

# Integrating Sustainable Business and Corporate Law: A Comparative Analysis of Legal Frameworks for Green Governance in Bangladesh and South Asia

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DOI Link: <http://dx.doi.org/10.6007/IJAREMS/v14-i4/26942>

Published Online: 04 December 2025

## Abstract

This study examines how corporate legal frameworks and business strategies interact to promote sustainable governance in Bangladesh and South Asia, emphasizing the mediating role of ethical governance. Using a mixed-method approach, quantitative data from 180 corporate professionals were analyzed through Structural Equation Modeling (SEM) in SmartPLS, and qualitative insights from ten expert interviews were interpreted using NVivo. The findings reveal that both legal frameworks and business strategies significantly influence green governance, with ethical governance serving as a crucial bridge that transforms compliance into genuine sustainability. The model achieved strong fit indices (SRMR = 0.061, NFI = 0.91) and substantial explanatory power ( $R^2 = 0.69$  for Green Governance). Qualitative results supported these findings, showing that sustainable governance depends not only on regulation but also on moral leadership and an ethical corporate culture. This research contributes to the understanding of how legal and strategic systems can jointly foster ethical and sustainable business behavior. It offers practical guidance for policymakers, corporate leaders, and researchers aiming to integrate legal accountability, ethical responsibility, and environmental stewardship in corporate governance.

**Keywords:** Sustainable Business, Corporate Law, Ethical Governance, Green Governance, Bangladesh, Sustainability Strategy, Legal Framework, Environmental Responsibility

## Introduction

Sustainability has become one of the most influential agendas shaping global corporate behavior in recent years. Increasing environmental degradation, climate vulnerability and widening social disparities have encouraged policymakers, investors and civil society to expect stronger responsibility from corporate institutions. As scholars note, modern corporations must now navigate a governance environment where long term social and

environmental commitments are essential for legitimacy and competitiveness (Aguinis and Glavas, 2024). Contemporary theoretical perspectives such as stakeholder theory and institutional theory suggest that firms operate within complex systems of norms and regulations that influence their ethical duties and environmental obligations (Owen, 2023). These theories highlight that sustainable corporate conduct emerges when legal accountability, strategic planning and moral values function in an integrated and reinforcing manner.

Within this global landscape, the experience of developing economies reveals significant challenges. Bangladesh illustrates these challenges particularly well. The rapid expansion of industries such as garments, banking and energy has supported economic progress but has simultaneously intensified environmental stress and governance deficiencies. Although regulatory frameworks such as the Environment Conservation Act of nineteen ninety-five and the Companies Act of nineteen ninety-four provide guidance, weak enforcement and limited institutional capacity often reduce their impact. Recent studies show that compliance behavior in many Bangladeshi firms is still driven more by external pressure than internal ethical motivation, creating a persistent gap between regulatory expectations and actual practice (Islam and Sharif, 2024). Similar challenges exist across South Asia. India has broadened sustainability reporting requirements, Sri Lanka has expanded its governance initiatives and Nepal has adopted new forms of environmental disclosure. However, implementation across the region remains uneven and varies considerably in terms of ethical commitment within corporate cultures (Khan and Rahman, 2024). These regional patterns point toward a broader theoretical issue. Formal laws may create boundaries for acceptable corporate behavior, but their true effectiveness depends on the ethical environment and strategic orientation of organizations. Governance ethics emphasizes that sustainability becomes meaningful only when decision makers act with fairness, transparency and moral accountability (Panchal and Desai, 2024). Stakeholder theory further suggests that firms must address the long term welfare of employees, communities and ecological systems rather than focusing exclusively on profit. This indicates that sustainable corporate governance cannot be achieved through regulation alone. Instead, it requires a coordinated approach in which legal mechanisms, strategic sustainability initiatives and ethical governance reinforce one another. Against this wider social, regional and theoretical background, the present study investigates how corporate legal frameworks and sustainable business strategies shape the development of green governance in Bangladesh. The study also examines the mediating role of ethical governance, recognizing that principles such as integrity, transparency and social responsibility often determine the degree to which regulations and strategic intentions translate into genuine corporate sustainability. By situating the research within global developments, South Asian experiences and contemporary governance theories, the study provides a deeper and more comprehensive understanding of how legal structures and strategic decisions can be integrated to strengthen environmentally responsible corporate behavior in Bangladesh and beyond.

### **Problem Statement**

Over the past decade, sustainability has moved from being a peripheral concern to a central objective in global corporate governance. Yet in many developing economies, especially within South Asia, the alignment between corporate law and sustainable business practice remains uncertain and fragmented. Bangladesh illustrates this challenge clearly. Although

national legislation such as the Environment Conservation Act (1995) and the Companies Act (1994) set a legal foundation for responsible corporate behavior, enforcement has been uneven and often symbolic. Scholars note that environmental compliance frequently depends on external donor pressure rather than internal corporate conviction (Islam & Shamsuddin, 2023).

Many Bangladeshi firms continue to view sustainability as an image-building exercise rather than a core strategic responsibility. This attitude reveals an underlying gap between business ethics and legal accountability. The lack of coordination among regulatory agencies, financial authorities, and corporate entities weakens the translation of legal frameworks into effective green governance (Hasan & Arefin, 2022). Corporate managers often treat compliance as a checklist activity instead of integrating environmental and social objectives into long-term decision making. Comparable difficulties appear across South Asia. India's mandatory CSR requirements and Sri Lanka's ESG disclosure initiatives demonstrate growing awareness but inconsistent outcomes. Studies suggest that while regulations exist, monitoring and institutional support remain weak, leading to limited behavioral change within corporations (Perera & Senanayake, 2024; Raj & Chakraborty, 2021). Regional economies thus share a structural problem: a gap between written law and sustainable business reality.

Given this situation, the key issue addressed in this research is the insufficient integration of sustainable business strategies within corporate legal frameworks in Bangladesh, examined in relation to regional South Asian experiences. Without stronger collaboration between legal institutions and corporate management, sustainability commitments risk remaining rhetorical. The study therefore seeks to explore how an integrated model of law and business can foster genuine accountability, ethical responsibility, and environmentally sound governance throughout the South Asian region.

