



Sustainability Reporting and Corporate Performance of Publicly Listed Commercial Banks in Nigeria

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Abstract

This study investigated the effect of sustainability reporting on corporate performance of publicly listed commercial banks in Nigeria using ex-post facto research design. The study examined how environmental, social, and governance disclosures affect financial performance (return on assets). The study used secondary data, utilizing information from audited annual and sustainability reports of the publicly listed commercial banks on the Nigerian Exchange Group. The study population comprised all publicly listed commercial banks on the Nigerian Exchange Group and the sample comprised publicly listed banks that had consistently published sustainability reports between 2019-2024. Data were analyzed via descriptive, diagnostic and inferential tools. The inferential statistical results revealed among others, significant positive effect of sustainability disclosures (governance, social and environmental) on corporate performance of the publicly listed commercial banks in Nigeria. Thus, the study concludes that sustainability reporting is a strategic driver of corporate performance and competitiveness in the Nigerian banking sector, although its effectiveness largely depends on disclosure quality, consistency, and transparency. On the basis of the finding, the study recommends that regulatory frameworks should be strengthened to standardize sustainability reporting, by ensuring compliance with global and national guidelines such as the global reporting initiative. In addition, there is need for capacity-building programs needed to be organized to train Nigerian commercial banks in effective disclosing sustainability issues in their financial statements.

Keywords: Sustainability reporting; Commercial banks; Financial performance; Economic disclosure; Social disclosure; Environmental disclosure

Introduction

Practically, two fundamental tenets of sustainable business practices and efficient corporate governance are accountability and transparency. In order to facilitate informed decision-making and build confidence, transparency comprises the open presentation of timely, accurate, and trustworthy information to stakeholders (Ijeoma & Aronu, 2023). It includes non-financial disclosures such as environmental, social, and governance (ESG) indicators in addition to the distribution of financial reports. On the other hand, accountability means that businesses must explain their choices and actions to stakeholders and accept responsibility for the results (Enahoro, Adebayo & Momoh, 2019). Transparency in corporate governance reduces information asymmetry, lowers the risk of fraud, and boosts stakeholder confidence by guaranteeing that stakeholders—including investors, staff, regulators, and the general public - have access to vital information about a business's operations and decision-making procedures (Ogundare, 2020).

When assessing a company's sustainability performance, transparency is essential. Stakeholders can evaluate a company's contributions to societal objectives including poverty alleviation, climate action, and economic growth when it publicly discloses its environmental, social, and governance impacts (Owolabi & Iyoha, 2012). Accountability is more than just reporting; it also includes the procedures by which businesses are held accountable for their actions. Adherence to legal and regulatory frameworks and ethical decision-making are significantly influenced by it (Akinleye & Ogunmuyiwa, 2022). Corporate accountability is important in the context of sustainability reporting because it is enshrined in a number of laws and regulations in Nigeria, such as the Companies and Allied Matters Act (CAMA) and the Nigerian Code of Corporate Governance (NCCG). These frameworks require that directors and management act in the best interests of stakeholders.

Businesses must show that they have taken concrete steps to address their environmental and social impacts in addition to disclosing their governance,

social, and environmental performance. Accountability and transparency are principles that are mutually reinforcing. Accountability guarantees that this information results in significant action, whereas transparency guarantees that information is available. When combined, they produce a feedback loop that promotes trust and propels ongoing enhancements to business performance (Akpan, 2017). In the current era of increased stakeholder knowledge of environmental, social, and governance (ESG) issues, sustainability reporting has become a strategic instrument for improving corporate transparency and accountability.

In order for stakeholders to assess an organization's contributions to sustainable development, sustainability entails the methodical disclosure of its ESG performance (Enahoro et al., 2019). Sustainability reporting fosters long-term value creation, improves corporate reputation, and fosters trust by incorporating accountability and transparency into business operations (Owolabi & Iyoha, 2012). Transparency is essential to sustainability reporting because it guarantees that stakeholders can obtain accurate and trustworthy information about a company's activities and effects. Transparent sustainability reporting also gives stakeholders important information about a company's labour practices, environmental policies, carbon footprint, and community engagement initiatives (Amaeshi et al., 2018).

