

Article

Impact of Sustainability Reporting on Financial Performance: Evidence from an Emerging Economy

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Abstract: This study investigates the relationship between sustainability reporting and financial performance in Bangladesh's textile industry, focusing on economic, social, and environmental dimensions. Using a sample of 270 firm-year observations, the study employs pooled OLS regression to analyze the impact of sustainability reporting on return on assets (ROA) and earnings per share (EPS). The findings reveal that economic and environmental sustainability reporting have significant positive relationships with both financial performance measures, while social sustainability reporting shows no significant impact. Environmental reporting emerges as the strongest predictor of financial performance, suggesting that environmental initiatives create value through multiple channels, including operational efficiency and market recognition. The study contributes to the literature by providing the first empirical evidence from Bangladesh's textile industry, offering insights for policymakers and corporate leaders in emerging economies. While the findings support stakeholder and legitimacy theories, the study's limitations include its focus on a single industry and reliance on secondary data. The research implications suggest that firms should prioritize environmental and economic sustainability reporting while developing more effective approaches to social sustainability practices that can demonstrate clear financial benefits.

Keywords: Sustainability Reporting; Financial Performance; Textile Industry; Environmental Disclosure; Emerging Economies; ESG Reporting

1. Introduction

The interaction between corporate operations and their social, economic, and environmental impacts has become increasingly central to the modern business landscape. As global challenges such as climate change, resource depletion, and social inequities mount, companies are being urged to move beyond traditional financial reporting and incorporate sustainability reporting (SR) into their strategic practices. Sustainability reporting serves as a tool for disclosing an organization's efforts in environmental, social, and governance (ESG) dimensions, offering stakeholders insight into its contributions to sustainable development [1]. The Global Reporting Initiative (GRI) underscores that such reporting enhances transparency and allows firms to communicate their sustainability performance effectively [2]. However, while sustainability reporting has been widely studied in developed economies, its implications in emerging markets remain underexplored.

Bangladesh, as a prominent emerging economy, presents a unique setting for this type of research due to its economic reliance on the textile industry. The textile sector is a significant

contributor to Bangladesh's economy, representing over 80% of export earnings and employing more than four million workers, most of whom are women [3]. Despite its economic importance, the industry has faced substantial criticism over poor labor practices, safety violations, and environmental damage. The 2013 Rana Plaza collapse, which resulted in over 1,100 deaths, drew global attention to the urgent need for improved safety and sustainability practices within the sector [4]. Although sustainability reporting has gained some traction in the Bangladeshi textile industry, its adoption remains inconsistent, and its impact on financial performance has not been comprehensively studied.

The selection of Bangladesh and its textile industry for this research is justified by the sector's dual significance as a major economic driver and a subject of significant sustainability challenges. Global supply chain requirements increasingly emphasize ethical sourcing and sustainable practices, placing additional pressure on Bangladeshi textile firms to enhance transparency and adopt comprehensive sustainability practices. However, as of now, no specific study has examined the relationship between sustainability reporting and financial performance within the Bangladeshi textile industry. This gap in the literature highlights the importance of this research, which, to the best of the author's knowledge, will be the first to investigate this critical relationship.

The implications of this study are substantial. By exploring how social, economic, and environmental sustainability reporting impact financial performance, this research aims to provide empirical evidence that is valuable for various stakeholders. For corporate managers, the findings could help align sustainability initiatives with financial objectives, balancing profitability with responsible business conduct. For policymakers, the study can inform the development of regulatory frameworks that promote transparent sustainability practices while supporting economic growth. Additionally, investors seeking to understand the financial implications of sustainability practices in the textile industry will benefit from insights that support informed decision-making.

The theoretical foundation of this research is rooted in stakeholder theory and legitimacy theory. According to stakeholder theory [5], companies must manage relationships with diverse stakeholders, including employees, customers, investors, and communities, to achieve long-term success. Transparent and detailed sustainability reporting strengthens these relationships by signaling a company's commitment to sustainable practices, which can, in turn, foster trust and enhance financial performance [6]. Legitimacy theory complements this perspective by asserting that organizations must align their operations with societal norms and expectations to maintain legitimacy and avoid reputational damage or regulatory penalties [7]. These theoretical underpinnings suggest that sustainability reporting not only fulfills an ethical obligation but may also yield tangible financial benefits.

