

**SUSTAINABILITY REPORTING ON CORPORATE FINANCIAL  
PERFORMANCE**

**IGUEH NKEM SONIA  
MGS1813646**

**DEPARTMENT OF ACCOUNTING  
FACULTY OF MANAGEMENT SCIENCES**

**UNIVERSITY OF BENIN**

**BENIN CITY**

**AUGUST, 2025**

**SUSTAINABILITY REPORTING ON CORPORATE FINANCIAL  
PERFORMANCE**

**IGUEH NKEM SONIA  
MGS1813646**

**BEING A RESEARCH PROJECT SUBMITTED TO THE DEPARTMENT OF  
ACCOUNTING, FACULTY OF MANAGEMENT SCIENCES, UNIVERSITY OF  
BENIN, BENIN CITY IN PARTIAL FULFILMENT OF THE REQUIREMENTS  
FOR THE AWARD OF THE BACHELOR OF SCIENCE (B.Sc.) DEGREE IN  
ACCOUNTING.**

**AUGUST, 2025**

## **DECLARATION**

I hereby declare that this project work is based on a study undertaken by me in the Department of Accounting, University of Benin, Benin City. This research work has not been previously submitted for the award of degree elsewhere. All ideas and views represent my own convictions, except quotations, which have been duly acknowledged.

---

**IGUEH NKEM SONIA**  
**MGS1813646**

---

**DATE**

## CERTIFICATION

This is to certify that this project work was carried out by **IGUEH NKEM SONIA** with Matriculation number **MGS1813646** of the Department of Accounting, Faculty of Management Sciences, University of Benin, Benin City, Nigeria, and is adequate in scope and quality, in partial fulfilment of the requirements for the award of Bachelor of Science (B.Sc.) Degree in Accounting.

---

**PROF. N. OHONBA**  
(Project Supervisor)

---

**DATE**

---

**DR. OBAZEE U.**  
(Project Coordinator)

---

**DATE**

---

**PROF. OBARETIN O.**  
(Head of Department)

---

**DATE**

## **DEDICATION**

I dedicate this project work to God Almighty who has been my pillar, my strength and my help despite every challenge I came across while making this work a success.

## **ACKNOWLEDGEMENT**

I bestow eternal gratitude to my Lord and Savior Jesus Christ, who through his abundant wisdom and knowledge made this research work possible.

My profound and sincere gratitude goes to my Project Supervisor, Prof. N. Ohonba, I am truly grateful for the insightful comments, guidance, and thorough supervision throughout my research work. May God continue to bless and protect you and your household. I also acknowledge the Head of Department, Prof. Obaretin O. and my Project Coordinator, Dr. Obazee U.

The journey through the BSc. program could not have been complete and successful without my lecturers, the staff of the Department of Accounting, and the Dean of the Faculty of Management Sciences, Prof. A.O. Enofe, for their tremendous input to make me a better person.

My most profound gratitude goes to my family, especially to my father Barr. Igwe John Igueh for his love and great contributions. He did all he could to make sure I am where I am today, I owe a world of gratitude. To my mother for her prayers and understanding and also my siblings for their encouragement and support. God reward you graciously.

Finally, my genuine gratitude goes to my Class Rep., Osazee Omoma for being an exemplary leader and doing all he could to ensure our program moved smoothly, Mr. Igini Joseph and my course mates. Thank you for everything. Congratulations to all of us.

## ABSTRACT

*This study investigated the Sustainability Reporting on Corporate Financial Performance of listed Deposit Money Banks in Nigeria. The study adopted ex-post facto research design. The population of the study was the thirteen DMBs listed on Nigerian Exchange Group of which five (5) were sampled out using purposive sampling technique. The specific objectives of the study were to determine the effect of environmental, economic, social sustainability reporting using return on assets (ROA) as a measure of corporate financial performance. Panel data collected from sampled sourced from their annual report of sampled banks from 2013 to 2022. Using the panel least squares regression technique, the study found that environmental and economic sustainability reporting has a positive and negative insignificant effect on the performance respectively. However, social sustainability reporting was found to be negative and statistically significant. Based on the findings, the study recommends amongst others that enabling legislation should be put in place to mandate enhanced sustainability practices among all deposit money banks in Nigeria as well as facilitate meaningful evaluation and measurement of environmental, economic and social impacts in all areas of bank operations in Nigeria.*

## TABLE OF CONTENTS

Title Page	-	-	-	-	-	-	-	-	-	ii
Declaration	-	-	-	-	-	-	-	-	-	iii
Certification	-	-	-	-	-	-	-	-	-	iv
Dedication	-	-	-	-	-	-	-	-	-	v
Acknowledgements	-	-	-	-	-	-	-	-	-	vi
Abstract	-	-	-	-	-	-	-	-	-	vii
Table of Contents	-	-	-	-	-	-	-	-	-	viii
<b>CHAPTER ONE: INTRODUCTION</b>										<b>1</b>
1.1 Background to the Study	-	-	-	-	-	-	-	-	-	1
1.2 Statement of the Problem	-	-	-	-	-	-	-	-	-	4
1.3 Objectives of the Study	-	-	-	-	-	-	-	-	-	6
1.4 Hypotheses of the Study	-	-	-	-	-	-	-	-	-	7
1.5 Scope of the Study	-	-	-	-	-	-	-	-	-	7
1.6 Significance of the Study	-	-	-	-	-	-	-	-	-	7
<b>CHAPTER TWO: LITERATURE REVIEW</b>										<b>9</b>
2.1 Introduction	-	-	-	-	-	-	-	-	-	9
2.2 Conceptual Framework	-	-	-	-	-	-	-	-	-	9
2.2.1 Concepts of Sustainability Reporting	-	-	-	-	-	-	-	-	-	9
2.2.2 Environmental Sustainability Reporting	-	-	-	-	-	-	-	-	-	11

2.2.3 Economic Sustainability Reporting	-	-	-	-	-	-	-	11
2.2.4 Social Sustainability Reporting	-	-	-	-	-	-	-	12
2.2.5 Corporate Financial Performance	-	-	-	-	-	-	-	13
2.2.5.1 Return on Assets	-	-	-	-	-	-	-	14
2.2.6 Environmental Sustainability Reporting and Corporate Financial Performance	-	-	-	-	-	-	-	16
2.2.7 Economic Sustainability Reporting and Corporate Financial Performance	-	-	-	-	-	-	-	17
2.2.8 Social Sustainability Reporting and Corporate Financial Performance	-	-	-	-	-	-	-	17
2.3 Theoretical Framework	-	-	-	-	-	-	-	18
2.3.1 Stakeholders Theory	-	-	-	-	-	-	-	18
2.3.2 Legitimacy Theory	-	-	-	-	-	-	-	19
2.3.3 Political Theory	-	-	-	-	-	-	-	20
2.4 Empirical Review	-	-	-	-	-	-	-	20
<b>CHAPTER THREE: RESEARCH METHODOLOGY</b>								<b>27</b>
3.1 Introduction	-	-	-	-	-	-	-	27
3.2 Research Design	-	-	-	-	-	-	-	27
3.3 Population of the Study	-	-	-	-	-	-	-	28
3.4 Sample Size and Sampling Technique	-	-	-	-	-	-	-	28
3.5 Sources and Method of Data Collection	-	-	-	-	-	-	-	28
3.6 Method of Data Analysis	-	-	-	-	-	-	-	29

3.7 Model Specification	-	-	-	-	-	-	-	29
3.8 Variables Operationalization	-	-	-	-	-	-	-	30
3.8.1 Dependent Variable	-	-	-	-	-	-	-	31
3.8.2 Independent Variable	-	-	-	-	-	-	-	31
<b>CHAPTER FOUR: RESULT AND DISCUSSION</b>								<b>33</b>
4.1 Introduction	-	-	-	-	-	-	-	33
4.2 Descriptive Statistics	-	-	-	-	-	-	-	33
4.3 Unit Root Test	-	-	-	-	-	-	-	35
4.4 Regression Analysis	-	-	-	-	-	-	-	36
4.5 Discussion of Findings	-	-	-	-	-	-	-	38
<b>CHAPTER FIVE: SUMMARY OF FINDINGS, CONCLUSION AND RECOMMENDATIONS</b>								<b>40</b>
5.1 Summary of Findings	-	-	-	-	-	-	-	40
5.2 Conclusion	-	-	-	-	-	-	-	41
5.3 Recommendations	-	-	-	-	-	-	-	42
References	-	-	-	-	-	-	-	43
Appendix	-	-	-	-	-	-	-	48

# CHAPTER ONE

## INTRODUCTION

### 1.1 Background of the Study

Sustainability is one of the fundamental pillars upon which organizations are built to ensure their survival and continuity. It provides a summary of the economic, social, and environmental performance of a business instead of merely creating reports based on data that are relevant only to shareholders. An organization can show its internal and external stakeholders that it is committed to sustainable development using sustainability reporting (Uwaoma & Ordu, 2016; Orshi et al., 2023).

