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Empirical Relationship between Corporate Social Responsibility and Financial Performance: An Evidence from Banking Sector in Bangladesh

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Abstract: *Corporate social responsibility (CSR) has become widely recognized as an integral aspect of firms' financial performance and practices. Consequently, the relationship between CSR and financial performance has been subject to scrutiny. This study aims to investigate this correlation by examining the listed banks in the Dhaka Stock Exchange (DSE) in Bangladesh. The research encompasses 135 observations from 27 banks, covering the period from 2016 to 2020. Data for the study were collected from the annual reports of the respective banks. To explore the association between the variables, a random effect regression model was employed based on the Hausman test. The findings reveal a significant positive impact of total assets and net profit on CSR. This suggests that companies find it beneficial to engage in corporate social responsibilities. Moreover, the results demonstrate that CSR serves as a valuable and backward resource, contributing to the creation of a competitive advantage for corporations. The outcomes of this study align with and reinforce the conclusions of previous research. This research confirms that CSR positively influences financial performance, as evidenced by the significant relationship observed between total assets and net profit with CSR. The study underscores the value of being socially responsible and highlights how CSR can be leveraged as a competitive advantage for companies. The findings add to the existing body of knowledge on this topic.*

Keywords: *CSR; Financial Performance; Total Assets; Net Profit; ROA; GDP.*

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Introduction

Banks must reflect themselves as socially responsible in today's globally competitive sector. Organizations pursue growth through globalization, and full engagement in socially beneficial programs provides a competitive advantage in pursuing such goals. Companies that function in different countries are often actually needed to play an important role in the different countries' public concerns; otherwise, government regulations, environmental laws, labor monopolization issues, and other aspects can cost billions of dollars to companies. Under these situations, Corporate Social Responsibility (CSR) can stimulate the company's long-term profitability and sustainability even while improving its fame.

According to the guidelines of the central bank in Bangladesh (Bangladesh Bank) published in 2008, CSR reporting was not mandatory but a new direction has been issued recently concentrating on the COVID-19 crisis as well as meeting sustainable development. Today, every scheduled bank and Non-Bank Financial Institutions (NBFIs) should have to contribute at least 30% on supporting healthcare facilities, 20% on environment & climate change migration and adoption, and 30% on education of the total CSR activities. That's why instead of focusing on only profit margins, CSR also emphasizes social, economic and sustainability issues.

Every corporation should employ CSR activities in the logic that they are using different resources to the society, authority of legal standing and attributes, hiring of employees from the society etc. According to Menezes (2019) CSR creates positive word of mouth for companies, plays a vital role in building cooperation among people, increases trustworthiness among the different stakeholders of the organization etc.

For decades, researchers have studied the relationship between corporate social performance (CSP) and corporate financial performance (CFP). Despite these efforts, the outcomes are ambiguous (McWilliams, 2006). For decades, researchers have attempted to uncover the link between CSR and firm performance. A considerable regiment of the CSR literature claims that corporate philanthropy influences market returns and numerous studies have established that CSR could indeed maximize a firm's increasing market returns discovered that investment in almost all dimensions of CSR reduces financial risk. According to (Freeman, 2010) Stakeholder theory the fundamental responsibility of businesses and the executives is that they should try to create value for employees, customers, suppliers and other stakeholders without engaging in fraud or deception and violating the rules of the game of society.

To effectively maintain the relationship with the society, financial institutions basically disclose CSR reporting. Another theory namely legitimacy theory recommended that organizations publish CSR reporting to legitimize their relationship with the society and show that they are complying with social norms and expectations. (Lindblom, 1994) Described CSR as a social contract in the meaning that society provides legal standing, attributes, natural resources employees etc. to the Organizations that's why they expect benefit from the corporations. Since it has an influence on decision-making, particularly when it pertains to process funding, CSR is hugely important in the financial industry because it could have either beneficial or bad implications on society. Hence, developing a comprehension of the attributes that contributed to the growth of Sustainability practices will encourage us to investigate the potential various components that encourage social responsibility. It should also be noted that there is still no broad agreement on the CSR-CFP causal relationship. Several researchers discovered evidence that companies that have higher returns are more likely to contribute to CSR. When firms have more funds available, particularly cash, after deducting all capital expenditures, the likelihood of involving in CSR increases significantly. Even studies on the relationship between CSR and CFP in emerging economies produce mixed results

