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# RELATIONSHIP BETWEEN CORPORATE SUSTAINABILITY PRACTICES AND FINANCIAL PERFORMANCE OF COMMERCIAL BANKS IN KENYA

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**Abstract**

This study sought to assess the relationship between corporate sustainability practices and the financial performance of commercial banks in Kenya. Specifically, the study aimed to assess the relationship between economic, social, environmental, and governance-related sustainability practices and the financial performance of commercial banks in Kenya. The study was anchored on stakeholder theory, legitimacy theory, and agency theory. This study utilized a descriptive research approach, targeting 246 respondents comprising 41 top managers, 82 middle-level managers, and 123 lower-level managers. Primary data was collected using self-administered structured questionnaires. The study hypotheses were tested using regression analysis. The study reported findings based on two financial indicators: return on assets (ROA) and earnings per share (EPS). First and foremost, there was a positive and significant relationship between economic-related sustainability practices and ROA, as indicated by $\beta1 = .354$ and a probability value (p-value) = $.001 < .05$. Regarding earnings per share (EPS), the relationship was also positive and significant ($\beta1 = .313$, p-value = $.002 < .05$). Secondly, social-related practices were positively and significantly related to both ROA and EPS, as indicated by ($\beta2 = .310$, p-value = $.001 < .05$) and ($\beta2 = .318$, p-value = $.001 < .05$), respectively. Thirdly, there was a positive and significant relationship between environmental-related practices and the ROA of commercial banks in Kenya ($\beta3 = .322$, p-value = $.002 < .05$). In terms of EPS, the relationship was also positive and significant ($\beta3 = .329$, p-value = $.001 < .05$). Lastly, the study documented a positive and significant relationship between governance-related practices and financial performance, as measured by both ROA ($\beta4 = .337$, p-value = $.001 < .05$) and EPS ($\beta4 = .340$, p-value = $.001 < .05$). The study concludes that all corporate sustainability practices, including economic, social, environmental, and governance-related practices, have a significant effect on the financial performance of commercial banks in Kenya. From the findings, this study recommends that the management of commercial banks in Kenya should enhance their utilization of retained earnings. In addition, commercial banks should focus on strengthening their community sustainability practices. Furthermore, commercial banks should develop and implement comprehensive environmental policies that align with global best practices.

**Keywords:** *Corporate Sustainability Practices, Economic Practices, Social Practices, Environmental Practices, Governance Practices, Financial Performance*

## INTRODUCTION

The main role of commercial banks is intermediation, and they play an essential role in the financial sector of any country (Carelle, 2016). In the last two decades, the operating environment of the banking sector has significantly changed worldwide, both in terms of its structure and financial performance (Abdullahi, 2020). Apart from the increasing trend in bank intermediation, the mobilization of funds from bank depositors to make loans available to investors plays an essential role in the economic development of any country (Abdullahi, 2020). According to Agboola et al. (2014), the financial performance of commercial banks plays a key role in the profitability of the banking sector, which in turn enables commercial banks to overcome any financial challenges they may face. On the other hand, poor financial performance of commercial banks can lead to bank crises, which may eventually cause a financial crisis. Kaneza (2016) indicates that the financial performance of banking institutions is essential when it comes to providing loan facilities and fostering economic growth at large.

Over the years, corporate sustainability practices (CSP) have emerged as an area of concern for many researchers (Ameer & Othman, 2017). According to Dang et al. (2019), corporate sustainability practices are becoming a key aspect of corporate governance, aimed at enhancing social responsibilities. Various studies have been conducted to show the relationship between corporate sustainability practices and firm performance in terms of market response, firm size, market share, and organizational goodwill (Khan, 2019). Due to the impact of corporate sustainability practices, corporate managers are increasingly willing to formulate and implement CSP programs to enhance the performance of their firms (Hussain, Rigoni & Cavezzali, 2017). In a survey conducted in 2014 by PricewaterhouseCoopers (PwC), it was revealed that more than 70% of global executives are willing to implement CSP to enhance the growth and survival of their firms (Msua, 2017). In any firm, the overall objective should always be intertwined with the aspect of an educated and healthy community (Hussain, Rigoni & Cavezzali, 2017). Nevertheless, this situation is achievable only if there is a win-win relationship between communities and corporate entities (Dugelay, 2020). Essentially, the primary growth of any firm is always directly associated with the overall welfare of society (Fauzi, 2019). For businesses to perform well in this competitive environment, there must be a better formula for giving back to the society in which the business operates (Jebet, 2020).

In the international context, the increase in awareness of the importance of sustainability efforts has been reflected in the creation of non-governmental organizations such as the Global Reporting Initiative (GRI), established in 1997 and released in 2000. The most well-known sustainability disclosure framework assists companies in measuring and disclosing their economic, environmental, social, and governance performance. In fact, companies are advised to monitor their sustainability compliance to develop their strategies, enhance their performance, and assist investors in comprehending the relationship between sustainability efforts and corporate financial performance.

To further improve the quality of sustainability disclosure, the International Integrated Reporting Council (IIRC) was formed in 2010 and released its framework in 2013, providing guidelines to companies about the integrated and effective reporting of financial and non-financial information. More recently, the Taskforce on Climate-Related Financial Disclosure (TCFD) was presented in 2017. Its final report sets out recommendations to help corporations report climate-

related financial information and measure the potential financial implications of climate change practices, such as lower-carbon emissions, energy and water efficiency solutions, and sustainable land use.

In India, Aggarwal (2013) revealed that corporate sustainability has a significant influence on financial performance. Further, corporate sustainability influences some of the financial performance measures positively (ROA, PBT & GTA), while others negatively (ROE and ROCE). Our results confirm the findings of many existing researches which argue that corporate sustainability has no significant association with firm performance (Weber, 2017), no significant impact in the short term (Khan, 2019), and that the varying effects of different dimensions of sustainability may negate and offset each other, leading to no significant influence on financial performance.

In China, Weber (2017) revealed that the Chinese economy is growing significantly despite the fact that China's strong economic growth has been cooling down since 2012. A drawback of China's economic success is the negative environmental impact of many of its economic activities. Currently, China is the world's largest emitter of greenhouse gas emissions, contributing more than 23 percent of global emissions (Khan, 2019). Furthermore, local emissions have significant impacts on air and water quality. Air pollution has become one of the major environmental concerns in China (Sun, Liu & Chiu, 2022), and a significant amount of China's groundwater and surface water is polluted.

Regionally, Choongo (2017) noted that Zambian SMEs have adopted corporate sustainability and corporate social responsibility, focusing on growing financial targets through social, economic, and environmental aspects of practices and how the business operates. In Ghana, Ngwakwe, Awunyo-Vitor, and Akoto (2014) noted that only 32% of small audit firms were aware of sustainability reporting, and 98% of these firms acknowledged the value in sustainability reporting. In Nigeria, Nwude and Anyalechi (2018) noted that firms that adopted sustainability practices gained value in the business sense, achieved higher reputations, better management of organizational skills, and higher commitment levels, all contributing to the long-term growth of the economy. In South Africa, Ameer and Othman (2017) found significantly higher mean sales growth, return on assets, profit before taxation, and cash flows from operations in some sectors of the sample companies compared to control companies during 2006–2010.

