significant results for testing the three alternate hypotheses developed for this study.

5.4 Chapter summary

This chapter analysed data collected, as described in Chapter 4, to help answer the research questions RQ1 and RQ3 and to test the three other alternative hypotheses (Ha1, Ha2 and Ha3). RQ1 and RQ3 used a qualitative approach to analyse the results related to CG and CSR reported practice in their annual reports published by a publicly listed Nepalese company. The results showed that banking and finance companies report more (90%) CSR and CG practice in their annual reports than non-reporting companies (43%).

In order to test the hypotheses of Ha1, Ha2 and Ha3, this research used multiple regression analysis and ANOVA analysis using statistical tools (SPSS). Over all, the results from the quantitative analysis for Ha1 (not significant), Ha2 (not consistent and insignificant), and Ha3 (very small significance) were insignificant. After the insignificant results from multiple regression, additional investigative analysis was conducted by using ANOVA, interaction regression analysis, structural equation modelling (SEM) and path analysis. The SEM results support the moderating effect of CSR on the relationship between CG and CFP. Path 2 of the path analysis identified significant direct associations between selected components of CG and components of CSR, which were selected as measures of CG and CSR for this study.

Chapter 6 will discuss the results that have been outlined in this chapter.

Chapter 6 Discussion of Results

6.0 Introduction

The aim of this chapter is to compare and contrast the results of this research reported in Chapter 5 with previous research results as mentioned in the literature review Chapter 2 and summarised in Appendix 1 (Tables 1 to 5). In this study, there are five research questions. Three of these research questions were developed into three alternative hypotheses to investigate the association between CG and CFP, CSR and CFP as well as CG and CSR, collectively, and CFP. This chapter also includes discussions on the findings of prior studies related to the relationship posited in these three hypotheses, as identified in Appendix 2 (Tables 2.1), and includes a discussion related to the stakeholder theoretical framework provided in Chapter 3 which links to the results in Chapter 5.

As none of the three hypotheses designed to test these three associations received support from the findings, additional analysis was conducted and reported in Section 5.3. The results of these additional analyses will be discussed in this chapter.

A summary of the discussion will complete this chapter.

6.1 Chapter structure

The discussion for this chapter will follow the illustrated paths in Table 6.1 (below).

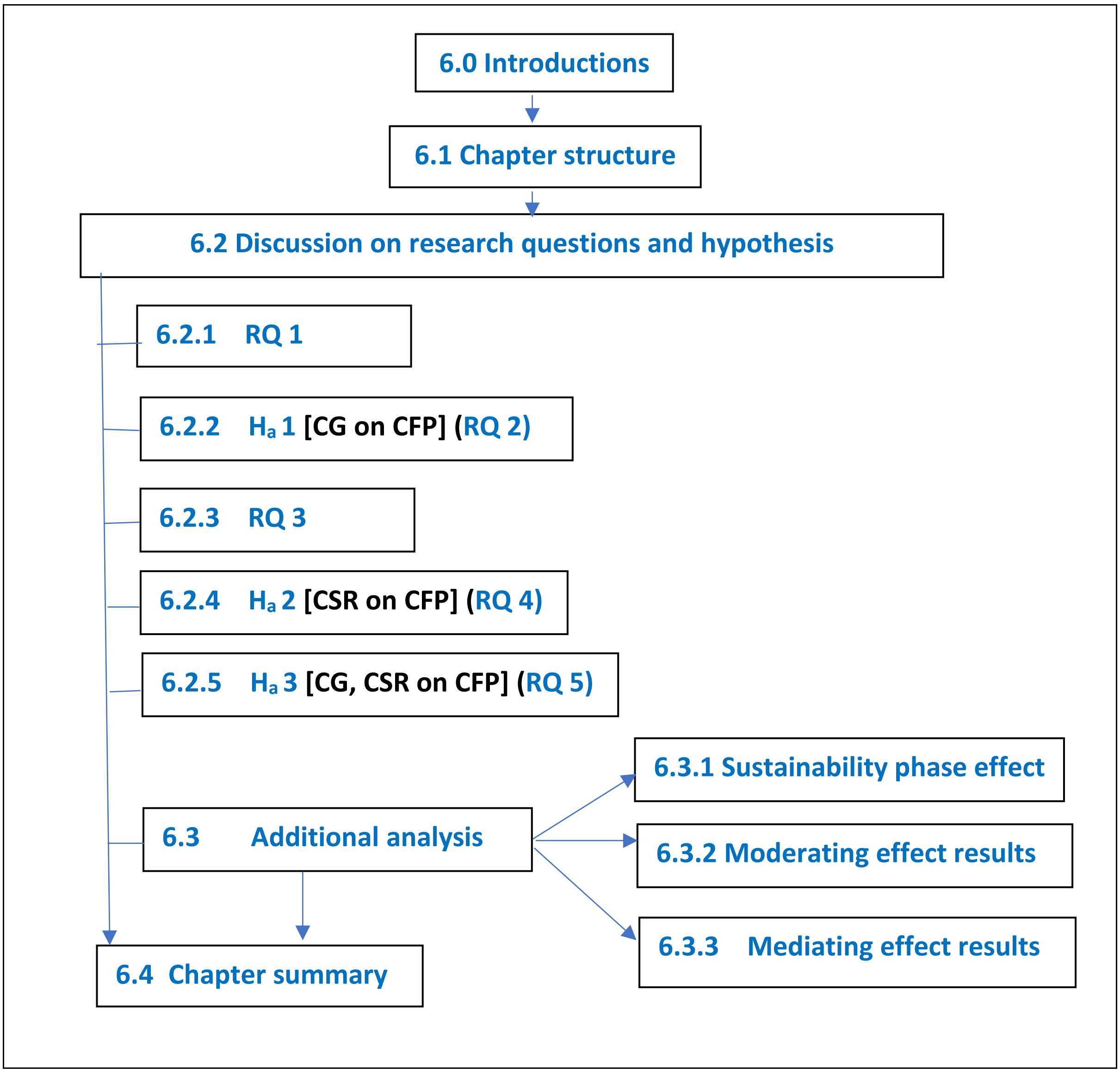

Figure 6.1 Chapter structure- discussion of results

6.2 Discussion on results for research questions and hypotheses

This thesis proposed five research questions and three alternative hypothesis (Ha) in Chapter 4. In this section, the results will be discussed in separate subsections.

6.2.1 Discussion for research question 1 results

The first research question (below) aims to identify the extent of reported corporate governance practices that are disclosed by companies listed on the Nepal Stock Exchange (NEPSE).

RQ 1 To what extent are CG reported practices disclosed in the annual reports of publicly listed Nepalese companies?

The information in Table 5.1 shows the summary of 222 companies listed on the NEPSE. Table 5.2 shows the results of the t-test and other descriptive analysis is shown in Tables 5.3

and 5.4. These results provide evidence to answer research question (RQ1) one that, between banking and non-banking sectors of publicly listed Nepalese companies, there are varying degrees of reported GC practices in their annual reports.

The findings for RQ1 are consistent with the findings of Sharma (2014) which showed companies disclosed 91% of mandatory items and 48 % in the voluntary category. In the current study, mandatory disclosure was 90 % and voluntary disclosure was 43 % (Appendix 3, Table 1). Another research study based on the UAE (Hassan 2012) which examined the annual reports of 95 listed corporations from various sectors (banking, insurance, industrial and services) showed significantly different disclosure across the sectors, which is similar to banking and non-banking companies' CG disclosure in Nepal in the current study.

This study presents a new finding for Nepal in terms of examining the multi-sectors (banking and non-banking) companies' corporate governance (CG) disclosure using annual reports available. The UAE study based on 95 companies (banking, insurance, industrial and services) (Hassan 2012) shows that there are significant differences among the sectors; but in Nepal there is no prior study examining the multi-sector reporting CG disclosure. Therefore, this study will contribute significantly to Nepal's and other similar economies.

6.2.2 Discussion on Hypothesis H_a 1 [CG on CFP] (RQ 2) results

The following discussion will address the statistical analysis used to test hypothesis Ha1 (see below) as detailed in Appendix 8.

> *Ha1: Reported corporate governance (CG) practices have a positive effect on a company's financial performance (CFP) in publicly listed companies in Nepal.* (Developed from RQ 2: Is there a direct relationship between CG reported practices and CFP?)

The results for the regression analysis used to test Ha1 provided partial support (see Appendix 8). Unfortunately, these statistics neither support any positive variance in the dependent variable explained by the selected independent variables nor indicate any significant results. Furthermore, no independent variables, representing CG, are significant in their relationship with the dependent variable CFP.

There was no significant finding for Ha1, which is consistent with other Nepalese studies that did not find any significant relationship between CG and CFP (Bhusal et al. 2015; Acharya et al. 2015; Shrestha et. al. 2015; Sen & Garani 2015) (see Appendix 2 Table 1). However, the current study's results support the following non-significant positive relationship [Audit Committee Size (CG IV), Beta = .030, Sig = 0.708; Leverage (CG IV), Beta =.042, Sig = 0.170;

Professional Qualifications (CG IV), Beta = .015, Sig = 0.735, Board Size (CG IV), Beta = 0.067, Sig = 0.254] (see Appendix 7).

The majority of these prior studies reported a non-significant negative relationship (Acharya et al. 2015; Shrestha et al. 2015; Sen & Garani 2015), which is not in the hypothesis directional prediction. Only Bhusal et al. (2015) reported a non-significant positive but insignificant impact of corporate governance on ROA as well as ROE in Commercial Banks. The current study provides evidence beyond the scope of the Bhusal et al.'s (2015) study, which only examined the relationship for Nepalese commercial banks. Also, the current study has used the measure CFP which is a more comprehensive measure than ROA and ROE used in the Bhusal et al. (2015) study. Galant and Cadez (2017) have discussed the limitations of ROA as well as ROE as measures of performance.

Finally, the results contribute to the non-significant inconsistent findings but the discussion later in this chapter about the subsequent analyses may provide some further insight into the relationship. The main contribution of this analysis is provided in section 6.2.1 as well as the subsequent findings of this study.

6.2.3 Discussion on research question 3 results

Research question 3 (below) aims to identify the extent of reported corporate social responsibility (CSR) practices that are disclosed by companies listed on the Nepal Stock Exchange (NEPSE).

RQ 3 ***To what extent are CSR reported practices disclosed in the annual reports of publicly listed Nepalese companies?***

In this subsection, the extent of CSR reported practice in the annual report of publicly listed Nepalese companies is discussed. The information in Table 5.1 shows the summary of 222 companies listed in NEPSE in Nepal. Table 5.2 shows the results of the t-test and other descriptive analysis is shown in Tables 5.5 and 5.6. The findings provide some evidence to answer research question (RQ3) three, that there is support for a varying extent of reported CSR practices through annual reports of the companies within the banking and non-banking sectors publicly listed on the NEPSE.

A study by (Dhungel & Dhungel (2013) found that, while corporate social responsibility (CSR) is not subject to mandatory disclosure in Nepal, the banking and non-banking companies have disclosed their CSR activities voluntarily through their annual reports and their companies' websites. The findings of this research question are partially consistent with prior studies conducted in Nepal (Bidari 2016; Dhungel & Dhungel 2013) as well as a study based on Bangladesh's listed firms (Muttakin & Khan 2014).

Even though there is only partial consistency with this study found in prior research, this is new a finding for Nepal and the extent of CSR reported practices in the annual reports. This research result will play a significant role in the formation of new policies to introduce mandatory disclosure requirements across all industry sectors.

6.2.4 Discussion on Hypothesis Ha2 [CSR on CFP] (RQ 4) results

The following discussion will address the statistical analysis used to test hypotheses Ha2 (see below) as provided in Appendix 9.

Ha2: Reported corporate social responsibility (CSR) practice has a positive effect on CFP in listed public companies in Nepal.

(Developed from RQ 4: Is there a direct relationship between CSR reported practices and CFP?)

The tax contribution (CSR IV legal domain, Sig = 0.014, β = 0.00005450) is the only independent variable representing CSR which has a significant but only weak relationship with the dependent variable CFP. This significant result is new evidence because none of the prior studies listed in Appendix 2 Table 2.2 have reported tax contributions as an IV.

This partial statistical significance result between the tax contribution ratio and corporate financial performance (CFP, ROCE) is additional evidence of a significant relationship when compared to the significant relationship found by Jo and Harjoto (2012) which examined alternative CSR practices and CFP. The lack of statistically significant results for the remaining IVs in this research model (donation culture and social value, employment opportunities, and motivational payments to employees) are consistent with the result found in prior studies (Johanson et al. 2015; Zhang 2016) (see Appendix 2 Table 2.2). Similarly, significant results but in the wrong direction, further confound the prior results (Horn et al. 2018). However, non-significant results were reported by studies conducted in developed countries (Germany, Zhang 2016; Sweden, Johanson et al. 2015) while a negative significant result was revealed in a study in a developing country (South Africa, Horn et al. 2018).

The results of the current study do not support the results of the study in another developing country and further investigations should be undertaken in the future.

6.2.5 Discussion on Hypothesis H_a3 [CG and CSR on CFP] (RQ 5) results

The following discussion will address the statistical analysis used to test hypothesis Ha3 (see below) as provided in Appendix 10.

Ha3: Collectively reported CG and CSR practices have positive effects on CFP in listed public companies in Nepal.

(Developed from RQ 5: Is there a direct relationship between CG reported practices and CSR reported practices (collectively) on CFP).

Similar to the results of Ha2, only one independent variable (tax contribution (CSR IV Legal domain, Sig = 0.018, β = 0.00005665), representing CSR, has a significant but weak relationship with the dependent variable CFP. The literature reviewed for the collective relationship of CG and CSR on CFP identified only one study (Robert & Cochran 2008). However, that study used a single case study analysis of Enron as adapted from Healy and Palepu (2003) as well as using the discussion by Jain and Rezaee (2006) about the Sarbanes-Oxley changes.

Consequently, findings for hypothesis (Ha3) have no prior study basis for a comparison. Also, the results as discussed in Section 6.2.2 are not consistent with a prior study that examined the CG and CFP relationship only (Suteja et al. 2017); but are consistent with other studies with non-significant findings for the CG and CFP relationship (Bhusal et al, 2015; Acharya et al. 2015; Shrestha et al. 2015; Sen & Garani, 2015) (see Appendix 2 Table 2.1). The discussion in Section 6.2.4 for CSR and CFP results are consistent with the results for this relationship. Finally, this result provides a new finding for Nepal and, therefore, it makes a small contribution showing that tax contribution (CSR IVs) influences the dependent variable (CFP). The further perspective of a CG, CSR and CFP relationship may be related to either a moderating or a mediating relationship, or both. These moderating and mediating relationships are discussed in the results of the additional exploratory analyses undertaken for this study.

6.3 Additional analysis

The results reported in Chapter 5 for the three hypotheses, provide similar findings to the inconsistent results of prior studies. Consequently, further analysis was conducted and reported in section 5.3: Additional Analyses. The results of these additional analyses will be discussed in the following three subsections.

6.3.1 Sustainable business phase adoption effect

The results for the ANOVA for level of CSR reported practice disclosure (provided in Appendix 13 and reported in subsection 5.3.1: ANOVA results) show significant differences between three of the four CSR reported practices: Tax contribution (CSR Legal domain), Sig = 0.003; Motivational Payments to Employees (CSR Economic domain), Sig = 0.000; employment opportunities (CSR IV Philanthropic domain), Sig = 0.000. The post hoc Tukey comparison reveals that there is a significant difference in the level of reporting tax contributions (CSR Legal domain) for companies at level 3 compared to those at level 0. As explained in Table 5.8, Level 3 related to a strategic pro-activity (Phase 5 where the focus is on a long-term growth strategy using the sustainability initiatives) while Level 0 refers to the Rejection Phases 1 and 2 where organisations reject the need for sustainability and retain a profit maximisation primary focus and or non-responsiveness (Phase 2 where companies have not yet responded to progress towards sustainability mainly because management views sustainability as an unnecessary cost and ignores their stakeholders' concerns). (e.g., greenwash reporting).

However, the disclosed Motivational Payments to Employees (CSR Economic domain) and disclosed Employment opportunities (CSR IV Philanthropic domain) differ significantly across the four levels of CSR reported practice disclosure explained in Table 5.8.

These findings support that the level of CSR reported practices adopted by the company may be contingent upon the companies' position within the four levels of CSR reported practice disclosure explained in the literature and identified in Table 5.8 (e.g., Dunphy et al, 2007; Mowen et al, 2019).

6.3.2 Moderating effect of results for CG and CSR on CFP

The standard multiple regression statistics for the interaction (moderation) effect are provided in Appendix 14. There is no support for any interaction effect based on the results of this regression. Therefore, there is no significant interaction in any of the selected CSR reported practices for this study between CG and CFP.

Appendix 11, Table 11.2, provides a summary of two studies that have examined the interaction between CG and CSR (Sujeta et al. 2017; Chalise, 2014). While the results for an interaction by Chalise, (2014) were positive and a significant interaction effect was found between CG and CSR for Nepalese banks, the interaction examined was from the good reputation perspective not CFP and concluded that good corporate governance and good social responsibility provide a good reputation. Also, the interaction findings by Chalise (2014) were at a < 0.1 level, and were not significant at a 0.05 level.

