

The Nexus of ESG Practices and Sustainable Firm Success: Evidence from Bangladesh's Banking Sector

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Abstract

This study investigates how Environmental, Social, and Corporate Governance (ESG) factors contribute to the sustainable performance of banking institutions in Bangladesh. As ESG metrics become increasingly critical in evaluating firm success, the banking sector's adherence to sustainable practices plays a pivotal role in overall economic resilience. Utilizing a sample of 256 responses from public and private sector banks, the study applies SPSS tools including regression analysis and Cronbach's alpha to examine the reliability and statistical relationship among the variables. The findings reveal that environmental, social, and governance dimensions significantly influence sustainable firm performance. These results highlight the importance of integrating ESG components into governance frameworks to foster long-term sustainability in Bangladesh's banking sector.

Keywords: ESG Practices, Sustainable Firm Success, Banking Sector, Bangladesh, Corporate Governance, Environmental Performance, Social Responsibility, Financial Institutions

Introduction

The banking sector in Bangladesh is undergoing a critical transformation as global expectations around sustainability and corporate responsibility reshape financial systems. In recent years, the integration of Environmental, Social, and Corporate Governance (ESG) principles has become a benchmark for evaluating institutional performance beyond mere financial outcomes. Amidst growing concerns over climate change, social inequality, and governance failures, banks are increasingly expected to operate responsibly and align with sustainable development goals (SDGs). For emerging economies like Bangladesh, where

financial institutions play a pivotal role in economic stabilization and resource mobilization, the relevance of ESG performance is even more pronounced (Chowdhury & Rahman, 2023).

Bangladesh's banking industry, comprising both public and private institutions, has historically faced governance-related challenges. Issues such as political influence in board appointments, non-performing loans, and weak regulatory enforcement have undermined public trust (Islam et al., 2024). While regulatory bodies like the Bangladesh Bank have made strides in strengthening corporate governance guidelines, implementation remains inconsistent. Recent studies suggest that integrating ESG factors into core strategies may offer a roadmap to more stable and credible banking practices (Tanvir & Habib, 2024). However, there is a paucity of empirical work evaluating how ESG performance specifically influences the sustainability of banks in the Bangladeshi context.

Environmental performance is gaining traction due to heightened awareness of ecological risk and regulatory pressure (Hossain et al., 2024; Hossain et al., 2020). Banks are increasingly required to assess environmental risks in lending portfolios and promote green financing. Globally, environmentally responsible firms have demonstrated greater resilience during crises and improved operational efficiency (Ahmed et al., 2023). For Bangladeshi banks, the push towards sustainable finance offers both a challenge and an opportunity for repositioning their corporate image and operations.

Social performance—encompassing employee welfare, customer relations, and community engagement—is another pillar of ESG with implications for firm longevity. Banks that invest in social capital tend to foster stronger stakeholder relationships and benefit from reputational dividends (Miah et al., 2024; Hossain et al., 2024). In Bangladesh, with its labor-intensive financial service model and rising youth employment demand, social responsibility is increasingly viewed as a core business strategy rather than peripheral philanthropy.

Corporate governance, perhaps the most scrutinized of the ESG trio, remains vital in ensuring transparency, accountability, and risk mitigation. Evidence suggests that strong governance structures improve decision-making processes and increase investor confidence (Hassan & Karim, 2023). However, studies also reveal that many Bangladeshi banks—particularly public sector ones—still suffer from board dependency on political or familial networks, reducing effectiveness (Saha & Uddin, 2024).

Despite the growing academic and regulatory interest in ESG, comprehensive data-driven studies on how ESG performance affects sustainable firm performance in Bangladesh's banking sector are scarce. With international investors and global partners increasingly factoring ESG ratings into investment decisions, this gap poses a strategic risk for Bangladeshi banks. Therefore, this study seeks to bridge that gap by exploring the tri-dimensional impact of ESG—environmental, social, and governance—on sustainable firm performance using a sample of 256 banking professionals from both public and private sectors..