Many empirical studies reveal that there is a positive association between CSR and financial performance (Ullman, 1985) since the benefits cover the costs of CSR. In contrast, it is worth noting that several variables influence CSR and financial performance adversely. That's why, since organizations are contributing an amount of money for CSR activities, it is needed to conduct a research on whether CSR influences the banks performance positively or not concentrating on the banking industry in Bangladesh. Therefore, we will analyze an empirical relationship between corporate social responsibility and financial performance of the Bangladesh banking sector.

This study emphasizes two interesting things. Firstly, it emphasizes macroeconomic variables *i.e.* GDP growth also with the different microeconomic financial parameters like total assets, ROA, net profit etc. Secondly, the study is organized based on the almost all of the listed banks on DSE others than focusing only on private commercial banks, agribusiness industries, non-financial companies etc.

This paper is structured into following ways to evaluate the relationship between CSR and financial performance. The next section provides the fundamental idea about existing literature. Conceptual framework and hypothesis development are presented in section 3. Methodology and empirical results are shown in section 4 and section 5. Section 6 draws conclusion finally.

Literature Review

Based on the most recent empirical research, several banks in developed nations recognize CSR as a prime concern as well as a sustainable competitive advantage. Nonetheless, studies on this subject remain in their early stages in developing countries. There was much research are conducted on CSR worldwide. A summary of the previous research pertinent to Corporate Social Responsibility (CSR) and Financial Performance are enumerated below.

Most studies worldwide got a positive impact on CSR. Numerous researchers investigated that CSR helped to gain profit for firms. (Činčalová, 2021) Highlighted the impact of CSR and financial performance utilizing 23 Czech insurance companies listed in the Czech Association of Insurance Companies. By embracing the information of 2019 and 2020, the results revealed that there was a linear positive association of CSR with ROA & ROE. Moreover, a significant connection was noticeable between CSR and ROE. Besides, (Wu, 2020) inspected CSR and financial performance based on the Chinese Manufacturing Industry including 1445 manufacturing observations for the period of 2013-2018. The outcome represented that CSR and CFP had significant positive association. Also, (Moosa, 2021) choose banking, housing, finance, insurance, telecommunication, tourism transportation, construction, shipping, logistics and general trade industries from Maldives stock exchange to examine CSR and financial performance for 2004-20017. The study disclosed a significant association between CSR and financial performance. Similarly, (Gadedjisso-Tossou, 2021) studied CSR and financial performance utilizing information gathered from 60 Togolese microfinance institutions. According to the findings, employees and community was significantly and positively connected to ROA but the environment dimension was not.

As well as, the same finding came out from (Bagh, 2017) examined the impact of CSR on the financial performance of banks in the context of Pakistan. They used data for the period of 10 years (2006-15) to evaluate the performance 30 commercial banks listed under Pakistan stock exchange. The study found a positive and significant impact of Corporate Social Responsibility (CSR) on Return on Assets (ROA), Return on Equity (ROE) and Earning Per Share (EPS). As well, Rahman et al. (2021) focused on Pakistani banks to measure performance. The findings demonstrated that under certain conditions product responsibility and financial performance played a vital role. Likewise, (Taskin, 2015) selected 11 private commercial banks from Turkey in 2013 to demonstrate the connection between CSR and financial performance employing pooled regression models. According to the findings, ROA and ROE was not any explanatory power to explain CSR but a directional relationship was noticeable between CSR and Net

Interest Margin (NIM). (Gangi, 2018) focused on 72 banks with 504 observations over the 7 years from 2009-2015 to study CSR and Financial performance. The study showed that CSR engagement should be inversely associated with financial performance from the view point of agency theory and positively connected to financial performance according to stakeholder perspective and resource-based view using Thomson Reuters dataset and World scope database. Besides that, (Gangi, 2018) followed 20 European countries to select data about 72 banks over the period of seven years (2009-2015). Using both fixed effect regression analysis and two stage Heckman model, they concluded that citizenship performance is a positive representation of financial performance.