Furthermore, Sujeta, et. al (2017) conducted their study on the moderating effect of CG and CSR on CFP using publicly listed companies on the Indonesian Stock Exchange for the period 2010-2014. The study examined the interaction between three CG components and the CSR index (CSRI), which has a limited scope compared to the current study. The only significant interaction found (Sig = 0.043) was between the frequency of meetings of the Board of Commissioners and the CSRI; the other two CG components were highly non-significant (e.g., Independent Commissioner and CSRI, Sig = 0.860; Audit Committee and CSRI, Sig = 0.555). Therefore, the scope of the components of CG and the unidimensional CSRI variable used by Sujeta et al. (2017) provide a limited finding but similar non-significant finding that is somewhat consistent with the non-significant results of the current study.

6.3.3 Mediating effect of results of CSR CG on CFP

Although a single study (Saeidi et al. 2013, see Appendix 11 Table 11.3) examines the mediating effect, it did not examine the effect of CSR on the relationship between CG and CFP. The additional analysis, using a SEM Model 1, found two significant indirect relationships between CG and CSR, as well as CSR and CFP. The SEM path between CG and CFP was found to be not significant, which is consistent with the results for Ha1 of this study. Furthermore, the second SEM model for the two indirect paths, CG and CSR, as well as CSR and CFP, provided more significant results than SEM Model 1. The results for SEM Model 1 and SEM Model 2 are provided in Appendix 17.

Consequently, the results of these experimental SEM models support the presence of a mediating effect of CSR on the relationship between CG and CFP. Thus, this study's results support CSR as a missing link between corporate governance (CG) and corporate financial performance (CFP)

Furthermore, a path analysis for each CG and CSR was conducted (path 2, illustrated in Appendix 18). One of the path analyses produced significant results for the following relationships. Firstly, significant relationships were found between all CG IVs and employment opportunities (CSR philanthropic domain DV). Secondly, there were significant relationships between two CG IVs (audit committee size and professional qualifications) and employment opportunities (CSR philanthropic domain DV).

6.4 Chapter summary

In conclusion, the analyses conducted for RQ1 indicate that there is a significant difference between the extent to which CG reported practices are disclosed by banking sector companies versus non-banking sector companies listed on Nepal Stock Exchange in their annual reports. For RQ3, there is support for a varying extent of reported CSR practices between banking and non-banking sectors publicly listed Nepalese companies in their annual reports. Research results also indicate that the CG and CSR disclosure in the banking sector is stronger than the non-banking sector.

The regression analysis results to test Ha1, Ha2, and Ha3 show that there are no statistically significant relationships. These non-significant results are consistent with prior results in varying ways. Firstly, the non-significant results for Ha1 are supported by prior studies (Bhusal et al. 2015; Acharya al. 2015; Shrestha et al. 2015; Sen & Garani, 2015).

Secondly, there is partial support for a significant positive result for one of the CG component studies (Jo and Harjoto 2012) and support for non-significant results for the other CG components of the study (Johanson et al. 2015; Zhang 2016). Finally, there is no evidence from prior studies related to the independent and dependent measures used in this study.

The additional analysis of an ANOVA provided some insight into the different phases of sustainable business adoption by companies listed on the Nepal Stock Exchange on the extent of CSR practice disclosure. This result added to the potential cause of the findings for RQ3. The multiple interaction regression analysis produced no significant findings but the two SEM models and subsequent two path analyses provide some significant indirect (moderating effect of CSR reported practices) results.

The conclusions about these results as well as the limitations and future research implications are discussed in Chapter 7.

Chapter 7 Conclusions, limitations and implications

7.0 Introduction

This study based on Nepal has multiple aims. Firstly, the identification of the level of reported corporate governance (CG) practices and reported corporate social responsibility (CSR) practices that is disclosed by listed public companies on the Nepal Stock Exchange (NEPSE). Secondly, the study aims to investigate two direct associations: reported CG practices to CFP; and reported CSR practices to CFP. Thirdly, the association of CG and CSR collectively, and CFP is examined for publicly listed companies on the Nepal Stock Exchange (NEPSE). As none of the three hypotheses designed to test these three associations received support from the findings, additional analysis was conducted and reported in Section 5.3.

7.1 Conclusions about research questions RQ1 and RQ3

Research questions 1 and 3 are qualitative in nature. RQ1 aimed to investigate the extent of CG reported practices disclosed in the annual reports published by listed public Nepalese companies. However, other data sources, such as company websites, were also used. Similarly, RQ3 had an objective to examine the extent of reported CSR practices in annual reports. Research results indicated that the CG and CSR reported practices for the banking sector are stronger than the non-banking sector. The mandatory requirement for reporting CG practices for the banking and finance sector may have resulted in the banking sector providing a greater extent of disclosure compared to non-banking sectors. Even though the non-banking sector's reporting is voluntary, the results show satisfactory outcomes. The motivation to disclose CG and CSR practices by non-banking sectors may have been due to the intention to gain a competitive advantage and improve reputation and customer satisfaction, which may lead to a firm's better performance. It may be useful for CSR reporting to become mandatory for all listed companies.

However, the results from the additional ANOVA analysis reported in Section 6.3.1 provides some further insight into the potential cause of the findings for RQ3. It is possible that the mandatory requirement for reporting CG practices for the banking sector may have resulted in banking companies adopting a sustainable business focus earlier and, therefore, the banking sector is at a more advanced stage within the 6-phase sustainable business phase adoption process than the non-banking sector. As a consequence, the sustainable business phase adoption effect may contribute to the results for, not only CSR reported practices, but also for CG reported practices.

7.2 Conclusions for research questions RQ2, RQ4, and RQ5 and hypotheses Ha1, Ha2, and Ha3

The regression analysis results to test Ha1, Ha2, and Ha3 show that there are no statistically significant relationships except for one independent variable (tax contribution - CSR legal domain of IVs)**.** This suggests that there are possibly other factors or relationships that need to be considered beyond the direct (main) effect between reported CG, reported CSR and CFP.

7.3 Conclusions about the findings from the additional analysis

The conclusions derived from the ANOVA results suggest that the different stages of the 6-phase of sustainable business adoption by companies listed on the Nepal Stock Exchange (NEPSE) will impact on the extent of CSR practice disclosure. The multiple interaction regression analysis produced no significant findings; therefore, there was no direct (main) effect (see Sections 6.2.5 and 7.2) or interaction effect (see Section 6.3.2).

However, the two SEM models, and subsequent two path analyses, provide some significant indirect (moderating effect of CSR reported practices) results, which is a new finding based on the literature reviewed in Chapter 2 and summarised in Appendix 1.

7.4 Implications for theory and future research

The use of contingency theory to underpin an examination of the relationship between reported CG, reported CSR and CFP, based on the effect of the positioning of companies within the sustainable business phase adoption, should be considered by future studies into these relationships.

Additionally, an examination of the indirect (mediating) effect of CSR reported practices on the relationships between CG reported practices and CFP based on stakeholder theory should be developed by future research.

Appendix 19 provides the details and date of implementation of Nepalese regulations related to this study. This information illustrates the range of time attributable to the maturity of reporting for some CG and CSR practices in Nepal. The newness of some legislation to specific industry sectors should be considered in future research.

Further studies should consider extending this one-year research period to include multiple financial years. Studies may investigate the association between different industry sectors groupings beyond the banking and non-banking sectors, in conjunction with the sustainable business phase adoption effect.

7.5 Implications for policy and practice

For policy, the CG reported practice disclosure in the banking sector may be stronger than the non-banking sector due to the mandatory requirement for CG reported practices for the banking sector. This evidence may be useful for public policy makers, legislators and the Nepal Stock Exchange, and provide motivation to extend the mandatory requirement for CG reported practices to non-banking companies. The evidence of this study on the influence of regulated corporate governance (CG) reported practices on corporate financial performance may be dependent upon the level of disclosure of CSR practices (mediating effect). The influence of the mediating effect factors, as well as the required stakeholder awareness, should be considered to develop good government policies to regulate Nepalese publicly listed companies.

7.6 Research limitations

Like many other research studies, this research project also has limitations which, at the same time, opens opportunities for future study. In this research project, an empirical research method is used to examine the relationship between reported CG, reported CSR on CFP in publicly listed companies on the NEPSE. Only one year of annual reports (2015-16) is used to investigate the associated relationship between CG to CFP, CSR to CFP and CG, CSR on CFP. The research period being restricted to one year causes the study to be subject to the normal cross-sectional study limitation. For example, the results relate to a point in time and may not be appropriate to apply to similar for results for different periods due to market or other economic effects. However, the series of events that occurred in the years preceding the period of study may have confounded the influences on CFP in these periods. Future research opens the opportunities to examining multiple years of annual reports, interviews and direct observations to increase the likelihood of significant results.

Many companies' annual reports were published in Nepalese language only and created a burden to translate them into English and calculate the currency conversion of Nepalese NRS into Australian dollars. At the same time many companies' annual reports and other required information were not available through NEPSE, OCR or companies' websites. Budget limitation also limited this research process to some extent.

Many companies were reporting very limited CSR activities and in some cases there was only one paragraph about CSR activities and no disclosure of the dollar amount they spent on those CG and CSR activities.

The selection of only one measure for financial performance as the dependent variable may not capture all possible components of financial performance. However, the selected DV for this study addresses the weaknesses of other performance variables, such as ROI and ROA, as discussed in section 2.5.1.1.3, and identified by Galant and Cadez (2017).

7.7 Recommendations and suggestions

Looking at the results and the research processes, the following recommendations are suggested for future researchers, the Nepalese government and companies publicly listed and operating their business in Nepal. They are;

- Making mandatory reporting CG and CSR practices for the banking and non-banking sectors by introducing the required policy.
- Reforming the Office of Company Registrar (OCR) enabling the enforcing of CG and CSR reporting practices.
- Imposing transparent and regulated listing requirements with NEPSE and other stock trading organisations.
- Empowering and educating stakeholders to be aware of CSR and CG disclosure practice by companies.
- Making companies responsible to report through NEPSE, ROC and companies' websites.

7.8 Final conclusions

The key to sustainable business development is financial performance and sharing that part of economic advantage with the wider group of stakeholders. To achieve this objective, Nepal requires sound corporate governance.

Although the findings of this study support a partial connection between reported corporate governance (CG) and CSR practice on the economic performance of the company, further study is highly recommended to create that connection by using additional study instruments to examine the moderating and mediating relationships between corporate governance to CSR and CSR to CFP.

7.9 Chapter summary

Corporate governance (CG) and corporate social responsibility (CSR) may be relatively new terminologies in Nepal, however they are not a new phenomenon. In conclusion, it can be claimed that this study successfully contributed towards gaining a greater understanding of CG, CSR and CFP relationships in the context of Nepal. Even though the research shows statistically insignificant results, this is very new research in the Nepalese context where the extent of CG and CSR reported practices by companies listed in NEPSE through their annual reports is analysed.

Beneficiaries to be advantaged by the results of this research are future researchers, academia and the government of Nepal, especially for carrying out further research and for drafting the required policy changes. Demonstrating the benefits of reporting CG and CSR practices by banking and finance companies will motivate non-banking companies in Nepal to improve their reporting practice. Finally, this topic still has lot to offer and be investigated towards achieving a desired outcome that could provide valuable information to many businesses in order to maintain a sustainable business especially in a developing economy like Nepal.

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Appendices

Appendix 1: Summary of prior studies

Table 1.1: Summary of prior studies on CG, CSR and CFP used in this research study

Author/s (year)/ topic	Theory used	Measurement	Quote/finding	Peer reviewed	Study areas
Horn, R, De Klerk, M & de Villiers, C 2018, The association between corporate social responsibility reporting and firm value for South African firms	Agency theory	Tobin's Q as performance measure IVs = Firm size, ROA, capital expenditure, intangible assets, return volatility, dividends	Significant negative association between CSR and firm's value	Yes	CG to CSR in South African companies
Sharma, A 2018, Improving corporate governance in Nepalese financial institutions to promote growth and performance	Agency theory	DV= Total disclosure (mandatory and voluntary) IVs = Foreign company, total assets, CG disclosure	Significant difference between CG and CFP	Yes	CG
Wang, Z, Hsieh, T & Sarkis, J, 2018. CSR performance and the readability of CSR reports: Too good to be true?	Legitimacy	DV = Fog, Kincaid, Flesch IVs = ESGTOTAL, ESGENV, ESGSOC	Significant positive relationship	Yes	CG and CSR
Upadhaya, B, Munir R, Blount, Y & Su, S 2018, Does organizational culture mediate the CSR – strategy relationship? Evidence from a developing country, Nepal.	Agency	DV = Differentiation strategy Control variable = Company type, institutional ownership, size.	CSR is directly linked to differentiation strategy	Yes	CSR

Author/s (year)/ topic	Theory used	Measurement	Quote/finding	Peer reviewed	Study areas
Cadez, S & Galant, A 2017, Corporate social responsibility and financial performance relationship: A review of measurement approaches	Stakeholder	DV= ROA, ROE, ROCE, ROS	CSR and CFP relationship detected in this research.	Yes	CSR - CFP
Jawar, N & Gupta S 2017, Understanding CSR – Its history and the recent developments			The history of CSR	Yes	CSR
Malik, MS & Makhdoom, DD 2016, Does corporate governance beget firm's performance in future Global 500 companies?	Agency	DV = ROA IVs = Board size, board independence, leverage, firm size, CEO duality, CEO compensation.	Result shows the mixed relationship for Board meetings and firm performance. Negative, have inverse relationship.	Yes	CG and firm performance
Adhikari, D, Gautam, R & Chaudhari, K 2016, Corporate social responsibility domains and related activities in Nepalese companies	Stakeholder		Mixed results	Yes	CSR Nepal
Gyamerah, S & Agyei, A 2016, OECD principles of corporate governance: Compliance among Ghanaian listed companies.	Agency		Study revealed that Ghanaian listed firms practise OECD corporate governance	Yes	CG in Ghana
Bidari, G, 2016, Factors affecting CSR disclosure in Nepalese banks: a global reporting initiative perspective	Institutional legitimacy	DVs = CSR disclosure IVs = Bank size, Bank age, bank profitability	Positive relationship between firm size environment.	Yes	CSR

Author/s (year)/ topic	Theory used	Measurement	Quote/finding	Peer reviewed	Study areas
Upadhaya, B, 2016, Determinants and consequences of corporate social responsibility and the role of management control systems: Evidence from a developing Country, Nepal	Innovation	Differentiation, innovation, respect for people, social, environmental, economic, instrumental	Significant positive effect	Yes	CSR Nepal
Sigdel, BR.& Koirala, S 2015, Corporate governance in Nepalese financial sector: Does policy matter?		DV = INTD IVs = RESP, DISK, FAIR, TRANSP, SAWARE	Positive and significant	Yes	CG
Adhikari, DR, 2015, Corporate social responsibility domains and related activities in Nepalese companies	Stakeholder		Positive emerging trends towards CSR domain.	Yes	CSR Nepal
Carroll, AB, 2016, Carroll Pyramid of CSR: taking another look			Further reflection on CSR	Yes	CSR
Sharma, N, 2015, Extent of corporate governance disclosure by banks and finance companies listed on Nepal Stock Exchange (NEPSE)	Agency		Results shows no significant relationship between CG disclosure and company's performance	Yes	CSR
Adhikari, DR. 2015, Corporate social responsibility domains and related activities in Nepalese companies.	Stakeholder	Qualitative	There is a gradual shift from philanthropic domain of CSR to the economic domain. Various CSR activities have emerged	Yes	CSR Nepal

Author/s (year)/ topic	**Theory used**	**Measurement**	**Quote/finding**	**Peer reviewed**	**Study areas**
			from within the domains. The Millennium Development Goals have had some influence on CSR.		
Hsu, FJ, Chen, YC 2015, Is a firm's financial risk associated with corporate social responsibility?		DV = Rating score IVs = SIC, IG, NIG, total assets	Both positive and negative with financial risk.		CSR USA
Paudel, RL 2015, Relationship between corporate governance and corporate social responsibility: Evidence from Nepalese commercial banks	Stakeholder theory Dependency theory		Results indicate that board size, board independence and ownership concentration show significant relationship with the extent of CSR disclosures	Yes	CSR
Kafle, P, Tiwari, D 2014, The assessment of the Nepalese bank in terms of corporate social responsibility (CSR).		Qualitative study	Case study of a bank and how it contributes to society.	Yes	CSR Nepal
Sharma, N 2014, Extent of corporate governance disclosure by banks and finance companies listed on the Nepal Stock Exchange (NEPSE)	Agency Theory		Results show no significant relationship between CG disclosure and a company's performance	Yes	CG Nepal

Author/s (year)/ topic	**Theory used**	**Measurement**	**Quote/finding**	**Peer reviewed**	**Study areas**
Chalise, M, 2014, Impact of corporate social responsibility on corporate governance and reputation in Nepalese commercial banks	Stakeholder	DV = Corporate reputation (CR) IVs= Bank size, CG and CSR	No relationship between CSR, CG and bank's reputation	Yes	CSR, CG and corporate reputation
Fanta, AB, Kemal, KS, & Waka, YK 2013, Corporate governance and impact on bank performance.	Stakeholder	DV = ROE, ROA IVs = CAR, CR, BDSZ, AUDC, OWTP, LLP, LDR, BKSZ	Statistically negative results	Yes	CG to CFP
Rashi, K & Sharif, M 2013, Corporate governance and corporate social responsibility (CSR) reporting: Empirical evidence from commercial banks (CB) of Pakistan	Stewardship	DVs = CSR index, ROE IVs = firm size, gearing, foreign national directors, non-executive directors	Moderate to partial relationship	Yes	CG - CSR
Chapagain ,BR 2013, Corporate social responsibility: A review of managers' attitudes in Nepal		Survey of managers	Several factors influence manager's views, however, religion was not an influencing factor. The government, pressure groups and other stakeholders are all important to foster CSR.	Yes	Nepal
Dhungel, K U, Dhungel, A, 2013, Corporate social responsibility reporting practice in the banking sector of Nepal			Influence of CG and CSR for the firm's sustainable economic growth	Yes	CSR Nepal