Locally, Gatimbu et al. (2018) revealed that tea processors that employed environmental sustainability measures gained little in terms of environmental efficiency in relation to profitability. Omuom (2020) revealed that competitive advantage, environmental protection regulation, cost efficiency, and consumer behavior were key factors in the adoption of the green marketing model. Wanjala (2016) focused on state companies in Kenya to investigate corporate governance and its effect on results. According to the report, the board of directors' diversity, the CEO's characteristics, and the audit committee's activities all have a major impact on firm results. The weak corporate governance structures of listed companies on the Nairobi Securities Exchange, such as CMC Motors and Uchumi, are largely to blame for their poor performance. A company's ability to ensure that its activities are effective, sustainable, and viable is reflected in its performance outcomes, expressed in monetary terms (Carelle, 2016).

Mbuthia and Gatauwa (2022) established that social, economic, and environmental sustainability had a significant effect on performance outcomes. Corporate sustainability practices, therefore, had a significant effect on financial performance. Corporate sustainability is becoming a more

critical part of business growth. Successfully managing sustainable activities is key to maintaining a competitive edge. In today's business world, corporate sustainability is becoming increasingly relevant. The positive impact of corporate sustainability on business efficiency, such as improved credibility and income, can explain the rapid spread of corporate sustainability practices.

**Statement of the Problem**

Commercial banks perform an important function in the economic development of developing countries such as Kenya (CBK, 2016). They are expected to accumulate individuals' idle savings and make them available for investment. In addition, they are expected to offer new demand deposits while offering credit and buying investment securities. Commercial banks are expected to promote trade both within and outside the nation through bills of exchange acceptance and discounting. Similarly, commercial banks are expected to enhance the mobility of capital (CBK, 2022). Additionally, commercial banks are the most effective mechanism for facilitating the flow of credit in the market (CBK, 2016).

Commercial banks in Kenya have been registering declining performance since late 2016, with pre-tax profit decreasing by 9.6%, total income decreasing by 3.1%, total expenses rising, and a consistent decline in return on equity and return on assets at an average rate of 0.6% and 3.8%, respectively (CBK, 2016). Chase Bank experienced liquidity troubles, a case that led to its placement under receivership. The CBK also put two other banks, Dubai Bank of Kenya and Imperial Bank Kenya, into receivership due to the misappropriation of depositors' funds and embezzlement of the respective banks' assets, which violated regulatory rules (CBK, 2016). In addition, the National Bank of Kenya was termed as struggling with the effects of massive reclassification of outstanding loans, showing an overstatement of performing loans, leading to an increase in provisions for bad debts (CBK, 2016). This state of affairs highlights the practical problem concerning the financial performance of commercial banks in Kenya.

Sustainability is a crucial issue for the corporate world today. The interest of investors in Socially Responsible Investment has grown substantially over the last decade. Thus, corporate sustainability practices have the potential to influence a company's financial performance.

Various studies have been done on corporate sustainability practices and financial performance. For instance, Mbuthia and Gatauwa (2019) focused on the influence of corporate sustainability practices on financial performance trends. Mbuthia and Gatauwa (2019) researched corporate sustainability practices and the financial performance of firms listed in the Nairobi Securities Exchange, Kenya. Cheruiyot (2018) conducted a study on the influence of corporate sustainability practices on corporate financial performance. However, across the broad-ranging research studies in the field, it was found that the scope of research on corporate sustainability practices in developed countries is limited to the non-financial sector. This resulted in the neglect of the banking sector in corporate sustainability practices-related research (Jebet, 2020). Furthermore, corporate sustainability practices-related research studies in developing countries are inadequate due to limited attention to this segment in developing countries. Kenya, being a developing country, is not an exception to this fact (Khan, 2019). This research is intended to contribute to the body of knowledge on corporate sustainability practices-related studies in the context of Kenya and evaluate the relationship between corporate sustainability practices and the financial performance of commercial banks in Kenya.

## LITERATURE REVIEW

### Theoretical Review

#### Resource-Based View Theory

The Resource-Based View (RBV) theory was developed by Barney (1991). It is a managerial framework used to determine the strategic resources a firm can exploit to achieve sustainable competitive advantage. Barney's 1991 article, "Firm Resources and Sustained Competitive Advantage," is widely cited as a pivotal work in the emergence of the resource-based view. The Resource-Based View theory suggests that a firm's sustained competitive advantage and success depend on its ability to develop and leverage valuable, rare, inimitable, and non-substitutable resources and capabilities (Fauzi, 2019).

In the context of corporate sustainability, this theory emphasizes that adopting sustainable practices can lead to the acquisition of unique resources that contribute to long-term competitiveness and value creation (Ogolla, 2017). Incorporating the Resource-Based View theory into corporate sustainability practices allows organizations to strategically leverage sustainability as a source of competitive advantage, contributing to long-term success and value creation while addressing environmental and social challenges (Okoye, Calisla & Ezeanolue, 2021). This study, therefore, used Resource-Based View Theory to assess the relationship between corporate sustainability practices and the financial performance of commercial banks in Kenya.

#### Stakeholders Theory

Stakeholders' theory was developed by Edward Freeman (1984) as an improvement on the Shareholders' theory, which had been in existence since the early 20th century. Stakeholders' theory proposed that shareholders are merely one of many stakeholders in a company (Sun, Liu & Chiu, 2022). The stakeholder theory, however, suggested that the ecosystem involves anyone invested in, involved with, or affected by the company: customers, employees, suppliers, political action groups, environmental groups, local communities, the media, financial institutions, governmental groups, and more. Freeman’s theory suggests that a company’s real success lies in satisfying all its stakeholders, not just those who might profit from its stock (Dzomonda, 2021).

Stakeholder theory argues that in addition to stockholders, there are other external constituencies involved, including communities, community groups, trade unions, trade associations, environmental groups, governmental bodies, associated corporations, employees, customers, and the public, all of which need to be taken into consideration. The basic idea of stakeholder theory is that the organization has relationships with many constituent groups and that it can engender and maintain the support of these groups by considering and balancing their relevant interests (Ogolla, 2017). Ogolla (2017) set out a comprehensive framework that is ideal and productive in the application of stakeholders' theory to benefit a firm. They held that an organization should identify legitimate interests, set priorities right, evaluate the value of competing interests, and make the best decision in the interest of the organization. Stakeholders' theory was used to assess the relationship between corporate sustainability practices and the financial performance of commercial banks in Kenya.