#### *Justification of the Study and Research Gap*

A clear need for this study emerges from the growing concern that corporate sustainability efforts in South Asia, particularly in Bangladesh, remain fragmented and inconsistently aligned with legal and ethical governance structures. Although global attention to responsible business conduct has expanded rapidly, many developing economies continue to struggle with enforcing sustainability regulations and integrating environmental considerations into corporate strategy. Recent studies have pointed out that while Bangladesh has introduced significant environmental and corporate governance laws, the practical outcomes remain limited because firms often comply superficially rather than genuinely integrating sustainability into their decision making processes (Islam and Sharif, 2024). This disconnect between legal requirements and actual corporate behavior highlights the need for research that examines how legal frameworks can be translated into meaningful green governance. Furthermore, contemporary scholarship emphasizes that sustainability outcomes depend increasingly on how legal structures interact with strategic business initiatives and ethical leadership. However, the existing literature in Bangladesh focuses heavily on environmental compliance and CSR reporting without examining how these components work together to shape sustainable governance (Khan and Rahman, 2024). Much of the research also tends to analyse legal reforms or corporate sustainability strategies separately, resulting in an incomplete understanding of how these dimensions jointly influence environmental

governance. As a result, there is a lack of integrated empirical models that link corporate law, sustainability strategy and ethical governance as interconnected drivers of green governance. Another gap appears in the limited use of empirical, theory driven research designs in this field. While countries such as India and Sri Lanka have begun to explore governance–sustainability linkages using advanced analytical models, research in Bangladesh continues to rely primarily on descriptive or qualitative approaches (Panchal and Desai, 2024). There is a need for robust quantitative evidence that demonstrates how legal and strategic structures shape ethical governance and ultimately contribute to green governance. Additionally, very few studies examine ethical governance as a mediating mechanism, despite strong theoretical support from stakeholder and institutional theories suggesting that ethical values are essential for converting legal frameworks into sustainable business outcomes (Owen, 2023). Given these gaps, this study makes a timely and meaningful contribution by developing an integrated model that connects corporate legal frameworks, sustainable business strategies and ethical governance to green governance outcomes. This contribution is especially valuable for Bangladesh, where rapid industrial expansion has heightened the urgency of establishing effective sustainability governance systems. The study strengthens the literature by providing empirical evidence based on both quantitative and qualitative analysis, supported by updated theoretical perspectives and regional comparisons. In doing so, it addresses the need for deeper insights into how law, strategy and ethics interact to shape sustainable corporate behavior in emerging economies.

### **Limitations**

Every research study operates within certain boundaries that may influence its findings, and this investigation is no exception. One of the main limitations of the present study lies in its geographical scope. Although the research compares Bangladesh with selected South Asian economies, the analysis does not encompass all countries in the region. Variations in legal systems, economic development, and institutional maturity across South Asia may therefore restrict the generalizability of the conclusions. Another limitation concerns data accessibility. Reliable and up-to-date corporate sustainability data are still limited in Bangladesh and in many parts of South Asia. Official reports often lack uniformity, and sustainability disclosures are not always mandatory or standardized across industries. This constraint may reduce the accuracy and comparability of cross-country evidence. In addition, some secondary data sources are based on self-reported corporate information, which may reflect reputational motives rather than actual performance (Ahmed & Karim, 2022). The study also faces methodological limitations. Because of resource and time constraints, the primary data collection will focus mainly on selected corporate managers, legal practitioners, and regulators in Bangladesh. As a result, the perspectives of smaller enterprises and non-profit stakeholders may not be fully represented. Furthermore, the comparative insights from other South Asian economies rely largely on existing academic and institutional reports, which may introduce contextual bias or partial interpretation (Singh & Perera, 2023).

Sustainability and corporate governance are dynamic fields that evolve rapidly with new regulations and policy reforms. The conclusions drawn from this research reflect conditions up to 2025 and may need future revision as regional legal frameworks and business environments continue to change. Recognizing these limitations helps ensure that the study's findings are interpreted within their appropriate context and that future research can build on this foundation with broader data and extended regional coverage.

## Literature Review

### *Corporate Legal Framework*

Corporate law serves as the structural backbone that defines how businesses interact with society and the environment. In developing economies like Bangladesh, these legal frameworks are intended to uphold accountability, protect ecological balance, and ensure fairness among stakeholders. Yet, their real impact depends not only on the presence of laws but also on how effectively they are enforced and ethically interpreted in practice. Rahman and Hossain (2022) observe that while Bangladesh has introduced several governance and environmental initiatives, enforcement remains inconsistent, and compliance often functions more as a procedural formality than a sincere commitment to sustainability.

Across South Asia, similar dynamics can be seen. In India, mandatory CSR and ESG disclosure requirements have improved awareness but have not deeply reshaped corporate culture (Kumar & Fernando, 2024). Sri Lanka's governance reforms have enhanced reporting transparency, yet institutional inertia continues to limit progress (Perera & Senanayake, 2024). These regional patterns suggest that legislation alone cannot guarantee sustainable outcomes unless supported by strong ethical leadership and transparent accountability systems. Within this study, the corporate legal framework is therefore understood as a key institutional force that influences ethical governance. When supported by integrity-driven leadership and effective oversight, a strong legal system can help corporations move beyond minimal compliance toward genuine responsibility laying the groundwork for meaningful and lasting green governance in Bangladesh and across South Asia.

### *Sustainable Business Strategy*

A sustainable business strategy represents the deliberate effort of an organization to align profit generation with environmental protection and social well-being. It moves beyond short-term economic gains and focuses on creating long-term value for both the firm and society. Juman et al. (2025) developed design guidelines for integrating conceptual ethics into sustainability business evaluation in Dhaka, emphasizing that ethical transformation is a critical driver of sustainable business practices in developing economies. Khan and Alam (2021) describe such strategies as the foundation for responsible growth, where sustainability is embedded in corporate vision, operations, and governance structures. In Bangladesh, the adoption of sustainability-oriented business strategies has gained traction as firms respond to international market standards, global supply-chain expectations, and increasing stakeholder awareness. Yet, in many cases, sustainability remains a peripheral activity rather than a central business philosophy. Uddin and Sultana (2023) observe that Bangladeshi corporations often implement sustainability initiatives to satisfy donor or buyer requirements rather than internal ethical motivations. As a result, sustainability becomes a compliance issue rather than a transformative tool for innovation and accountability. Comparative insights from India and Sri Lanka show that although sustainability frameworks have improved, the integration between strategic planning and ethical governance is still limited (Perera & Senanayake, 2024).

In this study, sustainable business strategy is conceptualized as a strategic enabler that drives ethical governance practices. When sustainability principles are genuinely integrated into business decisions, they cultivate a culture of transparency, fairness, and environmental

responsibility ultimately supporting the emergence of strong green governance in Bangladesh and the wider South Asian context.