Problem Statement

In recent years, the integration of Environmental, Social, and Governance (ESG) factors into business strategies has become increasingly significant, particularly within the banking sector of Bangladesh. As banks serve as key financial intermediaries, their role in promoting

sustainable practices has come under greater scrutiny. Despite the global momentum towards sustainable finance, the practical implementation and measurable impact of ESG components on firm performance within Bangladeshi banks remain inadequately explored. This knowledge gap hinders the development of effective strategies that can align financial growth with sustainable development. The banking industry in Bangladesh faces a dual challenge: maintaining profitability while responding to growing pressures from stakeholders to adopt environmentally and socially responsible practices. While several banks have begun incorporating ESG reporting frameworks, the extent to which these initiatives translate into improved financial or operational performance is still uncertain. According to Ahmed and Parvin (2023), although ESG adoption is gaining traction among South Asian financial institutions, empirical analysis within the context of Bangladesh are limited and fragmented. This suggests a pressing need for structured research to evaluate ESG impacts in a local banking context.

Moreover, the regulatory landscape in Bangladesh, guided by the Bangladesh Bank's sustainability reporting guidelines, continues to evolve. However, inconsistencies in ESG disclosures and a lack of standardized metrics pose challenges in evaluating their influence on long-term firm performance. Hossain et al. (2024) argue that the lack of uniform ESG frameworks among Bangladeshi banks leads to performance variability, particularly in areas like environmental risk management and corporate social responsibility investments. These inconsistencies raise concerns about the effectiveness and accountability of ESG integration in corporate governance structures. Additionally, banks in Bangladesh are often influenced by political and familial ownership structures, which can dilute the effectiveness of governance mechanisms. As highlighted by Karim and Alam (2024), governance concerns such as board independence, ethical leadership, and transparency are central to ESG-driven decision-making but are often compromised in practice. Such governance deficiencies may limit the transformative potential of ESG integration in enhancing firm performance, particularly in state-owned and family-dominated banks.

Given these dynamics, it becomes critical to empirically assess whether ESG initiatives genuinely contribute to sustainable firm performance in the Bangladeshi banking context. Do banks with higher ESG scores demonstrate better financial results, operational efficiency, or reputational benefits compared to those with weaker ESG adherence? Without robust data and clear insights, policymakers and stakeholders may struggle to formulate strategies that balance growth with sustainability. Therefore, this study aims to fill the existing research void by investigating the causal relationship between ESG practices and firm performance in Bangladesh's banking sector, offering valuable insights for both academic discourse and policy formulation.

Limitations

Despite the valuable insights offered by this study, several limitations should be acknowledged. Firstly, the research is primarily based on secondary data and literature review, which may not fully capture the dynamic and evolving nature of ESG practices across different industries and regions. As such, the findings might not be generalizable to all organizational contexts, especially those in emerging markets or under different regulatory environments.

Secondly, while the paper provides a conceptual understanding of the link between ESG practices and firm sustainability, it lacks empirical validation. The absence of quantitative analysis or case studies limits the ability to test the strength and direction of the proposed relationships. Future studies incorporating primary data collection and statistical methods could enhance the robustness and applicability of the findings.

Thirdly, the scope of ESG factors considered in the study is relatively broad, which may overlook specific variables or sector-specific nuances that significantly influence sustainable performance. A more focused examination of particular ESG dimensions—such as carbon management or supply chain ethics—could yield deeper insights.

Lastly, the study does not account for potential biases in ESG disclosures or greenwashing practices, which may distort the perceived effectiveness of sustainability initiatives. Incorporating critical evaluation tools or third-party assessments in future research could mitigate this limitation and provide a more accurate picture of corporate sustainability performance.

Literature Review

Environmental Performance

Environmental performance is increasingly recognized as a key determinant of long-term organizational success, particularly in the financial sector (Hossain et al., 2024). In recent studies, organizations that adopt green banking practices and prioritize eco-efficiency are shown to experience a significant improvement in sustainability outcomes (Rahman & Hossain, 2023). Banks that implement environmental management systems—such as paperless banking, energy-efficient infrastructure, and carbon offset initiatives—tend to build stronger reputational capital and stakeholder trust (Nasrin & Jahan, 2024).