Further, many studies are conducted in India also about CSR. There was mix argument on CSR's impact on Indian firms. Some studies found a positive impact on the other hand some found a negative impact. According to Menezes (2019) studied the association between CSR spending and financial performance utilizing 10 companies over the period of 10 years in the Indian context. By employing convenience sampling method and adopting independent pooled OLS regression, fixed and random effect method, the outcomes showed that CSR and net profit were significantly related to each other but no impact were noticeable on ROA and EPS. Besides this, Dash & Das (2020) studied the impact of CSR on financial performance concentrating on the five years' information about 13 private commercial banks in India. By embracing correlation and regression analysis, they found that for ROA both CSR expenditure and activities significantly and positively connected with it whereas in the case of ROE only CSR expenditure was related to it. Also, (Maqbool, 2018) inspected the impact of CSR and financial performance from the Indian perspective. Using the information of 28 commercial banks included in the Bombay stock exchange from 2007-16, the result revealed that CSR and financial performance positively related to each other.

Although, numerous studies found that CSR was a positive impact on banks, industries, the share market, and other firms as well. However, there are also some arguments on the profitability of CSR. Many researchers also found a negative impact. On the other hand, many researchers found no impact on CSR. (Sekhon) made a study to examine the impact of CSR on three indicators of financial performance i.e Return on Assets (ROA), Return on Equity (ROE) and Net Profit Margin (NPM) concentrating on Indian firms. The outcomes showed that the association of CSR is neutral with ROA and ROE and negative with ROE. Also, (Lee, 2021) used panel smooth transition regression model to examine CSR and financial performance from 2013-2017 in the Taiwan perspective. The outcome showed that the more CSR implementation firms were experiencing negative impact on profitability. Consequently, (Memon, 2019) identified HBL and MCB bank to evaluate CSR and financial performance between 2004-2017. By adopting time series and panel data, the study found that the association was positive between slope coefficient of intercept and CSRRRI but negative with bank size. By contrast, (Sharma, 2021) inspected the sector wise performance of selected manufacturing and service companies over the period of 2008-2017. The investigation result demonstrated that in the manufacturing companies ROA, ROE and Return on Capital Employed (ROCE) were negatively correlated with CSR score but in the service sector companies ROE and CSR were positively related to each other whereas ROA and ROCE were strong positive correlation.

Moreover, worldwide several studies also conducted on CSR in the banking sector. (Chaturvedi, 2021) collected the data of 16 banks over seven years (2015-2021) from the commercial banks of India. Applying CAMEL model, they showed that independent variables namely CSR, capital adequacy ratio, liquid assets to total assets, total loan to total assets and finally total deposit to total assets were positively related to dependent variables such as ROA and NIM. Additionally, some research was conducted in the Bangladeshi banking industry on CSR. (Sarker, 2021) followed purposive sampling method to analyze CSR and firm valuation of nine private commercial banks in Bangladesh. They collected secondary information of 10 years for the concerned study whereas the investigation result revealed that market value per share, book value per share and earning per share was positively and significantly related to CSR except bank size. Besides this, (Resmi, 2018) examined the linkage between CSR and firms' profitability based on four renowned agribusiness industries of Bangladesh. They followed purposive sampling method to collect data for 3 years (2015-2017). The result represented that ROE and net income was significantly but ROA and EPS was insignificantly associated with CSR. In reverse, (Muttakin, 2015) focused on 116 non-financial companies from Bangladesh for the years of 2005-2009. According to the findings, large and more profitable firms disclosed more CSR, female and foreign directorship was negatively and positively related to CSR respectively.

