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Linking Sustainability Practices to Financial Success: Insights from Bangladesh

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10 April 2025

Online at <https://mpra.ub.uni-muenchen.de/125326/>
MPRA Paper No. 125326, posted 28 Jul 2025 13:39 UTC

Linking Sustainability Practices to Financial Success: Insights from Bangladesh

Abstract

The rapid industrialization and economic growth of Bangladesh, particularly in the ready-made garment sector, have raised significant concerns about sustainability. This study investigates how businesses and consumers in Bangladesh are incorporating sustainability into their practices and decision-making. By exploring factors influencing the adoption of these practices, their impact on financial performance, and consumer attitudes toward sustainability, the research contributes to understanding the sustainability scenario of Bangladesh. Data from 225 businesses and 639 consumers were analyzed. Findings reveal a growing emphasis on these factors among businesses, linked to improved financial outcomes. However, challenges such as consumer price sensitivity and limited knowledge about sustainability persist. While consumer awareness of sustainability is increasing, a significant segment remains willing to pay a premium for sustainable products. The study highlights the importance of businesses embracing these practices and the need for supportive policies to foster a sustainable future.

Keywords: ESG; sustainability; Bangladesh; consumer behavior; SDG

JEL codes: Q56; O13; M14; L52; O53

Introduction

Bangladesh's remarkable economic growth, particularly driven by its ready-made garment (RMG) industry, is often hailed as a development success story (Islam & Halim, [2022](#)). This rapid industrialization, however, has brought about significant environmental and social challenges, including widespread pollution, resource depletion, and unsafe labor conditions, as highlighted by catastrophic incidents such as the Rana Plaza collapse in 2013. These challenges underscore the urgent need for businesses to adopt sustainable practices to balance economic growth with environmental and social responsibilities (Hasan et al., [2023](#)).

Globally, there is increasing pressure on businesses to integrate Environmental, Social, and Governance (ESG) principles into their operations. Organizations that effectively address ESG concerns are better positioned to achieve long-term success and societal legitimacy, given the growing emphasis on corporate social responsibility and environmental stewardship (Rahman et al., [2024](#)). For Bangladesh, this paradigm shift offers opportunities to enhance its global competitiveness, especially in sectors like RMG, where compliance with international sustainability standards is increasingly becoming a prerequisite for market access (Annesi et al., [2024](#)).

Despite the global momentum around sustainability, the unique challenges faced by Bangladeshi businesses remain underexplored. For example, while many multinational corporations have adopted standardized ESG frameworks, small and medium enterprises (SMEs) in Bangladesh struggle with limited resources, insufficient knowledge, and weak regulatory enforcement (Uddin et al., [2023](#)).

. Consumer behavior in Bangladesh presents a unique dimension; while sustainability is a growing concern globally, little is known about how Bangladeshi consumers prioritize sustainability in their purchasing decisions or influence corporate sustainability strategies (Hossain & As-Saber, [2024](#)).

The existing literature offers valuable insights into ESG practices and their financial implications in developed economies (Khamisu et al., [2024](#)). However, these findings are not fully transferable to emerging markets like Bangladesh, where structural, cultural, and institutional factors differ significantly. Empirical studies often fail to address the unique interplay between industry characteristics and sustainability initiatives in Bangladesh, such as how sectors like textiles and leather contribute disproportionately to environmental degradation yet have vast potential for green transformation (Debnath et al., [2024](#)).

This research addresses these gaps by focusing on the specific context of Bangladesh to explore the relationship between ESG practices, financial performance, and consumer behavior. It aims to provide actionable insights for businesses and policymakers navigating the sustainability landscape. The study investigates how company size and industry sector influence the adoption of ESG initiatives and evaluates the financial outcomes of sustainable practices. Moreover, it explores the factors shaping consumer attitudes and behaviors regarding sustainability, identifying opportunities for businesses to align their practices with consumer expectations. By bridging the perspectives of businesses and consumers, this study contributes to a deeper understanding of sustainable business practices in Bangladesh, offering practical implications for fostering a more sustainable and inclusive economy.

The subsequent sections of the research follow a logical structure, as outlined below:

Chapter	Description
Literature review	This section provides a comprehensive overview of existing research on ESG practices, particularly within the Bangladeshi context. It identifies knowledge gaps and lays the foundation for the study's theoretical framework.
Theoretical framework	Building upon the literature review, this section develops a theoretical framework that underpins the research. It outlines the key variables, constructs, and their relationships, providing a roadmap for the empirical investigation.
Data methodology	This section details the research design, data collection methods, and statistical and techniques employed in the study. It provides a clear explanation of how the data was gathered and analyzed to address the research questions.
Findings	The findings of the study are presented and interpreted in this section. The results are linked to the research questions and theoretical framework, providing insights into the relationship between ESG practices, business performance, and consumer behavior in Bangladesh.
Discussion	This section investigates the implications of the findings, comparing and contrasting them with previous research. It highlights the study's contributions to the existing body of knowledge and discusses the theoretical and practical implications of the results.
Conclusion	The conclusion summarizes the key findings of the study, reinforcing its significance and contributions to the field. It acknowledges the study's limitations and provides actionable recommendations for businesses, policymakers, supply chain stakeholders, and consumers to promote sustainable development in Bangladesh.

Literature review

Sustainable Business Practices: A Foundation

Sustainable initiatives have become a cornerstone of long-term organizational success. By integrating environmental, social, and economic considerations into core operations, businesses can enhance their reputation, mitigate risks, and contribute positively to society (Whittingham et al., 2023). Frameworks such as the Triple Bottom Line (TBL) and Corporate Social Responsibility (CSR) have provided foundational structures for organizations to operationalize sustainability (Wu et al., 2021). However, the challenge of quantifying and standardizing sustainability efforts persists (Lashitew, 2021). Global initiatives, spearheaded by the Global Reporting Initiative (GRI) and the International Integrated Reporting Council (IIRC), are actively addressing these challenges through the development of comprehensive reporting frameworks (O'Dwyer et al., 2024).

Drivers of Sustainable Business Practices

A confluence of factors has accelerated the adoption of sustainable business practices. Growing environmental concerns, such as climate change and resource depletion, have compelled businesses to minimize their ecological footprint (Raza & Woxenius, 2023). Evolving consumer preferences, characterized by heightened emphasis on ethical consumption, have significantly influenced businesses to demonstrate robust sustainability commitments (Chowdhury et al., 2024). Furthermore, the financial sector's increasing recognition of Environmental, Social, and Governance (ESG) factors as material to investment decisions has fueled the demand for sustainable investments (Young-Ferris & Roberts, 2023). Lastly, stringent government regulations and policies have created an enabling environment that incentivizes sustainable practices (Rhodes et al., 2021).

ESG and Financial Performance: A Complex Relationship

The relationship between ESG performance and financial outcomes has been extensively studied but remains complex and context-dependent. Research indicates that strong ESG practices can enhance brand reputation, attract investors, and improve risk management (Rau & Yu, 2024). For instance, investing in employee well-being and fostering a diverse and inclusive workplace have been linked to improved productivity and financial performance (Sypniewska et al., 2023). However, significant challenges, including the upfront costs of sustainable initiatives, difficulties in quantifying financial impacts, and the risks of greenwashing, can impede the realization of ESG-related financial benefits (Breuer et al., 2024). Furthermore, the impact of ESG on financial performance varies across industries and organizational strategies, necessitating a nuanced understanding of sector-specific dynamics (Edmans, 2023).