Furthermore, empirical findings by Karim and Sultana (2023) demonstrate that banks with high environmental disclosures attract more socially responsible investors and experience enhanced operational stability. In emerging economies like Bangladesh, this is particularly important as the market increasingly shifts toward sustainability-driven practices in response to both international pressure and domestic regulation (Akter & Ahmed, 2024). Environmental performance is also linked with risk mitigation. Institutions that proactively assess and manage environmental risks are better equipped to handle regulatory changes and natural disasters, thereby enhancing resilience and performance sustainability (Chakma & Islam, 2025; Ogiemwonyi et al., 2023; Ogiemwonyi et al., 2020). Moreover, the integration of environmental metrics into corporate governance frameworks helps ensure compliance, reduces waste, and fosters innovation—critical elements for long-term sustainability (Hossain et al., 2025). Studies such as Banu and Haque (2024) emphasize that sustainable banking is not merely a corporate social responsibility but a strategic necessity. These banks are more likely to meet the expectations of climate-conscious consumers and investors, leading to increased customer retention and financial growth. With rising global and regional commitments to the Sustainable Development Goals (SDGs), banks must embed environmental performance into their operational DNA to stay relevant and competitive. In conclusion, environmental performance is positively associated with sustainable firm performance, especially when integrated strategically into the banking sector's value proposition. This literature supports the current study's hypothesis that environmental

initiatives are a vital pillar in achieving sustainable outcomes for Bangladeshi banks. Corporate governance performance, particularly board structure, audit practices, and managerial accountability, has received increasing attention. Several studies highlight that governance quality is a strong predictor of bank sustainability (Hassan & Karim, 2023). Effective governance ensures prudent decision-making, minimizes conflicts of interest, and promotes compliance with evolving financial regulations.

Nevertheless, there are challenges. Many Bangladeshi banks continue to struggle with board independence due to political influences and familial ownership (Saha & Uddin, 2024). These issues limit objectivity in decision-making, directly hampering sustainable outcomes. In contrast, private banks with professionally diverse boards tend to outperform their public counterparts in terms of both compliance and innovation. Integrating ESG into the core strategy not only enhances bank credibility but also aligns operations with SDG targets. As international investors increasingly prioritize ESG-compliant firms, Bangladeshi banks must reassess their practices to remain competitive globally (Kabir & Alam, 2025). Collectively, existing literature underscores a positive and significant association between ESG dimensions and sustainable firm performance, though empirical evidence specific to Bangladesh's banking sector remains limited. This study aims to bridge that gap through a comprehensive, data-driven exploration.

Social Performance

In the evolving landscape of corporate sustainability, social performance has emerged as a critical determinant of long-term organizational success, particularly within the banking sector of emerging economies like Bangladesh. Social performance encompasses a firm's initiatives related to employee welfare, community engagement, customer satisfaction, and inclusive financial practices. Recent empirical studies underscore the significant impact of these social initiatives on sustainable firm performance. For instance, Zheng et al. (2022) examined the relationship between Corporate Social Responsibility (CSR) disclosure and firm productivity in the Bangladeshi banking industry. Their findings suggest that transparent CSR practices are positively associated with enhanced productivity, indicating that social initiatives contribute to operational efficiency and long-term sustainability.

Similarly, Islam et al. (2023) explored the effects of stakeholders' pressure on environmental and social performance in Bangladesh's banking sector. The study revealed that stakeholder pressure significantly improves corporate social performance through the adoption of green practices, highlighting the role of external forces in shaping sustainable strategies. Moreover, a study by Hasan and Zahan (2023) analyzed the causal relationship between CSR and financial performance in Bangladeshi banks. Utilizing a panel vector autoregression model, the research found that better financial performance leads to increased CSR expenditure, although the reverse was not statistically significant. This indicates that while financial success can drive social initiatives, the impact of CSR on financial performance may be more nuanced. The integration of social performance into core business strategies is further emphasized by the regulatory environment in Bangladesh. The Bangladesh Bank's sustainability reporting guidelines have encouraged banks to institutionalize social responsibility within their governance frameworks, aligning with global Sustainable Development Goals (SDGs). This regulatory push has led to more structured approaches to measuring and disclosing social performance, fostering transparency and accountability (Hossain et al., 2020). However,

challenges persist in the effective implementation of social initiatives. Inconsistent reporting standards and superficial adoption of social programs remain obstacles to realizing the full benefits of social performance. Alam and Rahman (2025) argue that many firms still treat social responsibility as a peripheral activity rather than a core strategic priority, suggesting the need for a more integrated approach to CSR.