Furthermore, in Bangladesh, the previous research was concentrated only on private commercial banks, agribusiness industries, non-financial companies, etc. Yet, there are still many gaps remaining in this sector. So, this paper aims to fulfill the gap by using almost all of the listed banks on Dhaka Stock Exchange (DSE). In addition, this paper focuses on the macroeconomic variables also with the different financial parameters like ROA, net profit EPS, etc. Hence, the above literature scrutinizes that there is a great lack of research on CSR and financial performance in the last several years in Bangladesh. Therefore, this paper tries to minimize the gap based on the collection of panel data from annual reports and utilizing descriptive statistics, correlation analysis, and multiple regression analysis etc.

Conceptual Framework & Hypothesis Development

Dependent Variable

CSR Expenditures (CSR)

Corporate Social Responsibility (CSR) expenditures refer to the financial resources that a company allocates towards initiatives and activities that have a positive impact on society and the environment, beyond its core business activities. These expenditures are typically voluntary and are aimed at addressing various social, environmental, and ethical issues. CSR expenditures can take the form of donations to charitable organizations, investments in sustainability initiatives, community development projects, employee volunteering programs, and more (Vinay Chauhan, 2015). According to Rahman et al. (2021), there were specific circumstances in which product accountability and financial success were crucial. Likewise, (Gangi, 2018) CSR engagement should be inversely associated with financial performance from the view point of agency theory and positively connected to financial performance according to stakeholder perspective and resource-based view using Thomson Reuters dataset and World scope database. (Taskin, 2015) ROA and ROE is not any explanatory power to explain CSR but a directional relationship is noticeable between CSR and Net Interest Margin (NIM).

Independent Variable

Total Assets (TA)

Total Assets is a ratio being used evaluate indebtedness inclusion in assets (Puspitawati, 2017). The significant percentage will have to be equivalent towards the debt's involvement in firm resources. The outcomes of investigation by (Yulia, 2013) (Sholihah, 2012), and (Yusra, 2016) show that the implications of TA on organization profitability is tremendous.

Return on Assets (ROA)

Return on assets is a business indicator which takes into consideration an efficiency of working capital management by disclosing its revenue in relation to its overall assets (Davydenko). The asset's return may very well be determined by subtracting bank profitability after tax by asset value (Flamini). Return on asset (ROA) is indeed a highly regarded metric to evaluate an economic growth of the country' banks or efficiency (Simiyu, 2015), (Kiganda, 2014), (Al-Mamun, 2014), (Kanwal, 2013), (Samad, 1999).

Net Profit (NP)

The net profit ratio (NP ratio) is a renowned efficiency numerical value which somehow illustrates the correlation between such a company's net profit after tax and net sales revenue. It represents the amount of revenue that a company generates for every dollar of revenues and is determined by subtracting net profit after tax by sales revenue for the quarter under review (Javed).

GDP Growth Rate (GDPGR)

Gross Domestic Product (GDP) refers to the aggregate financial or economic valuation of all finalized goods and services produced within such a nation's economic jurisdiction over a particular span of time. It operates as a complete evaluation of a country's economic situation because it provides a wide metric of net domestic manufacturing. According to ((n.d.)) Estimated yearly average rate of variation in gross domestic product (GDP) at current prices in steady exchange rate for something like a particular economic development throughout a particular period of time. It represents the differential in GDP statistics through one period to the next as a percentage of the preceding period started GDP, typically calculated by 100 (Figure 1).

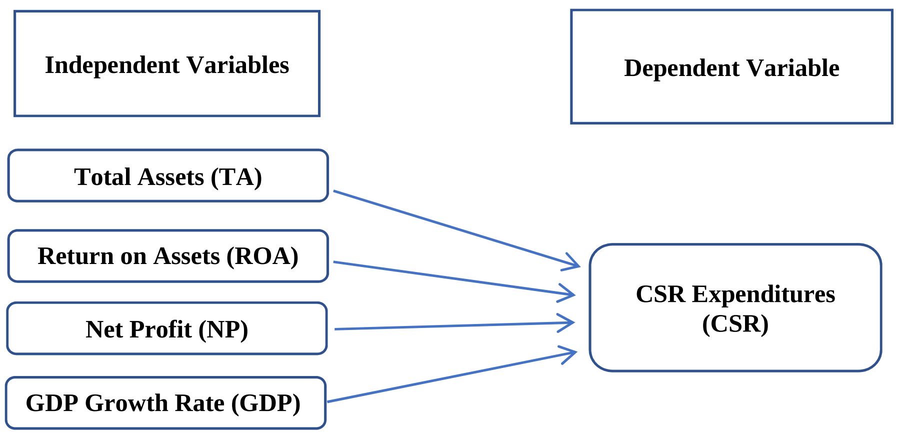

Fig 1. Conceptual framework

Source: Made by authors.