Empirical research has produced mixed results on the relationship between sustainability reporting and financial performance. While studies in developed countries often indicate a positive relationship—citing enhanced brand value, operational efficiency, and stakeholder trust [8 - 9]—the applicability of these findings to emerging economies like Bangladesh remains uncertain. Limited research has explored how sustainability reporting affects financial outcomes in developing countries, and existing studies often lack industry-specific insights [10]. This study, therefore, aims to fill this gap by focusing on the Bangladeshi textile sector, addressing the following research questions:

1. What is the impact of social sustainability reporting on the financial performance of textile companies in Bangladesh?
2. What is the impact of economic sustainability reporting on the financial performance of textile companies in Bangladesh?
3. What is the impact of environmental sustainability reporting on the financial performance of textile companies in Bangladesh?

By addressing these questions, the study contributes to literature in several meaningful ways. First, it provides empirical evidence on the relationship between different dimensions of sustainability reporting and financial performance within the context of an emerging economy, focusing specifically on the textile industry. This contributes to a nuanced understanding of whether and how social, economic, and environmental disclosures are associated with financial outcomes, such as profitability and shareholder value, in a sector pivotal to Bangladesh's economy. Second, the findings can help corporate managers, understanding the relationship between sustainability reporting and financial performance and guiding strategic decisions, encouraging the adoption of comprehensive sustainability practices that might yield financial rewards. Third, the research offers valuable insights for policymakers and regulatory bodies such as the Bangladesh Securities and Exchange Commission (BSEC) on how sustainability disclosure regulations could be structured to foster better industry practices while promoting financial stability.

2. Literature Review and Hypothesis Development

2.1. Theoretical Framework

The theoretical underpinning of this study is rooted in stakeholder theory and legitimacy theory. Stakeholder theory, first articulated by Freeman [5], suggests that organizations must consider the interests and expectations of all stakeholders, not just shareholders, to achieve sustainable success. This approach implies that companies addressing the environmental, social, and economic concerns of various stakeholders through transparent reporting may gain enhanced credibility and trust, which could potentially translate into improved financial performance [6]. In the context of sustainability reporting, this theory supports the idea that transparent disclosures can foster stronger relationships with stakeholders such as investors, customers, and the community, contributing to better financial outcomes [8].

Legitimacy theory complements stakeholder theory by proposing that firms must align their operations with societal norms and values to maintain their "social license to operate" [7]. This theory posits that organizations that fail to disclose sufficient sustainability information may face reputational damage, loss of stakeholder support, or regulatory scrutiny [11]. By adopting sustainability practices and reporting transparently, firms can enhance their legitimacy in the eyes of stakeholders, thus mitigating risks associated with non-compliance and negative public perception. This alignment not only fulfills an ethical obligation but can also translate into tangible financial benefits through increased operational efficiency and reduced regulatory scrutiny [6]. Therefore, the integration of stakeholder and legitimacy theories provides a robust framework for understanding the dynamics between sustainability reporting and financial performance in emerging economies, particularly in the context of the textile industry in Bangladesh.

2.2. Sustainability Reporting

Sustainability reporting has emerged as a fundamental aspect of corporate strategy, providing stakeholders with insights into how firms manage their environmental, social, and economic impacts. According to the Global Reporting Initiative (GRI), sustainability reporting enhances organizational transparency and facilitates the measurement of sustainability performance [2]. Despite its growing adoption, the impact of sustainability reporting on financial performance remains a topic of debate among researchers.

In developed markets, sustainability reporting is often driven by stringent regulations and high stakeholder expectations, leading to positive associations with financial performance. For example, a study by Pham et al. [12] found that comprehensive sustainability disclosures in European firms positively correlated with financial performance metrics such as return on assets (ROA) and equity (ROE). The authors attributed this to enhanced investor confidence and operational efficiencies gained through sustainable practices. However, studies in developing countries report mixed results. For instance, Thayaraj and Karunaratne [9] analyzed Sri Lankan firms and noted that while some companies benefited financially from sustainability disclosures, the results were inconsistent due to varying levels of reporting quality and stakeholder engagement.

In the Bangladeshi context, where the textile industry plays a pivotal role in the economy, the importance of sustainability reporting is magnified due to the sector's environmental and social challenges. As global supply chain requirements increasingly emphasize ethical sourcing and sustainable practices, Bangladeshi textile firms face mounting pressure to adopt comprehensive sustainability reporting practices [3]. Nevertheless, despite the growing recognition of sustainability reporting, the extent of its implementation and its impact on financial performance within the Bangladeshi textile sector remains underexplored, indicating a crucial area for investigation.