Sustainability reporting increases accountability by obligating corporations to demonstrate how they address the environmental and social repercussions of their operations. "Green-washing"—the act of misrepresenting environmental responsibility—is avoided by accountability measures incorporated into sustainability reporting, which guarantee that declared pledges result in concrete activities (Ogundare, 2020). Its function as a governance tool makes the connection between sustainability reporting, accountability, and transparency clear. By giving stakeholders the knowledge they need to hold businesses responsible for their ESG performance, transparent reporting helps to bridge the gap between stakeholder expectations and corporate behaviour. The evaluation of a company's capacity to accomplish its goals and provide value to stakeholders is known as corporate performance. In the past, financial indicators like profitability, revenue growth, and return on investment served as the main foundation for this assessment. Nonetheless, contemporary viewpoints on corporate performance take into account non-monetary metrics, like environmental, social, and governance (ESG) standards, acknowledging the wider influence that companies have on the environment (Adegbite & Ezeagba, Akamelu & Umeoduagu, 2022).

Given Nigeria's reliance on sectors like manufacturing, finance, and oil and gas, corporate performance plays a crucial role in determining the

nation's economic stability and growth. As stakeholders call for greater responsibility and transparency from businesses, the integration of financial and non-financial performance metrics has grown in popularity. A company's profitability, liquidity, and operational efficiency are all reflected in its financial performance, which is still a crucial aspect of corporate performance. Financial health is frequently assessed using metrics like return on assets (ROA). Macroeconomic variables such as inflation, exchange rate volatility, and regulatory policies have a significant impact on the financial performance of businesses in Nigeria (Ogundare, 2020). A company's environmental, social, and governance (ESG) contributions are the focus of non-financial performance, which is becoming more and more acknowledged as a factor in long-term value development (Odiaka, 2021).

Governance, social responsibility, and environmental effect are the main non-financial performance metrics. Environmental effect refers to the actions taken by businesses to minimise waste, save resources, and lessen their carbon footprint. Nigerian oil corporations, for instance, are judged on their capacity to invest in community development initiatives and reduce environmental harm (Okafor, Egbunike & Ezelibe, 2020). Initiatives that enhance community relations, worker welfare, and societal well-being are all part of social responsibility. Companies in Nigeria are increasingly adopting corporate social responsibility (CSR) programs to address issues such as poverty alleviation and education (Olayinka & Aminu, 2021). Companies with effective governance frameworks are more likely to gain stakeholder trust and maintain long-term success (Enahoro et al., 2019).

Corporate performance and sustainability reporting are central to the study of "Sustainability Reporting and Corporate Performance in Nigeria." These two components are essential to comprehending how corporate governance and business responsibility are changing in Nigeria. The purpose of the study was to investigate the connection between corporate performance in Nigeria and sustainability reporting. While corporate performance assesses a company's financial and non-financial accomplishments, sustainability reporting offers a framework for corporations to reveal their environmental, social, and governance (ESG) efforts. Arising from the above discuss, the study was set out to achieve three (3) specific objectives:

- i) To examine the effect of environmental reporting on financial performance of listed commercial banks in Nigeria;
- ii) To ascertain the effect of governance reporting on financial performance of listed commercial banks in Nigeria; and
- iii) To assess the effect of social reporting on financial performance of listed commercial banks in Nigeria.

Review of Related Literature

Sustainability Reporting

The process via which businesses inform different stakeholders on their Environmental, Social, and Governance (ESG) performance is known as sustainability reporting. It is a crucial component of contemporary business procedures, stressing responsibility and openness when dealing with sustainability challenges (Okafor, Egbunike, & Ezelibe, 2020). Organisations may demonstrate their dedication to sustainable development by using sustainability reporting to help them convey their sustainability projects, difficulties, and successes. The Global Reporting Initiative (GRI, 2021) states that it entails giving an impartial and balanced assessment of a business's activities, including its contributions to social justice, environmental preservation, and economic expansion. Sustainability reporting has become popular in Nigeria as a result of growing environmental deterioration, economic difficulties, and public demands for corporate social responsibility.