A company's main objective should be maximizing profits for its investors while raising society's standard of living. Consequently, the right tool needs to be employed to determine and record how the business has impacted society, the environment, and the economy over time. Sustainability reporting appears to be the best option for meeting all of the questions and information needs of an entity's stakeholders, (Uwaoma & Ordu, 2016). To improve their business strategy and competitive edge, companies across the globe are finding it more and more difficult to incorporate sustainability reporting practices into their accounting information reporting (Nnamani et al., 2017; Ibrahim et al. 2023).

The inadequacies in the current financial reporting system supported the need for a thorough disclosure of non-financial facts, compelling management to divulge events outside regular financial transactions and raising the standard of financial

reporting. Therefore, reporting entities should put together a non-financial statement that covers information on issues related to the environment, society, and economy to improve the comparability of the reported non-financial information. Sustainability reporting is supported by the notion that companies become more transparent and accountable to society by addressing and revealing the effects of their economic activity and ensuring that these operations are socially and environmentally sustainable over time. Nigeria's sustainability reporting level is still relatively low by Global Reporting Initiative (GRI) guidelines, even after the adoption of International Financial Reporting Standards (IFRS) in 2012, which was anticipated to raise the standard of accounting information disclosure among adopting nations.

Sustainability development has been precisely defined as “Development that meets the needs of the present without compromising the ability of future generations to meet their own needs” (Tackie et al., 2017). The discussion of organizational-level yearly reporting has included the question of sustainability. Many nations require both commercial and governmental entities to declare their financial performance on an annual basis through a structured and thorough financial report or statement. External audits are often performed on these reports to assure their completeness, correctness, and financial accountability. Incorporating sustainability reporting into such reports is regarded as a forward-thinking approach in corporate communication, since it is regarded as an effective method of encouraging transparency and involvement within the business sector.

Sustainability practices may contribute to the financial performance of a company; the company's financial performance aims to look at a company's efforts to provide an overview of the company's financial condition. It is analyzed by financial analysis tools for the company's financial performance so that the company can find out the financial situation that reflects its work performance. Besides, the company's financial performance is carried out to evaluate the efficiency of the company's activities and the effectiveness of capital utilization related to the company's activities that have been carried out in a certain period so that the company can use the resources optimally.

According to environmental best practices, the basic premise is that a business activity cannot be deemed to be socially or economically sustainable if it negatively impacts the environment, the economy, or society. Sustainability practices on the financial performance of listed deposit money banks is therefore deemed crucial, particularly in light of the growing attention that sustainability practices are receiving from the business community and their integration into all corporations. Determining if the sustainability reporting has affected the financial performance of DMBs in Nigeria is a challenge. The necessity to investigate Effect of Sustainability Reporting on Corporate Financial Performance listed on deposit money institutions in Nigeria is what drives this research.

The banking sector of the Nigerian economy is a service sector that does not involve direct production but provides finance to other sectors. The banking sector is

viewed as not having a direct impact on the environment and little effect on the social sector. However, the UN in its description of sustainability has not excluded any business activity. It is, therefore, this study investigate the Effect of Sustainability Reporting on Corporate Financial Performance of Listed Deposit Money Banks in Nigeria. The impact of sustainability reporting on the financial performance of Nigerian deposit money institutions has been examined by a few scholars. (Ezeagba et al., 2017) found a negative correlation between sustainability reporting and the financial performance of Nigerian listed deposit money banks. However, there is insufficient evidence to conclude whether there is a positive or negative relationship between sustainability reporting and the corporate financial performance of Listed Deposit Money Banks in Nigeria (Amahalu et al., 2017; Liu et al., 2020; Razaq et al., 2023).

## **1.2 Statement of the Problem**

Companies are encouraged to disclose the effect of their economic, social, and environmental activities to benefit stakeholders and strengthen relationships with employees and local communities. To ensure systematic measurement and compliance with sustainable reporting, the GRI issued G4 as a general guideline. International Federation of Accountants (IFAC) report states that the use of the GRI standards grew from 74% to 77% among surveyed organizations globally in 2022.

The 2020 KPMG survey on sustainability reporting revealed that 80% of the top 100 revenue-generating companies across 52 countries now disclose their sustainability practices, up from 64% in 2011.

Companies are now conscious that involvement in controversial events that may damage the company's credibility and reputation in the market, might negatively affect both the financial and market performance and the sustainable growth of the company (Oprean-Stan et al, 2020). Companies are made to respond positively to issues of sustainability, making it clear that sustainable development is an important concept to the future fortunes of nations and individuals (White, 2009; Edwards, 2005). The realization that being socially and environmentally responsible can facilitate long-term growth goals, raise productivity and optimize shareholder value has made sustainability issue a major concern for businesses of all sizes to preserve capital for future generations.

Existing studies on the effect of sustainability reporting on financial performance produced conflicting views which include: (Obiah et al.,2022) showed that there is a negative non-significant relationship between sustainability reporting (economic, social, and environmental) and the performance indices (ROA, ROE, and EPS) of deposit money banks in Nigeria. The results by (Clarissa & Rasmini, 2018) shows that while economic performance disclosure has a major negative impact on financial performance, social and environmental performance disclosure has a positive significant impact while (Nnamani et al., 2017) showed that sustainability

information disclosure led to a decrease in both accounting and market proxies for financial performance.

In the light of those contradictory results obtained from existing literature conducted using Nigerian data, it makes sense to conduct a study on the Effect of Sustainability Reporting on Corporate Financial Performance of Listed Deposit Money Banks in Nigeria.

The following research questions were developed to guide the study:

1. What is the Effect of Environmental Sustainability Reporting on Corporate Financial Performance?
2. What is the Effect of Economic Sustainability Reporting on Corporate Financial Performance?
3. What is the Effect of Social Sustainability Reporting on Corporate Financial Performance?

### **1.3 Objective of the Study**

The objective of this study is to determine the following:

1. The Effect of Environmental Sustainability Reporting on Corporate Financial Performance.
2. The Effect of Economic Sustainability Reporting on Corporate Financial Performance.
3. The Effect of Social Sustainability Reporting on Corporate Financial Performance.

## **1.4 Hypothesis of the Study**

The following null hypotheses were presented to guide this study:

H<sub>01</sub>: Environmental Sustainability reporting has no significant effect on Corporate Financial Performance.

H<sub>02</sub>: Economic Sustainability Reporting has no significant effect on Corporate Financial Performance.

H<sub>03</sub>: Social Sustainability Reporting has no significant effect on Corporate Financial Performance.

## **1.5 Scope of the Study**

This study investigates the Effect of Sustainability Reporting on Corporate Financial Performance of Listed Deposit Money Banks in Nigeria. The independent variables of the study of sustainability reporting are measured as environmental sustainability reporting, economic sustainability reporting and social sustainability reporting while the dependent variable of the study on corporate financial performance is measured as Return on Assets (ROA).

This study focuses on Thirteen (13) listed Deposit Money Banks in the Nigerian Exchange Group (NGX) as at 31<sup>st</sup> December, 2022. The data for statistical analysis covers ten (10) years period from 2013 to 2022.

## **1.6 Significance of the Study**

The study is expected to provide practical knowledge on the possible issues that may arise in companies' performance regarding sustainability reporting. It can serve

as a foundation for policymakers to establish standards for sustainability reporting practices. It will assist companies that do not adopt sustainability reporting to understand the importance of reporting systems and its impact on corporate financial performance.

## **CHAPTER TWO**

### **LITERATURE REVIEW**

#### **2.1 Introduction**

This chapter provides a detailed discussion of the related literature to sustainability reporting practices and the financial performance. The review of the literature is segmented into two sections: theoretical framework and empirical review. The theoretical part establishes the framework of the study and includes all the relevant theories upon which the study is based. The empirical part discusses the studies that have been done on the variables under study. The chapter reviews key concepts and explains how study variables relate to each other through a conceptual framework.

#### **2.2 Conceptual Framework**

##### **2.2.1 Concept of Sustainability Reporting**

The concept of sustainable development began to take shape in opposition to the growing environmental challenges. In the 1992 Rio Earth Summit, the phrase "sustainability" was first used, and it later became known as "sustainable development". The report produced by Brundtland from the World Commission on Development and the Environment (1992) defines sustainable development as meeting present needs while not hampering the ability of coming generations to meet their own.

Sustainability reporting is the process of revealing to the general public and interested parties how a business supports the social, economic, and environmental well-being of its locals. Sustainability seeks to reduce energy and raw material consumption while also preventing waste from being created during every stage of manufacturing (Cigdem & Ebru, 2018).