Author/s (year)/ topic	**Theory used**	**Measurement**	**Quote/finding**	**Peer reviewed**	**Study areas**
			CSR is not mandatory in Nepal and that all the banks that have disclosed social responsibility have done so on a voluntary basis.		
Adhikari, DR 2012, Status of corporate social responsibility in selected Nepalese companies	Stakeholder		CSR positively accepted by both government and employers		CSR Nepal
Rahim, M 2013, Legal regulation of corporate social responsibility			Overview of CSR and how it can promote sustainability in developing countries.	Yes	CSR
Harjoto, AM, & Jo, H 2012, The causal effect of corporate governance on corporate social responsibility	Stakeholder theory	DVs = Tobin's Q Ivs = CEO Duality, firm size	CSR positively influenced CFP	Yes	CSR
Shah, KK 2012, Corporate social responsibility in Nepal			Discusses the concept of social responsibility of corporations and its significance in Nepal to help government and social institutions to face several social problems like		CSR

Author/s (year)/ topic	**Theory used**	**Measurement**	**Quote/finding**	**Peer reviewed**	**Study areas**
			poverty, unemployment and environmental risk and others.		
Kumar, P & Upadhyaya, TR 2011, Corporate governance index formulation: compliance with commercial banks of Nepal	Governance theory		The study attempted to construct the corporate Governance Index (CGI) for Commercial Banks of Nepal because there was not any prescribed except the provisions laid down in Banking and Financial Institution Act, Companies Act and Nepal Rastra Bank Act. The index should help the assessment and valuation of Nepalese commercial banks as to where they stand in the Corporate Governance environment.	Yes	CG Nepal
McGee, R W 2010, Corporate governance in transition and developing economies: A case study of Nepal	Agency	CG variables = Right, treatment, role, D&T, Board	Recommends giving priority to strengthening the institutions that are charged with enforcing the	Yes	CG

Author/s (year)/ topic	Theory used	Measurement	Quote/finding	Peer reviewed	Study areas
			new reform legislation. It recommends major reform of the Office of the Company Registrar (OCR), the institution that regulates corporate governance. It should be both willing and able to demand that companies hold annual general shareholder meeting and that they file the required documents. It should have both the resources and the political independence needed to fulfil its mission. The Securities and Exchange Board of Nepal needs similar independence and support.		
Chapagain, BR 2010, Corporate social responsibility: Evidence from Nepalese financial services and manufacturing services.	Agency	Strategic view on CSR Moral view on CSR	CSR performance correlated to Moral and strategic view on CSR	Yes	CSR Nepal

Author/s (year)/ topic	**Theory used**	**Measurement**	**Quote/finding**	**Peer reviewed**	**Study areas**
Gjoberg, M 2009, Measuring the immeasurable? Constructing an index of CSR practices and CSR performance in 20 countries	Stakeholder Organisational		Result shows that both small and large economies are represented at both the bottom and the top of the index ranking.	Yes	CSR
Halme, M& Dobbes, P 2009, Editorial corporate social responsibility and developing countries	Post development theory		Result shows CSR is different from the west.	Yes	CSR South American
Pratten, JD & Mashat, AA 2009, Corporate social disclosure in Lybia			The results suggest that the emphasis on CSR disclosure in Libya is different from that to be found in the west.		CSR Libya
Jamali, D, Safieddine, AM & Rabbath, M, 2008, Corporate governance and corporate social responsibility synergy and interrelationships	Institutional, Legitimacy, Grounded		Positive relationship	Yes	CG - CSR
Cochran, PL, Neal, R 2008, Corporate social responsibility, corporate governance, and financial performance: Lessons from finance			Poor CG results, poor CSR and poor CFP results	Yes	CG, CSR and CFP

Author/s (year)/ topic	**Theory used**	**Measurement**	**Quote/finding**	**Peer reviewed**	**Study areas**
Jamali, D & Mirshak, R 2007, Corporate social responsibility (CSR): Theory and practice in a developing country context	Political theory		Favourable bottom-line results	Yes	CSR
Pokhrel, D 2007, Corporate Governance in Nepal,			The high concentration of corporate ownership structure and dominance of family business groups as the shareholders of these companies have become major constraints in exercising good corporate governance.		CG Nepal
Jamali, D & Mirshak, R 2006, Corporate Social Responsibility (CSR): Theory and Practice in a Developing Country Context			Still in grounded phase		CSR Lebanese context
Hopkins, M 2005, Measuring of Corporate Social Responsibility			The measurement of CSR reported practices has improved significantly since the late 1990s.	Yes	CSR
ROSC 2005, Corporate Governance Country Assessment Nepal			Observance of Standards and Codes (ROSC) reported that the two current Nepalese laws have		Nepal

Author/s (year)/ topic	**Theory used**	**Measurement**	**Quote/finding**	**Peer reviewed**	**Study areas**
			critical deficiencies and certain information provided to NEPSE is not publicly available. Nepalese companies are expected to be more profit centric, focusing on wealth maximisation of shareholders due to the absence of legal framework as well as inadequate policies and procedures in Nepal.		
Maskay, BK 2004, Does corporate governance affect productivity? Evidence from Nepal		DV = ROE IVs = Working capital, capital expenditure, operating cost	Negatively significant	Yes	CG and CFP
Ite, UE 2004, Multinationals and corporate social responsibility in developing countries: A case study of Nigeria			Significance implications for the overall performance of CSR	Yes	CSR Nigeria
OECD 2004, The OECD Principles of corporate governance			Outlining the broader principles of corporate governance		CG

Author/s (year)/ topic	Theory used	Measurement	Quote/finding	Peer reviewed	Study areas
Belal, A R 2000, Environmental reporting in developing countries: Empirical evidence from Bangladesh			Positive environmental disclosure		CSR Bangladesh
Carroll, AB 1991, The pyramid of corporate social responsibility: Toward the moral management of organizational stakeholders			Developing four dimensions of CSR	Yes	CSR
Clarkson,BE 1995, A stakeholder framework for analysing and evaluating corporate social performance			Defining corporate social performance	Yes	CSR
Parkinson, J 1994, The legal context of corporate social responsibility			Identifying corporate governance responsibility from a legal perspective	Yes	CSR
Carroll, AB 1979, A three-dimensional conceptual model of corporate performance	Pyramid of social performance model		Initial conceptual model	Yes	CSR

Table 1.2 Development of CSR concepts adapted from Avlonas & Nassos 2013; ESCAP, 2011

Period	Name of concept	Description	Literature
1950s-1960s	Social responsibility of businessmen	The obligation of businessmen to pursue policies, to make decisions or to follow lines of action which are desirable in terms of the objectives and values of society. Some socially responsible business decisions can be justified by the long-term economic gain of the firm, thus paying back for its socially responsible behaviour. Private contribution to society's economic and human resources and the willingness on the part of business to see that those resources were utilised to meet society's needs.	Bowen (1953) Davis (1960) Frederick (1960)
1960s-1970s	Stakeholder approach three-dimensional model	Instead of striving only for larger returns to its shareholders, a responsible enterprise takes into account the interests of employees, suppliers, dealers, local communities and the nation as a whole. The concept consists of corporate responsibilities (i.e. economic, legal, ethical and philanthropic), social issues of business (e.g. labour standards, human rights, environmental protection and anti-corruption) and corporate actions (e.g. reactive, defensive, accommodative and proactive).	Johnson (1971) Carroll (1979)
1980s-1990s	Three-dimensional model of principles, policies and processes Institutional framework and extended corporate actions	Integration of the principles of corporate responsibility, the policies of social issues management and the process of action into an evolving system. Four types of corporate responsibilities (e.g. economical, legal, philanthropic and ethical responsibility) were linked to three institutional levels (e.g. legal, organisational and individual), while corporate actions are extended to assessment, stockholder management and implementation management.	Wartick and Cochran (1985) Wood (1991)
2000s	Three-dimensional approach New concepts	Three domains of corporate responsibilities: economic, ethical and legal. A process to integrate social, environmental, ethical, human rights and consumer concerns into business operations and core strategy in close cooperation with the stakeholder.	Schwartz and Carroll (2003) European Commission (2011)

Appendix 2: Summary of relationships

Table 2.1 Relationship – CG and CFP (regression) (RQ2 and Ha1)

Relationship - CG and CFP (regression) (RQ2 and Ha1)		
Positive significant relationship results		
Study – Author(s) (year) and paper title	Measures used for Variables Dependent Variable (DVs) and Independent Variables (IVs)	Weakness / Limitations of that study?
Maskay, BK (2004) *Does corporate governance affect productivity? Evidence from Nepal*	**DV** = ROE **IVs** = Net profit margin, = Book value of assets, = Working capital	• Small sample size • ROE as DV and not used other measure
Sapkota, AK, Gyawali, A, Thapa, A, Guvaju, A and Panthee, A (2015) *Corporate governance and bank efficiency: A case of Nepal*	**DVs** = ROA and = ROE **IVs** = Board size, = Institutional ownership, = Board independence, = Foreign ownership	• Lack of literature reviews • Study consist of 20 commercial banks • Looking at the adjusted R^2 provided in Table 5, the variables examined have an extremely low explanation of the relationships (less than 1%)
Negative significant relationship results		
Study – author(s) (year) and paper title	Measures used for Variables	Weakness / Limitations of that study?
Fanta, AB, Kemal, KS and Waka, YK (2013) *Corporate governance and impacts on banking performance*	**DVs** = ROE and =ROE **IVs** = Audit committee (AUDC), = Board size (BDSZ), = Bank Size (BKSZ), = Capital adequacy ratio (CAR)	ROE and ROA as weak DVs compared with ROCE.
Acharya, S (2018) *Improving corporate governance in Nepalese financial institutions to promote growth and performance*	**DVs** = ROA, IV = Non-performing loan to total loan,	Only analyse one sector (financial institutions) Narrow focused

	IVs = Loan to deposit, IV = Deposit to assets, IV = Operating expenses to interest income (OEII), IV = Operating expenses to total loan (OETL)	
Magar, TG Bohara, J, Thapa, K, Chapagain, KP and Sah, KK (2015) *Testing the relationship between corporate governance and bank performance- An empirical study on Nepalese commercial banks*	**DVs** = ROA, = ROE **IVs** = Leverage, = Total asset, = Number of directors on board, = Number of audit committees, = Total debts	ROCE is better measurement compared to ROA and ROE
Positive not significant relationship results		
Study – author(s) (year) and paper title	Measures used for Variables	Weakness / Limitations of that study?
Bhusal V, Luitel, S, Manandhar, S, Gautam, YR and Sapkota, B (2015) *Impact of corporate governance on firm performance: evidence from Nepalese commercial banks*	**DVs** = ROA, = ROE **IVs** = Foreign ownership, = Non-performing loan, = Board size, = Bank size, Control variable = Leverage	• 11 commercial banks • 110 observations • ROA and ROE as DV Study is limited to commercial banks in Nepal
Negative not significant relationship results		
Study – author(s) (year) and paper title	Measures used for Variables	Weakness / Limitations of that study?
Acharya, R, Shrestha, R, Bhandari, S, Limbu, P and Maharjan, S (2015) *Corporate governance and expected stock return in Nepal*	**DVs** = ROA, = ROE **IVs** = Board size, = Audit committee, = Firm size, = Board independence, = Debt to equity,	Study limited to 22 commercial banks in Nepal only
Shrestha, A, Maharjan, A, Joshi, A, Limbu, B, and Yadav, BN (2015) Role of corporate governance on the performance of Nepalese commercial banks.	**DVs** = ROA, = ROE**IVs** = Board size, = CEO duality, = Independent directors, = Audit committee, = Firm ownership, = Firm size, = Firm age, = Financial leverage, = Earnings per share	ROE ROA Study based on commercial banks only

Sen, PK and Garani, P (2015) *Does corporate governance (CG) reform necessarily enhance firm performance? Recent evidence from India*	**DV** = ROA **IVs** = Leverage ratio, = Interest coverage ratio, = Earnings per share	Results are **not clear** but the study focuses on healthy development of capital growth. There is no regression analysis reported for this study.

Table 2.2 Relationship - CSR and CFP (regression) (RQ4 and Ha2)

Positive significant relationship results		
Study – author(s) (year) and paper title	Measures used for variables	Weakness / Limitations of that study?
Galant, A and Cadez, S (2017) *Corporate social responsibility and financial performance relationship: A review of measurement approaches*	**DVs =** ROA, ROE **IVs** = Market value -Tobin's Q	Weak independent variables
Negative significant relationship results		
Study – author(s) (year) and paper title	Measures used for variables	Weakness / Limitations of that study?
Horn, R, De Klerk, M and de Villiers, CD (2018) *The association between corporate social responsibility reporting and firm value for South African firms*	**DVs** = ROA **IVs** = Average cash flow, = Expected future performance, = CFO, = Size	Dependent variable = CSR Study based on small group of African companies
Positive not significant relationship results		
Study – author(s) (year) and paper title	Measures used for variables	Weakness / Limitations of that study?
None		

Negative not significant relationship results		
Study – author(s) (year) and paper title	Measures used for variables	Weakness / Limitations of that study?
Johansson, S., Karlsson, A. and Hagberg, C. (2015), *The relationship between CSR and financial performance-A qualitative study examining Swedish publicly traded companies*	**DVs** = ROA **IVs** = CSR, TOBIN'S Q	• ROA is weak dependent variable compared with ROCE • Accounting based
Zhang J (2016), Does corporate social responsibility affect financial performance of listed manufacturing firms in Germany?	**DVs** = ROA, ROE **IVs** = Assets, R & D	Weak CSR measures Weak sample of CSR
Tyagi, AK and, Sharma, R (2013), *Corporate social performance (CSP) and corporate financial performance: A link for the Indian firms*	**DVs** = ROA, ROCE, RONW, OPM and EPS **IV** = CSP Index **Control variable** = firm size, = Industry sectors, = R&D expenses	Study limited to CSP to CFP relationship
Soana, MG (2011), *The relationship between corporate social performance and corporate financial performance in the banking sector*	**DVs =** Return on average assets (ROAA)= Return on average equity (ROAE)	When measuring CFP, ROCE is a more reliable measurement compared with ROAA and ROAE.

Table 2.3 Relationship – CG + CSR on CFP (RQ5 and Ha3*)*

Relationship - CG + CSR on CFP (RQ5 and Ha3)		
Study – author(s) (year) and paper title	Measures used for variables and results/ conclusions	Weakness / Limitations of that study?
Neal, R and Cochran, PL (2008) *Corporate social responsibility, corporate governance, and financial performance: Lessons from finance.*	A review of literature using various variables Compelling empirical evidence that corporate governance matters; but markets reward good governance and punish poor governance which, in turn, is integral to corporate social responsibility.	Review of literature - no new empirical evidence

Appendix 3: Details of sample companies listed in Nepal Stock Exchange (NEPSE)

Table 3.1 Summary of listed banking and non-banking companies

Total listed companies based on sector	Class	Number of listed companies	Number of companies taken into study	Percentage of industry included in study's data
Companies reporting to both Nepal Rastra Bank (central bank of Nepal) and Office of Company Registrar as per Companies Act 2006 (Sections 108 and 109) and Bank and Financial Institutions Act 2063 (2006)				
Commercial Bank	A	27	27	100%
Development Bank	B	33	32	97%
Finance	C	27	19	70%
Microfinance	D	41	37	90%
Total number of companies reporting under Company Registrar as per Companies Act 2006 (Sections 108 and 109) and Bank and Financial Institutions Act 2063 (2006)		**128**	**115**	**90%**
Companies reporting to Office of Company Registrar as per Companies Act 2006 (Section 108 and 109)				
Manufacturing and processing		19	0	0%
Life insurance		7	7	100%
Non-life insurance		15	15	100%
Hotels		4	0	0%
Hydroelectric		27	18	67%
Trading		4	0	0%
Pref Stock		1	0	0%
Others		4	0	0%
Mutual funds		13	0	0%
Total companies listed/number thereof		94	40	43%
Total listed companies in NEPSE as of 25/4/2019		**222**	**155**	**69.82%**

Table 3.2 Details of listed commercial banks (27)