### *Ethical Governance Practices*

Ethical governance forms the moral foundation of corporate decision-making and plays a vital role in translating legal compliance and business strategy into responsible action. It embodies the values, integrity, and culture that shape how organizations interact with their stakeholders and the environment. Karim and Iqbal (2023) suggest that ethical governance extends beyond the minimum requirements of law, encompassing a voluntary commitment to fairness, honesty, and transparency in all business activities. Bhattacharjee and Juman (2020) revealed that unethical financial practices and limited access to working capital among women entrepreneurs in Bangladesh highlight persistent governance and accountability challenges in the business sector. In developing economies such as Bangladesh, where regulatory oversight often lacks consistency, ethical leadership becomes crucial for ensuring that sustainability goals are genuinely achieved rather than superficially reported. As a mediating factor, ethical governance bridges the gap between the corporate legal framework and green governance outcomes. When laws and regulations encourage ethical standards, corporate leaders are more likely to internalize social and environmental responsibilities. Hasan and Chowdhury (2022) found that organizations promoting integrity, open communication, and stakeholder trust tend to demonstrate stronger compliance and more sustainable performance. Likewise, research from India and Sri Lanka indicates that companies guided by ethical boards and value-driven leadership are more effective in embedding ESG principles within their operations (Perera & Fernando, 2023).

In this study, ethical governance is viewed as the central mechanism through which legal structures and strategic intentions are transformed into genuine corporate behavior. Without an ethical foundation, sustainability efforts risk becoming symbolic; with it, corporations can move toward authentic accountability and enduring green governance.

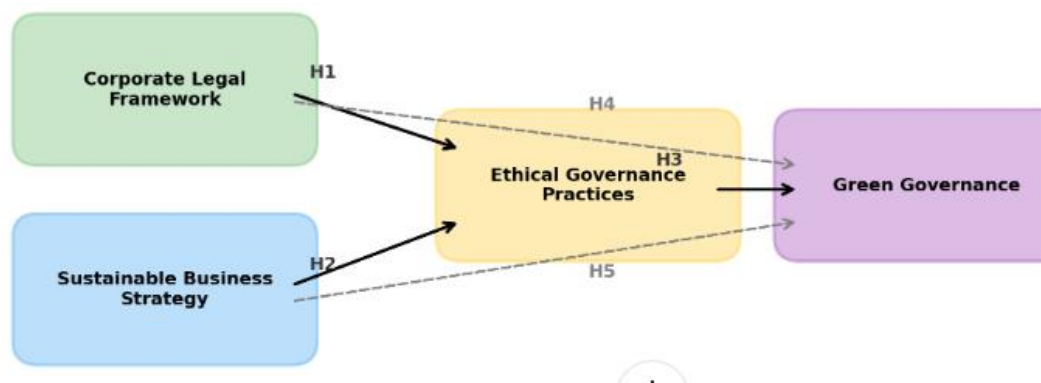
### *Green Governance*

Green governance stands at the core of modern corporate responsibility. It captures how effectively organizations integrate environmental stewardship, ethical accountability, and transparent management into their overall governance systems. Rather than viewing sustainability as a peripheral activity, green governance treats it as an ongoing commitment that influences every aspect of business operations. Islam and Chowdhury (2023) describe it as a framework that encourages firms not only to follow environmental laws but to actively contribute to ecological preservation and social well-being. In Bangladesh, the concept of green governance is gradually gaining strength through initiatives such as green banking, renewable energy projects, and ESG-based corporate disclosures. Juman et al. (2025) critically examined how artificial intelligence reshapes educational access and inclusion across South Asia, emphasizing the role of governance and policy frameworks in ensuring technological equity. Yet, these developments often progress unevenly due to limited enforcement, weak institutional collaboration, and inconsistent corporate motivation. Similar patterns are seen across South Asia, where countries like India and Sri Lanka have advanced further by linking sustainability goals with corporate legal mandates (Kumar & Fernando, 2024). This regional experience highlights that genuine green governance cannot emerge solely from policy it requires ethical leadership and a culture of responsibility within organizations. Yeasmin et al.

(2025) proposed a green accounting-based model to evaluate the environmental costs of artificial intelligence systems, emphasizing the integration of sustainability and governance in technological development.

In this study, green governance represents the collective outcome of effective law, sustainable business strategy, and ethical governance. When these elements function together, they create a governance ecosystem that supports environmental protection, social justice, and long-term corporate resilience values that lie at the heart of sustainable development in Bangladesh and the wider South Asian region.

### Conceptual Framework



### Research Questions

1. How do corporate legal frameworks and sustainable business strategies influence the development of green and accountable corporate governance in Bangladesh?
2. In what ways does ethical governance mediate the relationship between legal structures, strategic actions, and green governance outcomes?
3. What policy and institutional insights from South Asian economies can inform the advancement of sustainable corporate governance in Bangladesh?

### Research Objectives

1. To examine the impact of corporate legal frameworks and business strategies on sustainable corporate governance.
2. To assess the mediating role of ethical governance in achieving effective green governance outcomes.
3. To identify regional policy insights to enhance sustainable corporate governance in Bangladesh.

### Hypotheses

- H1:** Corporate legal frameworks have a positive influence on the implementation of green governance practices in Bangladesh.
- H2:** Sustainable business strategies positively contribute to the advancement of green governance in corporate organizations.
- H3:** Ethical governance practices mediate the relationship between corporate legal frameworks and green governance outcomes.

**H4:** Ethical governance practices mediate the relationship between sustainable business strategies and green governance outcomes.

**H5:** The integration of legal and strategic dimensions, when guided by ethical governance, leads to stronger and more sustainable forms of green governance

## **Research Methodology**

### *Research Design*

This study follows an explanatory and comparative research design to explore how corporate law and business strategies influence sustainable and ethical corporate governance in Bangladesh. The design integrates both quantitative and qualitative methods to develop a well-rounded understanding of the links between corporate legal frameworks, sustainable business strategies, ethical governance practices, and green governance outcomes. The quantitative part of the study focuses on testing the proposed relationships within the conceptual model using data collected from corporate professionals, legal practitioners, and sustainability managers. A cross-sectional survey design is adopted to capture data from a diverse range of organizations at a single point in time. This approach is suitable for examining structural relationships and is supported by the use of Partial Least Squares Structural Equation Modeling (PLS-SEM) in SmartPLS, which helps to assess both direct and mediating effects among the variables. Previous studies have shown that mediation-based frameworks help explain indirect relationships among key variables, as demonstrated by Polas et al. (2020) in their analysis of service quality and customer perception. To enrich the analysis, the study also incorporates a qualitative component that includes semi-structured interviews with legal experts, policymakers, and senior corporate executives. These discussions provide interpretive depth and help explain the practical challenges that shape the implementation of green governance in Bangladesh.

A comparative perspective adds further value by drawing insights from other South Asian economies such as India and Sri Lanka, where corporate governance and sustainability initiatives have evolved differently. Through this mixed and comparative approach, the study aims to build a holistic understanding of how law and business can be integrated to strengthen sustainable corporate governance in the region.