Hypothesis Development

H1: There is a significant positive relationship between CSR expenditures and Total Assets of the selected banks in Bangladesh.

H2: There is a significant positive relationship between CSR expenditures and Return on Assets of the selected banks in Bangladesh.

H3: There is a significant positive relationship between CSR expenditures and Net Profit of the selected banks in Bangladesh.

H4: There is a significant positive relationship between CSR expenditures and GDP growth rate of the selected banks in Bangladesh.

H5: There is a significant impact of CSR expenditures on financial performance of the selected banks in Bangladesh.

Methodology

Sample & Data Sources

The research design describes the method applied by the investigation to connect the several elements of the study in an incredibly cohesive and logical manner, assuring that may efficiently manage the analytical issue. This looked into the influence using bank's financial data from the past. The descriptive research approach was used in this research (Prabhakaran).

The quantitative approach uses actual information to generate assumptions and discover trends in evaluation. The quantitative research method is applied in this investigation. To evaluate the relationship between CSR and financial performance listed banks in DSE are considered. Secondary sources of data were collected from the annual reports of respective banks for the 5 years (2016-2020). The selection of the 2016-2020 period for our research article was not arbitrary but based on careful consideration of relevance, data availability, consistency, and practical implications. This timeframe was pivotal for addressing the research question and ensuring the quality and significance of our study's findings. It considers 27 banks from 33 listed banks in DSE. Other banks are excluded due to the lack of improper information disclosure in annual reports as well as outlier (Table 1).

Table 1. Variables

Variables	Code	Measurements
Dependent variable		
CSR Expenditures	CSR	Total CSR expenditures including education, healthcare, environment, climate change etc. expressed in million
Independent variables		
Total Assets	TA	Total amount of asset that a bank possesses in million.
Return on Assets	ROA	(Net profit after tax divided by total assets)*100
Net Profit	NP	Profit after tax.
GDP Growth Rate	GDP	Annual GDP growth rate from World Bank Website.

Source: Made by authors.

Bank data collected like those of net profit, total assets, total equity, total loan and deposit of the banks are retrieved from the annual report published yearly balance sheet of the relevant concerned Banks. CSR, TA, ROA, NP, and GDPGR metrics are calculated using the gathered information.

According to the literature, this research provided significant dimensions. The literature attempts to determine the elements that influence banks' performance. Therefore, two main types of variables impacting the performance of the banks are classified: the impact of bank-specific variables and macroeconomic variables.

This study followed panel data because it provides the advantage of estimation. The study assumes CSR as dependent variable whereas Total Assets, Net profit, ROA, and GDP are independent variables. To select the appropriate model for this study, Hausman test is used to utilize random effect regression model. Finally, the gathered information is investigated numerically using the econometric application e-views by the researchers.

Econometric Model Specification

The method of regression of Panel data were used to assess the different aspects and macroeconomic components of banks that higher the coefficient. The panel data analysis incorporates three types of widely used models: random-effects models, fixed effects models, and pooled ordinary least squares models (POLS). The precise variables, such as error term, intercept, and coefficients regression (Fijalkowska). The Hausman test has been applied in this research to compare the findings of random effects assumptions. (Wendler) Regression models are one of the most significant and actively used methods in data mining, in addition to being applied in a wide range of fields such as medical, finance, physics, and web analytics. Conversely, the following regression models have been proposed in this context:

$$CSRit = \alpha + \beta 1TAit + \beta 2ROAit + \beta 3NPit + \beta 4GDPit + \mu it \quad (1)$$

Where:
CSRit = the Corporate Social Responsibility for entity "i" at time "t";
TAit = represents Total Assets for entity "i" at time "t";
ROAit = represents Return on Assets for entity "i" at time "t";
NPit = Net Profit for entity "i" at time "t";
GDPit = Gross Domestic Product for entity "i" at time "t";
µit = the error term for entity "i" at time "t".