The Bangladeshi Context: Opportunities and Challenges

Bangladesh offers a distinctive platform for examining the interplay between sustainability and business. The country's rapid economic growth, particularly within the RMG sector, has brought significant environmental challenges, such as pollution, resource depletion, and climate vulnerability (Debnath et al., 2024). While commendable strides have been made in sectors like green building (Sarkar et al., 2020), the broader adoption of sustainable practices across Bangladeshi businesses remains nascent.

Several barriers impede the widespread integration of sustainability in the Bangladeshi context. A lack of awareness about the concrete advantages of sustainable practices prevents many organizations from investing in such initiatives (Khan et al., 2023). Weak institutional frameworks, including inadequate policies, regulations, and enforcement mechanisms, create an unfavorable

environment for sustainability efforts. Financial constraints and resource limitations further exacerbate these challenges, particularly for small and medium-sized enterprises (SMEs).

Despite these obstacles, a growing recognition of the importance of sustainability is emerging among government and industry stakeholders. Initiatives aimed at promoting renewable energy, green technology, and sustainable consumption patterns are gradually gaining traction (Uddin et al., 2023). Industry associations, such as the Bangladesh Garment Manufacturers and Exporters Association (BGMEA), have recognized sustainability as a strategic priority, particularly as a means to enhance global competitiveness and reputation (Salvetti & Nijhof, 2020).

Theoretical framework

This study examines the complex interplay between consumer behavior, business strategies, and environmental sustainability within the unique context of Bangladesh. By integrating insights from existing theories and frameworks, it aims to bridge gaps in understanding sustainable business practices and their implications for financial performance. The framework aligns closely with contemporary literature and addresses the research objectives outlined in the study.

The existing literature emphasizes the critical role of sustainability in achieving long-term organizational success (Whittingham et al., 2023). Frameworks such as the Triple Bottom Line (TBL) and Corporate Social Responsibility (CSR) have been widely adopted as foundational models for integrating sustainability into business operations (Wu et al., 2021). However, gaps persist in the operationalization and standardization of sustainability metrics, particularly in emerging economies like Bangladesh (Lashitew, 2021). While prior studies have explored the impact of ESG practices on financial performance, the extensive relationship between these variables across different industries and socio-economic contexts remains under-researched (Edmans, 2023; Breuer et al., 2024).

This study builds on these foundations by exploring sector-specific dynamics within Bangladesh, an underrepresented context in sustainability literature. It introduces a comprehensive framework that incorporates established concepts, such as stakeholder theory and the Theory of Planned Behavior, while extending these models to include emerging constructs like circular economy principles and alignment with Sustainable Development Goals (SDGs).

The study advances theoretical understanding by addressing three critical areas:

Unlike previous research, which often focuses on developed markets, this study examines the interplay between ESG practices and financial performance in Bangladesh, an emerging economy with distinctive challenges and opportunities.

By synthesizing multiple theoretical perspectives including TPB, stakeholder theory, and TBL the study provides a multidimensional approach to analyzing sustainable business practices.

The study uniquely juxtaposes business and consumer perspectives, shedding light on how consumer attitudes toward sustainability drive organizational strategies.

Core Theoretical Constructs

Sustainable Business Practices

Adopting the World Business Council for Sustainable Development's definition, the study views sustainability as the integration of environmental, social, and economic considerations into

business operations. The TBL framework (Farooq et al., 2021) provides a basis for evaluating these dimensions, while CSR principles explore businesses' ethical responsibilities (Wu et al., 2021).

Stakeholder Theory

Freeman and Phillips' (2002) stakeholder theory emphasizes the need for businesses to consider the interests of diverse stakeholders. This study extends this theory to include non-traditional stakeholders, such as local communities and environmental ecosystems.

Consumer Environmentalism and TPB

Ajzen's (1991) TPB framework is applied to understand the role of consumer attitudes, subjective norms, and perceived behavioral control in shaping sustainable consumption patterns in Bangladesh.

Circular Economy and SDGs

The integration of circular economy principles (Azizuddin et al., 2021) and alignment with SDGs further enriches the theoretical framework by highlighting strategies that address systemic challenges in sustainability.

The proposed theoretical framework posits that ESG practices significantly influence financial performance, with the impact moderated by contextual factors such as industry characteristics and regulatory environments. It highlights the pivotal role of consumer attitudes and behaviors in shaping sustainable consumption patterns, which are further influenced by demographic and socio-economic variables. The framework identifies the multifaceted barriers to ESG adoption in Bangladeshi businesses, including financial constraints, lack of awareness about sustainability benefits, and institutional weaknesses that hinder effective implementation.

This framework extends theoretical knowledge by providing a structured approach to analyzing sustainability in a developing country context. It bridges the gap between theoretical constructs and practical implications, offering actionable insights for policymakers, industry stakeholders, and academics. By addressing the interplay of consumer and organizational behaviors, it contributes to a holistic understanding of sustainable business practices and their broader societal impacts.

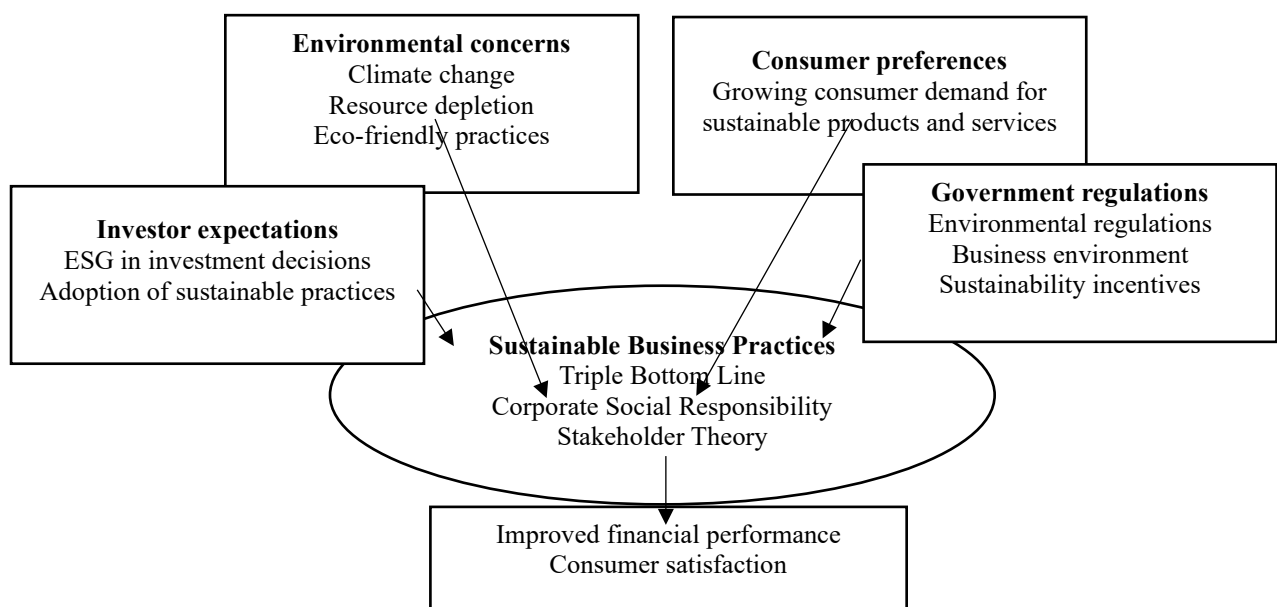


Figure 1: Drivers of sustainable business practices and their impacts

This framework highlights the dynamic interplay between consumers, businesses, and the environment. It emphasizes the importance of considering multiple perspectives to understand the complexities of sustainable business practices. By integrating these theoretical lenses, the study aims to contribute to the development of effective sustainability strategies in the Bangladeshi context.