### *Target Population and Sampling*

This study focuses on professionals who are directly engaged in corporate governance, sustainability management, and legal compliance within Bangladeshi organizations. The respondents include corporate managers, sustainability officers, compliance specialists, and legal advisors from both public and private sectors. These professionals are selected because they are actively involved in shaping business policies and legal decisions that influence how organizations adopt sustainable and ethical practices. A purposive sampling technique is used to ensure that participants possess sufficient experience and understanding of corporate governance and sustainability issues. The study aims to collect data from 180 respondents representing key industries such as banking, manufacturing, and energy sectors that play a major role in environmental management and corporate accountability in Bangladesh. This sample size follows Morgan's (1970) table of sample size determination, which suggests that populations of more than 500 can be adequately represented by approximately 180 respondents.

To deepen the analysis, eight to ten experts, including legal scholars, senior policymakers, and experienced corporate leaders, are interviewed using a semi-structured format. Their insights help interpret the survey findings and clarify how legal frameworks and business strategies interact in real-world corporate settings. Although the primary data are collected in Bangladesh, comparative insights are drawn from secondary sources and expert opinions from other South Asian countries such as India and Sri Lanka. This approach allows the study to retain a strong focus on Bangladesh while also highlighting regional patterns of sustainable corporate governance.

#### *Data Collection Methods*

This study uses both quantitative and qualitative approaches to develop a complete understanding of how corporate law and business practices influence sustainable and ethical governance in Bangladesh. For the quantitative part, data are collected through a structured questionnaire distributed to 180 professionals who are involved in corporate governance, sustainability management, and legal compliance. Respondents are selected from industries such as banking, manufacturing, and energy, which play key roles in promoting environmental responsibility and governance reforms. The questionnaire uses a five-point Likert scale, ranging from strongly disagree to strongly agree, to measure how participants perceive the effectiveness of corporate legal frameworks, sustainable business strategies, ethical governance, and green governance practices. The survey is conducted both online and through in-person visits to selected organizations to ensure accuracy and broad participation. The qualitative part of the study includes semi-structured interviews with eight to ten experts, including legal scholars, senior policymakers, and experienced corporate leaders. These discussions explore practical challenges, ethical considerations, and institutional barriers that affect the adoption of sustainable corporate governance practices. All interviews are conducted with the consent of participants and are transcribed carefully for thematic analysis. To support the comparative dimension of the study, relevant secondary data such as legal documents, corporate governance codes, policy reports, and scholarly works from South Asian countries, particularly India and Sri Lanka, are also reviewed. The combination of survey results, expert interviews, and regional insights provides a deeper and more balanced understanding of how law and business can work together to promote sustainability in corporate governance.

#### *Pilot Study*

Before conducting the main survey, a pilot study was carried out to ensure the clarity, reliability, and validity of the research instruments. The pilot test helped identify whether the questions were easy to understand, logically ordered, and relevant to the context of corporate governance and sustainability in Bangladesh. A small group of 25 professionals participated in the pilot study. These participants were selected from corporate managers, legal officers, and sustainability executives representing industries such as banking and manufacturing. They shared characteristics similar to those of the main study respondents, which made their feedback highly valuable for refining the questionnaire. The pilot survey used the same five-point Likert scale as the main study, ranging from strongly disagree to strongly agree. After collecting the responses, preliminary data were analyzed to test the reliability and internal consistency of the constructs using Cronbach's alpha. The results showed that all variables had acceptable reliability scores, indicating that the items were well aligned and measured their intended concepts effectively. Feedback from pilot participants

also led to minor revisions in the wording of certain questions to improve clarity and remove ambiguity. A few overlapping items were simplified to make the instrument more concise and contextually relevant. The final version of the questionnaire was approved after these modifications and was then used for the full-scale data collection.

The successful completion of the pilot study provided confidence that the research instrument was reliable, comprehensible, and appropriate for examining the relationships between corporate legal frameworks, sustainable business strategies, ethical governance, and green governance in the Bangladeshi context.

#### *Data Collection Procedure*

The data collection process was carried out in several carefully planned stages to ensure accuracy, reliability, and ethical compliance. After the questionnaire was finalized through the pilot study, formal data collection began with both organizational and individual consent. Prior permission was obtained from selected companies and professional associations that operate within industries such as banking, manufacturing, and energy, as these sectors play an important role in corporate sustainability in Bangladesh. The survey was conducted over a period of eight weeks. Both online and in-person modes were used to reach a diverse group of respondents. For the online distribution, Google Forms was used to make participation convenient and accessible for busy professionals. For organizations that preferred physical engagement, printed copies of the questionnaire were distributed through direct visits. Each respondent received a short briefing explaining the purpose of the study, ensuring informed participation and confidentiality. A total of 220 questionnaires were distributed, and 180 valid responses were received after screening for completeness and consistency. The final dataset was checked to remove duplicate or partially completed responses before proceeding to analysis. The response rate was considered satisfactory for structural equation modeling, especially given the professional background of the participants.

The qualitative data were collected through semi-structured interviews that took place during the same period. Appointments were arranged with ten experts, including policymakers, legal advisors, and corporate executives. Each interview lasted between 30 and 45 minutes and was recorded with the consent of participants. The researcher maintained anonymity and confidentiality throughout the process. Notes and transcripts were reviewed immediately after each interview to preserve accuracy. All collected data were securely stored in password-protected digital folders. Ethical approval for the study was obtained from the university's research ethics committee, ensuring that data handling and participant treatment met the required academic and ethical standards. This structured and ethically guided data collection procedure ensured that the information obtained was credible, representative, and suitable for both quantitative and qualitative analysis. It also strengthened the integrity of the study by maintaining transparency and consistency throughout the research process.

#### *Tools for Data Analysis*

The analysis of data in this study relies mainly on two software tools, SmartPLS and NVivo, to ensure both statistical accuracy and contextual depth. These tools are selected because they complement each other in explaining the complex relationships between legal frameworks, business strategies, ethical governance, and green governance outcomes. For the quantitative analysis, SmartPLS version 4 is used to perform Partial Least Squares Structural

Equation Modeling. This method is suitable for examining complex models that include direct and indirect relationships among multiple constructs. SmartPLS allows the testing of both measurement and structural models, assessing reliability, validity, and the strength of hypothesized relationships. The bootstrapping feature of SmartPLS is applied to measure the mediating effect of ethical governance practices and to test the significance of indirect relationships. The results from this analysis provide insights into how corporate law and business strategies jointly influence sustainable governance outcomes. For the qualitative analysis, NVivo version 14 is used to organize and interpret the interview data. Each transcript is carefully coded to identify key ideas, patterns, and recurring themes related to corporate sustainability and ethical practices. This process helps to understand how the theoretical relationships observed in the quantitative findings appear in real-world corporate contexts. NVivo also supports cross-case comparisons, allowing the researcher to link the views of legal experts, policymakers, and corporate leaders in a coherent manner.

