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ASSESSMENT OF SUSTAINABLE BANKING FRAMEWORK AND SUSTAINABILITY PERFORMANCE OF COMMERCIAL BANKS IN NEPAL

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Abstract

Sustainable banking practices primarily focus on incorporating environmental, and social issues into banks' business operations. It helps to achieve sustainable development goals in any nation. In this context, this study attempts to assess the current sustainable banking practices and sustainability performance of commercial banks listed on the stock exchange of Nepal. For this purpose, this study computes a sustainability performance index using a standard framework and a set of established 50 indicators in the context of developing nations. The data was collected through content analysis of annual reports and websites of the banks from 2022 to 2024. Additionally, key informant interviews among managerial-level employees were undertaken. Differences in sustainability performance by bank type were examined using the Mann-Whitney U test. The results depict that although the commercial banks in Nepal are at the beginning level of sustainable banking practices, their sustainability performance is at a satisfactory level. Sustainability performance was found to be associated with bank size and ownership. Larger banks and banks with foreign ownership were found to have better sustainability performance. The sustainability dimensions in which the banks have performed relatively well were environmental indicators, social issues and development, policy and procedure, and internal socio-ethics. However, the banks need to improve their sustainable products and services, sustainable reporting, and ESG integration indicators. The findings of the study have practical and policy implications for advancing sustainable banking practices in the context of developing nations.

Key words: commercial bank, ESG integration, Nepal, sustainable banking, sustainable framework, sustainability performance

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