Considering the established theoretical framework and literature review, this study aims to address the following research questions:

- a) How does ESG performance influence the financial performance of Bangladeshi businesses?
This objective seeks to examine the correlation between a company's ESG practices and its financial outcomes. It aims to understand if businesses prioritizing environmental, social, and governance factors experience better financial performance compared to those that do not.
- b) How do consumer attitudes and behaviors shape sustainable consumption patterns in the Bangladeshi market?
This objective focuses on the role of consumers in driving sustainable consumption. It explores the factors influencing consumers' choices and behaviors, such as awareness, values, and preferences related to sustainability.
- c) What are the primary barriers hindering the widespread adoption of ESG practices among Bangladeshi organizations?
This objective pursues to identify the challenges and obstacles that Bangladeshi businesses face in implementing ESG practices. It aims to understand the factors preventing or discouraging organizations from adopting sustainable practices.

Based on the proposed research questions, the following hypotheses are formulated:

Hypothesis 1: ESG Performance and Financial Performance

H_{1a}: There is a positive relationship between ESG performance and financial performance of Bangladeshi businesses.

H_{1b}: Specific ESG dimensions have differential impacts on financial performance.

Hypothesis 2: Consumer Attitudes and Sustainable Consumption

H_{2a}: Consumer attitudes towards sustainability positively influence purchasing decisions of sustainable products in Bangladesh.

H_{2b}: Demographic factors (age, gender, income, education) moderate the relationship between consumer attitudes and sustainable consumption.

Hypothesis 3: Barriers to ESG Adoption

H_{3a}: Lack of awareness about ESG benefits is a significant barrier to ESG adoption among Bangladeshi organizations.

H_{3b}: Financial constraints impede the implementation of ESG practices in Bangladeshi businesses.

H_{3c}: Regulatory and policy environment negatively impacts the adoption of ESG initiatives in Bangladesh.

Data and Methodology

Data

To comprehensively assess ESG practices in Bangladeshi businesses, this study adopted a dual-pronged survey approach, targeting both business representatives and consumers. The respondent groups were selected to ensure their relevance to the research objectives, offering insights into the dynamics of ESG practices from both supply and demand perspectives.

The business sample consisted of 225 individuals holding key decision-making roles, including senior managers, managing directors, and business owners from organizations spanning diverse industries. These respondents were chosen for their strategic and operational involvement, which enabled them to provide comprehensive perspectives on the adoption, challenges, and financial implications of ESG practices within their organizations. In contrast, the consumer group comprised 639 individuals representing a broad cross-section of Bangladesh's population in terms of socio-economic, geographic, and demographic diversity. Their input offered valuable insights into consumer awareness, attitudes, and behaviors concerning sustainability, as well as their willingness to pay for sustainable products.

Data collection occurred between February 25th and May 9th, 2024, utilizing a randomized sampling technique to reduce selection bias and enhance generalizability. A combination of electronic and manual survey methods was employed to maximize participation and accommodate varying respondent preferences. Anonymity was ensured to encourage honest and comprehensive responses, particularly on potentially sensitive ESG-related topics.

The survey instrument was designed around a Likert scale to measure ESG practices consistently and enable robust statistical analysis. Missing data were handled using a combination of listwise deletion for minimal missing values and multiple imputation for variables with significant gaps. Sensitivity analyses were conducted to evaluate the impact of these methods on the study's findings, ensuring the reliability of the results. Outcome variables were examined for normality using skewness and kurtosis statistics, with necessary transformations applied to achieve a normal distribution. Robust regression methods were also considered to account for deviations from normality.

To address common method bias, the sample size for both business representatives and consumers was determined using power analysis to ensure sufficient statistical power. The survey instruments were carefully designed to minimize method-specific variance, incorporating varied question formats and wordings. During data analysis, statistical techniques such as Harman's single-factor test were applied to assess and control for any potential biases.

Ethical considerations were central to the study's design. Participants were informed of the research's purpose, potential risks, and benefits, along with their right to withdraw at any stage. Privacy and confidentiality were upheld through data anonymization and restricted access to sensitive information. Measures were implemented to avoid coercion and address potential conflicts of interest. Data security protocols were established to maintain the integrity of the collected data, and dissemination of findings was planned with careful attention to participant privacy.

This comprehensive approach to data collection and construct measurement, supported by adherence to rigorous ethical standards and robust analytical practices, enhances the reliability, validity, and replicability of the study (Sharifi et al., [2022](#)). By using validated measurement scales and addressing potential biases systematically, the research ensures transparency and consistency in its findings (Wang et al., [2022](#)). These methodological safeguards position the study to make a substantial contribution to the existing literature on ESG practices and to provide actionable insights into their implementation and impact within the Bangladeshi business context.

Models

To extract meaningful insights from the collected data, a combination of statistical techniques was employed.

Descriptive analysis: This method was used to summarize key characteristics of the sample, including demographics, sustainability awareness, consumer behavior, and overall ESG practices.

Regression analysis: To examine the relationship between ESG practices and business performance, regression models were constructed. Independent variables representing ESG dimensions were correlated with dependent variable such as financial performance.

Factor analysis: This technique was applied to reduce the dimensionality of ESG indicators and consumers' preferences to identify the underlying latent factors in driving sustainable business practices.

Justification of research tools

The choice of research tools has been guided by the objectives of this study and the nature of the data to be collected.

Surveys have been employed as the primary data collection method to systematically explore ESG perceptions and practices among both businesses and consumers. The Likert scale format has facilitated quantitative analysis and comparative assessment of responses.

Regression analysis has been applied to examine the causal relationships between ESG practices and business outcomes, providing insights into the impact of sustainability initiatives.

Factor analysis has been employed to identify underlying dimensions of ESG performance and consumer preferences, enabling a more parsimonious representation of the data and facilitating subsequent analysis.

Model robustness and validation

To enhance the robustness and validity of the model, following steps were taken.

Reliability analysis: The internal consistency of the survey instruments was assessed using Cronbach's alpha coefficient to ensure the reliability of the collected data.

Model fit: The goodness-of-fit of the regression models was evaluated using standard fit indices to assess their predictive power and explanatory ability.

By employing these rigorous methodological approaches, this study aims to provide reliable and actionable insights into the dynamics of ESG practices in the Bangladeshi business environment.