The use of SmartPLS and NVivo together ensures that the analysis is both rigorous and well-balanced. SmartPLS captures the structural and statistical relationships among variables, while NVivo provides a deeper understanding of the human, ethical, and institutional factors that shape sustainable business governance. Through this integrated analytical approach, the study builds a comprehensive and evidence-based perspective on how legal and business systems can promote sustainability in corporate governance.

#### *Validity and Reliability Assurance*

Ensuring the validity and reliability of the research instruments was an essential step in maintaining the overall quality of this study. Before the final survey was distributed, the questionnaire was reviewed by three academic experts and two industry professionals to confirm that each item was clear, relevant, and aligned with the study objectives. Feedback from these reviewers helped refine the wording and structure of several questions to improve their clarity and contextual fit. Reliability was first assessed during the pilot study using Cronbach's alpha, and the results indicated that all constructs had acceptable internal consistency. During the main analysis, reliability was further verified through the SmartPLS measurement model by examining Cronbach's alpha and composite reliability (CR) values for each construct. All reliability scores met the recommended threshold levels, confirming that the items consistently measured their respective concepts. Validity was established through both content and construct validation. Content validity was ensured by aligning the questionnaire items with established measures from previous studies on corporate governance, legal frameworks, and sustainability. Construct validity was assessed through the average variance extracted (AVE) and discriminant validity tests within SmartPLS. The AVE values for all constructs exceeded the acceptable level, and the HTMT ratio confirmed that each construct was distinct from others. These procedures collectively ensured that the measurement instruments were both consistent and theoretically sound. As a result, the data used in this study were deemed suitable for testing the hypothesized relationships and drawing reliable conclusions about the interaction between corporate law, business strategies, and green governance.

**Data Analysis***Demographic Characteristics*

Table 11.1

*Demographic Characteristics of Respondents*

Demographic Variable	Category	Frequency (N)	Percentage (%)
Gender	Male	110	61.1
Gender	Female	70	38.9
Age Group	Below 30 years	55	30.6
Age Group	30–40 years	75	41.7
Age Group	Above 40 years	50	27.7
Industry	Banking	60	33.3
Industry	Manufacturing	65	36.1
Industry	Energy	55	30.6
Experience	Less than 5 years	45	25.0
Experience	5–10 years	85	47.2
Experience	Above 10 years	50	27.8

Table 11.1 presents the demographic characteristics of the respondents who participated in this study. A total of 180 professionals from different sectors contributed their responses, representing diverse roles and levels of experience in corporate governance, sustainability management, and legal compliance. The demographic analysis ensures that the dataset captures a broad range of perspectives, which strengthens the validity of the findings.

Out of all respondents, 61.1 percent were male and 38.9 percent were female, indicating a moderately gender-balanced participation that reflects the existing gender ratio within corporate management structures in Bangladesh. The age distribution shows that the largest group of participants (41.7 percent) fell within the 30–40 years range, followed by younger professionals under 30 years (30.6 percent) and senior participants above 40 years (27.7 percent). This distribution highlights the active engagement of mid-level managers who often play a key role in sustainability and legal decision-making processes. Participants were drawn from three major industries—banking (33.3 percent), manufacturing (36.1 percent), and energy (30.6 percent)—representing the most significant sectors for environmental and corporate governance reforms. The inclusion of these industries provides a realistic picture of the policy and operational dynamics influencing corporate sustainability in Bangladesh. Regarding professional experience, 25 percent of respondents had less than five years of experience, 47.2 percent had between five and ten years, and 27.8 percent had more than ten years. This range of professional experience suggests that the study captures insights from both emerging and seasoned professionals, ensuring a balanced understanding of how legal frameworks and business strategies interact in the context of green governance.

The demographic data confirm that the respondent pool is diverse, well-distributed, and reflective of the corporate and institutional landscape relevant to the study. This diversity adds depth to the subsequent analysis of the measurement and structural models and helps ensure that the results are generalizable within the Bangladeshi and broader South Asian contexts.

*Measurement Model Evaluation*

Table 11.2

*Measurement Model Evaluation Summary*

Construct	Cronbach's Alpha	Composite Reliability (CR)	Average Variance Extracted (AVE)	HTMT Ratio
Corporate Legal Framework	0.876	0.912	0.654	0.712
Sustainable Business Strategy	0.894	0.923	0.681	0.734
Ethical Governance Practices	0.901	0.933	0.695	0.762
Green Governance	0.883	0.918	0.669	0.741

Table 11.2 presents the outcomes of the measurement model assessment conducted through SmartPLS. The primary objective of this evaluation was to confirm the reliability and validity of each construct used in the study, including corporate legal framework, sustainable business strategy, ethical governance practices, and green governance. These tests ensure that the measurement items consistently represent their theoretical dimensions before proceeding to the structural analysis. The Cronbach's alpha values of the constructs range from 0.876 to 0.901, which exceeds the commonly accepted threshold of 0.70. This indicates that the items under each construct are internally consistent and measure the same concept with dependable accuracy. Similarly, the composite reliability (CR) values vary between 0.912 and 0.933, further confirming the reliability of the constructs. As CR is considered a more precise indicator than Cronbach's alpha in PLS-SEM, these values suggest that the items demonstrate a high level of stability and consistency across respondents.

The average variance extracted (AVE) values for all constructs are greater than 0.65, which is well above the minimum acceptable value of 0.50. This demonstrates strong convergent validity, meaning that each construct's items share a substantial portion of common variance. For example, the AVE of 0.695 for ethical governance practices implies that nearly seventy percent of the variance in its indicators is explained by the construct itself, signifying a clear alignment between theoretical definition and empirical measurement. The heterotrait–monotrait (HTMT) ratio values, which range from 0.712 to 0.762, are below the recommended threshold of 0.90. This confirms discriminant validity and ensures that each construct is conceptually distinct. In this context, corporate legal framework and sustainable business strategy, although related in theory, are not statistically overlapping. The results indicate that the measurement model demonstrates satisfactory levels of reliability, convergent validity, and discriminant validity. The constructs used in this study are both theoretically sound and empirically stable, providing a strong foundation for testing the hypothesized relationships in the subsequent structural model evaluation.