#### Agency Theory

Agency theory was developed by Jensen and Meckling (1976). The theory is concerned with analyzing and resolving problems that occur in the relationships between principals and agents. The theory rests on the assumption that the role of an organization is to maximize the wealth of

its owners or shareholders. Agency theory holds that most businesses operate under conditions of incomplete information and uncertainty between the owners or shareholders and their agents or top management.

According to Sun, Liu, and Chiu (2022), managers will not act to maximize shareholder returns unless suitable governance structures are in place in major corporations to protect shareholders' interests. The relationship between the owners and the managers is characterized by the principals engaging the agents to conduct services on their behalf. When it comes to corporate governance, the idea indicates that for absent or distant owners/shareholders who hire professional executives to act on their behalf, there is a basic problem. This idea assumes that the actor (executive) is likely to be self-interested and opportunistic. This creates the possibility that the executive, in their capacity as an agent, will prioritize their interests over those of the owner-principal. The goal of corporate governance regulations is to create a legal structure that mirrors the agent-principal relationship (Dzomonda, 2021). These guidelines aim to align officers' and directors' incentives with those of shareholders, attempting to build norms and conventions that will prevent the negative consequences of competing business interests.

**Empirical Literature**

**Economic Related Practice and Financial Performance of Commercial Banks**

Neijila and Nobanee (2022) researched on the impact of economic responsibility reporting on financial performance of UAE banks. This study made use of dynamic panel regression to assess the impact of the independent variable on the dependent variable. The study found that there is low sustainability disclosure of the commercial banks. In addition, it was revealed that the performance of these commercial banks is influenced by the level of sustainability disclosure. Saputra, Achsani and Anggraeni (2015) conducted a study on the effect of capital structure on Firm Performance: Empirical Evidence from the Indonesian Financial Industry. Specifically the study sought to show how capital structure influence firm performance. The study focused on firms in the financial sector listed in the IDE for a period of 4 years from 2009 to the year 2013. The research used panel data analysis to show how the independent variable influences the dependent variable. It was established that firm performance is negatively influenced by capital structure. In this study firm performance was measured through return on assets which is in line with the pecking order theory. The study further established that different sectors are influenced differently by the capital structure.

Nwude and Anyalechi (2018) focused on the impact of capital structure on performance of commercial banks in Nigeria. The study evaluated the influence of financing mix on the performance of commercial banks, and the causal link between debt-equity ratio. Data collated were analyzed using correlation analysis, pooled OLS regression analysis, fixed effect panel analysis, random effect panel analysis, granger causality analysis, as well as post estimation test such as restricted f-test of heterogeneity and Hausman test. The findings show that while debt finance exert negative and significant impact on return on asset, the debt-equity ratio has positive and significant influence on return on equity.

In Tanzania, Mbetwa (2021) focused on the influence of economic related practices on financial performance of listed commercial banks in Tanzania. The finding indicates that that there is a significantly positive correction between ROE and total equity in commercial banks and a negative correlation between total debt and ROA. Also, ROE and ROA, measures of commercial

bank financial performance and commercial bank financial leverage ratio, had a negative correlation between as.
Kuria (2016) researched on the effect of capital structure on the financial performance of commercial banks in Kenya. The finding of the analysis concluded that there is no significant relationship between the capital structure and the financial performance of commercial banks in Kenya. There was very minimal effect which is negligible and therefore it was concluded that there is no relationship between capital structure and financial performance of commercial banks in Kenya. However, the study failed to show how retained earnings and dividend policy hence the study findings cannot be generalized to the current study.

**Social Practice and Financial Performance of Commercial Banks**

Fauzi (2019) did a research on firms listed on the New York Securities Exchange (NYSE) to determine the relationship between CSR and corporate financial performance. Using a sample of 101 companies listed at the NYSE and a regression model with financial performance as the dependent variable and CSR index as the independent variable, he found that CSR has no effect on CFP. He however found that leverage (a control variable in the model) has a moderating effect on the interaction between CFP and CSR. Nevertheless, this study was limited to firms listed on the New York Securities Exchange (NYSE) hence the study findings cannot be generalized to the current study in Since it will focus on financial performance of commercial banks in Kenya.
Okoye, Calisla and Ezeanolue (2021) conducted a study on the effect of social practices on commercial banks' performance in Nigeria. There was no uniform number of years and activities for the population under study; therefore data was collected for a year from multiple variables to suit the cross-sectional longitudinal study. There is a statistically significant effect of corporate social responsibility expenditure on the profit after tax of the selected banks in Nigeria and that there is no statistically significant effect of the corporate social responsibility expenditure on the total assets of selected banks in Nigeria.
Ogolla (2017) researched on the relationship between corporate social responsibility and financial performance of commercial banks in Kenya. The study adopted casual design. The population of the study comprised of all the 41 commercial banks licensed by central bank of Kenya that were operational between January 2007 and December 2011. Secondary data was obtained from the audited financial reports of the central bank of Kenya for the period from 2007 to 2011. One major finding of the study was that there is a strong relationship between the independent variables corporate social responsibility and the dependent variable financial performance.
Cheruiyot (2018) carried out a research to establish the relationship between corporate social responsibility and financial performance of firms listed at the Nairobi stock exchange. This was a cross sectional study of all the 47 listed companies in the NSE's main segment as at 31 December 2009. Using regression analysis, he sought to establish the relationship between the CSR index and financial performance measured in terms of the Return on assets, return on equity and return on sales. His conclusion was that there was a statistically significant relationship between CSR and financial performance. Nevertheless, this study focused on financial

performance of firms listed at the Nairobi stock exchange and not commercial banks in Kenya hence the study findings cannot be generalized to the current study.

**Environmental Practice and Financial Performance of Commercial Banks**

Sun, liu and Chiu (2022) conducted a study on Environmental, social, and governance (ESG) and market efficiency of China's commercial banks under market competition. This research explores the market share of banks as exogenous variables in the profit stage and the market and sustainability stage to investigate the efficiency of 20 listed banks in China over 2016–2020 and innovatively incorporates indicators such as green credit, social giving, executive compensation, and ESG score into the meta-dynamic two-stage SBM under the exogenous variable DEA model.

Dzomonda (2021) conducted a study on waste reduction strategy and financial performance of firms listed on the Johannesburg stock exchange, South Africa. This resulted in 256 observations. The independent variable was waste reduction, and the dependent variable was financial performance as measured by the Tobin's Q. Using the feasible generalized least squares, the findings showed that waste reduction strategies positively predict the future value of a firm as measured by the Tobin's Q. The implication of this is that the concerned firms were able to send a strong signal to the external environment regarding their waste reduction commitments. The findings of the current study are of value as they add value to the body of knowledge through new empirical findings.