This study follows the random effect regression model based on the Hausman test result (p value> .05) performed by (Hausman, 1978). The researcher employs Durbin-Watson test to determine whether autocorrelation has existed or not. Durbin-Watson (1951) demonstrated that the value of 2.0 means no autocorrelation but (0-2) and (2-4) reveal positive and negative autocorrelation respectively. Therefore, the value of 2.03 says that there is no autocorrelation.

Empirical Results

Descriptive Statistics

Table 2 summarizes the values of the descriptive statistics for this study, it shows the positive mean values of all independent variables. On average, the highest mean value of TA is 314929.6 followed by 2696.718, 169.86, 0.065, and 0.0095 of NP, CSR, GDP, and ROA respectively. Besides, the highest median value of TA is 285009.0. Later, NP is 2063.63 and the lowest median value ROA is 0.0077. The other median value of CSR is 118.45 and GDP is 0.071.

Also, TA had the maximum deviation from the mean expressed by 1624917; the other maximum value of NP is 25823.65, CSR is 2813.07, the value of GDP is 0.0788 and ROA is 0.067 respectively. The minimum value of ROA is -0.0008, the minimum value of CSR is 0.00, the minimum value of GDP is 0.0344, the value of NP is 12 and the value of TA is 409.0083. In addition, the standard deviation indicates the value's variability. The standard deviation is 210042.5 in TA which is higher variability. The lower variability is 2608.889 in NP, CSR is 280.0631, GDP is 0.015753, and ROA is 0.007147 respectively.

The skewness value of CSR, TA, ROA, NP, and GDP indicates that it is symmetric around the mean and others are the slightly right and left tail. All variables are positive. In Kurtosis, the GDP value of 2.93 represents it is mesokurtic while other values are leptokurtic and platykurtic. Lastly, the Jarque Bera test statistic is a measure of goodness of fit used to check whether the series is normally distributed.

Table 2. Descriptive Statistics

	CSR	TA	ROA	NP	GDP
Mean	169.8653	314929.6	0.009486	2696.718	0.064706
Median	118.4500	285009.0	0.007700	2063.630	0.071135
Maximum	2813.070	1624917.	0.067676	25823.65	0.078819
Minimum	0.000000	409.0083	-0.000800	12.36762	0.034480
Std. Dev.	280.0631	210042.5	0.007147	2608.856	0.015727
Skewness	6.902442	3.545959	4.956873	5.622955	-1.243808
Kurtosis	61.48995	19.38473	37.05555	47.50528	2.923909
Jarque-Bera	20315.53	1792.995	7076.605	11852.95	34.84138
Probability	0.000000	0.000000	0.000000	0.000000	0.000000

Table 2 (cont.)

Sum	22931.81	42515494	1.280543	364056.9	8.735331
Sum Sq. Dev.	10510339	5.91E+12	0.006844	9.12E+08	0.033145
Observations	135	135	135	135	135

Source: Authors' own processing using EViews.

Correlation

Pearson's Coefficient of Correlation is implemented in this research to discover the connections between the variables. Table 3, shows the correlation between the independent variables and the dependent variables in this study. As demonstrated by the table 3, the correlation values between the independent and dependent variables are found both positive and negative. The research study of (Sekaran) presented that the existence of a strong relationship is indicated by the correlation coefficient of closer to 1. The r value of 0.724645 tells that TA & CSR are positively related. The r value of -0.13 tells that ROA & CSR are negatively related. The association between CSR & NP is positive but low expressed by 0.18. Additionally, CSR also negative relation as showed by -0.1 with GDP. Finally, CSR has a positive relationship with TA and NP and CSR has a negative relationship with ROA and GDP.