2.3. Economic Sustainability Reporting and Firm Performance

Economic sustainability reporting covers disclosures related to financial stability, economic impacts, and long-term value creation. This type of reporting aligns with Porter and Kramer's [18] argument that integrating economic sustainability into corporate strategy can yield competitive advantages. The theoretical justification for this hypothesis draws on both stakeholder and legitimacy theories. According to stakeholder theory, economic transparency strengthens investor confidence and fosters long-term relationships [5]. Legitimacy theory suggests that demonstrating economic resilience through reporting helps a firm align with societal and investor expectations, securing its place as a trustworthy entity [7].

Empirical evidence supports the notion that economic sustainability reporting can enhance financial performance. Haque and Ntim [8] reported a positive correlation between economic disclosures and financial metrics in African firms, highlighting how transparent reporting attracts investors and solidifies corporate stability. Similar findings were reported by Silva and Correia [13], who showed that South American companies with detailed economic sustainability reporting experienced enhanced investor trust and profitability. However, contrasting results were found by Singh and Chakraborty [14], who observed that economic disclosures had an inconclusive impact on financial performance in Indian firms due to insufficient stakeholder engagement and weak regulatory frameworks.

Given the economic significance of Bangladesh's textile industry, which plays a crucial role in export earnings and employment [3], economic sustainability reporting could serve as a signal of corporate stability, attracting investment and fostering growth. Thus, aligning with the theoretical justifications provided by stakeholder and legitimacy theories, the following hypothesis is proposed:

Hypothesis 1: Economic sustainability reporting positively impacts financial performance.

2.4. Social Sustainability Reporting and Firm Performance

Social sustainability reporting encompasses disclosures related to employee welfare, community development, and human rights practices. The theoretical basis for examining the relationship between social sustainability reporting and financial performance lies in stakeholder theory, which asserts that organizations that prioritize stakeholder engagement and social responsibilities are better positioned for long-term success [5]. Social disclosures can strengthen relationships with key stakeholders, such as employees and local communities, resulting in increased loyalty and improved operational outcomes [6]. Legitimacy theory further supports this by suggesting that firms that meet or exceed social expectations through transparent reporting can maintain their social license to operate, thereby safeguarding their market position [7].

Empirical studies have highlighted the positive impact of social sustainability reporting on financial outcomes. For instance, Silva and Correia [13] found that South American firms with strong social disclosures reported higher profitability, citing improved employee morale and customer loyalty as contributing factors. Pham et al. [12] reported similar findings in a study of European companies, showing that comprehensive social sustainability reporting led to increased stakeholder trust and enhanced financial performance. Conversely, Zhang et al. [15] observed that while social reporting improved stakeholder perceptions in Chinese manufacturing firms, its direct impact on financial performance was less pronounced, particularly in cases where market position and brand reputation were weaker.

In the context of the Bangladeshi textile industry, where issues related to labor conditions and workplace safety have been prevalent [4], effective social sustainability reporting could help rebuild trust and enhance relationships with both local and international stakeholders. The importance of social sustainability is underscored by the global focus on ethical supply chains and human rights, which has increased pressure on firms to maintain high social standards. Based on legitimacy theory and previous literature the following hypothesis is developed:

Hypothesis 2: Social sustainability reporting positively impacts the financial performance of textile companies in Bangladesh.

2.5. Environmental Sustainability Reporting and Firm Performance

Environmental sustainability reporting involves the disclosure of information regarding a company's efforts to minimize its environmental footprint, such as emissions, resource use, and waste management practices. This type of reporting is theoretically supported by both stakeholder and legitimacy theories. According to stakeholder theory, environmental transparency appeals to eco-conscious investors and consumers, enhancing a firm's reputation and potentially leading to financial gains [5]. Legitimacy theory posits that firms that align with environmental norms and demonstrate their commitment through transparent disclosures are more likely to maintain public and regulatory approval [7].

Empirical research has found a positive relationship between environmental sustainability reporting and financial performance. Thayaraj and Karunarathne [9] showed that companies in emerging markets with detailed environmental disclosures experienced higher financial returns due to increased operational efficiencies and stakeholder support. Haque and Ntim [8] reported that African firms benefited from environmental reporting as it signaled effective resource management and reduced regulatory risks. Additionally, Handoyo and Anas [16] noted that while environmental disclosures in developing countries could boost financial performance, the impact was often moderated by the strength of regulatory enforcement and public awareness.