Mbuthia and Gatauwa (2022) focused on corporate sustainability practices and financial performance of firms listed in the Nairobi securities exchange, Kenya. The paper was anchored on agency theory, stakeholder theory and legitimacy theory. The study established that social, economic and environmental sustainability had significant effect on performance outcomes. Corporate sustainability practices therefore had significant effect on financial performance. Nevertheless, the study failed to show the influence environmental policy, waste management and climate change policies on financial performance of firms hence the study findings cannot be generalized to the current study.

**Governance Related Practice and Financial Performance of Commercial Banks**

A study conducted by Hsu (2019) in the United States to investigate the relationship between board characteristics and financial performance of US firms between 2000 to 2004 revealed the existence of a significant relationship at the board level. The performance of the firms was measured using the Tobin's Q and findings showed that board quality was positively related to firm performance. This supports Ujunwa (2018) whose study found that the number of board members with Doctor of Philosophy (PhD) qualifications impacted positively on Nigerian firms listed on the stock exchange. Thus, according to these two studies, education qualifications had a positive impact on firm performance. In this regard, a firm that has diversity of board members, with keen bias on academic qualifications enhances the probability that the firm will do well financially.

Karaye and Büyükkara (2021) conducted a study on the impact of corporate governance on financial performance of companies in Southern Africa. Corporate governance index was created by collecting both corporate governance related data and financial data from annual reports of companies from 2013- 2019. The findings show that companies in Southern African countries generally comply with the recommended corporate governance "best" practices that are included in the index. However, this study was conducted in South Africa hence the study findings cannot be generalized to performance of commercial banks in Kenya.

Ochieng (2017) researched on the relationship between corporate governance practices and performance of commercial banks in Kenya. The population of the study was the 45 banks licensed by the Central Bank of Kenya as at the end of 2010. The researcher concluded that corporate governance practices (directors' effectiveness, management effectiveness, shareholder protection, disclosure and transparency) have a positive relationship with bank performance. Nevertheless, the study failed to show how policies and procedures, board independence and diversity and executive compensation influence financial performance of commercial banks hence the study findings cannot be generalized to the current study.

Nganga (2018) conducted a study on the influence of corporate governance on financial performance of commercial banks in Kenya. This study concludes that both institutional and block ownership are relevant, and important in enhancing commercial banks financial performance. The variance is in how the structure do leverage of their inherent strength to advance financial performance objectives. This study also concluded that all the components considered under board diversity, including board gender diversity, board size, board independence significantly contribute to enhancing commercial banks financial performance. Finally, the study also concludes that agency conflict and code of objectivity are significant and important in enhancing financial performance of commercial bank. Nevertheless, the study was limited to board gender diversity, board size and board independence hence the study findings cannot be adopted.

**Conceptual Framework**

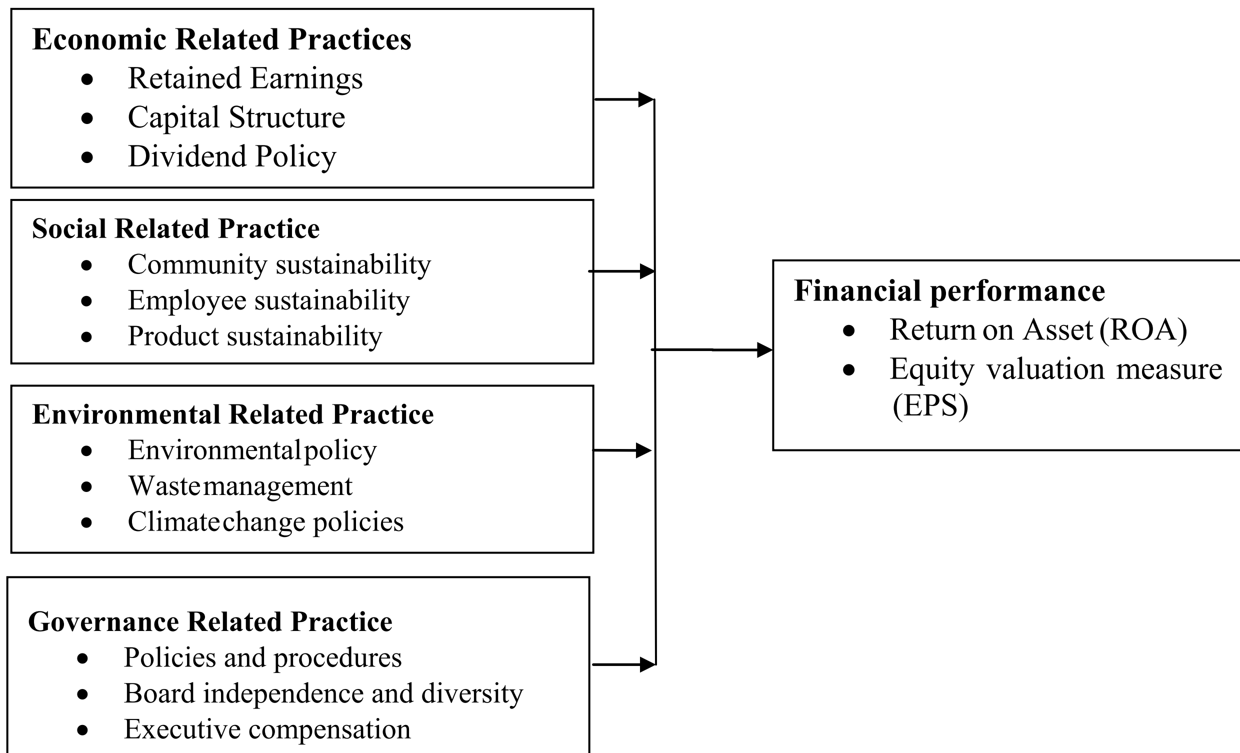


**Figure 1: The Conceptual Framework**

## RESEARCH METHODOLOGY

### Research Design

This study utilized descriptive research approach. The descriptive research approach is a research technique that systematically and accurately describes the characteristics of a phenomenon or population being studied (Creswell & Creswell, 2017). Descriptive research approach was used because they are cost effective and time saving as compared to experimental studies. In addition, this type of research design is very reliable in providing answers to questions of where, who, how and when, that are related to the phenomenon under investigation.

### Target Population

The unit of analysis for the study was 41 commercial banks in Kenya (CBK, July 2021) while the unit of observation was management employees. The accessible population was 246 individuals comprising of 41 top managers, 82 middle level managers and 123 lower-level managers.

### Sampling

This study made use of Slovin's Formula to determine the study's sample size of 152. This research used stratified random sampling technique in order to select 152 respondents from study population.

### Data Collection

Primary data was collected using self-administered semi structured questionnaires. Document analysis was also used in this study to analysis dependent variable (financial performance which was measured through return on Asset (ROA) and earnings per share (EPS).