	Stock symbol	Class	Company name	Year established (base year 2016)	Age (years in business)	Total number of listed shares	Paid-up value NRS	Total paid-up capital A$	Size (total assets) A$
1	*ADBL*	*A*	*Agriculture Development Bank Limited*	*1968*	*48*	*90,155,288*	*100*	*106,116,232.06*	*1,394,711,177*
2	*BOKL*	*A*	*Bank of Kathmandu Ltd.*	*1995*	*21*	*80,631,016*	*100*	*88,245,737.99*	*993,732,867*
3	*CCBL*	*A*	*Century Commercial Bank Ltd.*	*2011*	*8*	*84,154,720*	*100*	*100,604,301.93*	*402,670,031*
4	*CZBIL*	*A*	*Citizen Bank International Limited*	*2007*	*12*	*83,704,853*	*100*	*100,176,668.75*	*686,987,094*
5	*CBL*	*A*	*Civil Bank Ltd*	*2014*	*5*	*80,033,896*	*100*	*905,71,559.58*	*496,714,014*
6	*EBL*	*A*	*Everest Bank Limited*	*1994*	*25*	*80,268,637*	*100*	*100,148,018.71*	*1,420,898,895*
7	*GBIME*	*A*	*Global IME Bank Limited*	*2014*	*5*	*103,105,160*	*100*	*110,896,764.82*	*1,094,214,727*
8	*HBL*	*A*	*Himalayan Bank Limited*	*1993*	*26*	*85,202,559*	*100*	*101,237,767.94*	*1,245,951,442*
9	*JBNL*	*A*	*Janata Bank Nepal Ltd.*	*2010*	*9*	*80,007,858*	*100*	*99,822,655.02*	*335,301,472*
10	*KBL*	*A*	*Kumari Bank Limited*	*2001*	*18*	*86,856,160*	*100*	*89,374,858.39*	*529,214,066*
11	*LBL*	*A*	*Laxmi Bank Limited*	*2002*	*17*	*89,205,088*	*100*	*102,581,016.26*	*682,010,789*
12	*MBL*	*A*	*Machhapuchhre Bank Limited*	*2012*	*7*	*80,556,715*	*100*	*100,507,442.30*	*741,802,468*
13	*MEGA*	*A*	*Mega Bank Nepal Ltd*	*2010*	*9*	*105,945,355*	*100*	*130,872,078.6*	*497,394,041*
14	*NABIL*	*A*	*Nabil Bank Limited*	*1984*	*33*	*90,048,000*	*100*	*100,294,479.1*	*1,592,256,509*
15	*NBB*	*A*	*Nepal Bangladesh Bank Limited*	*1994*	*25*	*80,921,476*	*100*	*100,962,540.24*	*582,461,053*
16	*NBL*	*A*	*Nepal Bank Limited*	*1937*	*82*	*80,359,548*	*100*	*122,409,831.57*	*1,291,073,413*
17	*NCCB*	*A*	*Nepal Credit and Commercial Bank Limited*	*1996*	*23*	*70,185,876*	*100*	*87,568,150.97*	*428,556,250*
18	*NIB*	*A*	*Nepal Investment Bank Limited*	*1986*	*33*	*125,618,064*	*100*	*132,581,855.27*	*1,619,247,727*
19	*SBI*	*A*	*Nepal SBI Bank Limited*	*1993*	*26*	*84,492,504*	*100*	*100,398,069.87*	*979,605,057*
20	*NICA*	*A*	*NIC Asia Bank Ltd.*	*2013*	*6*	*88,342,287*	*100*	*100,201,082.97*	*1,003,824,326*
21	*NMB*	*A*	*NMB Bank Limited*	*2015*	*4*	*96,181,624*	*100*	*109,092,753.59*	*944,258,876*
22	*PEVU*	*A*	*Prabhu Bank Limited*	*2014*	*5*	*88,926,640*	*100*	*102731912.66*	*852,628,560*
23	*PCBL*	*A*	*Prime Commercial Bank Ltd.*	*2007*	*12*	*93,186,264*	*100*	*100,228,306.92*	*678,714,572*
24	*SANIMA*	*A*	*Sanima Bank Limited*	*2012*	*7*	*80,012,554*	*100*	*99,828,514.04*	*698,247,757*
25	*SBL*	*A*	*Siddhartha Bank Limited*	*2002*	*17*	*88,876,045*	*100*	*105,599,990.02*	*933,578,661*
26	*SCB*	*A*	*Standard Chartered Bank Limited*	*1987*	*32*	*80,114,306*	*100*	*563,748,828.25*	*813,296,725*
27	*SRBL*	*A*	*Sunrise Bank Limited*	*2007*	*12*	*81,525,571*	*100*	*101,716,245.79*	*730,620,163*

Table 3.3 Details of listed company name of development banks (32)

	Stock symbol	Class	Company name	Year established	Age (years in business)	Total number of listed shares	Paid-up value NRS	Total paid-up capital A$	Size (total assets) A$
1	*BHBL*	*B*	*Bhargav Bikash Bank Ltd*	*2007*	*12*	*5,016,002*	*100*	*6,258,268.25*	*$21,364,647.99*
2	*CORBL*	*B*	*Deva Bikas Bank Limited*	*2015*	*4*	*26,730,328*	*100*	*33,412,761.07*	*$108,909,666.40*
3	*DBBL*	*B*	*Excel Development Bank Ltd.*	*/2005*	*14*	*6,926,740*	*100*	*8,642,220.84*	*$52,368,334.72*
4	*EDBL*	*B*	*Gandaki Bikas Bank Limited*	*/2005*	*14*	*27,499,993*	*100*	*34,310,658.76*	*$167,696,068.13*
5	*GDBL*	*B*	*Garima Bikas Bank Limited*	*2005*	*14*	*27,883,680*	*100*	*34,789,369.93*	*$131,988,015.32*
6	*GBBL*	*B*	*Green Development Bank Ltd.*	*2013*	*6*	*5,000,000*	*100*	*6,238,303.18*	*$5,425,918.84*
7	*GRDBL*	*B*	*Hamro Bikas Bank Ltd*	*2009*	*10*	*4,922,395*	*100*	*6,141,478.48*	*$15,234,717.12*
8	*HAMRO*	*B*	*Jyoti Bikas Bank Limited*	*2008*	*11*	*26,022,676*	*100*	*44,155,757.16*	*$111,264,524.84*
9	*JBBL*	*B*	*Kabeli Bikas Bank Limited*	*2016*	*3*	*2,842,970*	*100*	*3,547,061.76*	*$9,626,703.06*
10	*KEBL*	*B*	*Kailash Bikas Bank Ltd*	*2012*	*7*	*22,914,872*	*100*	*28,589,983.78*	*$221,481,939.51*
11	*KBBL*	*B*	*Kamana Sewa Bikas Bank Limited*	*2007*	*12*	*25,026,555*	*100*	*31,448,981.91*	*$99,126,376.04*
12	*KSBBL*	*B*	*Kanchan Development Bank Limited*	*2009*	*10*	*5,059,904*	*100*	*6,313,043.04*	*$28,254,806.11*
13	*KADBL*	*B*	*Kankai Bikas Bank Ltd.*	*2007*	*12*	*4,710,000*	*100*	*5,876,481.60*	*$18,283,474.88*
14	*KNBL*	*B*	*Karnali Development Bank Limited*	*2004*	*15*	*1,630,800*	*100*	*2,034,684.97*	*$25,036,267.45*
15	*KRBL*	*B*	*Lumbini Bikas Bank Ltd.*	*2017*	*2*	*20,088,785*	*100*	*25,063,986.28*	*$92,922,866.69*
16	*LBBL*	*B*	*Mahalaxmi Bikas Bank Ltd.*	*2016*	*3*	*28,445,012*	*100*	*35,489,721.77*	*$56,907,130.74*
17	*MLBL*	*B*	*Mission Development Bank Ltd*	*2010*	*9*	*4,327,335*	*100*	*5,399,045.54*	*$29,823,167.10*
18	*MIDBL*	*B*	*Miteri Development Bank Limited*	*2006*	*13*	*5,000,017*	*100*	*6,238,324.39*	*$33,693,108.60*
19	*MNBBL*	*B*	*Muktinath Bikas Bank Ltd*	*2007*	*12*	*25,917,632*	*100*	*32,336,409.23*	*$161,406,766.14*
20	*NABBC*	*B*	*Nepal Community Development Bank Ltd.*	*2010*	*9*	*5,263,770*	*100*	*6,567,398.63*	*$19,008,209.18*
21	*NCDB*	*B*	*NIDC Development Bank Ltd.*	*1959*	*59*	*2,978,784*	*100*	*297,878,400*	*$69,545,610.88*
22	*NIDC*	*B*	*Om Development Bank Ltd.*	*2017*	*2*	*25,151,863*	*100*	*31,380,989.39*	*$170,257,466.50*
23	*ODBL*	*B*	*Sahara Bikas Bank Ltd.*	*2004*	*15*	*729,948*	*100*	*910,727.39*	*$7,270,031.39*
24	*PURBL*	*B*	*Purnima Bikas Bank Ltd.*	*/2008*	*11*	*4,404,825*	*100*	*5,495,726.76*	*$33,181,247.11*
25	*SHBL*	*B*	*Sahayogi Bikas Bank Limited*	*2003*	*16*	*20,088,785*	*100*	*6,358,929.51*	*$39,413,961.32*
26	*SBBLJ*	*B*	*Saptakoshi Development Bank Ltd.*	*2012*	*7*	*4,853,000*	*100*	*6,054,897.07*	*$8,077,754.21*
27	*SKDBL*	*B*	*Shangrila Development Bank Ltd.*	*2014*	*5*	*25,063,860*	*100*	*31,271,191.52*	*$149,212,958.65*
28	*SADBL*	*B*	*Shine Resunga Development Bank Ltd*	*2013*	*6*	*16,226,303*	*100*	*20,244,919.53*	*$121,761,252.05*
29	*SHINE*	*B*	*Sindhu Bikash Bank Ltd*	*2010*	*9*	*5,000,273*	*100*	*6,238,643.79*	*$16,925,106.53*

	Stock symbol	Class	Company name	Year established	Age (years in business)	Total number of listed shares	Paid-up value NRS	Total paid-up capital A$	Size (total assets) A$
30	SINDU	B	Tinau Development Bank Limited	2006	13	4,608,500	100	5,749,844.04	$46,933,034.55
31	TNBL	B	Tourism Development Bank Limited	2009	10		100		$123,269,395.52
32	WDBL	B	Western Development Bank Limited	/2005	14	5,040,681	100	6,289,059.26	$30,245,161.57

Table 3.4 Details of listed finance companies (19)

	Stock symbol	Class	Company name	Year established	Age (years in business)	Total number of listed shares	Paid-up value NRS	Total paid-up capital A$	Size (total assets) A$
1	BFC	C	Best Finance Company Ltd.	1996	23	8,100,000	100	10,106,051.15	1,029,711.49
2	CFCL	C	Central Finance Co. Ltd.	1997	22	8,234,943	100	10,274,414.22	29,859,372.11
3	GFCL	C	Goodwill Finance Co. Ltd.	1995	24	7,999,700	100	9,980,910.79	59,858,578.95
4	GMFIL	C	Guheshowori Merchant Bank & Finance Co. Ltd.	2002	17	7,999,998	100	9,981,282.60	30,200,046.28
5	GIFL	C	Gurkhas Finance Ltd.	1994	25	8,679,937	100	10,829,615.72	53,413,749.22
6	HATH	C	Hathway Finance Company Limited	1995	24	3,000,000	100	3,742,981.91	1,810,563.29
7	IFCA	C	ICFC Finance Limited	2004	15	8,822,000	100	11,006,862.13	108,983,764.75
8	JFL	C	Janaki Finance Ltd	1997	22	4,921,403	100	6,140,240.80	24,285,160.74
9	JEFL	C	Jebils Finance Ltd.	2009	10	8,090,776	100	10,094,542.73	16,428,231.32
10	LFC	C	Lalitpur Finance Ltd.	1995	24	1,878,697	100	2,343,976.29	3,220,810.98
11	MFIL	C	Manjushree Finance Ltd.	2007	12	8,041,000	100	10,032,439.18	37,619,871.17
12	MPFL	C	Multipurpose Finance Company Limited	1998	20	415,736	100	518,697.44	2,655,404.37
13	NBSL	C	Namaste Bittiya Sanstha Ltd.	2007	12	375,000	100	467,872.74	5,842,544.60
14	PFL	C	Pokhara Finance Ltd.	1997	22	8,573,726	100	10,697,100.44	47,473,140.31
15	RLFL	C	Reliance Finance Ltd.	2014	5	7,432,288	100	9,272,973.18	38,269,420.74
16	SIFC	C	Shree Investment Finance Co. Ltd.	1995	24	8,001,394	100	9,983,024.33	27,329,479.18
17	SFFIL	C	Shrijana Finance (Bittaya Sanstha)	1999	20	4,007,800	100	5,000,374.30	32,608,289.39
18	SYFL	C	Synergy Finance Ltd.	2012	7	4,744,090	100	5919014.35	36,641,846.54

	Stock symbol	Class	Company name	Year established	Age (years in business)	Total number of listed shares	Paid-up value NRS	Total paid-up capital A$	Size (total assets) A$
19	*UFL*	*C*	*United Finance Ltd.*	*1996*	*23*	*8,005,079*	*100*	*9,987,621.96*	*67,028,631.03*

Table 3.5 Details of listed microfinance companies (38)

	Stock symbol	Class	Company name	Year established	Age (years in business)	Total number of listed shares	Paid-up value NRS	Total paid-up capital A$	Size (total assets) A$
1	*NUBL*	*D*	*Arambha Microfinance Bittiya Sanstha Ltd.*	*2015*	*4*	*6000,000*	*100*	*748,596.38*	*1,304,688.13*
2	*CBBL*	*D*	*Chhimek Laghubitta Bikas Bank Limited*	*2001*	*18*	*10,000,218*	*100*	*12,476,878.35*	*156,261,042.10*
3	*SKBBL*	*D*	*Civil Laghubitta Bittiya Sanstha Ltd.*	*2012*	*7*	*1,097,250*	*100*	*1,368,995.63*	*5,303,842.99*
4	*NLBBL*	*D*	*Deprosc Laghubitta Bittiya Sanstha Limited*	*2001*	*18*	*7,734,101*	*100*	*9,649,537.12*	*55,522,119.48*
5	*MLBBL*	*D*	*First Microfinance Development Bank Ltd.*	*2009*	*10*	*6,844,937*	*100*	*8,540,158.45*	*38,375,535.21*
6	*NNBL*	*D*	*Forward Community Microfinance Bittiya Sanstha Ltd.*	*2013*	*6*	*3,002,000*	*100*	*3,745,477.23*	*64,860,926.01*
7	*SMFDB*	*D*	*Global IME Laghubitta Bittiya Sanstha Ltd.*	*2013*	*6*	*1,104,575*	*100*	*1,378,134.75*	*6,451,884.13*
8	*NBBL*	*D*	*Grameen Bikas Laghubitta Bittiya Sanstha Ltd.*	*2014*	*5*	*9,825,000*	*100*	*12258265.75*	*95,596,921.09*
9	*FMDBL*	*D*	*Janautthan Samudayic Laghubitta Bikas Bank Ltd.*	*2010*	*9*	*288,000*	*100*	*359,326.26*	*4,849,699.44*
10	*CLBSL*	*D*	*Kalika Microcredit Development Bank Ltd.*	*2010*	*9*	*1,000,000*	*100*	*1,247,660.64*	*6,768,553.40*
11	*MMFDB*	*D*	*Kisan Microfinance Bittiya Sanstha Ltd.*	*2013*	*6*	*720,750*	*100*	*899,251.40*	*5,907,937.45*
12	*KMCDB*	*D*	*Laxmi Laghubitta Bittiya Sanstha Ltd.*	*2012*	*7*	*2,420,000*	*100*	*3,019,338.74*	*19,252,260.25*
13	*WOMI*	*D*	*Mahila Sahayatra Microfinance Bittiya Sanstha Ltd.*	*2012*	*7*	*1,210,000*	*100*	*1,509,669.37*	*4,894,362.35*
14	*JSLBB*	*D*	*Mahuli Samudayic Laghubitta Sanstha Ltd.*	*2013*	*6*	*600,000*	*100*	*748,596.38*	*13,328,781.35*
15	*LLBS*	*D*	*Mero Microfinance Bittiya Sanstha Ltd.*	*2013*	*6*	*3,289,000*	*100*	*4,103,555.83*	*25,995,645.86*
17	*MSMBS*	*D*	*Mirmire Microfinance Development Bank Ltd.*	*2010*	*9*	*1,039,585*	*100*	*1,297,049.28*	*5,890,162.08*
18	*KMFL*	*D*	*Mithila LaghuBitta Bikas Bank Ltd.*	*2009*	*10*	*660,779*	*100*	*824,427.95*	*3,900,086.69*
19	*VLBS*	*D*	*Nagbeli Laghubitta Bikas Bank Ltd.*	*2010*	*9*	*1,533,926*	*100*	*1,913,819.09*	*7,561,258.59*
20	*FOWAD*	*D*	*National Microfinance Bittiya Sanstha Ltd.*	*2014*	*5*	*1,504,000*	*100*	*1,751,715.53*	*12,345,293.21*
21	*NMBMF*	*D*	*Naya Nepal Laghubitta Bikas Bank Ltd.*	*2009*	*10*	*840,000*	*100*	*1,048,034.93*	*2,218,374.26*
22	*MSLB*	*D*	*Nepal Sewa Laghubitta Bittiya Sanstha Ltd.*	*2013*	*6*	*600,000*	*100*	*748,596.38*	*95,596,921.09*

