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Corporate Sustainability and Financial Performance of Banks in Muslim Economies: The Role of Institutions

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**Abstract**

Sustainability performance (SP) provides firms with the opportunities that if strategically handled could improve the financial performance of these firms through reputation building. This research aims to investigate the impact of SP on the bank's performance in Muslim countries. This research further investigates the role of institutions in moderating the relationship between SP and the banks' financial performance. It is found that banks with higher SP tend to have better financial performance. Furthermore, the marginal results suggest that the impact of SP is greater for banks in countries with greater institutional quality. These findings are robust to different proxies of financial performance. It is imperative not only to report sustainability practices, but it is equally important to publicize these activities. The sustainable business models would create value for the banks if properly managed and communicated well. This can be made more effective with strong institutions in the country. Moreover, the results are suggesting that banks can enjoy more through contributing to society, doing their part in the equitable distribution of wealth, social justice, and economic wellbeing.