Findings

Attitude of businesses toward the ESG practices

Tables a and b offer valuable insights into the potential relationship between company size and type with their approach to ESG practices. The near-equal distribution across company sizes (micro, small, medium, and large) provides an opportunity to investigate whether attitudes towards ESG vary significantly based on business scale.

Table 1. Frequency table

a. Company size according to number of employees

	Percent
Micro (1-9)	12.40
Small (10-49)	28.40
Medium (50-249)	31.10
Large (250+)	28.00

b. Type of organization

	Percent
Manufacturing	63.10
Services	12.40
Retail	12.00
Other	12.40

The significant representation of the manufacturing sector (63.10%) is important as this sector has a larger environmental footprint. Analyzing these companies in detail will shed light on how they address environmental concerns and integrate them into their operations. While services, retail, and other sectors have a smaller representation, they shouldn't be overlooked. Understanding how these diverse sectors approach ESG provides a more comprehensive picture.

Table 2. KMO and Bartlett's Test

Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		0.825
Bartlett's Test of Sphericity	Approx. Chi-Square	1922.540
	df	36
	Sig.	0.000

The KMO measure of 0.825 and a highly significant Bartlett's Test (Sig. .000) in table 2 indicate that the Likert scale data of this study is suitable for factor analysis. This means the sample size is adequate, and the relationships between the variables suggest underlying factors that factor analysis can effectively identify (Christensen & Golino, [2021](#)).

Table 3. Total Variance Explained

Factor	Initial Eigenvalues	Extraction Sums of Squared Loadings
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	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %
1	5.939	65.987	65.987	5.601	62.229	62.229
2	0.975	10.836	76.823			
3	0.698	7.758	84.580			
4	0.455	5.060	89.641			
5	0.340	3.778	93.418			
6	0.253	2.810	96.228			
7	0.158	1.753	97.981			
8	0.133	1.480	99.462			
9	0.048	0.538	100.000			

Extraction Method: Principal Axis Factoring

Table 3 shows the factor analysis, using principal axis factoring, successfully extracted factors that explain a substantial portion of the variance in data. The first factor is particularly strong, capturing a 65.987% of the variance, with the second factor adding another 10.836%. This means the analysis has identified clear underlying structures in the Likert scale data.

Table 4. Factor matrix

Factor	Value	Class
Our board of directors is actively involved in overseeing ESG practices	0.887	Governance
We consider environmental sustainability when making business decisions	0.878	Environmental
We invest in employee training and development programs	0.871	Social
We measure the success of our social responsibility initiatives	0.861	Social
Our company operates with transparency and accountability	0.838	Governance
We engage with the local community through social responsibility initiatives	0.750	Social
We promote diversity and inclusion within our workforce	0.750	Social
We actively seek ways to reduce our company's environmental footprint	0.647	Environmental
Our corporate governance code addresses ESG considerations	0.548	Governance

Extraction Method: Principal Axis Factoring

The factor loadings in Table 4 are generally high (above 0.647), indicating a strong positive attitude of businesses in Bangladesh towards ESG practices.

Social Responsibility: Businesses in Bangladesh place a clear focus on social responsibility, with high factor loadings for employee training (0.871), community engagement (0.750), and diversity & inclusion (0.750). This suggests that Bangladeshi businesses recognize the importance of investing in their workforce and giving back to the communities they operate in.

Environmental Sustainability: Environmental sustainability is also important to Bangladeshi businesses, as shown by high loadings for considering environmental impact (0.878) and actively seeking ways to reduce their environmental footprint (0.647). This indicates a growing awareness of the environmental impact of business operations and a commitment to mitigating it (Garg, [2021](#))

Governance: Governance practices, including board involvement in ESG oversight (0.887), transparency and accountability (0.838), and having a corporate governance code that addresses ESG considerations (0.548), also receive significant focus from Bangladeshi businesses. This suggests that businesses are taking steps to ensure that ESG considerations are integrated into their decision-making processes and that they are held accountable for their ESG performance. The results offer positive insights into sustainable business practices in Bangladesh, aligning well with the goals of SDG 12.

Strong Focus on Social and Environmental Responsibility: The table reveals high factor loadings (above 0.75) for social and environmental aspects. This indicates that businesses prioritize aspects like employee development, community engagement, and reducing environmental impact. This directly contributes to SDG 12's goals of sustainable production and consumption (Akhter & Hassan, [2024](#)).

Integration of ESG Practices: High loadings for factors like board involvement in ESG practices and a corporate governance code addressing ESG considerations (0.887 and 0.548) show a strategic approach to sustainability. This reflects a move towards responsible business practices, which is essential for SDG 12 (Peng & Smith III, [2024](#)).

Transparency and Accountability: A high loading (0.838) for transparency and accountability signifies businesses' commitment to responsible actions. This aligns with SDG 12's emphasis on sustainable consumption patterns, where consumers can make informed choices.

These results indicate a positive picture of Bangladeshi businesses embracing sustainable practices that contribute to achieving SDG 12.

Table 5. Regression estimates. Dependent variable: Financial Performance

	Model 1	Model 2	Model 3
Environmental	1.198*** (23.80)	0.868*** (12.11)	0.439*** (6.03)
Social		0.380*** (6.06)	0.0192* (0.31)
Governance			0.864*** (10.20)
Constant	-0.351* (-2.12)	-0.642*** (-3.99)	-0.884*** (-6.55)
Obs	225	225	225
R ²	0.718	0.758	0.835
Adj. R ²	0.716	0.755	0.833
F-stat (Sig.)	566.41 (0.000)	346.93(0.000)	373.40(0.000)

A closer look at the table 5 reveals a compelling story for Bangladeshi businesses. The table presented shows a positive and statistically significant relationship between all three aspects of ESG and a company's financial performance. This means that Bangladeshi companies that prioritize these factors are likely to see a financial benefit.

Environmental practices have the strongest positive impact on financial performance. Companies that have a formal environmental policy, actively reduce waste and energy consumption, and integrate sustainability into their business decisions tend to perform better financially. This suggests that eco-conscious practices are not just good for the environment, but also for the bottom line.

Social responsibility also plays a role, with companies that invest in employee well-being, training, and diversity showing a positive impact on financial performance (Okafor, et al., [2021](#)). While the effect is slightly weaker than environmental factors, it still highlights the value of a strong social component.

Finally, good governance practices, like having a clear corporate code that addresses ESG concerns and a board actively involved in overseeing these issues, are linked to better financial performance. This indicates that transparency, accountability, and a focus on ESG can create a strong financial foundation for Bangladeshi businesses.

These findings strongly support Bangladesh's focus on achieving SDG 12: Responsible Consumption and Production. By prioritizing sustainable practices, businesses are not just contributing to a healthier planet and a more just society, they are also strengthening their own financial standing. The issues listed under each ESG factor serve as actionable steps for Bangladeshi companies to improve their ESG performance and potentially see the financial rewards highlighted in the table. Implementing these practices can be a win-win situation for businesses and Bangladesh's pursuit of a sustainable future.