	Stock symbol	Class	Company name	Year established	Age (years in business)	Total number of listed shares	Paid-up value NRS	Total paid-up capital A$	Size (total assets) A$
23	*GILB*	*D*	*Nerude Laghubitta Bikas Bank Limited*	*2007*	*12*	*3,458,799*	*100*	*4,315,407.36*	*30,266,281.01*
24	*SLBS*	*D*	*Nirdhan Utthan Bank Limited*	*1997*	*22*	*12,000,000*	*100*	*14,971,927.64*	*147,695,256.59*
25	*MERO*	*D*	*NMB Microfinance Bittiya Sanstha Ltd.*	*2013*	*6*	*1,620,750*	*100*	*2,022,145.98*	*3,018,615.10*
26	*RSDC*	*D*	*RSDC Laghubitta Bittiya Sanstha Ltd.*	*1999*	*20*	*6,335200*	*100*	*7,904,179.66*	*9,541,105.76*
27	*RMDC*	*D*	*RMDC Laghubitta Bittiya Sanstha Ltd.*	*1999*	*20*	*7,993,986*	*100*	*9,973,781.66*	*83,413,806.46*
28	*NMFBS*	*D*	*Samata Microfinance Bittiya Sanstha Ltd.*	*2013*	*6*	*569,800*	*100*	*7,904,179.66*	*3,171,128.30*
29	*GBLBS*	*D*	*Sana Kisan Bikas Bank Ltd*	*2002*	*17*	*6,288,280*	*100*	*7,845,639.43*	*148,854,068.02*
30	*GLBSL*	*D*	*Summit Microfinance Development Bank Ltd.*	*2009*	*10*	*1,701,430*	*100*	*2,122,807.24*	*11,354,750.33*
31	*DDBL*	*D*	*Support Microfinance Bittiya Sanstha Ltd.*	*2014*	*5*	*600,000*	*100*	*748,596.38*	*16,30,721.43*
32	*RMDC*	*D*	*Suryodaya Laghubitta Bittiya Sanstha Ltd.*	*2013*	*6*	*756,000*	*100*	*943,231.44*	*6,531,471.37*
33	*SWBBL*	*D*	*Swabalamban Bikas Bank Limited*	*2002*	*17*	*6,288,600*	*100*	*7,846,395.51*	*96,510,168.43*
34	*SWBBL*	*D*	*Swadeshi Laghubitta Bittiya Sanstha Ltd.*	*2014*	*5*	*2,3000,000*	*100*	*2,869,619.46*	*11,871,648.16*
35	*NSEWA*	*D*	*Swarojgar Laghu Bitta Bikas Bank Ltd.*	*2009*	*10*	*2,694,951*	*100*	*3,362,384.28*	*8,996,254.90*
36	*AMFI*	*D*	*Unnati Micorfinance Bittiya Sanstha Ltd.*	*2013*	*6*	*882,750*	*100*	*1,101,372.43*	*3,510,834.47*
37	*SMB*	*D*	*Vijaya laghubitta Bittiya Sanstha Ltd.*	*2012*	*7*	*1,948,000*	*100*	*2,430,442.92*	*8,018,688.18*
38	*SDESI*	*D*	*Womi Microfinance Bittiya Sanstha Ltd.*	*2012*	*7*	*1,010,880*	*100*	*1,262,482.84*	*5,672,039.93*

Table 3.6 Details of hydropower companies (18)

	Stock symbol	Class	Company name	Year established	Age (years in business)	Total number of listed shares	Paid-up value NRS	Total paid-up capital A$	Size (total assets) A$
1	*API*		*API Power Company Ltd.*	*2013*	*6*	*1,1340,000*	*100*	*14,148,471.62*	*23,451,406.87*
2	BARUN		*Arun Kabeli Power Ltd.*	*2011*	*8*	*15,000,000*	*100*	*18,714,909.54*	*27,252,453.35*
3	*BPCL*		*Arun Valley Hydropower Development Co. Ltd.*	*1998*	*22*	*9,330,123*	*100*	*11,640,827.20*	*11,055,789.17*
4	*CHCL*		*Barun Hydropower Co. Ltd.*	*2009*	*10*	*2,551,500*	*100*	*3,183,406.11*	*$6,176,628.16*
5	*DHPL*		*Butwal Power Company Limited*	*1966*	*53*	*18,105,999*	*100*	*22,590,142.23*	*62,395,265.49*
6	*GHL*		*Chhyangdi Hydropower Ltd.*	*2014*	*5*	*2,700,000*	*100*	*3,368,683.72*	*5,760,703.86*
7	*KKHC*		*Chilime Hydropower Company Limited*	*1995*	*25*	*39,651,131*	*100*	*49,471,155.33*	*163,802,491.92*
8	*NHPC*		*Dibyashwori Hydropower Ltd.*	*2007*	*12*	*2,640,000*	*100*	*3,293,824.08*	*9,185,090.46*
9	*NGPL*		*Himalayan Power partner Ltd.*	*2013*	*6*	*9,900,000*	*100*	*12,351,840.30*	*19,473,102.82*
10	*RADHI*		*Khanikhola Hydropower Co. Ltd.*	*2012*	*7*	*4,657,143*	*100*	*5,810,534.00*	*14,687,184.04*
11	*RHPC*		*National Hydropower Company Limited*	*1990*	*29*	*13,851862*	*100*	*17,282,422.96*	*14,054,028.80*
12	*SHPC*		*Nepal Hydro Developers Ltd.*		*12*	*2,600,000*	*100*	*3,243,917.65*	*8,330,917.53*
13	*UMHL*		*Ngadi Group Power Ltd.*		*12*	*5,355,548*	*100*	*6,681,906.43*	*11,849,326.41*
14	*UPPER*		*Radhi Bidhyut Company Ltd.*	*2014*	*13*	*4,510,000*	*100*	*5,626,949.47*	*9,148,755.07*
15	*SPDL*		*Ridi Hydropower Development Company Ltd.*	*2000*	*18*	*5,327,002*	*100*	*6,646,290.70*	*6,192,663.31*
16	*MHNL*		*Sanima Mai Hydropower Ltd*	*1999*	*8*	*21,100,000*	*100*	*26,325,639.43*	*56,955,064.00*
17	*PMHPL*		*Synergy Power Development Ltd.*	*2006*	*12*	*7,000,000*	*100*	*8,733,624.45*	*16,841,454.01*
18	*JOSHI*		*United Modi Hydropower Ltd*	*2007*	*11*	*11,500,000*	*100*	*14,348,097.32*	*28,109,971.37*

Table 3.7 Details of life insurance companies (7)

	Stock symbol	Class	Company name	Year established	Age (years in business)	Total number of listed shares	Paid-up value NRS	Total paid-up capital A$	Size (total assets) A$
1	*ALICL*		*Asian Life Insurance Company Ltd.*	*2008*	*11*	*12567,255*	*100*	*15,679,669.37*	*$111,701,864.52*
2	*KPCL*		*Gurans Life Insurance Company Ltd.*	*2008*	*11*	*5,940,000*	*100*	*15,679,669.37*	*$39,863,438.88*
3	*GLICL*		*Life Insurance Co. Nepal*	*/2001*	*18*	*13,346,775*	*100*	*6,163,443.54*	*$366,365,609.63*
4	*LICN*		*National Life Insurance Co. Ltd.*	*1988*	*31*	*26,497,273*	*100*	*16,652,245.79*	*$204,312,962.28*
5	*NLICL*		*Nepal Life Insurance Co.*	*2001*	*18*	*43,969,286*	*100*	*33,059,604.49*	*$453,039,976.84*
6	*NLIC*		*Prime Life Insurance Company Limited*	*2007*	*12*	*17,848,350*	*100*	*54,858,747.35*	*$69,935,926.66*
7	*PLIC*		*Surya Life Insurance Company Limited*	*2008*	*11*	*11,319,000*	*100*	*22,268,683.72*	*$34,842,860.44*

Table 3.8 Details of non-life insurance companies (15)

	Stock symbol	Class	Company name	Year established	Age (years in business)	Total number of listed shares	Paid-up value NRS	Total paid-up capital A$	Size (total assets) A$
1	*SLICL*		*Everest Insurance Co. Ltd*	*1994*	*25*	*3,418,378.04*	*100*	*14,122,270.74*	*$10,924,840.92*
2	*EIC*		*Himalayan General Insurance Co. Ltd.*	*1993*	*26*	*12,815,970.06*	*100*	*12,815,970.06*	*$17,185,007.95*
3	*HGI*		*IME General Insurance Co. Ltd*	*2001*	*18*	*10,979,413.60*	*100*	*10,979,413.60*	*$8,766,288.48*
4	*LGIL*		*Lumbini General Insurance Co. Ltd.*	*2005*	*14*	*12127261.38*	*100*	*12,127,261.38*	*$17,944,919.79*
5	*IGI*		*Neco Insurance Co. Ltd.*	*1994*	*25*	*14675957.58*	*100*	*14,675,957.58*	*$16,582,827.06*
6	*NIL*		*Nepal Insurance Co. Ltd.*	*1947*	*72*	*7706038.68*	*100*	*7,706,038.68*	*$19,223,335.95*
7	*NICL*		*NLG Insurance Company Ltd.*	*2005*	*14*	*7,990,093.57*	*100*	*7,990,093.57*	*$25,892,817.27*
8	*NLG*		*Prabhu Insurance Ltd.*	*1996*	*24*	*12,539,937.62*	*100*	*12,539,937.62*	*$20,892,075.91*
9	*PRIN*		*Premier Insurance Co. Ltd.*	*1994*	*26*	*7,286,338.12*	*100*	*7,286,338.12*	*$19,297,211.79*
10	*PIC*		*Prudential Insurance Co. Ltd.*	*2000*	*19*	*8,003,992.51*	*100*	*8,003,992.51*	*$19,159,243.38*
11	*PICL*		*Rastriya Beema Company Limited*	*1967*	*52*	*3,326,749.84*	*100*	*3,326,749.84*	*$48,513,275.11*
12	*RBCL*		*Sagarmatha Insurance Co. Ltd.*	*1996*	*23*	*6,717,305.05*	*100*	*6,717,305.05*	*$32,337,256.68*
13	*SIC*		*Shikhar Insurance Co. Ltd.*	*2004*	*15*	*13,191,648.16*	*100*	*13,191,648.16*	*$33,214,285.13*
14	*SICL*		*Siddhartha Insurance Ltd.*	*2006*	*13*	*10,803,723.02*	*100*	*10,803,723.02*	*$23,164,374.88*
15	*SIL*		*United Insurance Co. (Nepal) Ltd.*	*1993*	*25*	*3,772,925.76*	*100*	*3,772,925.76*	*$2,836,496.44*

Appendix 4: Summary of events between 2013 to 2016 in Nepal

Table 4.1 Event summaries

Year	Event that led to unstable economy or interrupted business environment	Effect on the financial performance of companies	Source/Reference
2016			
2016	Improved electricity capacity during the year	No load sharing on power supply to improve productivity	
5/2/2016	Four months of blockade by India ended	Life came back to normal, business operation resumes.	http://annanote.com/news/2974/Top-seven-events-of-Nepal-in-2016
2015			
25/04/2015	Nepal hit by severe earthquake	Killing 9000 people, injuring 22,000 and extensive damage to infrastructure	
20/9/2015	Issued new constitution for Nepal	Set up new milestones towards political stability	
23/09/2015	India blockades Nepal for two months	Lack of fuel, food, medicine, construction materials, and political unrest	https://blogs.wsj.com/indiarealtime/.../the-two-month-blockade-of-nepal-explained/
2014			
14/10/2014	Snow storm disaster	Worst disaster in Nepal killing 43 people; affecting tourism industry	https://en.wikipedia.org/wiki/2014_Nepal_snowstorm_disaster
2/8/2014	Land slide and flood in central Nepal	53 people dead and 34,760 families displaced by flood that blocks the link between Nepal and China. Also affects hydroelectric production from two of the plants.	https://reliefweb.int/report/nepal/nepal-and-india-landslides-and-floods-information-bulletin-n-1

Year	Event that led to unstable economy or interrupted business environment	Effect on the financial performance of companies	Source/Reference
November 2014	Nepal and India sign a deal to build a $1bn hydropower plant on Nepal's Arun River to counter crippling energy shortages.	Additional electricity supply in coming years	http://www.bbc.com/news/world-south-asia-12499391
2013			
19/11/2013	Constituent Assembly (CA) Election	Uncertainty in share market that led to lack of confidence in shareholders' investment decisions	http://www.bbc.com/news/world-south-asia-12499391
	Political instability	Firms in Nepal are more likely to rate political instability to be the biggest obstacle to their daily operations.	
	Tourist arrivals down by 0.7%		
	Monsoon flood in Nepal	Loss of life and property	
	Lack of electricity supply to industry and businesses	Effects on capacity of business operation influences financial performance	

Table 4.2 Summary statement to justify why FY 2015-16 (annual reports) have been used

2013 Due to political instability, monsoon flood and lack of electricity and other supplies, 2013was not easy year for Nepal. Many businesses rate the political instability to be the biggest obstacle to their daily operations. In November 2013, Nepal held Constituent Assembly elections for the second time. Changing a government every few months and holding election after election caused operational difficulties for many businesses. Natural disasters, especially earthquake and flood, are common in Nepal. During June, Nepal was hit hard with a monsoon flood in the western and middle part of the country interrupting transportation and business activities. Many lives were lost, many people were displaced and many businesses interrupted. Flood also caused extensive damage to infrastructure. During the year, Nepal experienced a lack of electricity supply to both businesses and households. This shortage of electricity supply also affected productivity. Nepal's economy is based on tourism. Due to the political instability, monsoon flood and electricity shortages, the number of tourists to visit Nepal dropped by 0.70% during the year. Therefore, throughout 2013 businesses in Nepal could not operate effectively and consequently suffered negative financial performance.
2014 In August, central Nepal was hit by landslides and floods. 53 people were killed and 34,760 families displaced by floods that blocked the link between China and Nepal. Two hydroelectric stations in that region were damaged which affected electricity supply. Then in October Nepal was hit by disastrous snow storms killing 43 people, including tourists, consequently affecting tourism. In November, Nepal and India signed a deal to build a 1-billion-dollar hydropower plant on the Arun River, one of the major rivers. This project will help to meet demand for electricity in the future. Therefore, 2014 also did not reflect the true financial performance of companies operating in Nepal due to natural disasters and political instability.
2015 In the beginning of 2015 Nepal still had political instability. There were uncertainties around issuing a new constitution for Nepal. During April and May 2015, Nepal was hit by a monster earthquake which killed 9,000 people, injured 22,000 and displace a number of people. Thousands of Nepalese families in mid and western parts of Nepal became homeless. Many schools, houses, roads and other major infrastructure were damaged. There was a glimpse of hope in September when Nepal managed to introduce a new constitution. Nepalese people had big hopes for peace and stability following the new constitution; but India imposed an undeclared blockade to Nepal showing dissatisfaction with the constitution supporting few political parties based in the

southern part of country. In that year, the government of Nepal became more unstable and life in Nepal became difficult without gas, electricity and supplies, including medicines. Tourist numbers dropped which impacted normal life in Nepal. This environment certainly did not help businesses.

2016

Year 2016 became more consistent, stable and more productive compared with other years. Due to stable political direction, social and economic life started to normalise in Nepal. Most importantly, the four-month blockade by India ended in February. Regular supplies of gas and other supplies brought life back to normal. The new constitution set up new milestones towards political stability. The Nepal government, non-government organisations and the people of Nepal worked hard to bring life to normalcy and 2016 showed positive signs of improvement. Business operations resumed across the country. Most importantly, during 2016 the electricity supply became smooth helping business to operate without interruption and contributing to efficient financial performance. Therefore, the main reasons to include data from 2016 in this research project are political stability, reliable electricity supply, improved relationship between India and Nepal and recovery from natural disasters. In comparison with 2013, 2014 and 2015, the environment in 2016 is more stable and data is more reliable.

Reference list

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Note: Fiscal year in Nepal commences 16 July and ends 15 July.