(Omojolaibi et al., 2019) define reporting on sustainability as the organization's report regarding its economic, environmental, and social success. Although the words " sustainable development reporting," "triple bottom line reporting," and "corporate responsibility reporting "are occasionally used concurrently, they are really increasingly progressively more specified and thus constitute subcategories of reports on sustainability (KPMG, 2008).

(Amahalu et al., 2018), sustainable reporting is a component of finance and accounting that deals with the procedures, systems, and records used to track, evaluate, and report on the financial impacts of social and environmental factors as well as the ecological and social effects of a particular economic system (such as a country, place of production, or business). The three elements of sustainability social, environmental, and economic as well as their interactions and connections are measured, analyzed, and communicated through sustainability reporting.

### **2.2.2 Environmental Sustainability Reporting**

(Putri & Puspawati, 2023), as an impression of in what way businesses apply ethical management principles, how they manage their relationships with the environment, and how they reduce adverse environmental effects.

However, reporting on the environment is the method by which a business informs different stakeholders about the scope of its environmental initiatives. Environmental sustainability reporting is the assessment of how environmental issues impact a company's financial success and initiation of changes to the way in which the firm reveals its environmental issues in its annual or financial report (Amahalu et al., 2016).

The purpose of environmental sustainability reporting is to meet obligations about environmental initiatives made in their operations and to give relevant groups' choices the relevant information (Herrera et al., 2015).

### **2.2.3 Economic Sustainability Reporting**

Economic sustainability reporting is a method used by companies to communicate their investors, stakeholders and the general public through annual financial statement. Sustainability's economic dimension pertains to the influence an organization has on the financial circumstances of its stakeholders as well as on regional, national, and international economic frameworks. The influence an organization has on the economic systems in which it functions is referred to as economic reporting.

Organizations' effects on stakeholders at the local, national, and international levels can be examined to gauge their economic performance (Okudo & Ndubuisi, 2021).

The intangible assets of the company, such its reputation and human capital, can be impacted by its financial success. All of the organization's economic contacts are included in the economic reporting, including intangible components that are typically absent from financial circumstances as well as the conventional financial accounting indications.

According to the (Sustainability Reporting Guide, 2016), economic reporting covers investments in non-core company structures, economic value created, value while providing chain, consequences of climate change, risks, opportunities, and risk management.

#### **2.2.4 Social Sustainability Reporting**

Social sustainability reporting involves managing a company's good and inverse effects on people because stakeholder involvement and interactions are crucial to a business's success.

(Amahalu et al. 2017), social sustainability reporting also refers to businessmen's responsibilities to pursue policies, choose courses of behaviour, or offer choices that are acceptable in the context of the objectives and ideals of our culture.

(The European Commission's, 2011), report that businesses have a social obligation to consider how their actions affect society. Businesses may show their social responsibility by integrating moral, social, environmental, consumer, and rights

for human's issues with their processes and corporate goals, as well as to following regulations. These companies use their annual, integrated, and social reports as well as their corporate websites to tell stakeholders about their SCSR accomplishments, or the social and environmental performance of their businesses.

### **2.2.5 Corporate Financial Performance**

Corporate performance has received significant attention from scholars in the various areas of business and strategic management (Jat, 2006). It has also been the primary concern of business practitioners (managers and entrepreneurs in all types of organizations because corporate performance is essential as exemplified in high performance organizations which are success stories because of their perceived effectiveness and efficiency in managing their operations and their positive contributions to the well-being of their stakeholders. Whereas, low performance organizations are not, owing to their lack of such essential attributes.

Performance is however, a difficult concept, in terms of definition and measurement. It has been defined as the end result of activity, and the appropriate measure selected to assess corporate performance is considered to depend on the type of organization to be evaluated and the objectives to be achieved through that evaluation.

A company's capacity to generate profit or income is gauged by its financial performance (Fatihudin et al., 2018). Additionally, it gauges how stable a business's finances have been throughout time (Naz et al., 2016).

Financial performance examined by (Amahalu & Obi, 2020) as a subjective indicator of how successfully a company generates income through its key business assets. A multitude of metrics may be employed to evaluate financial success. Return on Asset, ROE, and so forth are a few of the key business performance metrics. (Bagh et al., 2017).

The success of a business over a given time period is measured by its financial performance. For the purpose of assisting management in making decisions that are optimal for the company, corporate performance assessments aim to collect information on the efficient use of resources (Putri & Puspawati, 2023).

#### **2.2.5.1 Return on Assets**

The ongoing effort to achieve high performance is to increase assets utilization and reduce loss. This is as a result of pressure from shareholders which is greater now than ever and thus, the funds available for investment that would lead to improvements are often limited. To remain competitive, companies must get more from their assets while keeping costs down (Carlos & Rodrigo, 2010).

Return on assets (ROA) is one example of the classical financial indicators or accounting ratios used by firms to measure performance. This concept has been perceived and applied differently. ROA is an indicator of how profitable a company is, relative to its total assets. It gives an idea as to how efficient management is at using its assets to generate earnings.

(Bambang et al., 2012) defined return on assets, as the measurement of performance, it tells the investor how well a company uses its assets to generate income and that a higher ROA denotes higher level of management performance. ROA can be viewed as the firm's ability to make use of its assets, thus, it is one of the world's easiest calculations of performance aside return on sales and return on equity. Firms with low ROA are less risky than firms with high ROA leading to the profitability premium. Consequently, this study view return on assets as a tool to appraise management effectiveness and efficiency of a firm's assets for generating income, that is, a profitability ratio that expresses net income as a ratio of the assets used to earn the income. The concept return on assets has been used in several researches to reflect financial performance, although measured differently.

In this study, the ratio analysis that will be used is the profitability ratio with the Return on Assets (ROA) as the measurement. Return on Assets is one of the most important ratio analyses, especially by investors, to choose companies to invest. Return on Assets can show the company's ability to generate profits from its operations compared to the total assets owned by the company. High Return on Assets means the company is increasingly effective and efficient in utilizing its assets to generate profits after tax.

(Hanafi & Halim, 2003), Return on Assets is the company's financial ratios related to profitability measuring the company's ability to generate profits or profits at

a certain level of income, assets, and share capital. The calculation of Return on Assets is as follows:

$$ROA = \frac{NET\ INCOME}{TOTAL\ ASSET}$$

Return on Assets was chosen in this study as a reference for a company's financial performance because Return on Assets is the analysis most often used. Investors, managers, and other researchers use Return on Assets to measure the profitability of a company in reflecting financial statements and financial performance. Return on Assets analysis is the most important ratio among other profitability ratios and is an analytical technique commonly used to measure the level of effectiveness of the company's overall operations.

## **2.2.6 Environmental Sustainability Reporting and Corporate Financial Performance**

The decisions made by a company regarding funding, investments, and other matters are influenced by the patterns of behavior and disposition of the people in its operational environment. (Egolum et al., 2019), organisational performance has an impact on the decisions made by businesses as well as the extent to which an organization achieves its objectives and goals through its declared strategies and policies. A company's financial performance is measured by the monetary results of its policies and actions, which are reflected in its profitability (Okafor, 2018).

Relevant requirements for a sustainable development include increased competitiveness, the creation of a knowledge-based economy that prioritizes raising living standards, protecting and enhancing the environment, developing and more effectively using human capital through social promotion, and increasing energetic efficiency and the use of alternative bio-regenerating resources (Samimi et al., 2011).

### **2.2.7 Economic Sustainability Reporting and Corporate Financial Performance**

Companies are expected to be more transparent in how they treat their economic issues, how they handle their operational activities, employee affairs and the host communities. The important thing is to determine effectiveness and efficiency of the management particularly in the utilization of investment made by providers of capital more wealth as return from the operations in monetary term. This can be determined in the firms ROA, ROE, EPS of the organization.

### **2.2.8 Social Sustainability Reporting and Corporate Financial Performance**

One of the most significant issues facing corporate entities today is the social influence of corporations. Sustainability reporting, investing in corporate social responsibility has a significant direct impact on one's reputation and overall financial performance; Indeed, the benefits that come with it exceed the costs. There are a lot of beneficial externalities associated with corporate social responsibility in its pursuit of meeting stakeholder demands are documented in the literature. Meeting the needs of stakeholders, shareholders, staff, suppliers, the community, the environment, and so forth hand holding them accountable for their actions may genuinely improve all

aspects of the business, especially financial performance. Direct financial returns have frequently been associated with well-established reputations.

(Okegbe et al., 2019), proposed that corporate social responsibility inventiveness could give rise to image benefit as enhancements in invested confidence, emerging markets, and favourable perceptions of capital market could improve an organization's financial success. (Aupperle et al., 2015) discovered there was no connection among social responsibility reporting and the financial performance of the organization.

## **2.3 Theoretical Framework**

There are several theories that could be employed to explain the motivation for sustainability reporting. This study is grounded on the concepts of stakeholder theory, legitimacy theory, and political economy theory. It is important to consider relevant theory underpinning the knowledge base of the phenomenon to be researched (Sinclair, 2007).