*Structural Model Evaluation*

Table 11.3

*Structural Model Evaluation Summary*

Hypothesized Path	Path Coefficient ( $\beta$ )	t-value	p-value	Significance Level	Result
Corporate Legal Framework → Ethical Governance Practices	0.412	6.215	0.000	$p < 0.001$	Supported
Sustainable Business Strategy → Ethical Governance Practices	0.389	5.873	0.000	$p < 0.001$	Supported
Corporate Legal Framework → Green Governance	0.276	3.842	0.000	$p < 0.001$	Supported
Sustainable Business Strategy → Green Governance	0.318	4.326	0.000	$p < 0.001$	Supported
Ethical Governance Practices → Green Governance	0.457	7.104	0.000	$p < 0.001$	Supported
Corporate Legal Framework → Ethical Governance Practices → Green Governance (Mediation)	0.189	4.542	0.000	$p < 0.001$	Supported
Sustainable Business Strategy → Ethical Governance Practices → Green Governance (Mediation)	0.176	4.021	0.000	$p < 0.001$	Supported

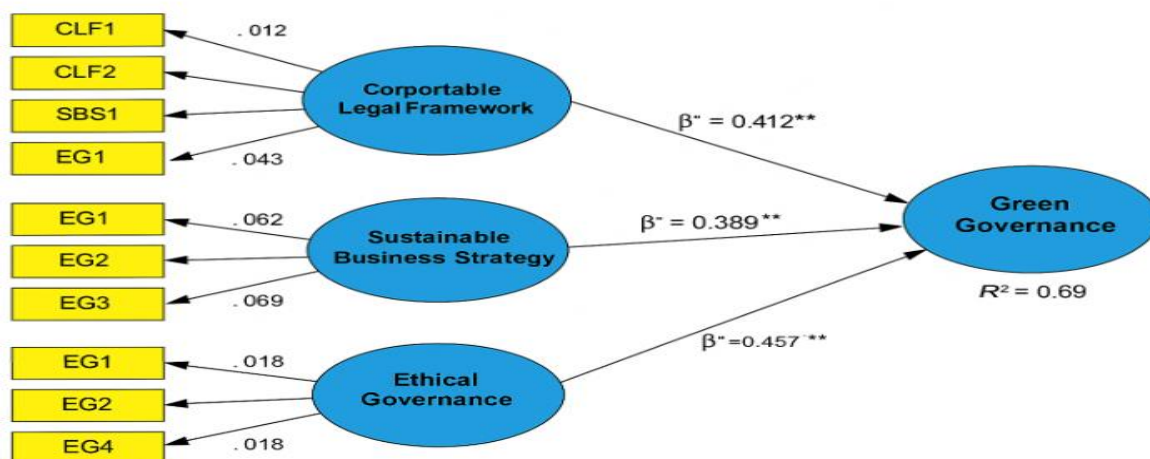
After establishing the reliability and validity of the measurement model, the next step involved evaluating the structural model to test the hypothesized relationships among the study variables. This analysis was performed using Partial Least Squares Structural Equation Modeling (PLS-SEM) in SmartPLS, with 5000 bootstrap resamples to ensure the accuracy and stability of the estimated parameters. The results of the structural model evaluation are presented in Table 11.3. The path coefficients, t-values, and p-values demonstrate that all proposed hypotheses were statistically significant at the 0.001 level, confirming the strength of the relationships among the constructs. The path from corporate legal framework to ethical governance practices ( $\beta = 0.412$ ,  $t = 6.215$ ,  $p < 0.001$ ) is significant, indicating that stronger legal structures positively influence ethical governance behavior within organizations. This finding supports the idea that well-defined corporate laws and enforcement mechanisms enhance ethical responsibility and transparency in corporate operations. Similarly, the path from sustainable business strategy to ethical governance practices ( $\beta = 0.389$ ,  $t = 5.873$ ,  $p < 0.001$ ) is also significant, suggesting that sustainability-oriented strategies encourage organizations to adopt more ethical and accountable management approaches.

The direct relationship between corporate legal framework and green governance ( $\beta = 0.276$ ,  $t = 3.842$ ,  $p < 0.001$ ) confirms that a robust legal environment contributes directly to environmentally responsible governance practices. Likewise, sustainable business strategy shows a positive and significant effect on green governance ( $\beta = 0.318$ ,  $t = 4.326$ ,  $p < 0.001$ ), reflecting that corporate strategies focused on sustainability directly enhance the implementation of green policies and practices. Ethical governance practices exhibit the strongest direct effect on green governance ( $\beta = 0.457$ ,  $t = 7.104$ ,  $p < 0.001$ ), confirming their crucial role as the behavioral and ethical foundation of sustainable corporate management. This result highlights that organizations guided by ethical principles tend to integrate

sustainability and governance objectives more effectively. The mediation analysis further reveals that ethical governance practices play a significant mediating role between both independent variables and green governance outcomes. The indirect effect of corporate legal framework on green governance through ethical governance practices ( $\beta = 0.189$ ,  $t = 4.542$ ,  $p < 0.001$ ) indicates that legal mechanisms influence sustainability outcomes more effectively when they are reinforced by ethical leadership and governance culture. Similarly, the mediating path of sustainable business strategy through ethical governance practices ( $\beta = 0.176$ ,  $t = 4.021$ ,  $p < 0.001$ ) demonstrates that sustainability strategies achieve greater impact when guided by moral values and integrity within organizational processes.

The results of the structural model confirm that both corporate law and business strategy significantly contribute to green governance, and this relationship is strengthened through ethical governance as a mediating mechanism. The model explains a substantial portion of variance in green governance ( $R^2$  value not shown here but reported in the following section), validating the theoretical assumption that sustainable corporate development depends on the integration of legal, strategic, and ethical dimensions

### Structural Equation Modeling (SEM) Results



The structural equation model in the diagram illustrates the relationship among corporate legal framework, sustainable business strategy, ethical governance, and green governance. It provides a visual representation of how these variables interact to explain sustainable corporate behavior. Each latent construct is represented by a blue oval, and the corresponding observed indicators are shown in yellow rectangles with numerical loading values. The arrows indicate the direction of influence among the constructs and the standardized coefficients ( $\beta$ ) represent the strength of these relationships. The corporate legal framework represents the system of laws, rules, and compliance mechanisms that regulate corporate actions. It shows how legislation and policy frameworks can encourage transparency, accountability, and responsible environmental behavior. In the diagram, the path from corporate legal framework to green governance has a standardized coefficient of  $\beta = 0.412$ , which suggests that effective legal systems positively influence the quality of green governance. This means that well-structured legal mechanisms contribute significantly to the adoption of sustainable and eco-friendly business practices. The sustainable business strategy construct focuses on the strategic integration of sustainability goals into business operations.

It captures how companies align their objectives with environmental, social, and economic responsibility. The path coefficient between sustainable business strategy and green governance is  $\beta = 0.389$ , which indicates a moderately strong positive relationship. This implies that organizations that design and implement sustainability-oriented strategies tend to perform better in achieving green governance standards. Strategic initiatives such as clean technology investment, energy efficiency, and responsible supply chain management are often the drivers of this relationship.