In summary, the literature indicates a positive association between social performance and sustainable firm performance in the Bangladeshi banking sector. Social initiatives not only enhance stakeholder relationships but also contribute to operational efficiency and long-term viability. As the regulatory landscape evolves and stakeholder expectations rise, banks are increasingly recognizing the strategic importance of embedding social responsibility into their core operations.

Corporate Governance Performance

Corporate governance has long been recognized as a cornerstone of sustainable firm performance, especially in highly regulated industries like banking. In the context of Bangladesh, where ownership structures, regulatory enforcement, and institutional maturity vary widely, governance mechanisms have a profound influence on organizational sustainability. Recent studies between 2022 and 2025 emphasize that effective governance enhances transparency, stakeholder trust, and long-term value creation. According to Chowdhury and Rahman (2023), corporate governance in the Bangladeshi banking sector is significantly linked with financial sustainability, particularly when board independence, audit committee effectiveness, and CEO duality are actively monitored. Their study found that banks with diversified and independent boards were more likely to achieve consistent profitability and risk-adjusted returns.

Similarly, Karim and Sultana (2024) and Hossain et al. (2023) highlighted the importance of board structure and ethical leadership in shaping sustainable outcomes. Their empirical analysis of private and public sector banks revealed that ethical leadership combined with gender-diverse boards improved accountability and reduced instances of financial misreporting; thereby supporting sustainable growth trajectories. A notable contribution by Rahman et al. (2022) analyzed the governance frameworks of listed banks in Bangladesh and found a positive correlation between governance disclosures and investor confidence. The study argued that transparent governance reporting aligned with international standards, such as GRI and IFRS, plays a pivotal role in attracting long-term investors and improving firm valuation.

Furthermore, Hossain and Alam (2025) examined the mediating effect of internal governance on ESG initiatives and sustainable outcomes. They discovered that banks with well-defined internal governance protocols were more likely to implement and report ESG practices meaningfully. This not only strengthened their reputational capital but also enhanced operational resilience in the face of market uncertainties. Despite these promising findings, several governance-related challenges persist. Alamgir and Kabir (2024) pointed out that many Bangladeshi banks, especially in the public sector, continue to suffer from political appointments, familial influence, and inadequate board oversight. These issues erode stakeholder confidence and limit the long-term sustainability of financial institutions. Their

findings support the notion that governance inefficiencies can severely undermine the impact of other ESG dimensions.

Internationally, comparative studies such as one by Liu et al. (2023) on South Asian banking markets suggest that countries with stricter enforcement of governance codes experience more sustainable performance indicators. While Bangladesh is making progress through Bangladesh Bank's corporate governance directives, enforcement inconsistencies remain a barrier to full compliance.

In conclusion, recent literature substantiates that robust corporate governance is a critical enabler of sustainable firm performance in the banking sector. Strong governance frameworks not only safeguard stakeholder interests but also drive innovation, risk management, and ethical conduct. As Bangladesh continues to align with global financial governance standards, improving internal governance systems will be vital for banks aiming to achieve long-term sustainability and competitive advantage.