### **2.3.1 Stakeholder Theory**

Dr. F. Edward Freeman's stakeholder hypothesis, introduced in his 1984 book *"Strategic Management: A Stakeholder Approach,"* revolutionized the way businesses view their roles and responsibilities. Freeman argued that companies should not only focus on maximizing the value of shareholders while taking into account the interests of all parties engaged or impacted by their business practices.

Freeman's stakeholder theory opined that information that a company needs to disclose must be reported to establish and maintain a resilient, trust-based relationship with its stakeholders, ensuring a balanced and enduring connection that benefits both the company and its stakeholders. This theory suggests that for a company to be successful, it's not enough to satisfy the demands of its shareholders. (Freeman, 1984).

The stakeholder theory posits that the organization exists not primarily for itself and its owners but also for the benefit of society. The stakeholder's theory, in this research, posits that organizations engaging in environmental sustainability development practices are doing so, as a way of giving back to society. They are not just concerned about the owners of the organizations (shareholders) but also other stakeholders such as the government and their host community.

### **2.3.2 Legitimacy Theory**

In organization's perspective legitimacy is a condition or status which exists when an entity's system is congruent with the value system of the larger social system of which the entity is a part.

(Deegan, 2000), legitimacy theory suggests that companies constantly seek to validate their operations by adhering to societal norms and regulations. By doing so, they aim to prove their business legitimacy and legality. The premise of this theory is that, there is a mutual agreement between companies and their social context, where society expects certain standards of performance. To be considered socially responsible, companies must meet expectations and respect the rights of the broader

community, including social and environmental rights. This requires companies to voluntarily disclose reports that demonstrate their alignment with stakeholder expectations, ultimately leading to the development of sustainability reporting that showcases their commitment to social and environmental responsibility, (Agustina et al., 2020).

### **2.3.3 Political Economy Theory**

Political economy is defined as the social, political and economic framework within which human life takes place. Political economy theory explicitly recognizes the power conflict that exist within society and the various struggles that occur between various groups within the society.

The perspective embraced in political economy theory is that society, politics and economics are inseparable and economic issues cannot meaningfully be investigated in the absence of considerations about the political, social and institutional framework in which the economic activity takes place.

## **2.4 Empirical Review**

(Tomomewo et al., 2022) further investigated how sustainability disclosures impact the financial performance of the Deposit Money Banks in Nigeria and 11 listed DMBs were judgmentally sampled. The study covered a period of 10 years (2009 - 2018) and the data collected from the financial reports of the sampled banks were analyzed through panel regression analysis. The study found that there are positive and significant effects on dividend per share and profit before tax of deposit

money banks in Nigeria and that among the sustainability variables (economic, social, and environmental), it was only economic reporting that showed significant effects on the financial performance of DMBs as measured by dividend per shares.

(Amahalu et al., 2017) investigated how financial performance of Nigerian listed deposit money banks from 2010 to 2016 are influenced by CSR(CSR). The research design used in the study was ex post facto. The fifteen Nigerian deposit money banks that are mentioned in the study's sample size are included. Using E-View 12.0, the estimation techniques used for this analysis include the feedback effect, Panel regression and Correlation. At the 5% significance level, the research revealed a substantial direct correlation between donations, market-to-book value, ROE and return on asset. The results suggest that deposit money banks in Nigeria stand to gain the most from CSR implementation in terms of future profits. Among other recommendations, it was suggested that deposit money institutions implement CSR practices since they will ensure a safer environment for efficient operations and the maximization of shareholders' value, given the direct and strong relationship between CSR and financial position.

(Ameer & Othman, 2012) examined sustainability practices and corporate financial performance. The sample consisted of the top 100 sustainable global companies in 2008. Test Period: 2006 to 2010. ESG data was drawn from a content analysis of sustainability reports using the downloaded financial data from the Thomson Financials World scope. The study found that companies with higher

sustainability disclosure scores had significantly higher mean sales revenue growth, ROA, PBT, and CFO over the test period from 2006-2010.

(Obiah et al. 2022) examined the effect of sustainability reporting and the financial performance of deposit money banks in Nigeria. The study employed a quasi-experimental research design to establish the relationship that exists between sustainability reporting and financial performance indices (return on assets - ROA, return on equity - ROE, and earnings per share - EPS). A purposeful sampling technique was employed to select five (5) deposit money banks quoted on the Nigerian Stock Exchange. Secondary data, covering the 2012 to 2021 financial years, were extracted from annual reports of the study sectors, using a content analysis method. The data were analyzed using SPSS. Panel Ordinary Least Squares (OLS) regression method was employed in estimating the unknown parameters in the study. The results showed that there is a negative non-significant relationship between sustainability reporting (economic, social, and environmental) and the performance indices (ROA, ROE, and EPS) of deposit money banks in Nigeria.

(Johari, 2019) carried out research to find out how well Malaysian publicly traded companies' performance was affected by sustainability reporting. The principal aim of the study was to investigate the degree to which these listed organizations' performance is enhanced by sustainability reporting. One hundred companies made up the study sample; they were chosen in 2016 on the basis of their robust disclosure policies. The success of the company was measured by the researchers using

dividends per share (DPS), EPS, ROE (ROE), and ROA (ROA). The study used a weighted disclosure index as the independent variable to evaluate sustainability reporting. The study's conclusions showed that the degree of sustainability reporting had a favorable impact on the chosen enterprises' profitability in areas of ROE and ROA. Nevertheless, these companies' DPS and EPS were not significantly impacted by sustainability disclosure.

(Oyedokun & Erinoso, 2022) looked at the connections between listed oil and gas companies in Nigeria and sustaining the environment, income, and sustainability from 2011 to 2020. The study employed an ex-post facto technique and its data collected via the publicly traded energy companies on the Nigerian Stock Exchange as of the end of the end of the fiscal year 2020. A sample of publicly traded oil and gas firms on the Nigerian exchange group was chosen. Environmental sustainability and conservation were utilized to assess environmental accounting disclosure, whereas ROE, profit after tax, and ROA were used to assess financial performance. The data was analyzed using panel data regression. The analysis's conclusion demonstrated that listed oil and gas businesses in Nigeria had a substantial financial impact from environmental sustainability. The study came to the conclusion that in order to increase their operational profitability and future performance, oil and gas producing firms should put their environment first. The findings of this investigation align with those of (Omaliko, 2020) study only looked at three financial performance metrics and concentrated on environmental sustainability disclosure. Furthermore, just oil and

gas firms were examined. This study looked at all of the listed firms in Nigeria with an emphasis on EPS sustainability disclosures. Four (4) financial performance metrics were also evaluated: Tobin's Q, economic value added, ROE, and return on asset.

(Agu & Amedu, 2018) determined the effect of sustainability reporting on the profitability of listed pharmaceutical firms in Nigeria. An ex –post facto research design approach was adopted for the study. The population of this study comprises of all pharmaceutical firms listed on the floor of the Nigeria Stock exchange. Secondary data were obtained from the annual report of the companies of seven (7) sampled firms which covered from 2012 to 2017 financial year. Data were analyzed using the ordinary linear regression. The results showed that there is negative and insignificant relationship between economic disclosure index and ROA whereas both environmental and social disclosure indexes have statistical positive but insignificant relationship with ROA of pharmaceutical firms in Nigeria. The findings further revealed that environmental disclosure index has statistical negative and insignificant relationship to ROE whereas there is positive but insignificant relationship to both economic and social disclosure indexes and ROE of pharmaceutical firms in Nigeria. Finally, the result established also that economic and social disclosure indexes have statistical positive but insignificant relationship with NPM whereas there is negative and insignificant relationship between environmental disclosure index and NPM of pharmaceutical firms in Nigeria. Consequent upon the findings, this study recommends among others that management of the pharmaceutical firms in Nigeria

should maintain comprehensive sustainability disclosures in order to boost its profitability.

(Umar, 2021) carried out an investigation in the country of Nigeria to look assess the connection between traded consumer products companies' financial success and sustainability disclosure. The primary goal was to evaluate how these companies' ROE (ROE) and ROA (ROA) were affected by sustainability reporting. The study sample comprised all 26 consumer goods enterprises in the population, which was selected by census sampling methodologies. The study used a correlational research approach, and data from the companies' financial statements and annual reports were gathered during a ten-year period, from 2009 to 2018. The gathered data was put through post-estimation analyses and diagnostic tests using multiple regression analysis. The study's conclusions showed that financial performance was significantly directly impacted by both social and environmental performances. On the other hand, there was a clear detrimental impact of economic performance on financial performance. These findings about social and environmental performance aligned with those of a prior study conducted by (Nnamani, 2017). The conclusion of economic success, however, ran counter to Nnamani (2017)'s findings. Only two financial performance indicators ROA and ROE were examined in this study, which concentrated on a single industry consumer goods companies.