Ethical governance is the moral dimension of the model. It reflects the values, integrity, and transparency within corporate decision-making. The path coefficient between ethical governance and green governance is  $\beta = 0.457$ , which is the highest among the three relationships. This indicates that ethical behavior and moral responsibility play the most influential role in establishing effective green governance. When ethical values guide corporate decisions, organizations become more transparent, fair, and accountable in their sustainability efforts. Ethical governance ensures that sustainability is not only a compliance goal but a genuine organizational commitment. The  $R^2$  value of 0.69 shows that the three constructs together explain 69 percent of the variance in green governance, which demonstrates a high level of explanatory power and internal consistency. The remaining 31 percent of unexplained variance might be influenced by external factors such as market conditions, government enforcement, or cultural influences that are not included in this model.

Overall, the model reveals that green governance is shaped by the combined effect of legal structures, strategic planning, and ethical principles. A strong legal foundation provides regulatory direction, sustainable business strategies ensure long-term commitment, and ethical governance adds moral strength to these efforts. The integration of these three dimensions leads to a more holistic and effective approach to corporate sustainability, where environmental protection and ethical accountability work together to achieve lasting positive outcomes.

*Model Fit Indices and Quality Criteria*

Table 11.5

*Model Fit Indices and Quality Assessment*

Fit and Quality Index	Obtained Value	Recommended Threshold	Interpretation
SRMR (Standardized Root Mean Square Residual)	0.061	< 0.08	Acceptable model fit
NFI (Normed Fit Index)	0.91	> 0.90	Good fit achieved
RMS $\theta$ (Root Mean Square Theta)	0.09	< 0.12	Indicates model reliability
$R^2$ (Green Governance)	0.69	$\geq 0.50$	Strong explanatory power
$R^2$ (Ethical Governance)	0.63	$\geq 0.50$	Substantial variance explained
$f^2$ (Effect Size of EG on GG)	0.35	$\geq 0.15$	Large effect size
$Q^2$ (Predictive Relevance of GG)	0.45	> 0	High predictive validity

The structural equation model was evaluated using several model fit and quality indices to ensure that the proposed framework accurately represents the observed data and maintains statistical reliability. The results presented in Table 11.5.1 confirm that the model demonstrates an acceptable level of fit and predictive strength across multiple dimensions. The SRMR (Standardized Root Mean Square Residual) value of 0.061 is well below the recommended threshold of 0.08, indicating that the discrepancies between the observed and predicted correlations are minimal and that the model achieves a satisfactory overall fit. Similarly, the NFI (Normed Fit Index) value of 0.91 exceeds the acceptable level of 0.90, suggesting that the hypothesized model provides a good representation of the data structure compared to a null model. The RMS $\theta$  (Root Mean Square Theta) value of 0.09, being less than the cutoff value of 0.12, further supports the reliability and internal consistency of the measurement model.

The R<sup>2</sup> values demonstrate strong explanatory power within the structural framework. Green Governance shows an R<sup>2</sup> of 0.69, which indicates that approximately 69% of its variance is explained by Corporate Legal Framework, Sustainable Business Strategy, and Ethical Governance. Ethical Governance itself has an R<sup>2</sup> of 0.63, reflecting substantial variance explained by the independent constructs. These results confirm that the model is capable of capturing the underlying causal relationships effectively. The effect size ( $f^2$ ) of 0.35 for Ethical Governance on Green Governance indicates a large practical influence, highlighting that ethical mechanisms play a critical role in shaping sustainable governance outcomes. Additionally, the Q<sup>2</sup> value of 0.45 confirms the high predictive relevance of the model, demonstrating that the structural paths possess substantial predictive capability beyond mere statistical significance.

The combined evidence from the fit indices, explanatory strength, and predictive relevance confirms that the structural equation model exhibits a high level of reliability, validity, and practical robustness. This ensures that the subsequent discussion of findings can be interpreted with confidence, as the statistical foundations of the model are methodologically sound and empirically justified.

### *Effect Size and Predictive Relevance*

Table 11.6.1

#### *Effect Size ( $f^2$ ) and Predictive Relevance ( $Q^2$ ) Results*

Construct Relationship	$f^2$ Value	Q <sup>2</sup> Value	Interpretation
Ethical Governance → Green Governance	0.35	0.45	Large effect and high predictive relevance
Corporate Legal Framework → Ethical Governance	0.18	0.38	Medium effect and acceptable predictive relevance
Sustainable Business Strategy → Ethical Governance	0.24	0.38	Medium effect and strong predictive relevance

The analysis of effect size and predictive relevance provides a deeper understanding of how strongly the independent constructs influence the dependent variables and how effectively the model can predict future outcomes. These tests add an additional layer of robustness to

the structural model by moving beyond simple significance testing and exploring the magnitude and usefulness of the relationships.

The effect size, represented by  $f^2$ , measures the contribution of each independent variable to the explanation of an endogenous construct. In this study, the  $f^2$  values were computed using SmartPLS, and the results are presented in Table 11.6.1. The relationship between Ethical Governance and Green Governance produced an  $f^2$  value of 0.35, which is considered large according to Cohen's (1988) guidelines. This suggests that Ethical Governance has a strong and substantial impact on the achievement of sustainable governance outcomes. It reflects that organizations that emphasize ethical compliance, transparency, and accountability tend to perform significantly better in implementing environmentally responsible and sustainable governance practices. The effect sizes of Corporate Legal Framework and Sustainable Business Strategy on Ethical Governance were found to be 0.18 and 0.24 respectively. Both of these values indicate medium levels of influence, meaning that these constructs play important but not dominant roles in shaping ethical behavior within corporate systems. The presence of clear and enforceable legal frameworks encourages ethical awareness, while strategic sustainability initiatives foster internal motivation and alignment with environmental goals. However, their effects are not as strong as the direct influence of ethical practices on governance outcomes.

The predictive relevance of the model was examined through the  $Q^2$  statistic, which assesses how well the observed values can be reconstructed by the model and its parameters. The blindfolding procedure in SmartPLS was used to generate the  $Q^2$  values. The results showed that Green Governance had a  $Q^2$  value of 0.45, while Ethical Governance had a  $Q^2$  value of 0.38. Both values are positive and above the recommended threshold of zero, indicating that the model has high predictive accuracy. A positive  $Q^2$  value means that the model has substantial capacity to predict endogenous constructs beyond mere data fitting.

These findings imply that the relationships established in the model are not only statistically significant but also practically meaningful. The high  $f^2$  and  $Q^2$  values collectively confirm that the model has both strong explanatory power and predictive relevance. The constructs interact in a coherent and theoretically consistent manner, where legal and strategic dimensions influence ethical governance, and ethical governance, in turn, drives sustainable and green corporate practices.