### Data Analysis

Data was analyzed by employing inferential statistics with help of Statistical Package for the Social Sciences (SPSS) version 25. Pearson correlation analysis was conducted to assess the relationship between study variables. Multiple regression was run so as to test the hypotheses stated. The regression model of study was;

$$FP = \beta_0 + \beta_1 ERP + \beta_2 \text{ SRP} + \beta_3 \text{ENVRP} + \beta_4 \text{GRP} + \varepsilon$$

Whereby;

FP; Represents financial performance

B0; Represents the Constant

β1 to β4; Represents the Beta Coefficients

ERP; Represents the economic related practice

SRP; Represents Social related practice

ENVRP; Represents environmental related practice

GRP; Represents the governance related practice

ε; Represents the Error term

## RESULTS AND DISCUSSIONS

### Correlation Analysis Results

Pearson correlation analysis was used to determine the strength of association between independent variables (economic sustainability practices, social sustainability practices, environmental sustainability practices and governance sustainability practices) and the dependent variable (financial performance of commercial banks in Kenya). Pearson correlation coefficient range between zero and one, where by the strength of association increase with increase in the value of the correlation coefficients.

**Table 1: Correlation Analysis**

| | | Financial Performance | Economic Sustainability Practices | Social Sustainability Practices | Environmental Sustainability Practices | Governance Sustainability Practices |
|---|---|---|---|---|---|---|
| Financial Performance | Pearson Correlation | 1 | | | | |
| | Sig. (2-tailed) | | | | | |
| | N | 128 | | | | |
| Economic Sustainability Practices | Pearson Correlation | .896 | 1 | | | |
| | Sig. (2-tailed) | .000 | | | | |
| | N | 128 | 128 | | | |
| Social Sustainability Practices | Pearson Correlation | .872 | .048 | 1 | | |
| | Sig. (2-tailed) | .002 | .117 | | | |
| | N | 128 | 128 | 128 | | |
| Environmental Sustainability Practices | Pearson Correlation | .817** | .414 | .403 | 1 | |
| | Sig. (2-tailed) | .003 | .262 | .160 | | |
| | N | 128 | 128 | 128 | 128 | |
| Governance Sustainability Practices | Pearson Correlation | .854 | .175 | .379 | .142 | 1 |
| | Sig. (2-tailed) | .001 | .393 | .043 | .239 | |
| | N | 128 | 128 | 128 | 128 | 128 |

**. Correlation is significant at the 0.01 level (2-tailed).

Source; Field Data (2024)

From the results in Table 1, there was a very strong relationship between economic sustainability practices and financial performance of commercial banks in Kenya. (r = 0. 896, p value =000). The relationship was significant since the p value 0. 000 was less than 0.05 (significant level). The findings are in line with the findings of Neijila and Nobanee (2022) who indicated that there is a very strong relationship between economic sustainability practices and financial performance. Moreover, the results revealed that there is a very strong relationship between social sustainability practices and financial performance of commercial banks in Kenya (r = 0. 872, p value =0. 002). The relationship was significant since the p value 0. 002 was less than 0.05 (significant level). The findings conform to the findings of Fauzi (2019) that there is a very strong relationship between social sustainability practices and financial performance.

Further, the results revealed that there is a very strong relationship between environmental sustainability practices and financial performance of commercial banks in Kenya (r = 0. 817, p value =0. 003). The relationship was significant since the p value 0. 003) was less than 0.05 (significant level). The findings are in line with the findings of Sun, liu and Chiu (2022) that there is a very strong relationship between environmental sustainability practices and financial performance. The results also revealed that there was a very strong relationship between governance sustainability practices and financial performance of commercial banks in Kenya (r =

0. 854, p value =0.001). The relationship was significant since the p value 0. 001 was less than 0.05 (significant level). The findings are in line with the results of Karaye and Büyükkara (2021) who revealed that there is a very strong relationship between governance sustainability practices and financial performance.

**Regression Analysis**

**Relationship between Economic Related Practices and Financial Performance of Commercial Banks in Kenya**

The model summary was used to explain the variation in the dependent variable that could be explained by the independent variables. The r-squared for the relationship between the independent variables and the dependent variable was 0.388. This implied that 38.8% of the variation in the dependent variable (Financial Performance of Commercial Banks in Kenya as measured using ROA) could be explained by independent variables (Economic Related Practices).

**Table 2**: **Model Summary for Economic Related Practices and ROA**

| Model | R | R Square | Adjusted R Square | Std. Error of the Estimate |
|---|---|---|---|---|
| 1 | .623[a] | .388 | .389 | .10482 |

Source; Field Data (2024)

The analysis of variance (ANOVA) was used to determine whether the model was a good fit for the data. F calculated was 944.70 while the F critical was 3.916. The p value was 0.002. Since the F-calculated was greater than the F-critical and the p value 0.002 was less than 0.05, the model was considered as a good fit for the data. Therefore, the model can be used to predict the influence of economic Related Practices on financial performance of commercial banks in Kenya as measured using ROA.

**Table 3: Economic Related and ROA ANOVA Table**

| Model | | Sum of Squares | df | Mean Square | F | Sig. |
|---|---|---|---|---|---|---|
| 1 | Regression | 102.028 | 1 | 102.028 | 944.70 | .002[b] |
| | Residual | 13.668 | 126 | .108 | | |
| | Total | 115.695 | 127 | | | |

a. Dependent Variable: Financial performance (ROA)

b. Predictors: (Constant), economic Related Practices

Source; Field Data (2024)

The first null hypothesis was stated as $H_{01}$; There is no statistically significant relationship between economic related sustainability practices and financial performance of commercial banks in Kenya. The hypothesis testing results are thus shown in Table 4.

**Table 4: Regression Coefficients for Economic Related Practices and ROA**

| | **Unstandardized Coefficients** | | **Standardized Coefficients** | t | Sig. |
|---|---|---|---|---|---|
| | B | Std. Error | Beta | | |
| (Constant) | 0.345 | 0.090 | | 3.833 | 0.001 |
| Economic Related Practices | 0.355 | 0.091 | 0.354 | 3.901 | 0.001 |

Source; Field Data (2024)

From the findings in Table 4, the fitted regression model is given as $Y = 0.345 + 0.354X_1 + \varepsilon$. In this case therefore, there was a positive and significant relationship between economic related

sustainability practices and financial performance of commercial banks in Kenya (ROA) as indicated by $\beta_1$=.354 and probability value (p-value) = .001 < 0.05 respectively. Thus, one unit increase in economic related sustainability practices result in 0.354 unit increase in financial performance of commercial banks in Kenya (ROA). The study thus rejected the null hypothesis and concluded that economic related sustainability practices positively and significantly relate with financial performance of commercial banks in Kenya as measured by ROA.

**Table 5**: **Model Summary for Economic Related Practices and EPS**

| Model | R | R Square | Adjusted R Square | Std. Error of the Estimate |
|---|---|---|---|---|
| 1 | .593[a] | .352 | .353 | .1230 |

Source; Field Data (2024)

The model summary in Table 5 was used to show the variation in the dependent variable that could be explained by the independent variables. The r-squared for the relationship between the independent variables and the dependent variable was 0.352. This implied that 35.2% of the variation in the dependent variable (financial performance of Commercial Banks in Kenya as measured using EPS) could be explained by independent variables (Economic related practices).