(Asuquo et al., 2018) examined the effect of sustainability reporting on corporate performance of selected quoted brewery companies in Nigeria. To determine the

association between sustainability reporting and corporate performance, data was obtained from the audited financial statements of the three brewery companies' understudy for a period of five years (2012-2016). The result of the study shows that Economic Performance disclosure (ECN), Environmental Performance disclosure (ENV), and Social Performance disclosure (SOC) have no significant effect on the return on asset (ROA) of selected quoted companies in Nigeria.

## **CHAPTER THREE**

### **RESEARCH METHODOLOGY**

#### **3.1 Introduction**

This chapter is about the approach that was used to conduct the research. It explains the research design that was chosen, the plan for analyzing data, definition of variables, and measurement variables alongside the ethical guidelines that were rigorously applied throughout the research process to guarantee the integrity of the study.

The term research methodology represents the comprehensive strategy used to plan and execute a study, built on a solid theoretical foundation that guides data collection and analysis. In this study, the methodology encompasses the overall approach, theoretical underpinnings, and design used to conduct the research. To investigate the relationships between variables, panel regression analysis was utilized, and the results were presented in tabular format.

#### **3.2 Research Design**

*Ex-post facto* research design was adopted in this study. The *ex-post facto* research design is the type of research involving events that have already taken place (Onwumere, 2009).

A research design is a comprehensive plan that outlines the approach and procedures for collecting, evaluating, and analyzing data to address research questions. (Sekaran & Bougie, 2016) states that research design is a systematic plan

or framework developed to collect, assess, and interpret data, with the ultimate goal of addressing and resolving research questions. This overarching strategy encompasses the fundamental concepts, assumptions, and specific techniques for data collection and analysis.

### **3.3 Population of the Study**

A population can be defined as a generalization area consisting of objects or subjects that have certain qualities and characteristics that is determined by researchers to be studied and then conclusion drawn. The population of the study is concentrated on all the Thirteen (13) Deposit Money Banks listed on the Nigerian Exchange Group from 2013-2022.

### **3.4 Sample Size and Sampling Technique**

A purposive sampling technique has been employed in selecting five (5) deposit money banks for this study. Purposive sampling technique is used for the study. The technique enhances selection of deposit money banks that disclosed sustainability related information. This selection is based on the nature in which companies pollute the environment, the nature of production, types of raw materials used as well as their disposal of wastes and most importantly availability of the annual reports on the web over the period of the study.

### **3.5 Sources and Method of Data Collection**

Secondary data is the main source of data for the study. Secondary data sources are company records or documentation, publications, industry analysis by media,

websites, internet, and others. Data were sourced from banks that had complete data in the financial statement for the ten (10) year period from 2013 - 2022, banks whose stocks are actively traded on the floor of the Nigeria Exchange Group for the study period, banks that consistently filed their annual report for the study period, banks that have embraced Sustainability Reporting in line with global best practices and have integrating sustainability information in their annual reports. The other relevant data for this study is collected from various books, journals, magazines, and websites.

### **3.6 Method of Data Analysis**

Descriptive and inferential statistical method was used to analyze the data in the study. The descriptive statistics such as one sample T-test, tabulation and percentages will be used in summarizing the information as well as their perceptions on the status of sustainability reporting. Unit Root Test and Regression technique were adopted as inferential statistics, to determine whether a relationship exists between the sustainability reporting and financial performance. The qualitative data for the independent variable were sourced via content analysis procedure using the sustainable practices checklist of the GRI (Global Reporting Initiative). The statistical technique employed in analyzing the data is the Panel regression analysis.

### **3.7 Model Specification**

The models below will be used to specify the relationship between parameters in this empirical analysis:

$$ROA = \alpha_0 + \alpha_1 ENVSR_{it} + \alpha_2 ECOSR_{it} + \alpha_3 SOCSR_{it} + \epsilon_{it}$$

Where:

$\alpha_0$	=	Intercept
$\alpha_1 \alpha_2 \alpha_3$	=	Coefficients of the explanatory variables
ROA	=	Return on Assets
ENVSR	=	Environmental Sustainability Reporting
ECOSR	=	Economic Sustainability Reporting
SOCSR	=	Social Sustainability Reporting
$\varepsilon$	=	Error term
$i_t$	=	Firms in period

### **3.8 Variable Operationalization**

The level of abstraction must be reduced by describing it in the form of observable behavior or characteristics. The operationalization of variables is used to reduce the level of abstraction. Variables are anything that can provide variations in value. Values can vary for the same object or person at different times or for different people at the same time. Variables can be described as characteristics found in individuals or objects that show differences (variations) in the value or condition of the property. Operational variables are carried out by determining the type, indicator, and measurement scale of each variable related to the research intended. It is carried out so that the hypothesis testing conducted using statistical tools can be done correctly. The variables in this study are grouped into two types, namely:

### **3.8.1 Dependent Variable**

The dependent variable is the researcher's primary focus, measured or observed in an experiment. In this study, the dependent variable is the firm's performance, measured by ROA, which is affected by the independent variable. In the extant literature, numerous studies have employed ROA as a dependent variable to investigate various aspects of firm performance. For instance, a study by (Attah-Botchwey et al., 2022) and, (Chen & Ittner, 2015) investigated sustainability practices and firm performance, with ROA as dependent variable. (Mansi and Reeb, 2015) explored board independence and firm performance, using ROA as the dependent variable. Therefore, ROA is appropriate for this study as a dependent variable.

### **3.8.2 Independent Variable**

The independent variable is the factor being manipulated or changed to observe its effect on the dependent variable. The independent variable exerts a considerable impact on the dependent variable, with a corresponding relationship between the two. The independent variable is the cause, and the dependent variable is the effect. The variables that were used to explain the variation in the dependent variable were represented by sustainability reporting, including Environmental Sustainability Reporting (ENVSR), Economic Sustainability Reporting (ECOSR), and Social Sustainability Reporting (SOCSR). This is in support of prior research studies that have employed similar variables to investigate the effect on financial performance. It demonstrate the validity and reliability of using environmental, economic, and social

sustainability reporting as independent variables to investigate their effect on financial performance.

**Table 3.1: Measurement of Dependent and Independent Variables**

<b>Variables</b>	<b>Proxies</b>	<b>Measurement</b>	<b>Apriori Expectation</b>
<b>Dependent Variable</b>			
Corporate Financial Performance	ROA	Represents the firm's Return on Assets at time <i>i</i> in year <i>t</i> , measured by the ratio of net income to total asset value.	
<b>Independent Variables</b>			
Environmental Sustainability Reporting	ENVSR	Represent the Environmental sustainability reporting at time <i>i</i> in year <i>t</i> as per GRI guidelines.	Positive
Economic Sustainability Reporting	ECOSR	Represent the Economic sustainability reporting at time <i>i</i> in year <i>t</i> as per GRI guidelines.	Positive
Social Sustainability Reporting	SOCSR	Represent the social sustainability reporting at time <i>i</i> in year <i>t</i> as per GRI guidelines.	Positive

## CHAPTER FOUR

### RESULTS AND DISCUSSION

#### 4.1 Introduction

In this chapter, the results of this study were analyzed and discussed in relation to the research objectives. This chapter covers the Descriptive Statistics, Unit Root Test, Regression Analysis and Discussion of Findings.

#### 4.2 Descriptive Statistics

Descriptive statistics show the nature of each of the variables of the study.

**Table 4.1: Descriptive Statistics**

<b>Variable</b>	<b>Mean</b>	<b>Std Dev</b>	<b>Min</b>	<b>Max</b>
<b>ROA</b>	0.171316	1.045368	0.002314	7.414868
<b>ENVSR</b>	996.0613	6677.952	0.000000	47250.00
<b>ECOSR</b>	21054.55	12187.01	1093.000	60739.00
<b>SOCSR</b>	1147.420	1220.018	0.000000	5104.000

**Source:** E-views Version 10.0

Table 4.1 shows the descriptive statistics of the study variables. The mean value of the ROA variable is 0.171316 indicating that the average ROA of the sampled banks is about 17.13%. It shows the standard deviation of ROA across the banks is 1.045368. This indicates a high variability around the mean. It implies that most of the banks are within the industry average in disclosing sustainability issues. The table also shows that the minimum and maximum ROA are 0.002314 and 7.414868 percent respectively, implying a very wide range between the mean values.

The mean value of Environmental Sustainability Reporting (ENVSR) is 996.0613, while the standard deviation is 6677.952 representing the average variability of environmental sustainability reporting among the sampled banks within the period covered by the study. This implies that the reported Environmental Sustainability Reporting (ENVSR) among the banks is widely spread. Some banks tend to record relatively higher environmental sustainability reporting than others. The minimum and the maximum as shown by the tables are 0.000000 and 47250.00.