Consumers' perceptions on sustainable business practices

Table 6. Age group

Age	Percent
18-24	23.80
25-34	26.00
35-44	30.60
45-54	10.60
Above 55	9.00

Table 6 shows a diverse range of participants in the survey to understand consumer preferences for sustainable business practices in Bangladesh, with the largest share (80.4%) being young adults (18-44). Including younger voices is crucial. They offer a future-focused perspective on sustainability, are tech-savvy for insights on technology's role, and bring innovative ideas for businesses to adapt and develop long-term sustainable practices.

Table 7. How familiar are you with the term "sustainability" in a business context?

Percent

Not familiar at all	6.70
Somewhat familiar	12.50
Familiar	36.60
Very familiar	37.10
Extremely familiar	7.00

Table 7 offers some insights through familiarity with the term "sustainability." A significant 73.7% of participants being familiar or very familiar suggests a growing awareness of sustainability among Bangladeshi consumers. This familiarity can translate to benefits like heightened interest in sustainable businesses, preference for products aligned with those practices, and even a potential willingness to pay more.

Table 8. Are you willing to pay a premium for products or services from sustainable brands, even if it means slightly higher prices?

	Percent
No, price is most important to me	5.60
I would consider it depending on the product and the price difference	37.70
Yes, I'm willing to pay a small premium for sustainable products	33.00
Yes, I'm willing to pay a higher premium for sustainable products whenever possible	23.60

Table 8 reveals positive consumer sentiment towards sustainable businesses. Over half (56.6%) are willing to pay a premium for sustainable products, indicating a strong shift in priorities. While price remains a factor for some (37.7%), their willingness to consider a premium highlights a growing value placed on sustainability. This trend encourages businesses to carefully consider ESG applications. Consumers are rewarding sustainable practices, and strategically implementing ESG principles can attract this growing market segment, while fulfilling the company's environmental and social responsibilities.

Table 9. How often do you consider a brand's sustainability practices when making purchasing decisions?

	Percent
Almost never	5.30
Rarely	9.90
Sometimes	37.60
Often	38.30
Almost always	8.90

Table 9 reveals a significant shift in purchasing behavior, with a combined 77.2% of respondents considering a brand's sustainability practices "sometimes," "often," or "almost always." This is no

longer a niche concern; sustainability is becoming a mainstream factor influencing consumer decisions in Bangladesh.

This presents a unique opportunity for businesses. They can leverage sustainability as a key differentiator in their branding strategy. By effectively communicating their commitment to environmentally and socially responsible practices, they can attract this growing segment of conscious consumers. Consumers are looking for brands that clearly explain their sustainability efforts and the positive impact they have on the environment and society. This builds trust and strengthens the brand image.

The price factor remains a challenge in Bangladesh, which is a price-sensitive market. While consumers might be willing to pay a premium for sustainable products (as seen in Table 8), businesses need to find a balance. One strategy is value-based pricing. Highlighting the value proposition of sustainable products, such as higher quality, ethical sourcing, or environmental benefits, can justify a slight price increase.

Here in Bangladesh, cost optimization through sustainable practices becomes even more important. Businesses can explore resource efficiency or waste reduction to offer sustainable products at competitive prices. Tailoring communication to this market is crucial. Focusing on how sustainable practices benefit the local community or environment, alongside the broader environmental impact, can resonate more strongly with Bangladeshi consumers.

Table 10. Important aspects of sustainability from age perspective

		18-24	25-34	35-44	45-54	Total
Environmental practices	N	78	90	137	28	333
	%	51.3%	54.2%	54.2%	41.2%	
Social responsibilities	N	72	57	98	32	259
	%	47.4%	34.3%	38.7%	47.1%	
Ethical sources of materials	N	81	99	145	45	370
	%	53.3%	59.6%	57.3%	66.2%	
Overall brand transparency on sustainability efforts	N	73	76	111	33	293
	%	48.0%	45.8%	43.9%	48.5%	
None of these are important to me	N	73	73	113	32	291
	%	48.0%	44.0%	44.7%	47.1%	
Total	N	152	166	253	68	639

Examining sustainability priorities across different age groups in Bangladesh reveals some interesting insights from Table 10.

Environmental practices seem to be a consistent concern, with a majority across all age groups (41.2% to 54.2%) considering them most important. This suggests a general awareness and concern for environmental issues among Bangladeshi consumers.

There are some interesting shifts in focus when looking at social responsibility. Younger demographics (18-24 at 47.4%, 25-34 at 34.3%) seem to prioritize environmental issues slightly more compared to older groups (45-54 at 47.1%, 35-44 at 38.7%). This might be because younger

generations grew up in a more socially conscious environment, leading them to view such practices as standard.

The importance of ethical sourcing also appears to be age-dependent. The percentage considering it most important rises from 53.3% (18-24) to 66.2% (45-54). This suggests that as consumers gain experience and potentially more disposable income, ethical sourcing becomes a more significant factor in their purchasing decisions.

Interestingly, transparency on sustainability efforts receives consistent scores across age groups (ranging from 43.9% to 48.5%). While valued, it doesn't seem to be the top priority for any age group.

Finally, the percentage of respondents who consider none of these aspects important remains relatively low and consistent across all age groups (ranging from 44.0% to 48.0%). This suggests a generally positive outlook on sustainability among Bangladeshi consumers.

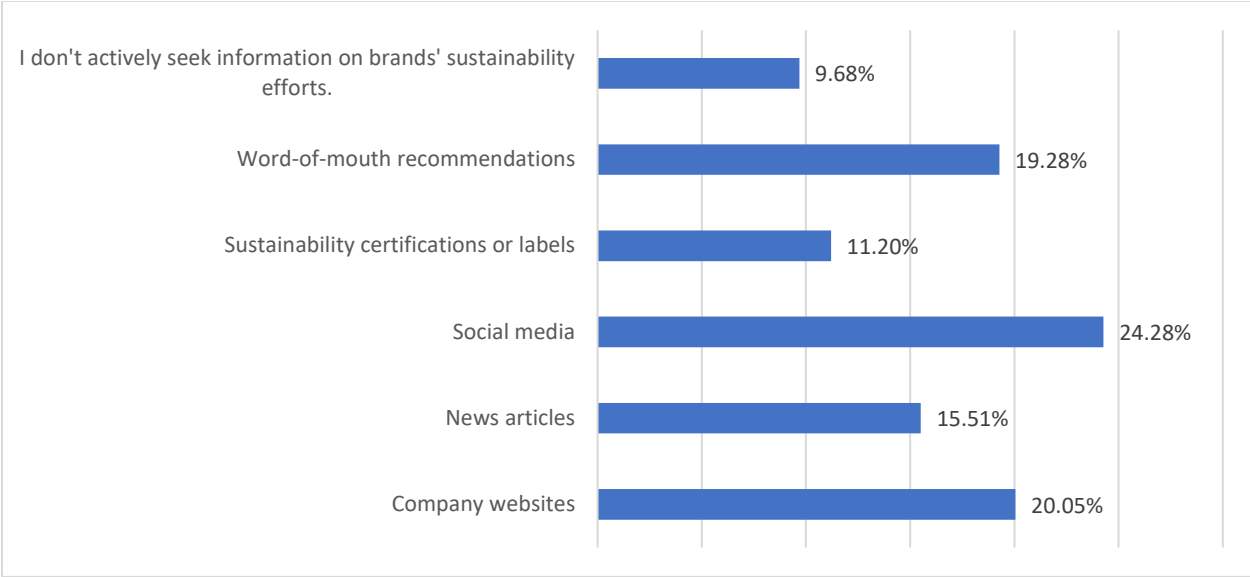


Figure 2. Media of staying informed about the sustainability efforts of a brand

Consumers in Bangladesh are increasingly interested in a brand's sustainability efforts. Figure 2 reveals some fascinating insights into how they get informed. Social media, with 24.28%, emerges as the most dominant source, followed closely by company websites (20.05%) and word-of-mouth recommendations (19.28%). These findings highlight the critical role online communication plays in reaching Bangladeshi consumers.