Table 3. Correlation

	CSR	**TA**	**ROA**	**NP**	**GDP**
CSR	1.000000	0.724645	-0.132352	0.182526	-0.100882
TA	0.724645	1.000000	-0.225759	0.342944	-0.118759
ROA	-0.132352	-0.225759	1.000000	0.536093	0.060667
NP	0.182526	0.342944	0.536093	1.000000	0.034524
GDP	-0.100882	-0.118759	0.060667	0.034524	1.000000

Source: Authors' own processing using EViews.

Hausman Test

The random effect regression model based on the Haussman results of the simulation can be seen in Table 4. The Hausman test shows a significant result. If the random effect model is applied in this research article, the findings demonstrate that it is significantly reliable. As a result, the random effect regression model will be used in this study. To assess the link between CSR and financial performance, listed banks on the DSE are factored into the equation. Secondary data were gathered from annual reports of various banks during the last five years (2016-2020). It takes into consideration 27 of the 33 DSE-listed banks.

Table 4. Hausman Test

Test Summary	Chi-Sq. Statistic	Chi-Sq. d.f.	Prob.
Cross-section random	0.000000	4	**1.0000**

Source: Authors' own processing using EViews.

Regression Model

In accordance with our chosen 5% significance level ($\alpha = 0.05$), it is important to note that a p-value above 0.05 should not be interpreted as statistically significant. Instead, it suggests that there is insufficient evidence to reject the null hypothesis at the predetermined significance level. Table 5 reports the result of a simple regression analysis of the independent variables with CSR. The table shows that from coefficient values Total Assets and Return and Equity has a positive association with CSR but Net Profit and GDP Growth Rate are negatively associated with CSR. On the other hand, the P-value from the regression analysis indicates that Total Assets (TA) and Net Profit (NP) have a significant relationship with CSR at the 5% significance level ($p = 0.03$), meeting the predetermined threshold. However, it's important to note that ROA and GDP show p-values of 0.90, which are not statistically significant at the 5% significance level but are significant at the 10% significance level. Therefore, while TA and NP are statistically significant predictors of CSR in line with our chosen 5% significance level, ROA and GDP exhibit significance at the 10% level. The t-value of this analysis is as follows: TA is 11.58824, ROA is 1.892973, NP is -2.182497 and GDP is -0.116252.

The random effect regression model is presented in Table 5. The R-squared value of .054 is a shred of evidence that the study is fruitful to investigate the P value is less than .05 and T value is greater than 2, a significant relationship is assumed between the variables and vice versa. Further, from the weighted statistics of dependent variables we found Mean dependent variable is 169.8653, S.D. dependent variable is 280.0631, Sum squared residual is 4819276, and Durbin-Watson statistic is 2.030395. From the unweighted dependent variable Mean dependent variable is 169.8653 and Durbin-Watson statistic is 2.030395 (Table 6).

Furthermore, the P value of TA 0.00 and NP 0.03 has significantly related to CSR at the 5% significance level whereas ROA 0.06 and GDP 0.90 have a significant relationship with CSR at the 10% significance level. These analyses supported our hypothesis. We could accept our all hypotheses. This study supports (Činčalová, 2021), (Bagh, 2017), (Dash) etc.

Table 5. Regression Model

Variable	Coefficient	Std. Error	t-Statistic	Prob.	**sig**
TA	0.001090	9.41E-05	11.58824	0.0000	***
ROA	5775.538	3051.041	1.892973	0.0606	*
NP	-0.018968	0.008691	-2.182497	0.0309	**
GDP	-117.7141	1012.574	-0.116252	0.9076	
C	-169.5276	79.78349	-2.124845	0.0355	

****P<.01, **P<.05, *P<.10.*

Source: Authors' own processing using EViews.

Table 6. Statistical Analysis

	Effects Specification			
			S.D.	Rho
Cross-section random			0.000000	0.0000
Idiosyncratic random			182.3844	1.0000
	Weighted Statistics			
R-squared	0.541473	Mean dependent var		169.8653
Adjusted R-squared	0.527364	S.D. dependent var		280.0631
S.E. of regression	192.5392	Sum squared resid		4819276.
F-statistic	38.37912	Durbin-Watson stat		2.030395
Prob(F-statistic)	0.000000			
	Unweighted Statistics			
R-squared	0.541473	Mean dependent var		169.8653
Sum squared resid	4819276.	Durbin-Watson stat		2.030395

Source: Authors' own processing using EViews.

