

Exploring How Stakeholder-Focused Corporate Governance Supports Sustainable Development: Insights from CSR Practices in Bangladeshi SMEs

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Abstract:

Corporate governance (CG) has been gradually transitioning from a traditional shareholder-focused model to a more widely embraced stakeholder-oriented approach. To better align with sustainable development goals, many companies are increasingly adopting stakeholder-driven practices. These evolving corporate social responsibility (CSR) behaviors reflect the prioritization of stakeholder interests. However, most existing research on stakeholder-oriented CG has concentrated on multinational enterprises (MNEs) and large publicly traded firms, leaving a gap in understanding its impact on small and medium-sized enterprises (SMEs).

This study seeks to address that gap by offering empirical insights into CSR practices among Bangladeshi SMEs. Drawing on data from 9 listed SMEs in Bangladesh, two hypotheses were formulated and tested. The findings diverge from much of the existing literature on SME corporate governance, revealing that stakeholder-oriented CSR practices can negatively affect short-term profitability and business expansion within a defined timeframe. Additionally, government subsidies—representing a key national institution—partially influence the link between stakeholder-focused CSR and firm performance.

Overall, this research contributes both theoretically and practically to the discourse on SME governance. It suggests that, in the Bangladeshi context, managerial stakeholder theory offers a more pragmatic framework for guiding SMEs toward sustainable development than ethical stakeholder theory.

Keyword:

Corporate Governance, Corporate Social Responsibility, SME.