Appendix 5 Describing statistics for categorical variables

Table 5.1 CG Disclosure categories

Disclosure levels	N	Percentage
0	1	0.6%
1	12	6.6%
2	11	6.1%
3	27	14.9%
4	103	56.9%
Missing data	27	14.9%
	181	100.00%

Table 5.2 Disclosure Level 1 categories

Disclosure levels	N	Percentage
0	13	7.2%
1	20	11.0%
2	66	36.5%
3	56	30.9%
Missing data	26	14.4%
	181	100.00%

Table 5.3 Disclosure Level 2 categories

Disclosure levels	N	Percentage
0	13	7.2%
1	42	23.2%
2	61	33.7%
3	39	21.5%
Missing data	26	14.4%
	181	100.00%

Table 5.4 Under the Banking Act categories

Under Banking Act (No = 0, yes = 1)	N	Percentage
0	43	23.8%
1	124	68.5%
Missing data	14	7.7%
	181	100.00%

Table 5.5 Extent of financial transparency categories

Transparency levels	N	Percentage
0	36	19.9%
1	6	3.3%
2	113	62.4%
Missing data	26	14.4%
	181	100.00%

Table 5.6 Contribution of activities to culture and social values categories

Culture and social values activities' levels	N	Percentage
0	55	30.3%
1	7	3.9%
2	59	32.6%
3	25	13.8%
4	9	5.0%
Missing data	26	14.4%
	181	100.00%

Table 5.7 Disclosure of jobs categories

Disclosure levels of jobs availability	N	Percentage
0	24	13.3%
1	6	3.3%
2	8	4.4%
3	16	8.8%
4	101	55.8%
Missing data	26	14.4%
	181	100.00%

Table 5.8 Reduce poverty efforts categories

Poverty reduction activity efforts	N	Percentage
0	28	15.5%
1	37	20.4%
2	19	10.5%
3	24	13.2%
4	22	12.2%
5	25	13.8%
Missing data	26	14.4%
	181	100.00%

Appendix 6 Results of t-test for reported CG and CSR practices between the banking and non-banking sectors

Table 6.1 Group statistics

	Banking Act Y = 1, N = 0	N	Mean	Std. Deviation	Std. Error Mean
Firm size (control variable)	1	114	$247.91	$399.22	$37.39
	0	40	$47.95	$92.09	$14.38
Business age (control variable)	1	114	13.45	11.224	1.051
	0	40	19.8	23.267	3.634
Audit committee size (CG Variable)	1	103	2.65	1.377	0.136
	0	39	1.87	1.525	0.244
Leverage (CG Variable)	1	114	7.23	3.06	0.29
	0	40	1.39	2.04	0.32
Professional qualifications (CG Variable)	1	114	1.15	2.377	0.223
	0	40	1.17	2.489	0.389
Board size (CG Variable)	1	113	6.5	1.783	0.168
	0	40	6.34	2.117	0.331
Tax contribution (CSR Legal domain)	1	114	5742.35	6314.47	591.40
	0	40	2336.48	3827.79	597.80
Motivational Payments to Employees (CSR Economic domain)	1	114	4,408,371.90	9189645.52	860689.16
	0	40	924,787.73	1149759.73	179562.30
Extent of financial transparency	1	114	1.57	0.798	0.075
	0	40	1.29	0.955	0.149
Donation culture and social values (CSR Ethical domain)	1	110	0.000031	0.000099	0.000009
	0	40	0.00022	0.00061	0.00010
Activities contributing to culture and social values	1	114	1.6	1.335	0.125
	0	40	1.32	1.105	0.173
Employment opportunities (CSR IV Philanthropic domain)	1	114	687,223.40	780474.86	73098.17
	0	40	291,705.71	542085.94	84659.60
Disclosure of jobs	1	114	3.32	1.286	0.12
	0	40	2.32	1.809	0.282
Reduce poverty efforts	1	114	2.93	1.606	0.15
	0	40	0.63	0.698	0.109
ROCE (CFP)	1	114	0.41	1.26	0.12
	0	40	0.12	0.18	0.03

Appendix 6 (continued) - Results of t-test for reported CG and CSR practices between the banking and non-banking sectors

Independent samples test

		Levene's test for equality of variances		t-test for equality of means					t-test for equality of means 95% Confidence interval of the difference	
		F	Sig.	t	df	Sig. (2-tailed)	Mean difference	Std. error difference	Lower	Upper
Firm size (control variable)	Equal variances assumed	36.685	.000	-3.057	151	.003	-$197.69	$64.65	-$325.44	-$69.93
	Equal variances not assumed			-4.905	141.50	**.000**	-$197.69	$40.30	-$277.35	-$118.02
Business age (control variable)	Equal variances assumed	1.765	.186	2.417	151	**.017**	6.89	2.849	1.258	12.51
	Equal variances not assumed			1.748	43.96	.088	6.89	3.940	-1.055	14.83
Audit committee size (CG Variable)	Equal variances assumed	7.430	.007	-2.794	138	.006	-.759	.272	-1.296	-.222
	Equal variances not assumed			-2.663	58.45	**.010**	-.759	.285	-1.329	-.188
Leverage (CG Variable)	Equal variances assumed	24.677	.000	-12.231	151	.000	-6.11	..500	-7.098	-5.130
	Equal variances not assumed			-18.588	150.91	**.000**	-6.11	.3297	-6.760	-5.46
Professional qualifications (CG Variable)	Equal variances assumed	.089	.766	.182	151	NS .856	.082	.449	-.805	.968
	Equal variances not assumed			.176	62.33	.861	.082	.463	-.845	1.008
Board size (CG Variable)	Equal variances assumed	1.540	.217	-.610	150	NS .543	-.214	.350	-.905	.478
	Equal variances not assumed			-.557	57.07	.580	-.214	.383	-.981	.554
Tax contribution (CSR Legal domain)	Equal variances assumed	4.384	.038	-3.125	151	.002	-3365.76	1077.08	-5493.86	-1237.67
	Equal variances not assumed			-3.901	106.96	**.000**	-3365.76	862.75	-5076.09	-1655.44
Motivational payments to employees (CSR Economic domain)	Equal variances assumed	17.782	.000	-2.443	151	.016	-3606917.16	1476506.58	-6524197.28	-689637.05
	Equal variances not assumed			-4.147	117.65	**.000**	-3606917.16	869695.07	-5329203.33	-1884631.00
Extent of financial transparency	Equal variances assumed	11.490	.001	-2.006	151	.047	-.314	.156	-.623	-.005
	Equal variances not assumed			-1.827	56.78	. NS 073	-.314	.172	-.658	.030
Donation culture and social values CSR (Ethical domain)	Equal variances assumed	17.372	.000	3.239	147	.001	.0002	.00006	.00008	.00032
	Equal variances not assumed			1.975	38.68	NS .055	.0002	.00010	-.000005	.0004
Activities contributing to culture and social values	Equal variances assumed	1.806	.181	-.998	151	NS .320	-.238	.238	-.708	.233
	Equal variances not assumed			-1.092	78.33	.278	-.238	.218	-.671	.196
Employment opportunities (CSR IV Philanthropic domain)	Equal variances assumed	7.546	.007	-2.858	151	.005	-387168.85	135472.700	-654835.67	-119502.02
	Equal variances not assumed			-3.365	92. 60	**.001**	-387168.85	115048.73	-615645.98	-158691.70
Disclosure of jobs	Equal variances assumed	23.460	.000	-3.731	151	.000	-.991	.266	-1.516	-.466
	Equal variances not assumed			-3.178	51.96	**.002**	-.991	.312	-1.617	-.365
Reduce poverty efforts	Equal variances assumed	33.154	.000	-8.878	151	.000	-2.340	.264	-2.861	-1.82
	Equal variances not assumed			-13.145	150.06	.000	-2.340	.178	-2.692	-1.99
ROCE (CFP)	Equal variances assumed	1.542	.216	-1.430	151	NS .155	-.291	.203	-.692	.111
	Equal variances not assumed			-2.389	125.62	.018	-.291	.122	-.532	-.050

Appendix 7 Descriptive statistics for CV, IVs and DV

	N	Minimum	Maximum	Mean	Std. Deviation	Skewness		Kurtosis	
	Statistic	Statistic	Statistic	Statistic	Statistic	Statistic	Std. Error	Statistic	Std. Error
Firm Size (control variable)	155	$0.00	$1,619.25	$195.02	$356.34	2.293	0.20	4.62	0.39
Business Age (control variable)	155	0	155	15.13	15.523	5.593	0.20	44.57	0.39
Audit Committee Size (CG IV)	142	0	6	2.44	1.456	-0.67	0.20	-0.32	0.41
Leverage (CG IV)	155	0.01626	14.41	5.68	3.82	0.042	0.20	-1.06	0.39
Professional Qualifications (CG IV)	155	0	10	1.15	2.399	1.973	0.20	2.60	0.39
Board Size (CG IV)	154	0	12	6.45	1.872	-1.282	0.20	3.96	0.39
Tax contribution (CSR IV Legal domain)	155	0	38,229	4,841	5,944	2.43	0.20	8.70	0.39
Motivational Payments to Employees (CSR IV Economic domain)	155	0	52,901,658	3,486,908	8,042,751	4.29	0.20	21.26	0.39
Donation culture and social values (CSR IV Ethical domain)	148	0.00	0.01	0.0002	0.0010	8.87	0.20	88.89	0.40
Employment opportunities (CSR IV Philanthropic domain)	155	0	3,628,512	582,603	744,261	1.93	0.20	4.08	0.39
ROCE (DV)	155	-0.90306	12.52	0.33	1.09	9.61	0.20	103.39	0.39

Appendix 8: RQ2 Ha1 Regression control variables, CG continuous IVs on DV CFP ROCE

Model Summary[b]

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.184[a]	.034	-.010	1.159

a. Predictors: (Constant), board size, leverage, professional qualifications, business age, audit committee size, firm size

b. Dependent variable: ROCE

ANOVA[a]

Model		Sum of squares	df	Mean square	F	Sig.
1	Regression	6.225	6	1.038	.773	.593[b]
	Residual	177.212	132	1.343		
	Total	183.437	138			

a. Dependent variable: ROCE

b. Predictors: (Constant), board size, leverage, professional qualifications, business age, audit committee size, firm size

Coefficients[a]

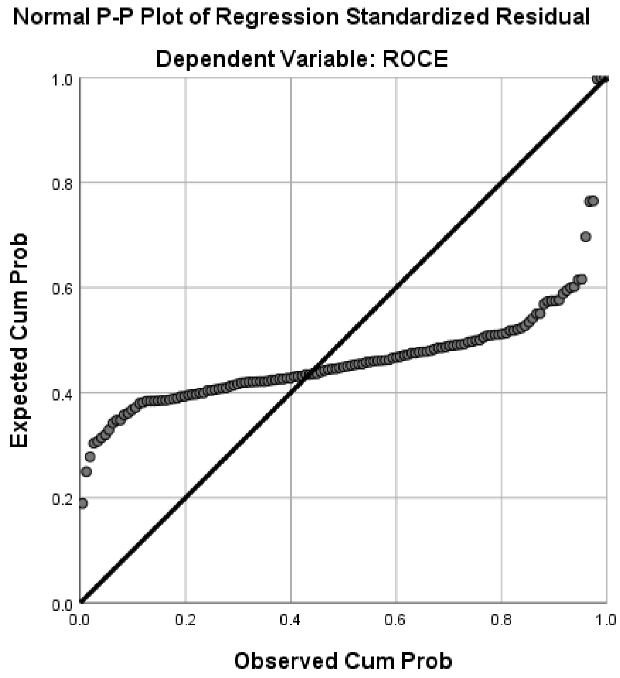
Model		Unstandardised coefficients		t	Sig.		
		B	Std. Error			Tolerance	VIF
1	(Constant)	-.305	.400	-.761	.448		
	Firm Size (control variable)	.000	.000	-1.356	.177	.598	1.672
	Business Age (control variable)	-.001	.007	-.213	.832	.846	1.182
	Audit Committee Size (CG IV)	.030	.080	.375	.708	.726	1.377
	Leverage (CG IV)	.042	.031	1.381	.170	.713	1.403
	Professional Qualifications (CG IV)	.015	.043	.339	.735	.902	1.109
	Board Size (CG IV)	.067	.058	1.146	.254	.780	1.282

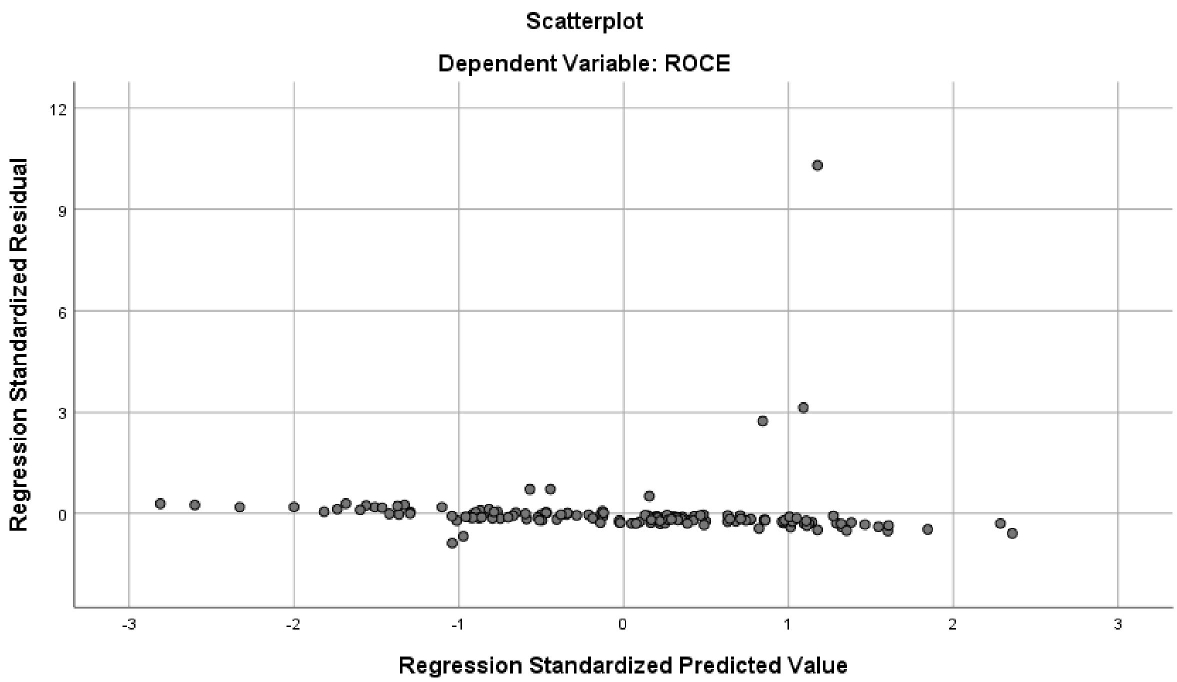
a. Dependent Variable: ROCE

Residuals statistics

	Minimum	Maximum	Mean	Std. Deviation
Predicted Value	-.262	.838	.338	.212
Std. predicted value	-2.811	2.358	.000	1.000
Standard error of predicted value	.133	.928	.240	.100
Adjusted predicted value	-.483	.892	.335	.229
Residual	-1.020	11.933	.000	1.133
Std. Residual	-.880	10.299	.000	.978
Stud. Residual	-.900	10.411	.001	.992
Deleted Residual	-1.066	12.194	.003	1.167
Stud. deleted residual	-.899	24.525	.104	2.134
Mahal distance	.818	87.437	5.957	8.490
Cook's distance	.000	.338	.004	.030
Centred leverage value	.006	.634	.043	.062

Charts


Normal P-P Plot of Regression Standardized Residual
Dependent Variable: ROCE
Expected Cum Prob
Observed Cum Prob
0.0
0.2
0.4
0.6
0.8
1.0


Scatterplot
Dependent Variable: ROCE
Regression Standardized Residual
Regression Standardized Predicted Value
12
9
6
3
0
-3
-2
-1
0
1
2
3

Appendix 9 Regression RQ4 Ha2

Model summary[b]

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.319[a]	.102	.076	1.079

a. Predictors: (Constant), tax contribution ratio, donation culture and social values, motivational payments to employees, employees

b. Dependent variable: ROCE

ANOVA[a]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	18.58	4	4.65	3.99	.004[b]
	Residual	164.01	141	1.16		
	Total	182.60	145			

a. Dependent Variable: ROCE

b. Predictors: (Constant), tax contribution ratio, donation culture and social values, motivational payments to employees, employees

Coefficients[a]

Model		Unstandardised Coefficients		Standardised Coefficients	t	Sig.	Correlations			Collinearity Statistics	
		B	Std. Error	Beta			Tolerance	Partial	Part	Tolerance	VIF
1	(Constant)	.085	.124		.684	.495	-.031				
	Donation culture and social values (CSR IV Ethical domain)	-64.201	267.572	-.019	-.240	.811	.224	-.020	-.019	.971	1.03
	Employment opportunities (CSR IV Philanthropic domain)	0.085	.000	.048	.415	.679	-.040	.035	.033	.473	2.11
	Motivational Payments to Employees (CSR IV Economic domain)	-64.201	.000	-.131	-1.569	.119	.292	-.131	-.125	.921	1.09
	Tax contribution (CSR IV Legal domain)	0.00000007	.000	.291	2.498	.014	-.031	.206	.199	.468	2.14

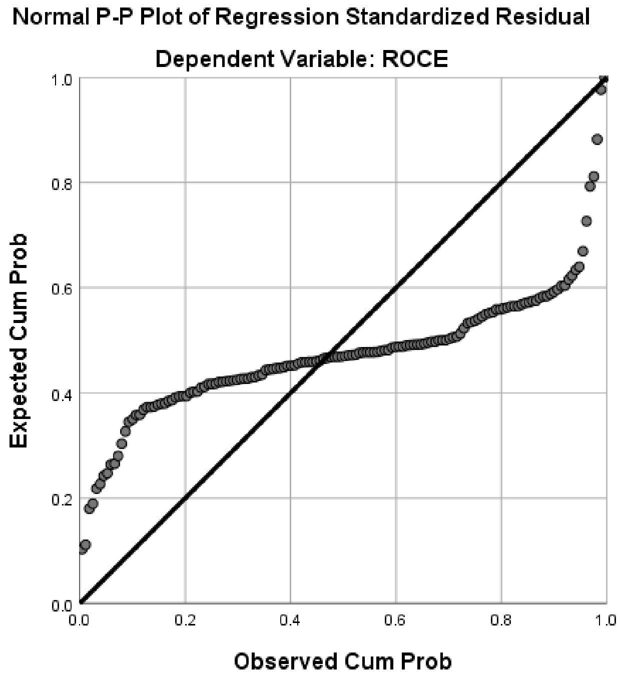
a. Dependent Variable: ROCE

Residuals statistics[a]