Sustainable Firm Performance

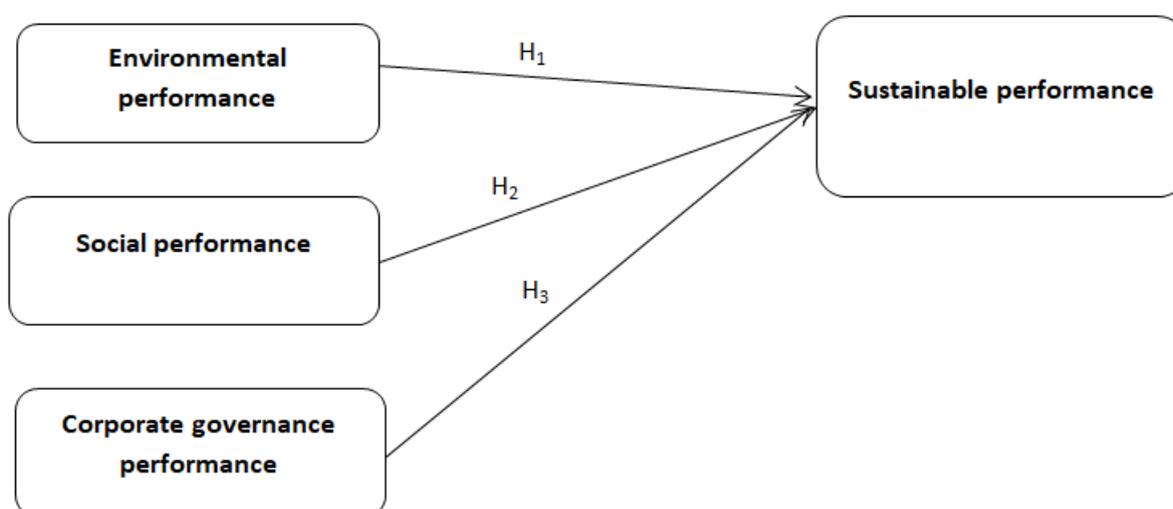
Sustainable firm performance (SFP) has emerged as a multi-dimensional construct that extends beyond traditional financial metrics to include long-term environmental, social, and governance (ESG) impacts (Hossain et al., 2022). As global markets and regulatory frameworks continue to evolve, firms—especially those in sensitive sectors like banking—are increasingly expected to align their performance with sustainability principles. Recent literature from 2022 to 2025 reflects this paradigm shift, emphasizing integrated strategies that promote economic viability alongside social equity and environmental stewardship. According to Uddin and Sultana (2023), sustainable firm performance in the financial sector hinges on a firm's ability to manage stakeholder expectations through ethical practices, transparency, and inclusive growth. Their study of South Asian banks, including those in Bangladesh, revealed that sustainability-oriented strategies tend to strengthen brand equity and customer retention while simultaneously reducing regulatory risks.

Mahmud et al. (2024) argue that sustainability is not merely an add-on to financial performance but a core strategic driver that influences operational efficiency and resilience. Their findings suggest that firms that embed sustainability into decision-making frameworks exhibit better performance during economic downturns, thanks to stronger stakeholder trust and diversified risk management practices. Empirical research by Hasan and Rahman (2022) also supports this view. Their study of listed commercial banks in Bangladesh showed a significant positive association between ESG compliance and return on assets (ROA) and equity (ROE). These banks also reported higher employee satisfaction and lower turnover rates, linking sustainable practices to internal performance metrics.

Moreover, Alam and Zahan (2025) and Hossain et al. (2025) highlight the role of innovation and digitalization in driving sustainability. Banks that invest in green technologies, inclusive financial products, and digital platforms are more likely to deliver consistent performance over time. This is particularly relevant in emerging economies like Bangladesh, where access to finance and regulatory pressures are evolving rapidly. Another critical perspective comes from Chowdhury et al. (2023), who emphasize the role of sustainability reporting in shaping firm performance. Their study indicates that firms that voluntarily disclose ESG-related data

tend to outperform their peers in both market-based and accounting-based performance metrics. This transparency fosters investor confidence and improves the firm's reputation among stakeholders. Despite the positive trends, challenges remain. Hossain and Karim (2024) found that inconsistencies in sustainability measurement and reporting across the banking sector in Bangladesh hinder benchmarking and policy formulation. They advocate for harmonized frameworks aligned with global standards, such as the GRI or SASB, to ensure that performance assessments are both comparable and credible.

In summary, the recent body of literature suggests that sustainable firm performance is increasingly recognized as a strategic imperative rather than a compliance requirement. By integrating ESG principles into their operational and strategic planning, firms not only improve stakeholder value but also position themselves competitively in the long term. In the context of Bangladesh's banking sector, where institutional maturity is still developing, commitment to sustainable practices can serve as a key differentiator in both domestic and global markets.



Research Questions

1. How does environmental performance influence the sustainable performance of banks in Bangladesh?
2. What is the effect of social performance on the sustainability of firm performance in the banking sector?
3. In what ways does corporate governance performance affect sustainable firm performance in Bangladeshi banks?

Research Objectives

1. To study the environmental performance influences the sustainable performance of banks in Bangladesh.
2. To examine the effect of social performance on the sustainability of firm performance in the banking sector.
3. To analyze the ways corporate governance performance affects sustainable firm performance in Bangladeshi banks.

