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Impact of Corporate Sustainability on Financial Performance: Insights From Malaysian Green Banks

[Islamic Finance and Sustainability: A Research Companion](#) • Book Chapter • 2025 •

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Abstract

This research explores the intricate relationship between corporate sustainability practices (CSP) and financial performance within the Malaysian banking sector, structured around a comprehensive analysis of stakeholder-driven sustainability metrics and their economic impacts. Initially, the study contextualizes CSP within the Malaysian banking landscape, emphasizing its growing importance due to enhanced stakeholder awareness and regulatory support. By adopting a methodological framework that integrates literature from various sectors and empirical data from 14 banks listed on Bursa Malaysia from 2017 to 2021, the paper systematically explores the financial repercussions of Environmental, Social, and Governance (ESG) scores and sustainability investment disclosures.

Specifically, the research assesses these sustainability practices against financial metrics such as Return on Assets (ROA), Return on Equity (ROE), and Tobin's Q. Contrary to existing studies that highlight the positive financial outcomes of CSP, the findings from this study indicate a predominantly negative or neutral effect on short-term financial performance. Despite the immediate financial implications, the analysis suggests long-term strategic and reputational benefits associated with CSP. Concluding with a reflection on the limitations and potential areas for future research, this study contributes comprehensive insights into the sector-specific impacts of CSP, advocating for a strategic integration of sustainability to enhance long-term resilience and growth in the Malaysian banking sector. © 2025 selection and editorial matter, Farhad Taghizadeh-Hesary, Hassanudin Mohd Thas Thaker, M. Ishaq Bhatti and Mohamed Asmy Mohd Thas Thaker; individual chapters, the contributors.

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Abstract

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