This trend aligns perfectly with Bangladesh's rapid digital transformation. As internet access continues to expand, social media's influence is likely to further solidify. Brands can leverage platforms like Facebook and Instagram to showcase their sustainability initiatives through engaging content, influencer partnerships, and fostering online communities around their values.

Company websites also hold significant weight. Consumers value information directly from the brand. A well-designed website featuring a dedicated sustainability section that clearly outlines practices and achievements is crucial. This builds trust and allows consumers to make appropriate choices.

Interestingly, word-of-mouth recommendations, though not the leader, hold considerable power. Social media can actually amplify this effect. Positive online reviews and discussions about a brand's sustainability efforts can spread quickly, reaching a wider audience and influencing purchasing decisions.

While certifications (11.20%) aren't the top source yet, they are important to consider, especially as Bangladesh transitions into a smart nation. Third-party verification through sustainability certifications lends credibility to a brand's claims, fostering trust and confidence among consumers.

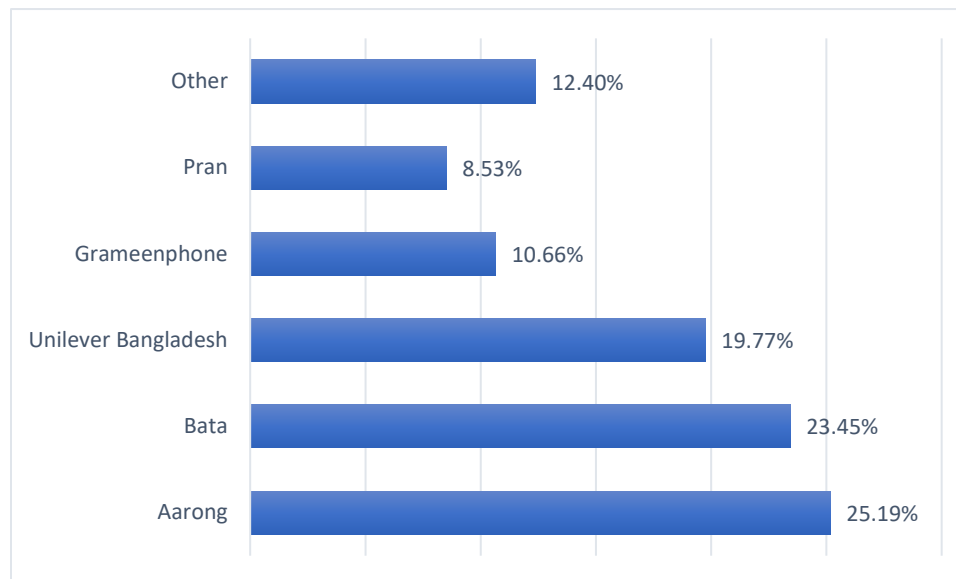


Figure 3. Bangladeshi brands associated with sustainability

It is observed from the figure 3 that Bangladeshi consumers are associating sustainability with brands like Aarong for their ethical production and Bata for responsible sourcing. Unilever's global initiatives and Grameenphone's focus on renewable energy resonate with eco-conscious consumers. Pran's local ingredients likely position them as sustainable as well. A growing "Other" category suggests a rise in niche sustainable brands. While this data indicates a growing awareness of sustainability among Bangladeshi consumers. Brands that prioritize sustainable practices and effectively communicate their efforts are likely to be rewarded with a loyal following.

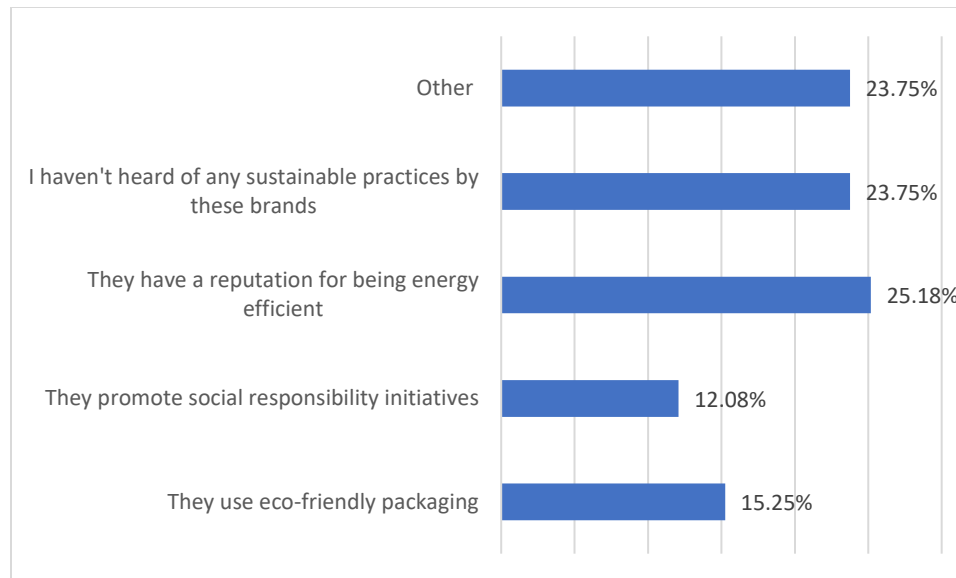


Figure 4. Reasons for associating with a brand

Figure 4 reveals that Bangladeshi consumers are increasingly interested in sustainability, but their understanding and priorities are still evolving. Previously, social media dominated information sources about brands. Now, however, a shift towards valuing specific sustainable practices is evident. Energy efficiency (25.18%) and eco-friendly packaging (15.25%) are the top reasons for associating with a brand, suggesting consumers are moving beyond brand image and actively seeking products with sustainable attributes.

It is noticed that there remains a significant knowledge gap. Nearly a quarter (23.75%) haven't heard about any sustainability efforts from their chosen brands. This highlights a critical need for brands to improve communication regarding their environmental and social responsibility initiatives.

The high percentage (23.75%) in the "Other" category adds another layer. Some consumers might consider a broader range of sustainability practices beyond those listed. This could include social responsibility initiatives, responsible sourcing of materials, or ethical production methods as mentioned earlier (Kanter et al., [2020](#)).

Interestingly, eco-friendly packaging, despite not being the top factor, is noticed and associated with sustainability (15.25%). This aligns with the previous table, where social media's influence played a role. Consumers are likely picking up on these visual cues and recognizing them as sustainable practices. Brands have an opportunity to capitalize on this by using packaging that reflects their commitment to sustainability and clearly communicating those efforts to their customers.

