



The Impact of Environmental and Social Projects on the profitability of the Universal Banks in the Philippines

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ABSTRACT

This research delves into an important aspect of the financial sector in the Philippines by examining the influence of social responsibility and environmental projects on the profitability of 10 Universal Banks. This investigation is conducted within the context of the Philippine Development Plan, which underscores the pivotal role of financial institutions in promoting ecologically and socially conscious business practices for the benefit of Filipinos and the broader economy. The study adopts a quantitative approach to understand the potential impact of social and environmental initiatives on bank profitability. The research analyzes data spanning the years 2019 and 2021, utilizing exploratory data analysis and regression analysis. This timeframe is chosen to capture any evolving trends or shifts in the relationship between banks' engagement in these projects and their financial performance. This study revealed that, contrary to expectations, the number of social responsibility and environmental projects undertaken by Universal Banks in both 2019 and 2021 did not exhibit a statistically significant impact on their profitability. The study suggests that mere participation in these types of projects did not translate into immediate or measurable financial gains for these banks. However, this conclusion doesn't discourage banks from pursuing social and environmental projects. Instead, it emphasizes the need for a broader perspective. Even though such projects might not directly boost profitability, they still hold significant value. These initiatives contribute to sustainability, promote corporate social responsibility, and align with global trends towards a more environmentally conscious and socially responsible business landscape. In essence, the research findings imply that banks should continue to explore and invest in social and environmental projects not solely for financial gain but for their substantial societal and ecological impacts. These endeavors serve as essential building blocks for a more sustainable and responsible financial sector, aligning with the evolving needs and expectations of customers, investors, and the broader community.

Keywords: Universal Banks, BSP Sustainable Finance Framework, Return on Equity, Social Responsibility Projects, Environmental Projects