Nigeria's economic environment is closely examined for its effects on the environment and society, particularly in resource-intensive industries like manufacturing, gas, and oil. For instance, the Niger Delta's oil spills and gas flaring have brought attention to the necessity for businesses to report their environmental policies and operate sustainably (Amaeshi, Adi, Ogbechie, & Amao, 2018). A move away from a profit-only objective and towards a more inclusive strategy that takes ESG factors into account is reflected in the rising demand for sustainability reporting. Reporting on sustainability has several uses for businesses. It makes it possible for companies to conform to global standards such those set forth by the Sustainability Accounting Standards Board (SASB) and the Global Reporting Initiative (GRI). These frameworks offer recommendations for dependable, comparable, and consistent reporting. Businesses can acquire a competitive edge, draw in socially conscious investors, and show their dedication to ethical business practices by implementing these criteria (Olayinka & Temitope, 2021).

Moreover, sustainability reporting boosts a company's reputation and long-term value development by enabling it to track its performance against international standards such as the Sustainable Development Goals (SDGs) of the UN. However, there were several obstacles in Nigeria's way when it came to implementing sustainability reporting. Many businesses lack the technical know-how necessary to create thorough and precise reports (Olayinka & Aminu, 2021). According to a research by Uwuigbe, Uwuigbe, and Okorie (2018), many Nigerian businesses participate in "green-washing," which is the practice of inflating their sustainability initiatives in order to preserve a favourable public

perception. This cast doubt on sustainability reporting's ability to promote true corporate responsibility and damaged its credibility. Progress has been made in spite of these challenges.

Some Nigerian businesses have embraced sustainability reporting as a strategic tool for stakeholder engagement and reputation management, especially in the banking and telecoms industries. Companies, for example, have incorporated sustainability into their business plans and release yearly sustainability reports that conform to international standards. As businesses look to improve operational effectiveness, brand reputation, and investor attractiveness, this change shows an increasing understanding of the connection between sustainability reporting and performance (Akpan, 2017). In addition, sustainability reporting is essential for tackling Nigeria's environmental and socioeconomic problems. In order to match their operations with the nation's developmental goals, it encourages businesses to give priority to issues like gender justice, environmental conservation, and poverty reduction (Owolabi & Oluwaseun, 2020). In the end, sustainability reporting serves as a strategic framework for promoting long-term value creation, stakeholder trust, and sustainable economic progress in Nigeria rather than merely being a compliance instrument.

Governance Sustainability

A crucial part of sustainability reporting is governance sustainability reporting, which focusses on how businesses are run, controlled, and held responsible for their strategic choices and operations. It guarantees long-term business sustainability by demonstrating a company's dedication to moral behaviour, legal compliance, and efficient leadership structures (Oyeowo, Babajide & Oseni, 2020). Building trust, accountability, and openness between companies and their stakeholders requires governance sustainability reporting. Information about corporate governance frameworks, ethical standards, risk management, decision-making procedures, and stakeholder engagement must be disclosed as part of governance sustainability reporting (Uadiale & Fagbemi, 2012).

Reports on governance sustainability demonstrate how businesses incorporate governance ideas into their broader sustainability plans. Metrics including executive salary, anti-corruption measures, internal controls, board diversity, and regulatory compliance are frequently included in this kind of reporting. Guidelines for disclosures pertaining to governance are provided by frameworks such as the International Integrated Reporting Council (IIRC), Sustainability Accounting Standards Board (SASB), and Global Reporting Initiative (GRI) (Wang, Li & He, 2020). Since effective corporate governance guarantees that social, environmental, and economic objectives are in line with organisational strategy, these frameworks

highlight the significance of corporate governance in attaining sustainable growth.