**Table 6: Economic Related Practices and EPS ANOVA Table**

| Model | | Sum of Squares | df | Mean Square | F | Sig. |
|---|---|---|---|---|---|---|
| 1 | Regression | 95.021 | 1 | 95.021 | 1484.7 | .001[b] |
| | Residual | 8.168 | 126 | .064 | | |
| | Total | 103.189 | 127 | | | |

a. Dependent Variable: Financial performance (EPS)

b. Predictors: (Constant), Economic Related Practices

Source; Filed Data (2024)

The ANOVA in Table 6 was used to determine whether the model was a good fit for the data. F calculated was 1484.7 while the F critical was 3.916. The p value was 0.001. Since the F-calculated was greater than the F-critical and the p value 0.001 was less than 0.05, the model was considered as a good fit for the data. Therefore, the model can be used to predict the influence of economic related practices on financial performance of commercial banks in Kenya as measured using EPS.

**Table 7: Regression Coefficients for Economic Related Practices and EPS**

| | **Unstandardized Coefficients** | | **Standardized Coefficients** | **t** | **Sig.** |
|---|---|---|---|---|---|
| | B | Std. Error | Beta | | |
| (Constant) | 0.309 | 0.088 | | 3.511 | 0.003 |
| Economic Related Practices | 0.312 | 0.089 | 0.313 | 3.506 | 0.002 |

Source; Field Data (2024)

In Table 7, the regression model is fitted as; $Y = 0.309 + 0.313X_1 + \varepsilon$. Using EPS as the second financial performance indicators, $H_{01}$; There is no statistically significant relationship between economic related sustainability practices and financial performance of commercial banks in Kenya was tested. From the findings, there was a positive ($\beta_1$=.313) and significant (p-value= .002< .05) relationship between economic related sustainability practices and financial performance of commercial banks in Kenya. Thus, one unit increase in economic related sustainability practices result in 0.313 unit increase in financial performance of commercial banks in Kenya. The study thus rejected the null hypothesis and concluded that economic related

sustainability practices positively and significantly relate with financial performance of commercial banks in Kenya as measured using EPS.

**Relationship between Social Related Practices and Financial Performance of Commercial Banks in Kenya**

The model summary as shown in Table 8 was used to explain the variation in the dependent variable that could be explained by the independent variables. The r-squared for the relationship between the independent variables and the dependent variable was 0.285. This implied that 28.5% of the variation in the dependent variable (Financial Performance of Commercial Banks in Kenya as measured using ROA) could be explained by independent variables (Social Related Practices).

**Table 8**: **Model Summary for Social Related Practices and ROA**

| Model | R | R Square | Adjusted R Square | Std. Error of the Estimate |
|---|---|---|---|---|
| 1 | .534 | .285 | .286 | .10121 |

a. Predictors: (Constant), Social Related Practices

Source; Field Data (2024)

The ANOVA Table 9 was used to determine whether the model was a good fit for the data. F calculated was 155.26 while the F critical was 3.916. The p value was 0.002. Since the F-calculated was greater than the F-critical and the p value 0.002 was less than 0.05, the model was considered as a good fit for the data. Therefore, the model can be used to predict the influence of Social Related Practices on financial performance of commercial banks in Kenya as measured using ROA.

**Table 9: Social Related Practices and ROA ANOVA Table**

| Model | | Sum of Squares | df | Mean Square | F | Sig. |
|---|---|---|---|---|---|---|
| | Regression | 8.027 | 1 | 8.027 | 155.26 | .000[b] |
| 1 | Residual | 6.568 | 126 | .0517 | | |
| | Total | 14.595 | 127 | | | |

a. Dependent Variable: Financial performance (ROA)

b. Predictors: (Constant), Social Related Practices

Source; Field Data (2024)

The Study tested H02; There is no statistically significant relationship between Social Related Practices and financial performance of commercial banks in Kenya as shown in Table 10. To begin with, the fitted regression model was; Y = 0.307 +0.315X1 +ε

**Table 10: Regression Coefficients for Social Related Practices and ROA**

| | **Unstandardized Coefficients** | | **Standardized Coefficients** | t | Sig. |
|---|---|---|---|---|---|
| | B | Std. Error | Beta | | |
| (Constant) | 0.307 | 0.081 | | 3.790 | 0.002 |
| Social Related Practices | 0.315 | 0.084 | 0.310 | 3.750 | 0.001 |

Source; Field Data (2024)

From the findings therefore in Table 10, there was a positive and significant relationship between social related practices and financial performance (ROA) of commercial banks in Kenya as indicated by $\beta_1$=.310 and p-value = .001 < 0.05 respectively. Thus, one unit increase in economic related sustainability practices result in 0.310 unit increase in financial performance (ROA) of commercial banks in Kenya. The study thus rejected the null hypothesis and concluded that

social related practices positively and significantly relate with financial performance of commercial banks in Kenya as measured by ROA.

**Table 11**: **Model Summary for Social Related Practices and EPS**

| Model | R | R Square | Adjusted R Square | Std. Error of the Estimate |
|---|---|---|---|---|
| 1 | .604[a] | .365 | .366 | .1230 |

Source; Filed Data (2024)

The model summary as shown in Table 11 was used to explain the variation in the dependent variable that could be explained by the independent variables. The r-squared for the relationship between the independent variables and the dependent variable was 0.365. This implied that 36.5% of the variation in the dependent variable (Financial Performance of Commercial Banks in Kenya as measured using EPS) could be explained by independent variables (Social Related Practices).

**Table 12: Social Related Practices and EPS ANOVA Table**

| Model | | Sum of Squares | df | Mean Square | F | Sig. |
|---|---|---|---|---|---|---|
| 1 | Regression | 91.088 | 1 | 91.088 | 1247.8 | .001[b] |
| | Residual | 9.214 | 126 | .073 | | |
| | Total | 100.302 | 127 | | | |

a. Dependent Variable: Financial performance (EPS)

b. Predictors: (Constant), Social Related Practices

Source; Field Data (2024)

Table 12 presents the ANOVA that was used to determine whether the model was a good fit for the data. F calculated was 1247.8 while the F critical was 3.916. The p value was 0.001. Since the F-calculated was greater than the F-critical and the p value 0.001 was less than 0.05, the model was considered as a good fit for the data. Therefore, the model can be used to predict the influence of social related practices on financial performance of commercial banks in Kenya as measured using EPS.