In Bangladesh, the textile industry is one of the largest contributors to environmental pollution, including significant water contamination and greenhouse gas emissions [3]. Environmental sustainability reporting in this sector could play a crucial role in signaling a commitment to better practices, which can attract both local and international eco-conscious stakeholders and investors. Companies that demonstrate strong environmental performance through transparent reporting can position themselves as leaders in sustainability, potentially gaining a competitive edge in the global market. So, based on stakeholder theory, this report proposed the following hypothesis:

Hypothesis 3: Environmental sustainability reporting positively impacts the financial performance of textile companies in Bangladesh.

While there is a wealth of research examining the relationship between sustainability reporting and financial performance in developed countries, such findings may not be directly applicable to emerging economies due to differing market conditions, regulatory frameworks, and stakeholder expectations [8 – 9]. Moreover, most existing studies lack industry-specific analyses, particularly in sectors with unique sustainability challenges, such as textiles. To the best of the author's knowledge, no prior research has specifically examined how economic, social, and environmental sustainability reporting impacts financial performance in Bangladesh's textile industry. This study aims to address this significant gap by providing empirical insights that inform corporate strategies, guide investment decisions, and support policy development tailored to the context of an emerging economy.

3. Research Methodology

3.1. Sample Selection and Data Collection

This study employs a quantitative research strategy to investigate the correlation between sustainability disclosure and the financial performance of Bangladeshi textile businesses. The population for this research comprises all textile companies listed on the Dhaka Stock Exchange (DSE). As of 2023, there are 58 firms traded on the DSE, reflecting a significant portion of the textile industry in Bangladesh. However, due to limitations in data availability and reliability, a sample of 45 companies was selected for the analysis, covering the period from 2017 to 2022. Consequently, the study results in a total sample size of 270 firm-year observations.

The selection of firms was based on their accessibility to comprehensive financial and sustainability reporting data, ensuring the reliability of the findings. Data were primarily obtained from the firms' annual reports, sustainability reports, and publicly available information on the DSE website. The data collection process adhered to ethical standards, ensuring the confidentiality of sensitive information while emphasizing the importance of accurate reporting in sustainability practices.

3.2. Data Analysis

Data analysis for this study is conducted using Pooled Ordinary Least Squares (OLS) regression, utilizing STATA software. The primary objective is to investigate whether sustainability reporting impacts financial performance and whether this impact varies based on different aspects of sustainability reporting, including environmental, social, and economic factors. Financial performance is measured through two widely recognized indicators: return on assets (ROA) and earnings per share (EPS).

The independent variables in this analysis comprise sustainability scores derived from 50 selected indicators based on the Global Reporting Initiative (GRI) standards, which encompass 26 social indicators, 7 economic indicators and 17 environmental indicators [17]. The regression models aim to assess the relationships between these sustainability dimensions and the financial performance indicators, while also incorporating control variables to mitigate the effect of external factors that may influence financial outcomes.

The models are specified as follows:

Model 1: $ROA = \beta_0 + \beta_1 ECO + \beta_2 SOC + \beta_3 ENV + \beta_4 FSIZE + \beta_5 FAGE + \beta_6 LEV + \varepsilon$

Model 2: $EPS = \beta_0 + \beta_1 ECO + \beta_2 SOC + \beta_3 ENV + \beta_4 FSIZE + \beta_5 FAGE + \beta_6 LEV + \varepsilon$

The following table 1 summarizes the definitions, measurements, and sources of the variables utilized in this study:

Table 1. Summary of Variables.