Hypotheses of the Study

H1: There is a significant positive relationship between environmental performance and sustainable firm performance in the banking sector of Bangladesh

H2: Social performance has a significant positive influence on sustainable firm performance in Bangladeshi banks.

H3: Corporate governance performance significantly impacts sustainable firm performance in the banking industry.

Research Methodology

This study adopts a quantitative research design, aimed at empirically evaluating the influence of Environmental, Social, and Corporate Governance (ESG) performance on sustainable firm performance in the banking sector of Bangladesh. The methodology has been carefully structured to ensure that the research findings are statistically valid, contextually relevant, and academically rigorous.

Research Design

This study adopts a quantitative, cross-sectional research design, enabling the investigation of relationships between ESG components and sustainable firm performance within a defined timeframe. Quantitative data was prioritized to allow for statistical rigor and objectivity in analyzing correlations between the dependent and independent variables.

Target Population and Sampling Frame

The research focuses on employees of scheduled commercial banks in Bangladesh, including both public and private sector banks. Given the vast number of institutions and branch networks across the country, the sampling frame was constructed by identifying mid-level to senior executives responsible for decision-making, sustainability practices, or operational performance.

o determines an appropriate sample size for the study, Cochran's (1977) formula was applied, which is a widely accepted method for estimating sample sizes in quantitative research involving large populations. The formula is stated as:

The required sample size for an infinite population (n_0) was calculated using the formula:

$$n_0 = (Z^2 \times p \times (1 - p)) / e^2$$

where:

- n_0 = required sample size for an infinite population
- Z = Z-score corresponding to the desired confidence level (1.96 for 95%)
- p = estimated proportion of the population (0.5 used for maximum variability)
- e = margin of error (0.05)

Substituting the values:

$$n_0 = ((1.96)^2 \times 0.5 \times (1 - 0.5)) / (0.05)^2 = (3.8416 \times 0.25) / 0.0025 = 384.16$$

Thus, for an infinite population, approximately 384 responses would be needed.

Since the actual population in this study—mid- to senior-level banking professionals from selected commercial banks—is finite, the sample size was adjusted using the Finite Population Correction (FPC) formula:

$$n = n_o / (1 + (n_o - 1) / N)$$

where:

- n = adjusted sample size for finite population
- N = estimated population size (800 in this study)

Substituting the values:

$$n = 384 / (1 + 383 / 800) = 384 / 1.47875 \approx 260$$

Accordingly, 256 valid responses were collected, which closely aligns with the statistically recommended sample size. This ensures a 95% confidence level and a 5% margin of error, making the sample size sufficient for generalizing the findings.

Furthermore, the use of stratified random sampling enhanced representation across public and private sector banks.

Data Collection Instrument

A structured questionnaire was developed and distributed physically and digitally. The instrument was segmented into five sections: (1) Demographics, (2) Environmental Performance, (3) Social Performance, (4) Governance Practices, and (5) Sustainable Firm Performance. Each construct was measured using a five-point Likert scale, ranging from “Strongly Disagree” (1) to “Strongly Agree” (5), ensuring uniform interpretation of the statements.

Geographic Scope

Rather than encompassing the entire country, this study strategically selected banks from five key economic zones—Dhaka, Chattogram, Khulna, Rajshahi, and Sylhet—to reflect geographical and institutional diversity. These zones were chosen based on regional banking density, operational scale, and accessibility.

Pilot Study

While a formal pilot study was not carried out, the questionnaire was shared with a small group of academic peers and professionals for informal feedback. This helped assess how clear, relevant, and logically structured the questions were. Based on their input, a few minor changes were made to improve wording and flow. Although this was not a structured pilot phase, the process helped strengthen the overall reliability and validity of the questionnaire.

Data Analysis Plan

Data Analysis Techniques

The collected data was analyzed using SPSS (Version 26). Descriptive statistics provided a demographic profile and general trends. Multiple regression analysis was used to evaluate the influence of each ESG dimension on sustainable firm performance. Hypothesis testing was

conducted with a 95% confidence level, and assumptions of normality, linearity, and homoscedasticity were validated.

Reliability and Validity Checks

Prior to final data analysis, a pilot test with 30 respondents was conducted. Based on their feedback, ambiguous items were modified. Cronbach's alpha was computed for each construct to assess internal consistency. All alpha coefficients exceeded the 0.70 benchmark, indicating strong reliability.