**Table 13: Regression Coefficients**

| | **Unstandardized Coefficients** | | **Standardized Coefficients** | **t** | **Sig.** |
|---|---|---|---|---|---|
| | B | Std. Error | Beta | | |
| (Constant) | 0.311 | 0.089 | | 3.494 | 0.003 |
| Social Related Practices | 0.317 | 0.088 | 0.318 | 3.602 | 0.001 |

Source; Field Data (2024)

In Table 13, the fitted regression model is therefore given as; $Y = 0.311 + 0.318X_1 + \varepsilon$. Using EPS as the financial performance indicator, the study tested $H_{02}$; There is no statistically significant relationship between social related practices and financial performance of commercial banks in Kenya. From the findings in Table 4.22, there was a positive and significant relationship between social related practices and financial performance of commercial banks in Kenya (EPS) as indicated by $\beta_1$=.318 and p-value = .001 < 0.05 respectively. Thus, one unit increase in social related practices result in 0.318 unit increase in financial performance of commercial banks in Kenya (EPS). The study thus rejected the null hypothesis and concluded that social related practices positively and significantly relate with financial performance of commercial banks in Kenya as measured using EPS.

**Relationship between Environmental Related Practices and Financial Performance of Commercial Banks in Kenya**

The model summary as summarized in Table 14 was used to explain the variation in the dependent variable that could be explained by the independent variables. The r-squared for the relationship between the independent variables and the dependent variable was 0.316. This implied that 31.6% of the variation in the dependent variable (Financial Performance of Commercial Banks in Kenya as measured using ROA) could be explained by independent variables (environmental related practices).

**Table 14**: **Model Summary for Environmental Related Practices and ROA**

| Model | R | R Square | Adjusted R Square | Std. Error of the Estimate |
|---|---|---|---|---|
| 1 | .562 | .316 | .317 | .10221 |

a. Predictors: (Constant), environmental related practices

Source; Filed Data (2024)

The ANOVA results under Table 15 was used to determine whether the model was a good fit for the data. F calculated was 68.91 while the F critical was 3.916. The p value was 0.002. Since the F-calculated was greater than the F-critical and the p value 0.002 was less than 0.05, the model was considered as a good fit for the data. Therefore, the model can be used to predict the influence of environmental related practices on financial performance of commercial banks in Kenya as measured using ROA.

**Table 15: Environmental Related Practices and ROA ANOVA Table**

| Model | | Sum of Squares | df | Mean Square | F | Sig. |
|---|---|---|---|---|---|---|
| 1 | Regression | 9.027 | 1 | 9.027 | 68.91 | .000[b] |
| | Residual | 16.568 | 126 | .131 | | |
| | Total | 25.595 | 127 | | | |

a. Dependent Variable: Financial performance (ROA)

b. Predictors: (Constant), environmental related practices

Source; Field Data (2024)

Form the results in Table 16, the regression model was fitted as follows: $Y = 0.319 + 0.322X_1 + \varepsilon$**.** In this case, $H_{03}$; There is no statistically significant relationship between environmental related practices and financial performance of commercial banks in Kenya was tested.

**Table 16: Regression Coefficients for Environmental Related Practices and ROA**

| | Unstandardized Coefficients | | Standardized Coefficients | t | Sig. |
|---|---|---|---|---|---|
| | B | Std. Error | Beta | | |
| (Constant) | 0.319 | 0.087 | | 3.667 | 0.002 |
| Environmental related practices | 0.318 | 0.085 | 0.322 | 3.741 | 0.002 |

Source; Field Data (2024)

From the findings in Table 16, there was a positive and significant relationship between environmental related practices and financial performance of commercial banks in Kenya (ROA) as indicated by $\beta_1$=.322 and p-value = .002< 0.05 respectively. Thus, one unit increase in environmental related practices result in 0.322 unit increase in financial performance of commercial banks in Kenya (ROA). The study thus rejected the null hypothesis and concluded that environmental related practices positively and significantly relate with financial performance of commercial banks in Kenya as measured using ROA.

**Table 17**: **Model Summary for Environmental Related Practices and EPS**

| Model | R | R Square | Adjusted R Square | Std. Error of the Estimate |
|---|---|---|---|---|
| 1 | .527[a] | .278 | .279 | .1211 |

Source; Field Data (2024)

The model summary in Table 17 was used to explain the variation in the dependent variable that could be explained by the independent variables. The r-squared for the relationship between the independent variables and the dependent variable was 0.278. This implied that 27.8% of the variation in the dependent variable (Financial Performance of Commercial Banks in Kenya as measured using EPS) could be explained by independent variables (environmental related practices).

**Table 18: Environmental Related Practices and EPS ANOVA Table**

| Model | | Sum of Squares | df | Mean Square | F | Sig. |
|---|---|---|---|---|---|---|
| 1 | Regression | 86.011 | 1 | 86.011 | 1194.60 | .001[b] |
| | Residual | 9.218 | 126 | .072 | | |
| | Total | 95.011 | 127 | | | |

a. Dependent Variable: Financial performance (EPS)

b. Predictors: (Constant), environmental related practices

Source; Field Data (2024)

The ANOVA findings in Table 18 was used to determine whether the model was a good fit for the data. F calculated was 1194.60 while the F critical was 3.916. The p value was 0.001. Since the F-calculated was greater than the F-critical and the p value 0.001 was less than 0.05, the model was considered as a good fit for the data. Therefore, the model can be used to predict the influence of environmental related practices on financial performance of commercial banks in Kenya as measured using EPS. Based on findings in Table 19, the regression model was as follows: $Y = 0.318 + 0.329X_1 + \varepsilon$

**Table 19: Regression Coefficients for Environmental Related Practices and EPS**

| | Unstandardized Coefficients | | Standardized Coefficients | T | Sig. |
|---|---|---|---|---|---|
| | B | Std. Error | Beta | | |
| (Constant) | 0.318 | 0.081 | | 3.926 | 0.003 |
| Environmental related practices | 0.321 | 0.083 | 0.329 | 3.867 | 0.001 |

Similarly, $H_{03}$; There is no statistically significant relationship between environmental related practices and financial performance of commercial banks in Kenya was tested given the EPS. From the findings in Table 19, there was a positive and significant relationship between environmental related practices and financial performance of commercial banks in Kenya (EPS) as indicated by $\beta_1$=.329 and p-value = .001 < .05 respectively. Thus, one unit increase in social related practices result in 0.329 unit increase in financial performance of commercial banks in Kenya (EPS). The study thus rejected the null hypothesis and concluded that environmental related practices positively and significantly relate with financial performance of commercial banks in Kenya as measured using EPS.

**Relationship between Governance Related Practices and Financial Performance of Commercial Banks in Kenya**

In Table 20, the model summary was used to explain the variation in the dependent variable that could be explained by the independent variables. The R-squared for the relationship between the

independent variables and the dependent variable was 0.373. This implied that 37.3% of the variation in the dependent variable (Financial Performance of Commercial Banks in Kenya as measured using ROA) could be explained by independent variables (Governance Related Practices).