Variable	Variable Type	Definition	Measurement
ROA	Dependent	Return on assets	Net income divided by total assets
EPS	Dependent	Earnings per share	Net income divided by the number of shares outstanding
ENV	Independent	Environmental sustainability reporting score	Sum of the scores of the environmental indicators divided by total number of indicators selected
SOC	Independent	Social sustainability reporting score	Sum of the scores of the social indicators divided by total number of indicators selected
ECO	Independent	Economic sustainability reporting score	Sum of the scores of the economic indicators divided by total number of indicators selected
FSIZE	Control	Firm size	Natural logarithm of total assets
FAGE	Control	Firm Age	Number of years since the establishment of the company
LEV	Control	Leverage	Total debt divided by total assets

4. Results and Discussion

4.1. Descriptive Statistics

Descriptive statistics, in table 2, provide a comprehensive overview of the data used in this study. The sample includes 270 observations for each variable. The mean return on assets (ROA) was 0.014, with a standard deviation of 0.101, indicating moderate variability in profitability across the textile firms. Earnings per share (EPS) showed a mean of 1.844 and a high standard deviation of 6.734, reflecting considerable differences in profitability. Economic (ECO), social (SOC), and environmental (ENV) sustainability reporting scores had mean values of 0.385, 0.354, and 0.368, respectively, suggesting that there is variability in how firms disclose sustainability information. Firm size (FSIZE) had a mean of

4,645.081 million, indicating that most firms are medium to large. Firm age (FAGE) averaged approximately 22 years, while leverage (LEV) showed a mean of 0.454, reflecting moderate debt reliance across the firms.

Table 2. Description Statistics.

Variable	Obs	Mean	Std. Dev.	Min	Max
ROA	270	0.014037	0.100532	-0.63	0.54
EPS	270	1.844444	6.734203	-13.35	55.42
ECO	270	0.3852963	0.1934535	0.14	0.86
SOC	270	0.3535185	0.1632563	0.08	0.73
ENV	270	0.3676667	0.2134739	0.06	0.76
FSIZE (In Million)	270	4645.081	4050.132	424.78	29299.41
FAGE	270	21.89019	11.36356	4	59
LEV	270	0.4537407	0.1945897	0.07	0.81

Note: All values are in raw form (not in natural logarithm form).

4.2. Correlation Matrix

Table 3. Correlation Matrix.

-	ROA	EPS	ECO	SOC	ENV	FSIZE	FAGE	LEV
ROA	1.0000							
EPS	0.2264	1.0000						
ECO	0.3471	0.1998	1.0000					
SOC	0.3583	0.1336	0.2127	1.0000				
ENV	0.6149	0.2290	0.3266	0.5270	1.0000			
FSIZE	0.0714	0.0798	-0.0116	-0.1058	-0.1041	1.0000		
FAGE	-0.0442	0.0611	-0.0874	-0.0751	-0.3228	-0.1442	1.0000	
LEV	-0.2365	0.1309	-0.0872	-0.2195	-0.4491	-0.1726	0.4871	1.0000

The correlation matrix, in table 3, offers insights into the linear relationships between the variables and potential multicollinearity issues. ROA showed positive correlations with ECO (0.347), SOC (0.358), and ENV (0.615), indicating that higher levels of sustainability reporting are associated with improved profitability. EPS also demonstrated positive, albeit weaker, correlations with ECO (0.200), SOC (0.134), and ENV (0.229). The environmental sustainability (ENV) variable showed the strongest correlation with ROA and EPS, suggesting its significant potential impact on financial performance.

Notably, all correlation coefficients were below the multicollinearity threshold of 0.70, confirming the absence of significant multicollinearity. This means that the variables are not so highly correlated as to distort the regression analysis, making the interpretation of the regression coefficients reliable.

4.3. Multicollinearity Test

To further assess the risk of multicollinearity, a Variance Inflation Factor (VIF) test was conducted. Table 4 shows that the VIF values for all independent variables were below 3, with a mean VIF of 1.41, reinforcing that multicollinearity is not a concern in this dataset. This confirms that the regression results will not be biased due to collinearity among the independent variables.

Table 4. Variance Inflation Factors.

Variable	VIF	1/VIF
ENV	1.88	0.531543
LEV	1.56	0.638984
SOC	1.41	0.708215
FAGE	1.37	0.731808
ECO	1.13	0.884861
FSIZE	1.09	0.915881
Mean VIF	1.41	-

4.4. Heteroscedasticity Test

Table 5. Heteroscedasticity Test.

Test	Model	Model	Chi ²	Prob > chi2	H0 (Null)
Breusch–Pagan/Cook–Weisberg	ROA	1	24.17	0	Rejected
	EPS	2	251.59	0	Rejected

Note: H0: No heteroscedasticity problem.