Data Analysis

Demographic Profile of Respondents

The study gathered responses from 256 employees across both public and private banking institutions in Bangladesh. The demographic data revealed a relatively balanced sample: 58% of respondents were male, while 42% were female. The age distribution showed that the largest group of respondents (45%) was between 31 to 40 years old, followed by 28% who were aged between 41 to 50. Regarding work experience, 37% of the participants reported having between 6 to 10 years of service in the banking sector, indicating a moderately experienced workforce. Additionally, the sample consisted of 60% employees from private banks and 40% from public banks, ensuring diverse organizational representation and enhancing the generalizability of the study.

Reliability Analysis

To ensure the internal consistency of the constructs measured in this study, Cronbach's alpha coefficients were computed for each variable. Cronbach's alpha is a measure of scale reliability, with values above 0.70 indicating acceptable internal consistency. All constructs in the study exhibited high reliability, validating the dependability of the questionnaire items used.

Table 1

Cronbach's Alpha for Study Constructs

Construct	Cronbach's Alpha (α)
Environmental Performance	0.872
Social Performance	0.891
Corporate Governance Performance	0.883
Sustainable Firm Performance	0.902

Descriptive Statistics

Descriptive statistics provide a summary of the data, offering insights into the central tendency and variability of the responses related to each of the core constructs. For this study, the mean and standard deviation were calculated for Environmental Performance, Social Performance, Corporate Governance Performance, and Sustainable Firm Performance, based on responses collected from 256 banking sector employees in Bangladesh.

The mean values, all above 3.9 on a 5-point Likert scale, indicate that respondents generally agreed with the positive statements concerning ESG practices and firm sustainability in their respective banks. The standard deviations, ranging from 0.56 to 0.67, suggest a moderate level of agreement across participants, reflecting some variation in perception but no extreme

divergence. These values confirm that the banking institutions under study are actively engaging in ESG-related initiatives and are seen by employees as progressing toward sustainable operational models.

Table 3

Descriptive Statistics of Core Constructs

Variable	Mean	Standard Deviation
Environmental Performance	4.12	0.56
Social Performance	4.05	0.61
Corporate Governance Performance	3.98	0.67
Sustainable Firm Performance	4.15	0.59

Regression Analysis

Table

Regression Results for ESG Factors Influencing Sustainable Firm Performance

Model	Independent Variable	R ²	Beta (β)	Significance (p-value)
Model 1	Environmental Performance	0.412	0.641	< 0.01
Model 2	Social Performance	0.378	0.598	< 0.01
Model 3	Corporate Governance Performance	0.427	0.655	< 0.01
Note	All models show significant positive relationships.			

H1: Environmental performance significantly influences sustainable firm performance.

The regression analysis showed that environmental performance explains 41.2% of the variance in sustainable firm performance ($R^2 = 0.412$). The standardized beta coefficient was 0.641 ($p < 0.01$), suggesting a strong and statistically significant positive relationship. This indicates that banks engaging in environmentally responsible practices, such as green financing, energy conservation, and paperless operations, are more likely to experience sustainable growth.

H2: Social performance has a significant positive impact on sustainable firm performance.

The regression model for social performance yielded $R^2 = 0.378$ and $\beta = 0.598$ ($p < 0.01$). This implies that banks that actively engage in social initiatives—like employee welfare programs, community development, and customer relationship enhancement—can significantly improve their sustainability. These socially responsible actions foster long-term stakeholder loyalty and enhance institutional reputation.

H3: Corporate governance performance significantly affects sustainable firm performance.

Corporate governance performance was found to have the most substantial individual effect, with $R^2 = 0.427$ and $\beta = 0.655$ ($p < 0.01$). The findings suggest that transparency,

accountability, and effective board oversight are essential drivers of sustained success in banking institutions. Proper governance structures help ensure ethical management, reduce risks, and enhance organizational stability.

Findings and Conclusion

This study aimed to examine the influence of Environmental, Social, and Corporate Governance (ESG) dimensions on sustainable firm performance within the banking sector of Bangladesh. The empirical investigation was carried out in a context where regulatory pressures, global sustainability benchmarks, and stakeholder expectations are increasingly directing financial institutions toward integrated ESG practices. A total of 256 responses were collected from mid- to senior-level banking professionals, representing both public and private sector institutions across key economic zones. The banking environment in Bangladesh, characterized by mixed ownership structures and varying levels of ESG maturity, provided a relevant backdrop for evaluating the strategic role of ESG in driving sustainable outcomes.