The rationale linking sustainable business practices to the alignment of corporate and consumer perspectives is grounded in the role of information sharing as a pivotal mechanism for fostering transparency and accountability. Previous research emphasizes that effective dissemination of sustainability-related information enhances organizational capabilities and builds trust among stakeholders (Christensen & Golino, 2021). The findings of this study reinforce this notion, as businesses prioritizing ESG practices, such as transparent governance frameworks and active

community engagement are perceived more favorably by consumers, as evidenced by their willingness to pay a premium for sustainable products (Table 8). The strong factor loadings observed in governance indicators (Table 4) highlight that well-structured, information-driven approaches to ESG integration facilitate the alignment of corporate goals with consumer expectations. These insights align with Stakeholder Theory, emphasizing the reciprocal benefits of transparent and accountable practices in bridging corporate and consumer interests, thereby fostering mutual trust and long-term sustainability.

Robustness check

The reliability and validity of the measures and models of this study have been assessed through rigorous checks. A Cronbach's Alpha of 0.957 indicates excellent internal consistency among the survey items, demonstrating the scale's reliability. The strong explanatory power of the models, as evidenced by high R-squared and adjusted R-squared values and statistical significance (all $p < 0.001$), supports the robustness of the findings regarding the relationship between ESG practices and financial performance.

Table 11. Reliability Statistics

Cronbach's Alpha	N of Items
0.957	15

Discussion

The empirical findings of this study offer a comprehensive understanding of the evolving nature of ESG practices in Bangladesh, encompassing both business attitudes and consumer perceptions. The results collectively underscore a burgeoning commitment to sustainability within the country. This discussion revisits the key insights from the findings, contextualizing them within the broader theoretical framework, and focusing on the integration of these findings with the chosen theoretical perspective.

ESG practices and business performance

The findings of this study corroborate the growing body of literature emphasizing the positive correlation between ESG performance and financial outcomes (Kavadis et al., [2024](#)). Bangladeshi businesses' strong focus on employee welfare, community engagement, and environmental stewardship aligns with the broader global shift towards responsible business practices, reflecting an understanding that sustainable practices can simultaneously foster business growth and contribute to environmental and social well-being. These results resonate with the findings of Khan & van Dijk ([2024](#)), which also identify the long-term benefits of integrating ESG into business operations.

In line with Stakeholder Theory, this study demonstrates that businesses in Bangladesh are increasingly recognizing the importance of meeting stakeholder expectations, particularly from consumers, employees, and regulators. This is evident in their growing commitment to ESG practices, which serve not only to enhance business performance but also to build trust and loyalty among various stakeholders. The manufacturing sector's dominant role in the economy highlights the need for a more targeted approach to addressing its significant environmental footprint, in line with the concerns raised by Maduku ([2024](#)). In a developing economy such as Bangladesh, it is

crucial for businesses to find a balance between economic growth and sustainable development, ensuring that their practices align with both local and global sustainability goals.

Consumer behavior and sustainable consumption

The findings regarding consumer attitudes towards sustainability confirm the broader trend of increasing consumer awareness and preference for sustainable products and services (Francis & Sarangi, [2022](#)). The willingness of Bangladeshi consumers, especially younger demographics, to pay a premium for sustainable options marks a significant shift in consumer behavior. This aligns with the findings of Kabir et al., ([2023](#)), which suggest that sustainability is becoming a core value for the emerging consumer market in Bangladesh.

By grounding these findings in TPB, the results suggest that consumer attitudes towards sustainability, perceptions of social norms, and perceived behavioral control are crucial factors driving the willingness to engage in sustainable consumption. The TPB framework provides valuable insights into the factors influencing consumer intentions and behaviors in the context of sustainability, helping to explain the growing preference for eco-friendly products in Bangladesh. Future research could expand on these insights by exploring the impact of specific factors such as environmental attitudes, social influence, and perceived control on purchase decisions related to sustainable products.

Communication channels and consumer engagement

Effective communication plays a pivotal role in shaping consumer perceptions of sustainability. Our findings highlight the dominance of social media as a primary source of sustainability information, which aligns with previous research (Sarkar et al., [2023](#)). Social media platforms like Facebook and Instagram offer an accessible and effective way for businesses to engage with consumers, promoting transparency and highlighting their sustainability efforts. Traditional media and word-of-mouth also remain significant sources of information, pointing to the importance of a multi-channel communication strategy.

The rationale linking sustainable business practices to the alignment of corporate and consumer perspectives is grounded in the role of information sharing as a pivotal mechanism for fostering transparency and accountability. Previous research underscores that effective dissemination of sustainability-related information enhances organizational capabilities and builds trust among stakeholders (Christensen & Golino, 2021). The findings of this study reinforce this notion, as businesses prioritizing ESG practices—such as transparent governance frameworks and active community engagement—are perceived more favorably by consumers, as evidenced by their willingness to pay a premium for sustainable products (Table 8). Furthermore, the strong factor loadings observed in governance indicators (Table 4) highlight that well-structured, information-driven approaches to ESG integration facilitate the alignment of corporate goals with consumer expectations. These insights align with Stakeholder Theory, emphasizing the reciprocal benefits of transparent and accountable practices in bridging corporate and consumer interests, thereby fostering mutual trust and long-term sustainability.

Limitations and future research directions

This study, while offering valuable insights into CSR practices in Bangladesh, is limited by its urban focus and reliance on self-reported data. To address these limitations and gain a more comprehensive understanding, future research should adopt a mixed-methods approach, expand its geographical scope, explore the interplay of government policies, business practices, and consumer behavior, analyze the impact of specific CSR initiatives, examine the role of technology

in enabling sustainable solutions, and understand the evolving expectations of consumers in different socio-economic segments. By pursuing these directions, future studies can contribute to a more nuanced and evidence-based understanding of CSR in emerging markets and inform effective policymaking and business practices.

Conclusion

This research aimed to investigate the adoption of ESG practices in Bangladesh, examining both business perspectives and consumer attitudes. By surveying 225 businesses and 639 consumers, the study provides a comprehensive overview of the current ESG scenario in the country. Key findings reveal a growing emphasis on ESG initiatives among Bangladeshi businesses, driven by factors such as consumer demand, reputational benefits, and financial considerations. The study also demonstrates a strong correlation between certain ESG dimensions and financial performance, highlighting the business case for sustainability. On the consumer front, the research underscores a rising awareness of ESG issues and a willingness to support sustainable brands, particularly among younger demographics. These findings are significant as they contribute to the emerging body of knowledge on ESG in developing economies. By understanding the drivers and barriers to ESG adoption, policymakers, businesses, and consumers can make informed decisions to accelerate sustainable development in Bangladesh. The research effectively addressed the proposed research questions by examining the influence of company size and industry sector on ESG adoption, identifying key ESG drivers of financial performance, and exploring the challenges and facilitators of ESG implementation. The study provided insights into consumer awareness, purchasing behavior, and expectations regarding corporate sustainability. The practical implications of this research are far-reaching. Businesses can leverage the findings to develop targeted ESG strategies, identify opportunities for cost reduction and revenue generation, and enhance their reputation. Policymakers can utilize the results to formulate supportive regulations and incentives for sustainable business practices. Consumers can benefit from a deeper understanding of ESG issues, enabling them to make better purchasing decisions and advocate for corporate accountability. Based on the research findings, this study proposes the following policy recommendations:

For businesses

Prioritizing ESG integration: Businesses in Bangladesh should prioritize integrating ESG principles into their core business strategies to contribute to sustainable development and align with the nation's Vision 2041 and the Sustainable Development Goals (SDGs).