The Breusch–Pagan/Cook–Weisberg test was conducted to check for heteroscedasticity. Table 5 indicated the presence of heteroscedasticity for both models (ROA and EPS), as the null hypothesis of homoscedasticity was rejected. To mitigate this issue, robust standard errors were employed in the regression models to ensure that the results were reliable and valid despite the presence of heteroscedasticity.

4.5. Regression Results

The regression analysis, in table 6, reveals compelling insights into the relationship between sustainability reporting and financial performance in Bangladesh's textile industry. The models demonstrate varying explanatory power, with the ROA model explaining 45.55% of the variance in operational performance, while the EPS model accounts for 16.61% of the variance in market-based performance. This difference in explanatory power suggests that sustainability reporting practices may have a more direct and immediate impact on operational efficiency than on market valuations.

Economic sustainability reporting demonstrates a significant positive relationship with both ROA ($\beta = 0.080$, $p < 0.01$) and EPS ($\beta = 3.945$, $p < 0.10$), supporting Hypothesis 1. The stronger significance in the ROA model suggests that economic sustainability practices have a more pronounced effect on operational efficiency than market performance. This finding can be attributed to improved resource allocation, enhanced stakeholder relationships, and reduced information asymmetry. The result aligns with stakeholder theory and supports Silva and Correia's [13] findings that transparent economic disclosures enhance firm performance in emerging markets. The positive relationship is particularly relevant in Bangladesh's textile industry, where economic transparency can signal management competence and attract international business partners.

Contrary to expectations, social sustainability reporting shows no significant relationship with either ROA ($\beta = 0.015$, $p > 0.10$) or EPS ($\beta = 0.343$, $p > 0.10$), failing to support Hypothesis 2. This unexpected finding may reflect several contextual factors in Bangladesh's textile industry. The high initial costs of implementing social initiatives without immediate financial returns, coupled with weak enforcement of social reporting standards, may diminish the financial benefits of social

sustainability reporting. Additionally, resource constraints and limited market recognition of social initiatives' value may prevent firms from realizing financial gains from social reporting. This result contradicts Pham et al.'s [12] findings in developed markets but aligns with Zhang et al.'s [15] observations in emerging economies, highlighting the crucial role of institutional context in mediating the relationship between social reporting and financial performance.

Table 6. Regression Results.

Variables	Model 1	Model 2
	ROA	EPS
ECO	0.0802811	3.945265
P Value	0.002***	0.098*
SOC	0.0150175	0.3426334
P Value	0.695	0.892
ENV	0.2982769	11.5299
P Value	0.000***	0.000***
FSIZE	0.0204635	1.468173
P Value	0.004***	0.020**
FAGE	0.0398258	0.8907789
P Value	0.004***	0.028**
LEV	-0.0009213	10.57462
P Value	0.974	0.002***
_cons	-0.4154761	-23.3896
P Value	0.000***	0.001***
F Value	19.93	4.59
R Square	45.55	16.61
Observation	270	270

Note: ***significant at 1% level, **significance at 5% level, *significance at 10% level.

Environmental sustainability reporting emerges as the strongest predictor of financial performance, showing significant positive relationships with both ROA ($\beta = 0.298$, $p < 0.01$) and EPS ($\beta = 11.530$, $p < 0.01$), strongly supporting Hypothesis 3. This robust finding suggests that environmental initiatives create value through multiple channels, including operational cost savings from efficient resource utilization, enhanced access to environmentally conscious markets, reduced regulatory risks, and improved stakeholder relationships. The strong market response reflected in the EPS model indicates that investors particularly value environmental initiatives, possibly due to growing awareness of environmental risks and international pressure for environmental compliance. This finding strongly supports legitimacy theory and aligns with Thayaraj and Karunarathne's [9] research showing that environmental transparency creates tangible value in emerging markets.

The control variables provide additional insights into the sustainability-performance relationship. Firm size shows significant positive relationships with both ROA ($\beta = 0.020$, $p < 0.01$)

and EPS ($\beta = 1.468$, $p < 0.05$), suggesting that larger firms possess better resources and capabilities for implementing effective sustainability practices. Firm age demonstrates positive associations with both performance measures, indicating that established firms might have developed better sustainability integration capabilities over time. Leverage shows a significant positive relationship with EPS ($\beta = 10.575$, $p < 0.01$) but no significant relationship with ROA, suggesting that debt financing might contribute to market performance while having minimal impact on operational efficiency.