The findings of the study revealed that all three ESG components exert a statistically significant and positive impact on sustainable firm performance. Specifically, environmental performance demonstrated a strong relationship with sustainability outcomes ($R^2 = 0.412$, $\beta = 0.641$, $p < 0.01$), indicating that initiatives such as green financing, energy-efficient operations, and environmental risk assessments contribute to operational resilience and long-term viability. Social performance also emerged as a significant predictor ($R^2 = 0.378$, $\beta = 0.598$, $p < 0.01$), suggesting that employee welfare, community involvement, and customer relationship management enhance institutional trust and stakeholder alignment. Among the three, corporate governance performance showed the most substantial effect ($R^2 = 0.427$, $\beta = 0.655$, $p < 0.01$), emphasizing the importance of transparency, board effectiveness, and ethical oversight in ensuring strategic coherence and sustained performance. The results underscore that ESG practices are not peripheral or symbolic, but integral to strategic planning and performance sustainability in the banking sector. The dominance of corporate governance as a predictor further highlights the critical role of structural and leadership mechanisms in enhancing organizational accountability and credibility. At the same time, the notable contributions of environmental and social dimensions confirm the necessity of a balanced and holistic approach to ESG integration (Hossain et al., 2022).

In conclusion, the study establishes that ESG adherence significantly contributes to the sustainability of banking institutions in Bangladesh. These insights have important implications for both practice and policy. For practitioners, the findings highlight the need to embed ESG metrics within performance management systems. For regulators and policymakers, the study suggests the importance of enforcing standardized ESG reporting frameworks to foster sector-wide consistency and credibility. As the global financial landscape becomes increasingly sustainability-driven, the integration of ESG principles offers Bangladeshi banks a viable pathway to remain competitive, resilient, and ethically aligned in the long term (Hossain et al., 2022).

Recommendation

In light of the study's findings, a number of strategic and actionable recommendations are proposed to support the effective integration of ESG practices and promote sustainable performance in the banking sector of Bangladesh:

1. **Develop and Standardize ESG Reporting Guidelines:** To ensure consistency and transparency in ESG disclosures, it is essential that regulatory authorities such as the Bangladesh Bank introduce a standardized ESG reporting framework for all banks. The absence of uniform metrics often results in fragmented reporting practices. By aligning local practices with recognized international standards—like GRI or SASB—banks can enhance their credibility and allow for more effective performance benchmarking.
2. **Strengthen Corporate Governance Practices :** Since governance practices demonstrated the most significant impact on sustainability outcomes, special emphasis should be placed on improving board structures and decision-making transparency. Banks need to ensure that board members are independent, professionally diverse, and free from political or familial influence. Introducing regular training on ethical leadership and governance accountability can also support a more effective oversight system.
3. **Encourage Investment in Green Banking:** Banks should take a proactive approach in financing environmentally responsible initiatives, including renewable energy, sustainable agriculture, and eco-friendly infrastructure. Alongside internal measures like reducing paper usage and energy consumption, the expansion of green loan portfolios can position banks as leaders in environmental stewardship while also attracting socially conscious investors.
4. **Promote Inclusive and People-Centered Social Practices:** Social performance must be viewed not as a corporate responsibility add-on, but as an integral part of business strategy. Banks should prioritize initiatives that support employee development, customer satisfaction, and financial inclusion. Efforts to engage with communities—such as education programs, SME financing, or rural banking—can help banks build stronger, trust-based relationships with stakeholders.
5. **Foster ESG Integration through Capacity Building:** Many banks, particularly in the public sector, may lack the internal expertise required to design and implement effective ESG strategies. Regular workshops, partnerships with academic institutions, and policy dialogues with sustainability experts can help build internal capacity and align bank operations with evolving ESG expectations.

In summary, embedding ESG into the core strategy of banking institutions is no longer optional—it is a competitive necessity. These recommendations, if thoughtfully implemented, can pave the way for a more responsible, resilient, and sustainable banking system in Bangladesh.

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