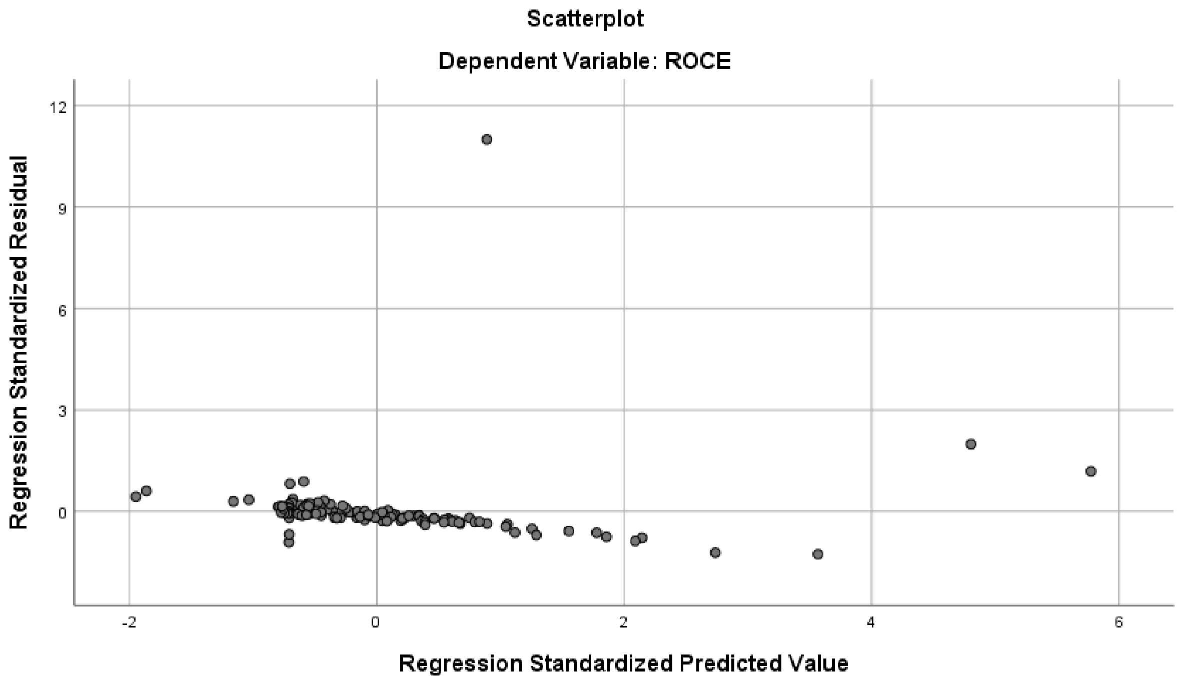
	Minimum	Maximum	Mean	Std. Deviation
Predicted Value	-.358	2.405	.338	.358
Std. Predicted Value	-1.947	5.773	.000	1.000
Standard error of predicted value	.094	.959	.165	.113
Adjusted predicted value	-.583	2.00	.338	.346
Residual	-1.364	11.863	.000	1.064
Std. residual	-1.265	11.000	.000	.986
Std. residual	-1.339	11.074	.001	.999
Deleted residual	-1.530	12.023	.0008	1.094
Std. deleted residual	-1.343	30.564	.135	2.565
Mahal. distance	.101	113.681	3.973	11.366
Cook's distance	.000	.331	.006	.034
Centred leverage value	.001	.784	.027	.078

Mahal. distance cal value^2 3.973 < Critical Value for 4 IVs = 13.82 @ P = 0.05, **Cook's Distance < 1** a. Dependent Variable: ROCE

Charts



Normal P-P Plot of Regression Standardized Residual
Dependent Variable: ROCE
Expected Cum Prob
Observed Cum Prob
0.0
0.2
0.4
0.6
0.8
1.0



Scatterplot
Dependent Variable: ROCE
Regression Standardized Residual
Regression Standardized Predicted Value
12
9
6
3
0
-2
0
2
4
6

Appendix 10 RQ5 Ha3 Control variables, CG continuous IVs and CSR IVs on DV CFP ROCE

Model summary[b]

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.373[a]	.139	.071	1.114

a. Predictors: (Constant), employees, business age, donation culture and social values, board size, professional qualifications, leverage, audit committee size, motivational payments to employees, tax contribution ratio, firm size

b. Dependent Variable: ROCE

ANOVA[a]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	25.435	10	2.543	2.051	.033[b]
	Residual	157.500	127	1.240		
	Total	182.935	137			

Casewise Diagnostics[a]

Case Number	Std. Residual	ROCE	Predicted Value	Residual
104	10.455	12.521	.8774	11.643

a. Dependent Variable: ROCE

Coefficients[a]

Model		Unstandardised Coefficients B	Std. Error	t	Sig.	Correlations Tolerance	VIF
1	(Constant)	-.227	.403	-.563	.575		
	Firm Size (control variable)	-.001	.001	-1.251	.213	.235	4.252
	Business Age (control variable)	-.005	.007	-.741	.460	.761	1.314
	Audit Committee Size (CG IV)	-.018	.079	-.235	.815	.714	1.400
	Leverage (CG IV)	.024	.030	.793	.429	.679	1.472
	Professional Qualifications (CG IV)	-.003	.043	-.068	.946	.852	1.174
	Board Size (CG IV)	.049	.059	.821	.413	.761	1.314
	Tax contribution (CSR IV Legal domain)	0.00005665	.000	2.387	.018	.442	2.263
	Motivational Payments to Employees (CSR IV Economic domain)	0.0000000037	.000	.166	.869	.259	3.860
	Donation culture and social values (CSR IV Ethical domain)	-34.917	291.993	-.120	.905	.860	1.163
	Employment opportunities (CSR IV Philanthropic domain)	0.00000013	.000	.659	.511	.412	2.428

Residuals Statistics[a]

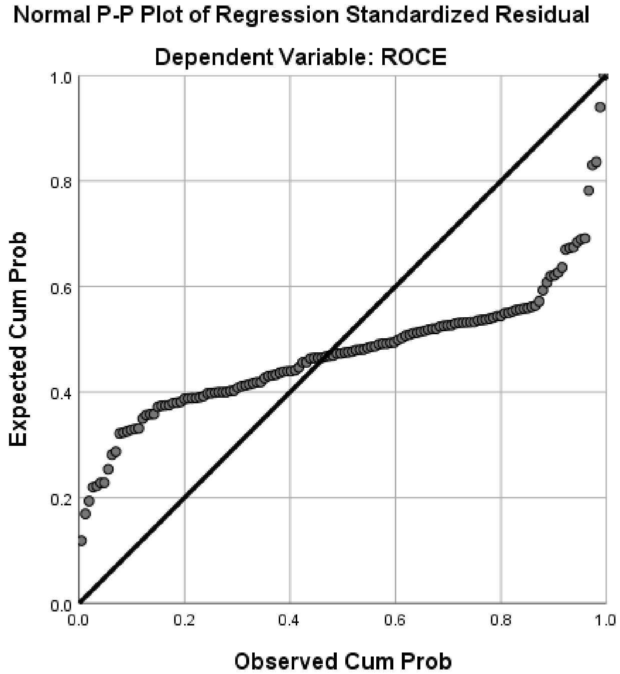
	Minimum	Maximum	Mean	Std. Deviation
Predicted Value	-.437	2.594	.332	.431
Std. Predicted Value	-1.785	5.250	.000	1.000
Standard Error of Predicted Value	.143	.994	.282	.140
Adjusted Predicted Value	-1.539	2.088	.326	.455
Residual	-1.3172	11.643	.000	1.0722
Std. Residual	-1.183	10.455	.000	.963
Stud. Residual	-1.289	10.594	.003	.986
Deleted Residual	-1.565	11.954	.006	1.134
Std. Deleted Residual	-1.293	30.954	.150	2.669
Mahal. Distance	1.253	108.112	9.928	14.504
Cook's Distance	.000	.273	.006	.028
Centred Leverage Value	.009	.789	.072	.106

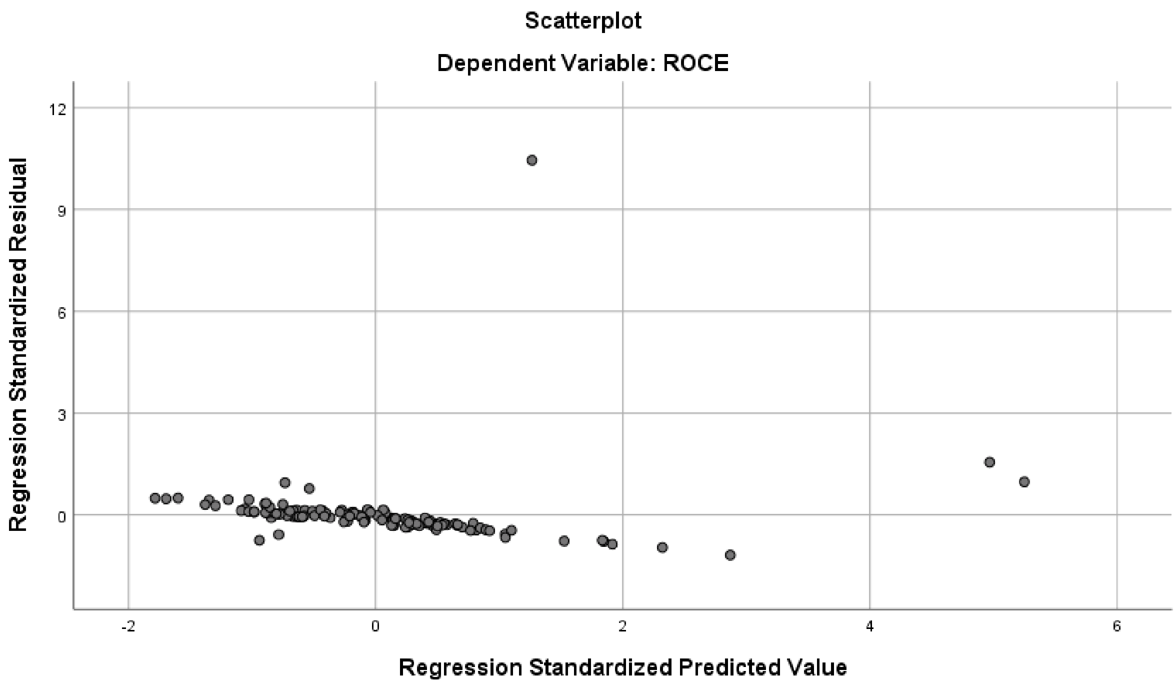
Table of Chi-square statistics critical value

f	P = 0.05	P = 0.01	P = 0.001
10	18.31	23.21	29.59

Mahal. Distance Cal Value^2 9.928 < Critical Value for 10 IVs = 18.31 @ P = 0.05, 23.21 @ P = 0.01, 29.59 @ P = 0.001. Cook's Distance < 1

Charts


Normal P-P Plot of Regression Standardized Residual
Dependent Variable: ROCE
Expected Cum Prob
Observed Cum Prob
0.0
0.2
0.4
0.6
0.8
1.0


Scatterplot
Dependent Variable: ROCE
Regression Standardized Residual
Regression Standardized Predicted Value
12
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-2
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Appendix 11 Additional analysis literature review

Table 11.1 Additional Analysis Literature Review CG on CSR directorial relationship

Additional Analysis Literature Review CG on CSR directorial relationship						
Relationship between or among variables	Yes = prior studies investigate this relationship No = no prior studies	Study – author(s) (year) and paper title	Measures used for Variables	Results	Relevance to our study?	Weakness / Limitations of that study?
CG on CSR (regression) Commercial banks in Pakistan **Comparative discussion** with another developing country	**Yes**	Sharif & Rashi (2014) Corporate governance and corporate social responsibility (CSR) reporting: empirical evidence from commercial banks of Pakistan	DV – CSR reporting index (CSRRI) IVs = Non-executive directors, =Size (assets), =ROE, = Leverage (Debt to equity)	Results show that non-executive directors have positive impact on CSR reporting	IV (except for ROE) are useful to discuss in Chapter 4	1. Different DV 2. Different relationship 3. ROE is not appropriate. ROCE is more appropriate
CG elements on CSR disclosure Commercial banks in Bangladesh - **Comparative discussion** with another development country	**YES**	Khan H (2010) The effect of corporate governance elements on corporate social responsibility (CSR) reporting: Empirical evidence from private commercial banks in Bangladesh	DV = CSR reporting DV = CSR reporting Index IVs = Composition of non-executives, = Composition of women directors, = Ownership by foreign shareholders, = Size, = Profitability, = Gearing	The results displayed no significant relationship between women represented on the board and CSR reporting. Non-executive directors and existence of foreign nationalities have been found to have significant impact on CSR reporting.	IVs 'Size' and profitability (ROE) are relevant to this study.	• Only focus on commercial bank •

Table 11.1 (continued) - CG on CSR directorial relationship						
Relationship between or among variables	Yes = prior studies investigated this relationship No = no prior studies	Study – author(s) (year) and paper title	Measures used for Variables	Results	Relevance to our study?	Weakness / Limitations of that study?
Prior evidence for study on Nepalese Commercial Banks	Yes	Poudel (2015) Relationship between Corporate Governance and Corporate Social Responsibility: Evidence from Nepalese Commercial Banks	DV= CSRi IVs = number of board meetings, = Directors' remunerations, = Size of audit committee, = Board committee, = Board size	The study reveals that different variables associated with corporate governance practices are positively and significantly correlated with the level of corporate social responsibility initiatives.	Helpful to discuss the methodology chapter especially to CG	Lacking in measuring the CFP
CG and CSR relationship	**Yes**	Ramdhony (2017) The Influence of Corporate Governance Practices on Corporate Social Responsibility (CSR) Reporting – Evidence from Mauritius	DV = CSRI IVs = Board size, = Employment volume, size of firm	Negative relationship between CG and CSR	Relevance to discussion in Chapter 4 methodology	• Not comparing with CFP • CSRI as DV
CG and CSR relationship	Yes	Jamali, Safieddine, Rabbath (2008), Corporate Governance and Corporate Social Responsibility Synergy and interrelationships	Qualitative measures	Findings suggest that the majority of managers perceive CG as a necessary pillar for sustainable CSR.	Partially related to interpreting results and methodology Chapters	Focusing on qualitative analysis measures

Table 11.2 CG x CSR (interaction (moderating) of CSR) and CFP

CG x CSR (interaction (moderating) of CSR) and CFP						
Relationship between or among variables	Yes = prior studies investigate this relationship No = no prior studies	Study – author(s) (year) and paper title	Measures used for Variables	Results	Relevance to our study?	Weakness / Limitations of that study?
CSR, CG and CFP	**Yes**	Sujeta, Gunardi & Auristi (2017) Does Corporate Social Responsibility shape the responsibility between Corporate Governance and Financial Performance	• ROA • CSR Index (CSRI)	• Result shows the positive relationship between corporate governance and financial performance • CSR strengthens the positive relationship between CG and CFP	Moderated regression analysis (MRA) will be helpful to methods Chapter	DV is based on ROA only, which is weaker than ROCE
CG*CSR and Corporate reputation (CR) Nepalese Commercial Banks Finance sector only	**Yes**	Chalise (2014) Impact of Corporate Social Responsibility on Corporate Governance and Reputation in Nepalese Commercial Banks	DV=Corporate reputation (CR)	= good CSR has positive effects on CR = CR and CR lacking significant relationship but the coefficient of the enter-variable (CG*CSR) is significant and positive.	Relevance to discuss Chapter 3 stakeholder theory	Not measuring CFP rather measuring corporate reputation

Table 11.3 CG to CSR to CFP (mediating effect of CSR) on the relationship between CG and CFP

CG to CSR to CFP (mediating effect of CSR) on the relationship between CG and CFP						
Relationship between or among variables	Yes = prior studies investigate this relationship No = no prior studies	Study – author(s) (year) and paper title	Measures used for Variables	Results	Relevance to our study?	Weakness / Limitations of that study?
CSR mediating variables and CFP	**Yes**	Saeidi, Sofian, Saeidi, Saeidi & Saaeidi (2013) How does corporate social responsibility contribute to a firm's financial performance? The mediating role of competitive advantage, reputation and customer satisfaction	DV = ROI = ROA = ROS (return on sale)	The positive effect of CSR on a firm's performance is due to the positive effect CSR has on competitive advantage, reputation and customer satisfaction. The final findings show that only reputation and competitive advantage mediate the relationship between CSR and a firm's performance. Taken together, these findings suggest a role for CSR in indirectly promoting a firm's performance through enhancing reputation and competitive advantage while improving the level of customer satisfaction.	Relevance to discuss the results Chapter and additional analysis.	ROCE is better measurement of firms CFP compare to ROA.

Appendix 12 One-way ANOVA with level of reported CG practices

One-way ANOVA with level of CG practices disclosed Mandatory/Voluntary = Yes/Yes; Mandatory/Voluntary = Yes/No; Mandatory/Voluntary = No/No; Mandatory/Voluntary = No/Yes on DV

Test of homogeneity of variances

		Levene Statistic	df1	df2	Sig.
ROCE	Based on Mean	.838	3	149	.475

ANOVA

ROCE

	Sum of Squares	df	Mean Square	F	Sig.
Between Groups	2.718	3	.906	.746	.526
Within Groups	180.954	149	1.214		
Total	183.672	152			

2.718 ÷ 183.672 = ETA^2 = 0.0147 small size effect

Robust tests of equality of means

ROCE

	Statistic[a]	df1	df2	Sig.
Welch	4.891	3	33.567	.006
Brown-Forsythe	4.037	3	120.878	.009

a. Asymptotically F distributed.