**Table 20**: **Model Summary for Governance Related Practices and ROA**

| Model | R | R Square | Adjusted R Square | Std. Error of the Estimate |
|---|---|---|---|---|
| 1 | .611 | .373 | .371 | .10311 |

a. Predictors: (Constant), Governance Related Practices

Source; Field Data (2024)

The results for the ANOVA in 21 was used to determine whether the model was a good fit for the data. F calculated was 16.66 while the F critical was 3.916. The p value was 0.002. Since the F-calculated was greater than the F-critical and the p value 0.002 was less than 0.05, the model was considered as a good fit for the data. Therefore, the model can be used to predict the influence of Governance Related Practices on financial performance of commercial banks in Kenya as measured using ROA.

**Table 21: Governance Related Practices and ROA ANOVA Table**

| Model | | Sum of Squares | df | Mean Square | F | Sig. |
|---|---|---|---|---|---|---|
| 1 | Regression | 11.032 | 1 | 11.032 | 16.66 | .000[b] |
| | Residual | 83.384 | 126 | .662 | | |
| | Total | 94.416 | 127 | | | |

a. Dependent Variable: Financial performance (ROA)

b. Predictors: (Constant), Governance Related Practices

Source; Field Data (2024)

The regression model results in 22 was used to fit the regression model as; $Y = 0.319 + 0.337X_1 + \varepsilon$. Subsequently, $H_{04}$; There is no statistically significant relationship between Governance Related Practices and financial performance of commercial banks in Kenya was tested.

**Table 22: Regression Coefficients**

| | Unstandardized Coefficients | | Standardized Coefficients | t | Sig. |
|---|---|---|---|---|---|
| | B | Std. Error | Beta | | |
| (Constant) | 0.319 | 0.080 | | 3.988 | 0.002 |
| Governance Related Practices | 0.332 | 0.087 | 0.337 | 3.816 | 0.001 |

Source; Field Data (2024)

From the findings in Table 22, there was a positive and significant relationship between governance related practices and financial performance of commercial banks in Kenya (ROA) as indicated by $\beta_1$=.337 and p-value = .001 < 0.05 respectively. Thus, one unit increase in governance related practices result in 0.337 unit increase in financial performance of commercial banks in Kenya (ROA). The study thus rejected the null hypothesis and concluded that Governance Related Practices positively and significantly relates with financial performance of commercial banks in Kenya (ROA).

**Table 23**: **Model Summary for Governance Related Practices and EPS**

| Model | R | R Square | Adjusted R Square | Std. Error of the Estimate |
|---|---|---|---|---|
| 1 | .584[a] | .341 | .342 | .1243 |

Source; Field Data (2024)

The model summary in Table 23 was used to explain the variation in the dependent variable that could be explained by the independent variables. The r-squared for the relationship between the independent variables and the dependent variable was 0.341. This implied that 34.1% of the variation in the dependent variable (Financial Performance of Commercial Banks in Kenya as measured using EPS) could be explained by independent variables (Governance Related Practices).

**Table 24: Governance Related Practices and EPS ANOVA Table**

| Model | | Sum of Squares | df | Mean Square | F | Sig. |
|---|---|---|---|---|---|---|
| 1 | Regression | 81.038 | 1 | 81.038 | 155.84 | .001[b] |
| | Residual | 6.56 | 126 | .052 | | |
| | Total | 87.038 | 127 | | | |

a. Dependent Variable: Financial performance (EPS)

b. Predictors: (Constant), Governance Related Practices

Source; Field Data (2024)

The ANOVA Table 24 determined as to whether the model was a good fit for the data. F calculated was 155.84 while the F critical was 3.916. The p value was 0.001. Since the F-calculated was greater than the F-critical and the p value 0.001 was less than 0.05, the model was considered as a good fit for the data. Therefore, the model can be used to predict the influence of Governance Related Practices on financial performance of commercial banks in Kenya as measured using EPS. Moreover, the regression model basing on the findings in Table 25 was as follows: $Y = 0.319 + 0.340X_1 + \varepsilon$

**Table 25: Regression Coefficients**

| | Unstandardized Coefficients | | Standardized Coefficients | t | Sig. |
|---|---|---|---|---|---|
| | B | Std. Error | Beta | | |
| (Constant) | 0.319 | 0.083 | | 3.843 | 0.003 |
| Governance Related Practices | 0.336 | 0.089 | 0.340 | 3.775 | 0.001 |

Source; Field Data (2024)

$H_{04}$; There is no statistically significant relationship between Governance Related Practices and financial performance of commercial banks in Kenya was tested but now basing on EPS as the indicator. From the findings in Table 25, there was a positive and significant relationship between governance related practices and financial performance of commercial banks in Kenya (EPS) as indicated by $\beta_1$=.340 and p-value = .001 < 0.05 respectively. Thus, one unit increase in governance related practices result in 0.340 unit increase in financial performance of commercial banks in Kenya (EPS). The study thus rejected the null hypothesis and concluded that governance related practices positively and significantly relate with financial performance of commercial banks in Kenya as proxied by EPS

## CONCLUSIONS

Based on the findings, the study draws several key conclusions regarding the impact of various sustainability practices on the financial performance of commercial banks in Kenya. Firstly, there is a positive and significant relationship between economic-related sustainability practices and the financial performance of commercial banks, as measured by both Return on Assets (ROA) and Earnings Per Share (EPS). Specifically, a one-unit increase in economic-related sustainability practices leads to increase in ROA and increase in EPS. This indicates that banks

which focus on economic sustainability see substantial improvements in profitability and asset efficiency.

Secondly, social-related practices also positively and significantly impact financial performance. A one-unit increase in social-related practices results in increase in ROA and increase in EPS. This suggests that investments in social sustainability enhance both the efficiency and profitability of banks. Thirdly, environmental-related practices show a significant positive relationship with financial performance. A one-unit increase in these practices leads to increase in ROA and increase in EPS. This demonstrates that environmental sustainability efforts contribute to better financial outcomes for banks. Lastly, governance-related practices have the strongest positive and significant relationship with financial performance. A one-unit increase in governance-related practices results in increase in ROA and increase in EPS. Effective governance is thus a crucial factor in enhancing the profitability and operational efficiency of banks.

**Recommendations**

Given the positive impact of these practices on financial performance, policies that incentivize sustainable practices can lead to a more robust and profitable banking sector. For economic sustainability, policies should encourage banks to engage in responsible lending and support local economic development. For social sustainability, regulations could mandate CSR activities, fair labor practices, and community engagement. Environmental policies should promote green banking initiatives, such as requiring banks to reduce their carbon footprint, invest in renewable energy, and offer environmentally friendly financial products. Governance policies should aim to strengthen corporate governance frameworks within banks. Setting standards for transparency, accountability, and stakeholder engagement will ensure that banks adhere to high governance standards, enhancing their financial performance.

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