Investing in employee training: Training employees on ESG principles can foster a skilled workforce capable of driving sustainable innovation and ensuring effective implementation of ESG initiatives.

Enhancing transparency: Transparent communication about sustainability efforts is crucial for building trust with stakeholders and attracting conscious consumers.

For regulatory authorities

Developing clear ESG frameworks: Create standardized ESG reporting frameworks tailored to the Bangladeshi context to ensure consistency and comparability among businesses.

Providing incentives: Offer financial incentives and tax breaks to encourage businesses to adopt sustainable practices and invest in green technologies.

Investing in sustainable infrastructure: Develop sustainable infrastructure, such as renewable energy projects, public transportation, and waste management systems, to create an enabling environment for businesses to operate sustainably.

Fostering collaboration: Promote effective collaboration between the government and the private sector to ensure the successful implementation of ESG policies.

For supply chain parties

Promoting sustainable sourcing: Encourage sustainable sourcing of raw materials, focusing on local suppliers to minimize environmental impacts.

Implementing waste reduction: Implement waste reduction strategies throughout the supply chain, including recycling and circular economy initiatives.

Ensuring fair labor practices: Uphold ethical standards by ensuring fair labor practices and worker welfare across the supply chain.

For consumers

Enhancing awareness: Promote consumer awareness about ESG issues through targeted education campaigns and accessible information.

Empowering informed choices: Provide clear labeling and certifications for sustainable products to empower consumers to make informed choices.

Fostering sustainable consumption: Encourage a culture of sustainable consumption through awareness programs and incentives to contribute to a more sustainable Bangladesh

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List of abbreviations

BGMEA: Bangladesh Garment Manufacturers and Exporters Association

CSR: Corporate social responsibility

ESG: Environmental, social, and governance

GRI: Global reporting initiative

IIRC: International integrated reporting council

LPE: leadership, policy enforcement

RMG: Ready-made garment

SDG: Sustainable development goal

TBL: Tripple bottom line

TPB: Theory of planned behavior

WBCSD: World business council for sustainable development

Appendix

Questionnaire for Business representatives

Part 1: Business Information

Industry Sector: (Select one)

1. Manufacturing
2. Services
3. Retail
4. Other (please specify)

Company Size (Number of Employees): (Select one)

1. Micro (1-9)
2. Small (10-49)
3. Medium (50-249)
4. Large (250+)

Part 2: ESG Practices (Environmental, Social, and Governance)

Environmental Practices

1. My company has a formal environmental policy in place. (Strongly disagree, Disagree, Neutral, Agree, Strongly agree)
2. We measure our company's environmental impact (e.g., waste generation, energy consumption). (Strongly disagree, Disagree, Neutral, Agree, Strongly agree)
3. We actively seek ways to reduce our company's environmental footprint (e.g., using recycled materials, adopting energy-efficient practices). (Strongly disagree, Disagree, Neutral, Agree, Strongly agree)
4. We consider environmental sustainability when making business decisions (e.g., product design, packaging). (Strongly disagree, Disagree, Neutral, Agree, Strongly agree)
5. We communicate our environmental commitment to stakeholders (e.g., customers, investors, employees). (Strongly disagree, Disagree, Neutral, Agree, Strongly agree)

Social Practices

1. My company has social responsibility initiatives in place (e.g., employee well-being, community engagement). (Strongly disagree, Disagree, Neutral, Agree, Strongly agree)
2. We measure the success of our social responsibility initiatives. (Strongly disagree, Disagree, Neutral, Agree, Strongly agree)
3. We invest in employee training and development programs. (Strongly disagree, Disagree, Neutral, Agree, Strongly agree)
4. We promote diversity and inclusion within our workforce. (Strongly disagree, Disagree, Neutral, Agree, Strongly agree)
5. We engage with the local community through social responsibility initiatives. (Strongly disagree, Disagree, Neutral, Agree, Strongly agree)

Governance Practices

1. My company has a corporate governance code in place. (Strongly disagree, Disagree, Neutral, Agree, Strongly agree)
2. Our corporate governance code addresses ESG considerations. (Strongly disagree, Disagree, Neutral, Agree, Strongly agree)
3. Our company operates with transparency and accountability. (Strongly disagree, Disagree, Neutral, Agree, Strongly agree)
4. Our board of directors is actively involved in overseeing ESG practices. (Strongly disagree, Disagree, Neutral, Agree, Strongly agree)
5. We hold regular audits to ensure compliance with ESG standards. (Strongly disagree, Disagree, Neutral, Agree, Strongly agree)

Performance Indicator

The financial performance of our company has improved after the implementation of ESG compliances.

(Strongly disagree, Disagree, Neutral, Agree, Strongly agree)

Questionnaire for consumers

Part 1: Demographics

1. Age Group: (Select one)
 - a) 18-24
 - b) 25-34
 - c) 35-44
 - d) 45-54

e) 55+

Part 2: Sustainability Awareness and Preferences

1. How familiar are you with the term "sustainability" in a business context? (Select one)
 - a) Not familiar at all
 - b) Somewhat familiar
 - c) Familiar
 - d) Very familiar
 - e) Extremely familiar
2. What aspects of sustainability are most important to you? (Select all that apply)
 - a) Environmental practices (e.g., waste reduction, energy efficiency)
 - b) Social responsibility (e.g., fair labor practices, community involvement)
 - c) Ethical sourcing of materials
 - d) Overall brand transparency on sustainability efforts
 - e) None of these are important to me
3. Are you willing to pay a premium for products or services from sustainable brands, even if it means slightly higher prices? (Select one)
 - a) No, price is most important to me.
 - b) I would consider it depending on the product and the price difference.
 - c) Yes, I'm willing to pay a small premium for sustainable products.
 - d) Yes, I'm willing to pay a higher premium for sustainable products whenever possible.

Part 3: Shopping Behavior and Brand Perception

1. How often do you consider a brand's sustainability practices when making purchasing decisions? (Select one)
 - a) Almost never
 - b) Rarely
 - c) Sometimes
 - d) Often
 - e) Almost always
2. How do you stay informed about a brand's sustainability efforts? (Select all that apply)
 - a) Company websites
 - b) News articles
 - c) Social media
 - d) Sustainability certifications or labels
 - e) Word-of-mouth recommendations
 - f) I don't actively seek information on brands' sustainability efforts.
3. Can you recall any specific Bangladeshi brands that you associate with sustainable practices? (Select all that apply)
 - a) Aarong
 - b) Bata
 - c) Unilever Bangladesh
 - d) Grameenphone
 - e) Pran
 - f) Other (please specify)
4. Why do you associate these brands (if any) with sustainability? (Select all that apply)
 - a) They use eco-friendly packaging
 - b) They promote social responsibility initiatives (e.g., fair trade, community development)

- c) They have a reputation for being energy efficient
- d) I haven't heard of any sustainable practices by these brands
- e) Other (please specify)