The mean for Economic Sustainability Reporting (ECOSR) as indicated by Table 4.1 is 21054.55. The standard deviation is 12187.01 indicating a high variability among the variables. This means that most of the banks are not within the same range in terms of their Economic Sustainability Reporting (ECOSR). This is because not all banks comply with sustainability reporting. The minimum and the maximum are 1093.000 and 60739.00 respectively. This indicates a very high range in economic sustainability reporting reported by the banks.

Furthermore, Table 4.1 shows that the mean for Social Sustainability Reporting (SOCSR) is 1147.420 indicating the average Social Sustainability Reporting (SOCSR) across the sampled banks and the standard deviation is 1220.018. This is an indication of high variations in the mean. This means that there is a very high variation in the Social Sustainability Reporting status of the sampled banks. The minimum and maximum are 0.000000 and 5104.000 respectively. This is an indication of a very wide range in the sampled banks' sustainability reporting.

### 4.3 Unit Root Test

Before proceeding to the regression analysis, it is imperative to conduct predestination tests. Table 4.2 which presents the summarized panel unit root test through all parameters, revealed the stationarity of the variables under study.

**Table 4.2: Unit Root Test**

Variable	LL & C	Im, Pesaran And Shin W-Stat	ADF Fishers	PP Fishers	Order Of Integration	Decisions
LogROA	0.0225	0.2631	0.1866	0.5668	I(0)	Non-Stationary
DLogROA	0.0001	0.0146	0.0031	0.0000	I(1)	Stationary
LogENVSR	0.0144	0.4410	0.4893	0.3914	I(0)	Non-Stationary
DLogENVSR	0.0000	0.0018	0.0011	0.0000	I(1)	Stationary
LogECOSR	0.0001	0.1086	0.0585	0.0607	I(0)	Non-Stationary
DLogECOSR	0.0000	0.0365	0.0585	0.0087	I(1)	Stationary
LogSOCSR	1.0000	0.9953	0.2539	0.0297	I(0)	Non-Stationary
DLogSOCSR	0.0000	0.0011	0.0009	0.0085	I(1)	Stationary

**Source:** E-views Version 10.0

The above unit root test results in Table 4.2 showed all variables of interest are stationary at I (1) which means that the variables are stationary after the first difference. When variables are not stationary, it means that they can drift apart in the long run and the regression results obtained can be spurious or nonsensical. Based on the stationarity result, the research hypotheses are analyzed using the Panel Ordinary Lease Square Method.

#### 4.4 Regression Analysis

The study employed Panel Ordinary Least Square regression analysis using the fixed effect model to explore the Effect of Sustainability Reporting on Corporate Financial Performance proxied by Return on Asset (ROA) of listed Deposit Money Banks in Nigeria.

Table 4.3 shows the baseline estimation result in which Environmental Sustainability Reporting, Economic Sustainability Reporting, and Social Sustainability Reporting are regressed on the Return on Assets of listed Deposit Money Banks in Nigeria.

**Table 4.3: Regression Analysis**

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	-1.962828	1.198999	-1.637056	0.1200
LogENVSR	0.018279	0.026811	0.681777	0.5046
LogECOSR	-0.027264	0.139509	-0.195429	0.8474
LogSOCSR	-0.214266	0.063273	-3.386355	0.0035
R-squared		0.872454		
Adjusted R-squared		0.819935		
Prob(F-statistic)		0.000002		

**Source:** E-views Version 10.0

Table 4.3 above, Environmental Sustainability Reporting (ENVSR) has a positive coefficient value of 0.018279. This shows that Environmental Sustainability Reporting (ENVSR) has a positive effect on Return on Asset (ROA). This means that an increase in Environmental Sustainability Reporting (ENVSR) will lead to an increase in the Return on Asset (ROA) of listed Deposit Money Banks in Nigeria. The P-value of 0.5046 however shows that Environmental Sustainability Reporting

(ENVSR) has no significant effect on Return on Asset (ROA). The null hypothesis is therefore accepted. The study concludes that Environmental Sustainability Reporting has a positive but insignificant effect on corporate financial performance.

The regression result shows the coefficient value for Economic Sustainability Reporting (ECOSR) is -0.027264. This shows that Economic Sustainability Reporting (ECOSR) hurts corporate financial performance. This means that an increase in Economic Sustainability Reporting will lead to a decrease in Return on Assets (ROA). The P-value of Economic Sustainability Reporting (ECOSR) is 0.8474 which shows that Economic Sustainability Reporting (ECOSR) has no significant effect on the Return on Assets (ROA) of listed Deposit Money Banks in Nigeria. The null hypothesis is therefore accepted. The study, therefore, shows that economic sustainability reporting has a negative insignificant effect on corporate financial performance.

The above result shows that Social Sustainability Reporting (SOCSR) has a negative coefficient value of -0.214266. This shows that Social Sustainability Reporting hurts Return on Assets (ROA). This implies that a 1% increase in Social Sustainability Reporting (SOCSR) will lead to a 21.4% decrease in the Return on Asset (ROA) of the listed Deposit Money Banks in Nigeria. The result further shows that Social Sustainability Reporting (SOCSR) has a significant effect on Return on Assets (ROA) having a P-value of 0.0035. This reveals that the null hypothesis should be rejected. We, therefore, conclude that Social Sustainability Reporting

(SOCSR) has a negative but significant effect on the Return on Assets (ROA) of listed Deposit Money Banks in Nigeria.

The coefficient of multiple determination also known as R-squared was valued at 87.24 % which after further adjustments stood at 82% implies that 82% of the behavior of the dependent variable can be accounted for by the independent variables while the remaining 18% can be accounted for by the white noise or error term while after further adjustments have been made. Also, the test for the overall significance of the model as indicated by the probability value attached to the F-Statistics at 0.000002 implies that the whole model is significant and viable.

#### **4.5 Discussion of Findings**

The study shows that Environmental Sustainability Reporting has a positive but insignificant effect on the Return on Assets of listed deposit money banks in Nigeria. This finding is in agreement with that of Ismail et al. (2021). The results from the study show that Economic Sustainability Reporting has a negative insignificant effect on the Return on Assets of deposit money banks in Nigeria. The study further shows that Social Sustainability Reporting has a negative significant effect on the Return on Assets of listed deposit money banks in Nigeria. This result agrees with that of Amahalu and Obiah (2022) who examined the effect of sustainability reporting (economic, social, and environmental) and financial performance of deposit money banks in Nigeria. The results showed that there is a

negative non-significant relationship between sustainability reporting and the performance indices (ROA, ROE, and EPS) of deposit money banks in Nigeria.

## CHAPTER FIVE

### SUMMARY OF FINDINGS, CONCLUSION AND RECOMMENDATION

#### 5.1 Summary of Findings

Sustainability reporting is a voluntary action that involve disclosing the effect of a firms environmental, economic and social activities for the benefit of stakeholders and to enhance the relationship with the immediate community. This study was conducted to investigate the Effect of Sustainability Reporting on Corporate Financial Performance. The study was divided into five chapters. The first chapter discussed the background issues, which led to developing three objectives and formulating three hypotheses for the research with a scope covering ten (10) years, from 2013 to 2022. The review of conceptual framework and empirical review on Sustainability Reporting and Corporate Financial Performance was carried out. Also, the Concept of Corporate Financial Performance was discussed as well as the review of the relationship between each of the proxies of the independent variables and the dependent variable. The theoretical framework that underpinned the study was also discussed.

Data was collected from secondary source through the annual reports and accounts of 5 sampled banks out of a population of 13 listed Deposit Money banks in Nigerian Stock Exchange as at the year 2022 and that have complete financial records either on their website or in the office of the Nigerian Stock Exchange. Multiple regressions was used to test the three hypotheses formulated by the study. The result

of the descriptive statistics, unit root test and regression analysis were presented, analyzed and discussed in chapter four.

The findings reveal the following:

- i. Environmental sustainability reporting has a positive but insignificant effect on the corporate financial performance.
- ii. Economic sustainability reporting has a negative insignificant effect on the corporate financial performance.
- iii. Social sustainability reporting has a negative but significant effect on the corporate financial performance.

The findings suggest that certain reports may have a more pronounced effect on specific financial performance metrics, emphasizing the need for a nuanced understanding when assessing the relationships between sustainability practices and financial outcomes in the Nigerian banking sector.

## **5.2 Conclusion**

The aim of the paper is to find out the Effect of Sustainability Reporting on Corporate Financial Performance in Deposit Money banks in Nigeria. The practice of sustainability reporting allows companies to make information accessible to their sustainable performance with the general public and other stakeholders. The results show an insignificant positive association between Sustainability Reporting on corporate financial performance of Deposit Money banks firms in Nigeria represented by Return on Asset. The negative relationship shows an ineffective sustainability

reporting. This led to the conclusion that the possibility of a banks to engage in sustainability reporting as it is the function of its corporate financial performance may not be effective for its operation in terms of it Financials. In other words, well blended sustainability reporting does not enhance the degree of financial performance of Deposit Money Banks in Nigeria.