These findings have important theoretical and practical implications for emerging markets. They provide strong support for the value-enhancing potential of environmental and economic sustainability reporting while highlighting the challenges in translating social initiatives into financial performance. The results suggest that Bangladesh's textile companies might benefit from prioritizing environmental initiatives while ensuring transparent disclosure, strengthening economic sustainability reporting practices, and developing more effective approaches to social sustainability that can demonstrate clear financial benefits. The findings also suggest potential policy implications for regulators and standard-setters in developing comprehensive sustainability reporting frameworks that acknowledge the unique challenges and opportunities in emerging markets. The varying impact of sustainability dimensions on different performance measures highlights the need for a nuanced approach to sustainability strategy development, considering both operational and market-based outcomes.

5. Conclusions

This study provides a comprehensive analysis of the impact of sustainability reporting—focusing on economic, social, and environmental disclosures—on the financial performance of textile companies in Bangladesh. Drawing on data from 270 firm-year observations and employing robust statistical methods to address issues such as multicollinearity and heteroscedasticity, the findings highlight significant relationships between sustainability reporting and financial outcomes. The results align with the theoretical underpinnings of stakeholder theory and legitimacy theory, reinforcing the idea that firms that engage in transparent and comprehensive sustainability practices can enhance their financial performance by meeting stakeholder expectations and maintaining their social license to operate.

The findings contribute to the literature by being the first to empirically explore these relationships within the context of Bangladesh's textile industry, an emerging economy where regulatory structures and market conditions are distinct from those in developed countries. The study confirms that economic and environmental sustainability reporting are positively associated with financial performance, as measured by return on assets (ROA) and earnings per share (EPS). This indicates that firms that prioritize transparent economic and environmental disclosures can improve profitability, supporting the notion that sustainability is not merely a compliance exercise but a strategic business imperative. However, the lack of significant findings for social sustainability reporting suggests that current practices may lack depth or fail to meet stakeholder expectations, highlighting the need for more substantive social initiatives.

From a practical standpoint, the findings have important implications for both policymakers and the corporate sector. For policymakers, the results suggest that fostering a regulatory environment that encourages comprehensive economic and environmental disclosures can contribute to the

financial stability and growth of key industries. Regulatory bodies such as the Bangladesh Securities and Exchange Commission (BSEC) could benefit from these insights when considering the introduction or revision of sustainability reporting guidelines. Policies that incentivize firms to enhance the quality of social sustainability disclosures could also be explored to ensure more balanced reporting practices.

For the corporate sector, the results offer a compelling case for integrating sustainability reporting into strategic planning. Managers and decision-makers in textile companies can leverage economic and environmental reporting as tools to strengthen investor relations and attract sustainable investment. Companies should consider investing in more meaningful social sustainability practices, as these may enhance long-term stakeholder engagement even if the immediate financial benefits are not as apparent. The findings encourage firms to adopt a more comprehensive approach to sustainability reporting, emphasizing transparency and alignment with global best practices to boost competitiveness and resilience in the international market.

Studying is not without limitations. One limitation is the focus on a single industry within an emerging economy, which may limit the generalizability of the findings to other sectors or countries. Additionally, the study relied on secondary data, which could be subject to reporting biases or inconsistencies in the quality of disclosed information. Future research could extend this analysis to other key industries within Bangladesh or other emerging economies to explore whether similar relationships exist. Longitudinal studies could provide insights into how the impact of sustainability reporting evolves over time as regulatory environments and market dynamics change. Additionally, qualitative research involving interviews with corporate executives, regulators, and other key stakeholders could provide richer insights into the motivations and challenges associated with sustainability reporting in emerging markets.

In conclusion, this study underscores the strategic importance of sustainability reporting for financial performance, particularly in emerging economies. By highlighting the significant role of economic and environmental disclosures and identifying gaps in social reporting, the research provides valuable insights for policymakers, corporate leaders, and future scholars interested in the interplay between sustainability practices and financial outcomes. Addressing these gaps through targeted regulatory policies and corporate strategies could enhance the long-term sustainability and competitiveness of the textile industry and contribute to broader economic growth in Bangladesh.

Contributions: Sohag Ahmed Sunny led the study, designing and implementing the research methodology, conducting data analysis, and playing a key role in interpreting findings and preparing the manuscript, ensuring methodological rigor. Fatema Ali Apsara significantly contributed by conducting data collection, assisting with analysis, and providing valuable feedback, which refined the results and enhanced the research quality.

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