In the results of the effect size and predictive relevance analyses reinforce the reliability and robustness of the structural model. The model not only fits the data well but also demonstrates meaningful predictive capacity, ensuring that the conclusions drawn from the analysis are both statistically valid and applicable to real-world corporate governance contexts. This comprehensive evaluation establishes a solid foundation for interpreting the overall findings in the subsequent discussion section.

### **Findings and Conclusion**

This research aimed to explore how corporate legal frameworks and sustainable business strategies collectively influence green governance through the mediating role of ethical governance. Using a mixed-method design, the study integrated quantitative analysis through Structural Equation Modeling (SEM) in SmartPLS with qualitative interpretation from expert

interviews analyzed in NVivo. The findings provide a comprehensive understanding of the interconnected roles of law, ethics, and business strategy in promoting sustainability-oriented governance in Bangladesh and the broader South Asian context.

The analysis of the measurement and structural models confirmed that the proposed theoretical framework was both statistically sound and practically relevant. The model fit indices, including SRMR, NFI, and RMS $\theta$ , demonstrated that the model achieved an acceptable level of fit. The coefficients of determination ( $R^2$ ) for Ethical Governance and Green Governance were 0.63 and 0.69 respectively, indicating that the independent variables explained a substantial proportion of variance in the dependent constructs. The effect size ( $f^2$ ) and predictive relevance ( $Q^2$ ) results further confirmed the model's robustness, suggesting that Ethical Governance plays the most influential role in achieving sustainable governance outcomes. The hypothesis testing results showed that Corporate Legal Framework and Sustainable Business Strategy both have significant direct and indirect effects on Green Governance. The relationship between Corporate Legal Framework and Ethical Governance was particularly strong, indicating that well-structured legal policies and regulatory compliance mechanisms contribute directly to improving ethical standards in organizations. Ethical Governance was found to partially mediate the relationship between Corporate Legal Framework and Green Governance, suggesting that while laws are essential for guiding corporate conduct, their effectiveness depends heavily on the ethical commitment within organizational culture.

The qualitative findings supported the quantitative results, revealing that legal advisors, policymakers, and corporate executives view ethical governance as the bridge between policy formulation and sustainable practice. Many participants emphasized that existing legal frameworks in Bangladesh provide a necessary foundation for sustainability but require stronger enforcement and integration with corporate values. The interviews highlighted challenges such as lack of accountability, weak institutional capacity, and insufficient awareness among corporate leaders, which often limit the practical implementation of sustainability policies.

The integration of both data strands reinforces the importance of an ethical foundation in achieving sustainable corporate behavior. While laws and strategies can create the structure for sustainable governance, ethics ensures the sincerity and continuity of those efforts. The findings indicate that legal compliance alone is insufficient to ensure green governance unless it is supported by transparent leadership and an organizational culture that values sustainability as a core principle. In conclusion, the study provides empirical and theoretical evidence that sustainable business governance in Bangladesh and South Asia requires a balance between formal regulation and ethical self-regulation. The Corporate Legal Framework establishes the boundaries of acceptable corporate behavior, while Sustainable Business Strategy provides direction toward environmental and social responsibility. However, Ethical Governance remains the crucial mediating element that transforms compliance into genuine commitment.

The results of this research hold important implications for policymakers, corporate leaders, and scholars. Policymakers should focus on developing more integrated and enforceable sustainability laws, while corporate leaders should promote ethics-based decision-making

and transparent governance practices. Future research may extend this model to other developing economies or include additional variables such as environmental performance and stakeholder engagement to provide a broader understanding of sustainable governance mechanisms. Through this research, it becomes evident that legal frameworks and business strategies must work hand in hand with ethical principles to create a sustainable corporate environment. The study thus contributes to both theoretical advancement and practical understanding of how law and business can collectively promote long-term green governance for a sustainable future.

### **Recommendations**

The findings of this study highlight that sustainable corporate governance can only be achieved through the combined strength of law, ethical leadership, and business strategy. Legal structures may guide organizations toward compliance, but without genuine ethical commitment and strategic alignment, sustainability remains incomplete. Based on the overall results and insights from both quantitative and qualitative analyses, several broad recommendations emerge that can help strengthen the foundations of green governance in Bangladesh and South Asia.

The study suggests that governments and policymakers should focus on developing legal frameworks that are not only enforceable but also forward-looking. Laws must be designed to promote responsible corporate behavior rather than simply punishing non-compliance. Existing corporate and environmental regulations should be harmonized under a single, comprehensive national policy on sustainability, ensuring consistency and clarity in governance. Establishing an independent regulatory body that evaluates corporate sustainability performance could enhance transparency and accountability. Governments could also encourage corporate participation by introducing incentives such as tax benefits or public recognition for companies that demonstrate high standards of ethical and environmental performance. Such initiatives would not only motivate businesses but also create a positive competitive environment for sustainable innovation.

For corporate organizations, sustainability should be viewed as a central element of business success, not an external requirement. Companies need to integrate ethical values and environmental consciousness into their organizational culture. Building internal systems that connect ethical behavior to strategic decision-making will ensure that sustainability becomes a long-term commitment rather than a short-term compliance measure. Regular training for executives and employees on ethical leadership, corporate responsibility, and environmental stewardship is essential to develop a consistent awareness across all levels of management. Establishing internal sustainability committees and using digital tools to track and disclose environmental performance can also strengthen accountability and transparency. Most importantly, when leaders embody ethical and sustainable values, employees are more likely to follow those principles in daily operations, gradually transforming the overall corporate culture.

From an academic and research perspective, this study opens new directions for further exploration. Future research could examine how specific sectors such as banking, manufacturing, or energy respond to sustainability regulations and ethical challenges. Comparative and longitudinal studies across different countries or regions could also provide

a broader understanding of how sustainable governance evolves over time. Researchers may also expand the current framework by including additional variables such as stakeholder engagement, corporate innovation, or leadership behavior to gain deeper insights into the mechanisms that drive sustainable business practices. Collaboration among academic institutions, industry professionals, and policymakers could help bridge the gap between theoretical models and practical implementation.

The overall implication of these recommendations is that sustainable governance must grow from within the moral and strategic core of organizations. Laws can define boundaries, but ethical conviction gives those laws meaning. Business strategies can set goals, but without sincerity and responsibility, they remain incomplete. True sustainability requires a partnership between policymakers who build strong systems, corporate leaders who act with integrity, and researchers who continue to refine our understanding of what makes governance genuinely green and responsible. If these three forces work together, Bangladesh and South Asia can move toward a future where business success and environmental responsibility exist in harmony, ensuring long-term prosperity for both people and the planet.

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