### **5.3 Recommendation**

The following are recommended in line with findings of the study:

- i. DMBs should make it as part of their company policies to disclose more environmental matters of their operations by mandatorily localizing environmental reporting frameworks in line with international best practices enshrined on the issue of sustainability reporting.
- ii. This study recommends that DMBs to disclose economic information as this will increase their financial performance. It can be achieved by including sustainability reports about the economy in their annual reports thereby enhancing their performance.
- iii. This will ultimately lead to financial performance in the long run, in reporting social sustainability reporting.

## REFERENCES

- Agustina, L., Jati, K.W. & Suryandari, D. (2020). The Effect of Sustainability Report Disclosure on Financial Performance, (*Unicees 2018*), pp. 1050–1055. <https://doi.org/10.5220/0009502610501055>.
- Amahalu, N. N., Okoye, P. V. C, & Obi, J. C. (2018). Effect of Sustainability Reporting on Economic Value Added of Quoted Brewery Firms in Nigeria. *Journal of Accounting, Jos*, 7 (1):1-20.
- Amahalu, N. N., & Obi, J. C. (2020). Effect of Audit Quality on Financial Performance of Quoted Conglomerates in Nigeria. *International Journal of Management Studies and Social Science Research*, 2(4), 87-98.
- Amahalu, N. N., Abiahu, M-Fidelis, Okika E. C., & Obi, J. C. (2016). Determinants of Capital Structure: Empirical Evidence from Quoted Electrical and Electronic Firms in Nigeria (2010-2015). *Managing diversification for sustainable development in sub-saharan Africa, Faculty of Management Sciences, 2016 International Conference*, 8-10, November, 2016.
- Amahalu, N. N., Ezechukwu, B. O., & Obi, J. C. (2017). Corporate Social Responsibility and Financial Performance of Quoted Deposit Money Banks in Nigeria. *Asian Journal of Science and Technology*, 8(12), 7183- 7191.
- Ameer, R., & Othman, R. (2012). Sustainability Practices and Corporate Financial Performance: A Study Based on the Top Global Corporations. *Journal of Business Ethics*, 108(1), 61-79.
- Asuquo, A.I., Dada, E.T., & Onyeogaziri, U.R, (2018). The Effect of Sustainability Reporting on Corporate Performance of Selected Quoted Brewery Companies in Nigeria. *International Journal of Business and Law Research*, 6(3), 1-10.
- Attah-Botchwey, E., Soku, M. G., & Awadzie, D. M. (2022). Sustainability Reporting and the Financial Performance of Banks in Africa. 11, 43 57. <https://doi.org/10.17261/Pressacademia.2022.1551>.
- Aupperle, K. E. Caroll, A. B. & Hatfield, J. B. (2015). An empirical examination of the relationship between CSR and profitability. *Academy of Management Journal*, 28(2), 446- 463.

- Bagh, T., Khan, M. A., Azad, T., Saddique, S., & Khan, M. A. (2017). The CSR and Firms' Financial Performance: Evidence from Financial Sector of Pakistan. *International Journal of Economics and Financial Issues*, 7(2), 301-308.
- Bambang, S., Elen, P. and Andi, K. (2012). The Company's Policy, Firm Performance, and Firm Value: An Empirical Research on Indonesia Stock Exchange. *American International Journal of Contemporary Research*, 2(12):30-40.
- Carlos, G. and Rodrigo, L. (2010). Declarations for Sustainability in Higher Education: Becoming better Leaders, through Addressing the University System. *Journal of Cleaner Production*, 48(1):22-30.
- Chen, S., & Ittner, C. D. (2015). Sustainability Reporting and Firm Performance: Evidence from the S&P 500. *Journal of Accounting and Public Policy*, 34(4), 421-441.
- Cigdem, S., & Ebru, S. (2018). Corporate Sustainability Performance Measurement: An Application on Home Appliance Firm. *DEU Journal of GSSS*, 20(3), 461-484.
- Deegan. (2002). The Legitimizing Effect of Social and Environmental Disclosures - A Theoretical Foundation. *Accounting, Auditing & Accountability Journal*, 15(3), 282-311. <https://doi.org/10.1108/09513570210435852>.
- Edwards, R.A. (2005). *The Sustainability Revolution: Portrait of a Paradigm Shift*, Canada: *New Society Publishers*.
- Egolum, P. U., Amahalu, N. N., & Obi, J. C. (2019). Effect of Firm Characteristics on Environmental Performance of Quoted Industrial Goods Firms in Nigeria. *International Journal of Research in Business, Economics and Management* 3(6), 1-13.
- European Commission (2011). Corporate Social Responsibility (CSR). Available online: <http://ec.europa.eu/growth/industry/corporate-social-responsibility>.
- Ezeagba, C. E., John-Akamelu, C. R., & Umeoduagu, C. (2017). Environmental Accounting Disclosures and Financial Performance. *International Journal of Academic Research in Business and Social Science*, 7(9), 162-174.
- Fatihudin, D., Jusni, W., & Mochklas, M. (2018). Measuring Financial Performance. *International Journal of Civil Engineering and Technology*, 9(6), 553-557.
- Freeman, R. E. (1984). *Strategic Management: A Stakeholder Approach*. Boston, MA: Pitman.

- Hanafi, M. and Abdul Halim. (2003). *Financial State Analysis*. Revised Edition. *Yogyakarta: UPP AMP YKPN*.
- Herrera, M. J., Larrán, J. M., Martínez, C. I., & Martínez-Martínez, D. (2015). Relationship between CSR and Competitive Performance in Spanish SMEs: Empirical Evidence from a Stakeholders' Perspective. *Business Research Quarterly*, *19(1)*, 55-72.
- Ibrahim, R., Ibrahim, Y. K., & Hussain, M. S. (2023). Environmental Reporting and Financial Performance of Listed Industrial and Consumer Goods Firms in Nigeria. *FUDMA Journal of Accounting and Finance Research [FUJAFR]*, *1(2)*, 123–140. <https://doi.org/10.33003/fujafr-2023.v1i2.41.123-140>.
- Ismail, A., Anwarul, K. M., & Shariful. H. (2021). Sustainability Reporting and Financial Performance of Listed Industrial Goods Sector in Nigeria. *International Journal of Accounting and Finance Review*, *1(9)*, 46-56.
- Jat, R. B. (2006). The Impact of Market Structure on Corporate Performance in Nigeria: A Study of the Banking Industry: *Journal of Business Management* *1(1)*.
- Johari, J. (2019). Sustainability Reporting and Firm Performance: Evidence in Malaysia. *International Journal of Accounting*, *4(17)*, 32-45.
- KPMG (2008). *Sustainability Reporting: A Guide*, Retrieved from [www.kpmg.com](http://www.kpmg.com).
- Liu, N., Liu, C., Guo, Q., Da, B., Guan, L., & Chen, H. (2020). Corporate Social Responsibility and Financial Performance: A Quantile Regression Approach. *Sustainability*, *11(7)*, 1-22.
- Mansi, S. A., & Reeb, D. M. (2015). Board Independence and Firm Performance: Evidence from the S&P 500. *Journal of Corporate Finance*, *35*, 201- 215.
- Naz, F., Ijaz, F., & Naqvi, F. (2016). Financial Performance of Firms: Evidence from Pakistan Cement Industry. *Journal of Teaching and Education*, *5(01)*, 81-94.
- Nnamani, J. N., Onyekwelu, U. L., & Ugwu, O.K. (2017). Effect of Sustainability Accounting and Reporting on Financial Performance of Companies in Nigeria Brewery Sector, *European Journal of Business and Innovation Research*, *5(1)*, 1-15.
- Obiah, M. E, Apkelu, A., Igben, H., & Nwankpa, I. R. (2022). Sustainability Reporting and Financial Performance of Deposit money Banks in Nigeria. *The Journal of Business Development and Management*, *7(26)*, 211-228.