No significant differences among group levels of disclosure

Appendix 13 One-way ANOVA for four level disclosure on CSR IVs

Table 13.1 Test of homogeneity of variances

		Levene Statistic	df1	df2	Sig.
Tax contribution (CSR IV Legal domain)	Based on trimmed mean	2.625	3	149	.053
Motivational Payments to Employees (CSR IV Economic domain)	Based on trimmed mean	8.982	3	149	.000
Donation culture and social values (CSR IV Ethical domain)	Based on trimmed mean	1.217	3	145	.306
Employment opportunities (CSR IV Philanthropic domain)	Based on trimmed mean	4.357	3	149	.006

Table 13.2 ANOVA

Table 2 ANOVA						
		Sum of Squares	df	Mean Square	F	Sig
Tax contribution (CSR IV Legal domain)	Between Groups	472,202,572.309	3	157,400,857.43	4.740	.003
	Within Groups	4,947,371,166.567	149	33,203,833.33		
	Total	5,419,573,738.876	152			
Motivational Payments to Employees (CSR IV Economic domain)	Between Groups	1,396,303,010,028,351.80	3	465,434,336,676,117.25	8.113	.000
	Within Groups	8,547,646,058,389,425.00	149	57,366,752,069,727.69		
	Total	9,943,949,068,417,776.00	152			
Donation culture and social values (CSR IV Ethical domain)	Between Groups	.000	3	.000	1.113	.346
	Within Groups	.000	145	.000		
	Total	.000	148			
Employment opportunities (CSR IV Philanthropic domain)	Between Groups	11,609,377,384,854.06	3	3,869,792,461,618.023	7.869	.000
	Within Groups	73,276,696,177,825.89	149	491,789,907,233.73		
	Total	84,886,073,562,679.95	152			

Table 13.3 Post hoc tests multiple comparisons

Post hoc tests multiple comparisons					
Tukey HSD					
Dependent Variable	(I) Disclosure Level	(J) Disclosure Level	Mean Difference (I-J)	Std. Error	Sig.
Tax contribution (CSR IV Legal domain)	3	0	6,363.423	1,773.997	.003
Motivational Payments to Employees (CSR IV Economic domain	3	0	7,344,126.573*	2,331,787.591	.011
		1	6,993,935.822*	2,010,897.568	.004
		2	5,690,902.739*	1,380,931.462	.000
Employment opportunities (CSR IV Philanthropic domain)	3	0	909,044.942*,	215,898.021,	.000
	3	1	504,108.586*,	186,187.115,	.038
	3	2	425,271.277*,	127,859.146,	.006

Appendix 14 Reported CG practices interaction with reported CSR practices on CFP

Table 14.1 Model summary[b]

Model	R	R Square	Adjusted R Square	Std Error of the Estimate
1	.427[a]	.183	-.009	1.161

a. Predictors: (Constant), BoardXTaxContributionCSRs, LeveragexDonations, business age, professional qualifications, leverage, audit committee size, BoardSizexDonations, board size, BoardXMotivaionPaymenttoEmployees, BoardQualxMoticationPamentstoEmployees, LeveragexEmploymentOpportunities, BoardQualificationxDonations,

b. BoardQualificationxEmploymentOpportunities, firm size, LeveragexMotivationalPaymenttoEmployees, BoardQualxTaxContributionCSR, ACxEmploymentOpportunities, ACXMotivationPayment, LeverageXTaxContributionCSR, ACXTaxPaid, employees, Tax contribution ratio, BoardSizexEmploymentOpportunities, motivational payments to employees, ACXDonations, donation culture and social values

b. Dependent Variable: ROCE

Table 14.2 ANOVA[a]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	33.394	26	1.284	.953	.536[b]
	Residual	149.541	111	1.347		
	Total	182.935	137			

a. Dependent Variable: ROCE

b. Predictors: (Constant), BoardXTaxContributionCSRs, LeveragexDonations, business age, professional qualifications, leverage, audit committee size, BoardSizexDonations, board size, BoardXMotivaionPaymenttoEmployees, BoardQualxMoticationPamentstoEmployees, LeveragexEmploymentOpportunities, BoardQualificationxDonations, BoardQualificationxEmploymentOpportunities, firm size, LeveragexMotivationalPaymenttoEmployees, BoardQualxTaxContributionCSR, ACxEmploymentOpportunities, ACXMotivationPayment, LeverageXTaxContributionCSR, ACXTaxPaid, employees, Tax contribution ratio, BoardSizexEmploymentOpportunities, motivational payments to employees, ACXDonations, donation culture and social values

Table 14.3 Coefficients[a]

Model		B	Sig
1	(Constant)	-.018	.971
	Audit Committee Size (CG IV)	-.005	.966
	Firm Size (control variable)	.000	.531
	Business age (control variable)	-.014	.300
	Leverage (CG IV)	.005	.906
	Professional Qualifications (CG IV)	-.016	.857
	Board Size (CG IV)	.041	.604
	Tax contribution (CSR IV Legal domain)	-0.00006	.709
	Motivational Payments to Employees (CSR IV Economic domain)	-0.000000001	.995
	Donation culture and social values (CSR IV Ethical domain)	7685.572	.342
	Employment opportunities (CSR IV Philanthropic domain)	-0.00000002	.992
	Size of audit committee x Tax contribution (CSR IV Legal domain)	-0.000003	.938
	Size of audit committee x Motivational Payments to Employees (CSR IV Economic domain)	0.00000002	.318
	Size of audit committee x Donation culture and social values (CSR IV Ethical domain)	-1465.029	.457
	Size of audit committee x Employment opportunities (CSR IV Philanthropic domain)	0.000000008	.973
	Leverage (Debt to equity ratio) x Employment opportunities (CSR IV Philanthropic domain)	-0.00000003	.702
	Leverage (Debt to equity ratio) x Donation culture and social values (CSR IV Ethical domain)	-58.611	.843
	Leverage (Debt to equity ratio) Motivational Payments to Employees (CSR IV Economic domain)	-0.0000000002	.967
	Leverage (Debt to equity ratio) x Tax contribution (CSR IV Legal domain)	0.00001	.306
	Professional qualification of Board of Directors (BOD) x Tax contribution (CSR IV Legal domain)	0.000004	.704
	Professional qualification of Board of Directors (BOD)	-0.000000003	.715
	Professional qualification of Board of Directors (BOD) x Donation culture and social values (CSR IV Ethical domain)	113.468	.709
	Professional qualification of Board of Directors (BOD) x Employment opportunities (CSR IV Philanthropic domain)	-0.00000001	.900
	Board size x Employment opportunities (CSR IV Philanthropic domain)	0.00000004	.849
	Board size x Donation culture and social values (CSR IV Ethical domain)	-392.970	.588
	Board size x Motivational Payments to Employees (CSR IV Economic domain)	-0.000000008	.484
	Board size x Tax contribution (CSR IV Legal domain)	0.00001	.614

a. Dependent Variable: ROCE

Table 14.4 Residuals statistics[a]

	Minimum	Maximum	Mean	Std. Deviation
Predicted Value	-.4752	3.54312	.33204	.4937
Std. Predicted Value	-1.635	6.504	.000	1.000
Standard Error of Predicted Value	.172	1.127	.453	.243
Adjusted Predicted Value	-2.5951	2.3010	.2656	.5851
Residual	-1.512	11.474	.0000	1.0445
Std. Residual	-1.303	9.886	.000	.900
Stud. Residual	-1.410	10.107	.013	.943
Deleted Residual	-1.7715	11.992	.0664	1.2789
Stud. Deleted Residual	-1.416	35.618	.198	3.060
Mahal. Distance	2.000	128.211	25.812	30.900
Cook's Distance	.000	.978	.012	.085
Centred Leverage Value	.015	.936	.188	.226

Appendix 15 Factor analyses for CG and CSR factors

Table 15.1 CG factor KMO and Bartlett's test

Kaiser-Meyer-Olkin Measure of Sampling Adequacy		.558
Bartlett's Test of Sphericity	Approx. Chi-Square	33.928
	df	3
	Sig.	.000

Table 15.2 CG factor total variance explained

Component	Initial Eigenvalues			Extraction Sums of Squared Loadings		Extraction Sums of Squared Loadings
	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %
1	1.518	50.599	50.599	1.518	50.599	50.599
2	.889	29.644	80.243			
3	.593	19.757	100.000			

Table 15.3 CG rotated factor component matrix

	Factor Loadings
Audit Committee Size (CG IV)	.793
Professional Qualifications (CG IV)	.788
Board Size (CG IV)	.517

Appendix 15 (continued)

Table 15.4 CSR factor KMO and Bartlett's test

Kaiser-Meyer-Olkin Measure of Sampling Adequacy		.563
Bartlett's Test of Sphericity	Approx. Chi-Square	127.650
	df	3
	Sig.	.000

Table 15.5 CSR factor total variance explained

Component	Initial Eigenvalues			Extraction Sums of Squared Loadings		Extraction Sums of Squared Loadings
	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %
1	1.890	63.012	63.012	1.890	63.012	63.012
2	.836	27.875	90.887			
3	.273	9.113	100.000			

Table 15.6 CSR factor rotated component matrix

	Factor Loadings
Tax contribution (CSR IV Legal domain)	.897
Employment opportunities (CSR IV Philanthropic domain)	.890
Motivational Payments to Employees (CSR IV Economic domain)	.542

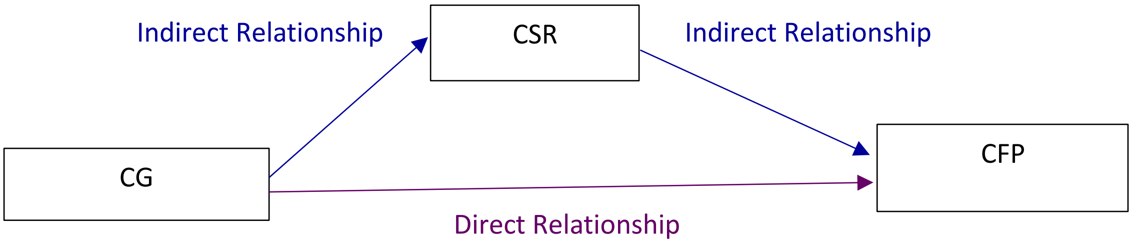
Appendix 16 Confirmatory factor analysis (CFA) measurement models

			Estimate	S.E.	C.R.	P	Label
Audit Committee Size	<---	CG	1.000				
Professional Qualifications	<---	CG	4.677	.999	4.682	<.001	
Board Size	<---	CG	1.352	.310	4.362	<.001	

			Estimate	S.E.	C.R.	P	Label
Tax contribution (CSR IV Legal domain)	<---	CSR	1.000				
Motivational Payments to Employees (CSR IV Economic domain	<---	CSR	480.364	147.352	3.260	.001	
Employment opportunities (CSR IV Philanthropic domain)	<---	CSR	115.712	26.460	4.373	***	

Appendix 17 Exploratory structural equation modelling (SEM) Model

SEM Model 1:



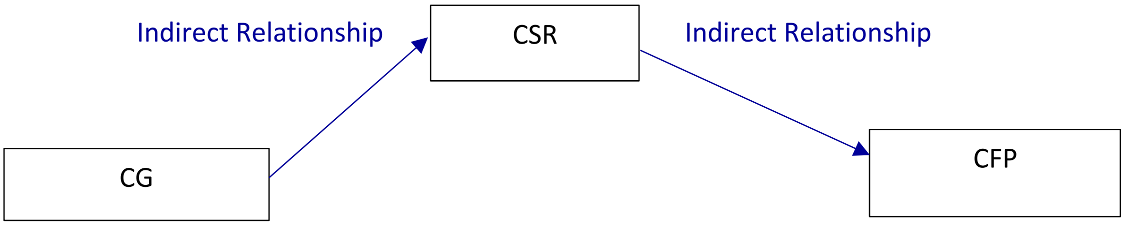
	Estimate	S.E.	C.R.	P	Label
CSR <--- CG	.447	.075	6.004	***	
ROCE <--- CSR	.258	.097	2.666	.008	
ROCE <--- CG	-.008	.099	-.085	.932	

Model	NFI Delta1	RFI rho1	IFI Delta2	TLI rho2	CFI
Default model	1.000		1.000		1.000
Saturated model	1.000		1.000		1.000
Independence model	.000	.000	.000	.000	.000

Model	RMSEA	LO 90	HI 90	PCLOSE
Default model	.000	.000	.059	.946
Independence model	.181	.131	.235	.000

Appendix 17 (continued)

SEM Model 2:



			Estimate	S.E.	C.R.	P	Label
CSR	<---	CG	.447	.075	6.004	***	
ROCE	<---	CSR	.254	.087	2.925	.003	

Model	NPAR	CMIN	DF	P	CMIN/DF
Default model	8	.007	1	.932	.007
Saturated model	9	.000	0		
Independence model	3	40.663	6	.000	6.777

Model	NFI Delta1	RFI rho1	IFI Delta2	TLI rho2	CFI
Default model	1.000	.999	1.025	1.172	1.000
Saturated model	1.000		1.000		1.000
Independence model	.000	.000	.000	.000	.000

Appendix 18 Exploratory path analysis – Path 2 summary

Path Analysis Model:

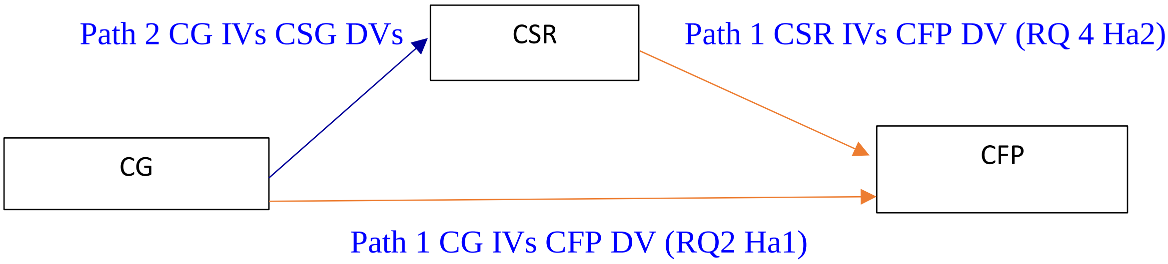


Table 18.1 Model summary[b] tax contribution (CSR legal domain) as DV

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.416[a]	.173	.139	5546.037532899640

a. Predictors: (Constant), firm size (control variable), business age (control variable), audit committee size (CG IV), professional qualifications (CG IV), board size (CG IV

b. Dependent Variable: tax contribution (CSR legal domain)

Table 18.2 ANOVA[a]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	935572161.072	6	155928693.512	5.069	.000
	Residual	4459987185.868	145	30758532.316		
	Total	5395559346.940	151			

Table 18.3 Coefficients[a]

Model	Sig
(Constant)	.708
Firm Size (control variable)	.136
Business Age (control variable)	.123
Audit Committee Size (CG IV)	.078
Professional Qualifications (CG IV)	.171
Board Size (CG IV)	.258

Appendix 18 Exploratory Path Analysis – Path 2 Summary (continued)

Table 18.4 Model summary[b]

Motivational payments to employees (CSR economic domain) as DV

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.862[a]	.743	.732	4196925.72594389000

a. Predictors: (Constant), firm size (control variable), business age (control variable), audit committee size (CG IV), professional qualifications (CG IV), board size (CG IV
b. Dependent Variable: motivational payments to employees (CSR economic domain)

Table 18.5 ANOVA[a]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	7377639225996208.00	6	1229606537666034.80	69.80	.000
	Residual	2554056904617999.50	145	17614185549089.65		
	Total	9931696130614208.00	151			

Table 18.6 Coefficients

Model	Sig
(Constant)	.238
Firm Size (control variable)	.000
Business Age (control variable)	.001
Audit Committee Size (CG IV)	.827
Professional Qualifications (CG IV)	.091
Board Size (CG IV)	.837

Appendix 18 Exploratory path analysis – Path 2 summary (continued)

Table 18.7 Model summary[b]

Motivational Payments to Employment opportunities (CSR Philanthropic domain) as DV

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.478[a]	.228	.196	670762.920603197000000

a. Predictors: (Constant), firm size (control variable), business age (control variable), audit committee size (CG IV), professional qualifications (CG IV), board size (CG IV

b. Dependent Variable: employment opportunities (CSR philanthropic domain)

Table 18.8 ANOVA[a]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	19298603481618.030	6	3216433913603.005	7.149	.000
	Residual	65238819870138.950	145	449922895656.131		
	Total	84537423351756.980	151			

Table 18.9 Coefficients[a]

Model	Sig
(Constant)	.693
Firm Size (control variable)	.012
Business Age (control variable)	.749
Audit Committee Size (CG IV)	.058
Professional Qualifications (CG IV)	.007
Board Size (CG IV)	.689

Appendix 19 Current Nepalese regulations related to this research study

Name of the Legislation	*Year Introduced Nepalese date*	*Year Introduced AD*
The Companies Act	*2063*	*2006*
Banks and Financial Institutions Act	*2063*	*2006*
Security Act		*2007*
Electricity Act		*1993*
Hydropower Development Policy		*2001*
Insurance Act	*2049*	*1992*
Auditors Act		*1974*
Finance Companies Act		*1986*
Commercial Bank Act		*1974*
Security Exchange Act		*1983*
Nepal Chartered Accountants Act		*1997*