Findings

To examine the relationship between corporate social responsibility and financial performance from the Banking Sector in Bangladesh. The study estimates the regression using ordinary least squares. From the descriptive analysis, the values of the descriptive statistics for this study. The skewness value of CSR, TA, ROA, NP, and GDP indicates that it is symmetric around the mean and others are the slightly right and left tail. All variables are positive. In Kurtosis, the GDP value of 2.93 represents it is mesokurtic while other values are leptokurtic and platykurtic. Lastly, the Jarque Bera test statistic is the measure of goodness of fit used to check whether the series is normally distributed. Besides, In Table 2, the relationship between the variables is shown. The matrix shows that CSR has a positive relationship with TA and NP and CSR has a negative relationship with ROA and GDP.

Table 4 reports the result of the random effect regression model presented on the independent variables with CSR. The R-squared value of .54 is a shred of evidence that the study is fruitful to investigate the P value is less than .05 and the T value is greater than 2, a significant relationship is assumed between the variables and vice versa. The table shows that from coefficient values Total Assets and Return and Equity has a positive association with CSR but Net Profit and GDP Growth Rate are negatively associated with CSR. On the other hand, the P value from the regression analysis TA and NP 0.03 has significantly related to CSR at the 5% significance level whereas ROA and GDP 0.90 have a significant relationship with CSR at the 10% significance level.

Conclusions

Despite the abundance of research demonstrating the link between CSR and financial performance, the result does not provide conclusive evidence. Therefore, this study provides empirical evidence that may help explain discrepancies in previous work. Using an improved and distinctive methodology to examine the impact of CSR on profitability and market returns in the context of Bangladesh. The study used a panel data set of 27 commercial banks in Bangladesh over 5 years. The result shows that CSR has a positive impact on profitability and return to financial institution. Corporate social responsibilities are proving to be worthwhile. This study illustrates how CSR can be utilized as a backward resource to create a competitive advantage. Studies conducted previously were specifically validated by the results of this study.

Our findings suggest a positive impact of CSR on profitability and the financial returns of financial institutions. This evidence supports the notion that corporate social responsibilities are proving to be a worthwhile endeavor. Our study highlights how CSR can be leveraged as a strategic resource to create a competitive advantage, thereby corroborating the conclusions drawn by earlier research studies.

However, it is worth noting that the research community remains divided on the impact of corporate social responsibility on financial performance. While some researchers argue that CSR significantly affects earnings, GDP, ROA, and total assets of a company, opposing viewpoints persist, supported by diverse studies. In our study, which aimed to discern the significance of reported CSR on corporate performance over multiple years using data from Bangladesh Bank, we found no substantial impact of CSR on the region's ROA, total assets, and GDP growth rate.

Following rigorous regression analysis, all three of our hypotheses were confirmed. Consequently, the null hypothesis was accepted, suggesting that there is no significant relationship between reported CSR and firm performance concerning net profit and total assets. These results imply that in the context of Bangladesh, CSR activities have yet to be recognized as a direct contributor to a company's growth and, thus, are not reflected in its net profit.

However, these findings must be interpreted within certain limitations. Empirical evidence indicates that strategic CSR can have varying effects on financial performance, and capturing CSR in a single score may mask its true impact. Thus, future research should consider the various facets of CSR to establish more nuanced insights. Furthermore, our study focused on a specific industry, warranting future research that encompasses a broader range of industries, given that CSR practices vary depending on the nature of the business. Lastly, as existing literature suggests, despite the prevalence of annual reports providing empirical data, there remains no definitive method to ascertain whether social performance data disclosed by companies are underreported or overreported. Hence, the results presented in this study may be subject to potential management bias. Research in this area serves as a foundation for investigating the link between CSR and financial performance in Bangladesh and emerging capital markets.

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