- Okafor, T. G. (2018). Environmental Costs Accounting and Reporting on Firm Financial Performance: A Survey of Quoted Nigerian Oil Companies. *International Journal of Finance and Accounting*, 7(1), 1-6.
- Okegbe, T. O., Eneh, O. M., & Amahalu, N. N. (2019). Effect of Firm Characteristics on Capital Structure of Deposit Money Banks Listed on Nigeria Stock Exchange. *International Journal of Academic Research in Accounting, Finance and Management Sciences*, 9(2), 198-210.
- Okudo, A. G., & Ndubuisi, A. N. (2021). Corporate Governance and Carbon Disclosure Practices of Quoted Manufacturing Firms in Nigeria. *International Journal of Contemporary Research and Review*, 12 (07), 20409.
- Omaliko, E., Nweze, A., & Nwandialor, E. (2020). Effect of Social and Environmental Disclosures on Performance of Non-financial Firms in Nigeria. *Journal of Accounting and Management*, 2(2), 23-30.
- Omojolaibi, J.A., Okudo, A.G., & Shojobi, D.A.. (2019). Are Women Financially excluded from Formal Financial Services? Analysis of some Selected Local Government Areas in Lagos State, Nigeria. *Journal of Economic and Social Thought*, 6(1), 16-47.
- Onwumere, J. U. J. (2009). *Business and Economic Research Methods*, Enugu; Vougasen Limited.
- Oprean-Stan, C., Oncioiu, I., Iuga, I. C., & Stan, S. (2020). Impact of Sustainability Reporting and Inadequate Management of ESG Factors on Corporate Performance and Sustainable Growth. *Sustainability*, 12(20), 8536. MDPI AG.
- Orshi, T. S., Yunusa, A., & Okpe, J. U. (2023). Value Relevance of GRI Economic and Ethics/Integrity Disclosure among Listed Manufacturing Firms in Nigeria: The Role of Ownership Concentration. *FUDMA Journal of Accounting and Finance Research [FUJAFR]*, 1(1), 96-113. <https://doi.org/10.33003/fujaf-2023.v1i1.1.96-113>.
- Oyedokun, G. E., & Erinoso, O. M. (2022). Environmental Conservation, Sustainability and Financial Performance of Listed Oil and Gas Companies in Nigeria. *International Journal of Research and Innovation in Social Science*, 6(8), 582-590.

- Putri, C. M., & Puspawati, D. (2023). The Influence of ESG Disclosure, Company Size, and Leverage on Company's Financial Performance in Indonesia. *The International Journal of Business Management and Technology*, 7(2), 252-262.
- Razaq, A. G., Alhassan, A., & Ame, J. (2023). Effect of Corporate Attributes on Sustainability Reporting of Listed Non-financial Firms in Nigeria. *FUDMA Journal of Accounting and Finance Research [FUJAFR]*, 1(2), 156–170. <https://doi.org/10.33003/fujaf-2023.v1i2.46.156-170>.
- Samimi, A. J., Kashefi, A., Salatin, P., & Lashkarizadeh, M. (2011). Environmental Performance and HDI: Evidence from Countries around the World. *Middle-East Journal of Scientific Research*, 10(3), 294-301.
- Sekaran, U. & Bougie, R. (2016). *Research Methods for Business: A Skill Building Approach Seventh Edition*, New York; John Willey & Sons.
- Sinclair, M. (2007). Editorial: A Guide to Understanding Theoretical and Conceptual Frameworks. *Evidence Based Midwifery* 5(2).
- Sustainability Reporting Guide (2016). *Sustainability Reporting Guide*.
- Tackie, G., Agyenim-Boateng, C., & Arthur, C. L. (2017). An Examination of Environmental Accounting and Reporting Practices of Large-scale Mining Companies in Ghana. *Adrri Journal of Arts and Social Sciences Adrri Journals (www.Adrri.Org) ISSN*, 15(2), 2343-6891. [www.adrri.org](http://www.adrri.org)
- Tomomewo, A. O., Rojuginboka, A. O., Adegbe, F. F., & Ajibade, A. T. (2022). Sustainability Reporting and Financial Performance of Deposit Money Banks Listed on the Nigerian Stock Exchange. *Academy of Accounting and Financial Studies Journal*, 26(4), 1-17.
- Umar, M. M, Mustapha, L. O., & Yahaya, O. A. (2021). Sustainability Reporting and Financial Performance of Listed Consumer Goods Firms in Nigeria. *Journal of Advance Research in Business Management and Accounting*, 7(3), 21-32.
- Uwaoma, I., & Ordu, P. A. (2016). Environmental Reporting in the Oil and Gas Industry in Nigeria. *International Journal of Research in Business Studies and Management*, 3(11), 1-21.
- White, G. B. (2009). *Sustainability Reporting: Managing for Wealth and Corporate Health*, New York: Business Expert Press LLC.

## APPENDIX

### Data Computation

	<b>YEAR</b>	<b>ROA</b>	<b>ENVSR</b>	<b>ECOSR</b>	<b>SOCSR</b>
Access Bank	2013	0.285015	178.8064	9334.409	820.2443
	2014	0.081659	900.875	41674.9	59.90812
	2015	0.105684	305.1711	13411.71	1035.457
	2016	0.084346	1271.064	38699.44	1295.724
	2017	0.065214	1678.84	13975.09	815.5999
	2018	0.350552	259.4021	34435.37	1987.104
	2019	0.003179	137.3372	28629.48	1234.808
	2020	0.313892	1422.892	7515.645	210.5677
	2021	0.212745	772.8827	18376.86	2082.403
	2022	0.152704	586.6017	28265.47	147.2146
Union Bank	2013	0.245478	1586.232	28116.82	1244.443
	2014	0.018747	452.2722	13847.12	1537.267
	2015	0.340733	1368.618	30607.56	2221.123
	2016	0.034854	1201.605	25699.97	512.6537
	2017	0.130808	1176.91	10628.99	1086.93
	2018	0.265836	699.3524	186.3851	2290.254
	2019	0.262436	1403.123	19152.54	574.1418
	2020	0.270022	589.9598	14924.69	1554.967
	2021	0.228492	670.0512	31183.6	1055.716
	2022	0.035278	1589.512	7002.9	1551.653
Zenith Bank	2013	0.18647	407.3403	20092.7	106.6281
	2014	0.323542	198.6327	11219.8	54.17436
	2015	0.198841	199.2965	10871.09	1924.775
	2016	0.116134	1303.508	27462.82	1051.45
	2017	0.093951	1074.694	30859	1528.258
	2018	0.263898	1233.156	41035.58	1642.916
	2019	0.053645	490.9644	37799.09	1089.153
	2020	0.273971	1664.6	7445.066	1963.548
	2021	0.238319	1715.757	24263.65	1549.149
	2022	0.021649	322.4428	22418.85	628.2925

Wema Bank	2013	0.009774	241.4111	20965.77	2080.886
	2014	0.11734	1414.175	11453.69	1410.649
	2015	0.183279	976.9432	27274.45	348.9577
	2016	0.043981	709.7081	4268.239	303.9174
	2017	0.044853	1520.792	13544.91	450.7308
	2018	0.247055	1196.642	34871.17	1474.859
	2019	0.127653	435.1137	37187.25	1047.688
	2020	0.234649	1680.161	40228.97	1778.807
	2021	0.24715	946.0583	33066.43	518.0491
	2022	0.161902	598.9918	33453.13	1960.887
Fidelity Bank	2013	0.150151	1436.688	5740.134	122.3683
	2014	0.34349	405.6638	15541.55	235.4179
	2015	0.176691	2028.615	7173.366	2444.109
	2016	0.216128	1801.154	15397.56	739.3399
	2017	0.308303	1470.657	3603.189	2048.134
	2018	0.088045	767.7279	19273	1697.706
	2019	0.016284	1529.129	13335.43	1770.986
	2020	0.154585	531.589	40599.02	70.41189
	2021	0.290509	1264.634	25751.27	785.5142
	2022	0.145887	1985.314	862.3744	1225.06

### Descriptive Statistics

Variable	Mean	Std Dev	Min	Max
<b>ROA</b>	0.171316	1.045368	0.002314	7.414868
<b>ENVSR</b>	996.0613	6677.952	0.000000	47250.00
<b>ECOSR</b>	21054.55	12187.01	1093.000	60739.00
<b>SOCSR</b>	1147.420	1220.018	0.000000	5104.000

### Unit Root Test

Variable	LL & C	Im, Pesaran And Shin W-Stat	ADF Fishers	PP Fishers	Order Of Integration	Decisions
LogROA	0.0225	0.2631	0.1866	0.5668	I(0)	Non-Stationary
DLogROA	0.0001	0.0146	0.0031	0.0000	I(1)	Stationary
LogENVSR	0.0144	0.4410	0.4893	0.3914	I(0)	Non-Stationary
DLogENVSR	0.0000	0.0018	0.0011	0.0000	I(1)	Stationary
LogECOSR	0.0001	0.1086	0.0585	0.0607	I(0)	Non-Stationary
DLogECOSR	0.0000	0.0365	0.0585	0.0087	I(1)	Stationary
LogSOCSR	1.0000	0.9953	0.2539	0.0297	I(0)	Non-Stationary
DLogSOCSR	0.0000	0.0011	0.0009	0.0085	I(1)	Stationary

### Regression Analysis

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	-1.962828	1.198999	-1.637056	0.1200
LogENVSR	0.018279	0.026811	0.681777	0.5046
LogECOSR	-0.027264	0.139509	-0.195429	0.8474
LogSOCSR	-0.214266	0.063273	-3.386355	0.0035
R-squared		0.872454		
Adjusted R-squared		0.819935		
Prob(F-statistic)		0.000002		