The independence and organisation of a company's board of directors are highlighted in governance reports. It draws attention to the board's makeup, the inclusion of independent directors, and their responsibilities for monitoring management and defending the interests of shareholders. According to Uwuigbe, Uwuigbe, and Okorie (2018), listed businesses in Nigeria are required by the Nigerian Code of Corporate Governance (NCCG) 2018 to guarantee board independence in order to foster accountability and equitable decision-making. Organisations also reveal their ethical standards, which include anti-corruption policies, codes of conduct, and procedures for dealing with unethical behaviour. To illustrate their dedication to moral business conduct, Nigerian banks, for example, incorporate anti-bribery measures into their sustainability reports (Akpan, 2017). Insights into a company's risk management structure, including tactics for handling operational, financial, and reputational risks, are provided by effective governance sustainability reporting.

Furthermore, to make sure stakeholders are informed of potential obstacles and mitigation techniques, Nigerian companies frequently reveal how they handle market volatility, regulatory risks, and environmental concerns. The significance of openness in business processes is emphasised by this reporting. This covers revealing internal control systems, shareholder voting rights, and executive compensation. To increase stakeholder confidence, Nigerian corporations such as MTN Nigeria and Dangote Cement have integrated transparency into their governance reports. One essential component of reporting on governance sustainability is stakeholder involvement. Businesses reveal their relationships with communities, shareholders, workers, and authorities. Businesses in Nigeria that work in industries like oil and gas report on their efforts to involve the community in order to address social and environmental issues (Amaeshi et al., 2018).

Because of issues including corruption, lax enforcement of corporate governance regulations, and regulatory gaps, governance sustainability reporting is especially important in Nigeria. Businesses in Nigeria can solve a number of difficulties and improve their credibility by implementing governance reporting. Both domestic and foreign investors are more inclined to invest in businesses with strong governance frameworks that reduce risks and guarantee accountability when transparent governance procedures are in place. Additionally, Nigerian businesses can adhere to regional laws like the NCCG 2018 and the Companies and Allied Matters Act (CAMA) 2020 thanks to governance sustainability reporting. According to these rules, companies must reveal information about governance, such as the makeup of

the board and the operations of the audit committee. Businesses can show their dedication to moral behaviour by revealing their governance practices.

Organisations can restore stakeholder trust and conform to international best practices by using governance reporting. Because of bad governance, companies in Nigeria frequently run the risk of damaging their name. Companies can demonstrate their commitment to ethical and governance norms through governance sustainability reporting, which helps to prevent reputational harm and promote goodwill (Ezeagba, Akamelu & Umeoduagu, 2017). For Nigerian companies looking to strengthen stakeholder trust, improve corporate governance procedures, and conform to global standards, governance sustainability reporting is a vital tool. Businesses can boost their competitive edge, draw in investments, and support sustainable development by including governance disclosures in their sustainability reports. To fully realise the potential of governance sustainability reporting in Nigeria, however, issues like lax enforcement and low awareness must be addressed.

Social Sustainability

An organization's dedication to ethical responsibility and societal well-being is the main focus of social sustainability reporting. By addressing the social impact of businesses' operations, this component of sustainability reporting supplements environmental and governance reporting. It entails disclosing policies, practices, and results pertaining to social issues like diversity, human rights, employee welfare, community engagement, and social equity (Osemeke & Adegbite, 2016). Due to increased awareness of corporate social responsibility (CSR) and its impact on business success, social sustainability reporting has become more popular in Nigeria. Measuring and sharing an organization's social impact on its stakeholders is known as social sustainability reporting.

In addition, it covers topics like worker welfare, which includes things like workplace safety, training and development, fair pay, and work-life balance; contributions to the community through social investments, healthcare, education, and infrastructure development; and initiatives to advance gender equality, minority inclusion, and fair treatment of all workers. Businesses in Nigeria have started including social sustainability reporting into their overall corporate social responsibility plans. Ogunmuyiwa and Akinleye, 2022 Businesses in industries like banking, telecommunications, and oil and gas have realised how critical it is to solve societal issues like unemployment, inequality, and poverty. To improve their social license to operate, Nigerian oil firms such as Shell and Chevron, for example, reveal social investments in community development, health care, and education (Amaeshi et al., 2018).

Notwithstanding advancements, obstacles like lax enforcement of regulations, low awareness, and greenwashing techniques prevent social sustainability reporting from being widely adopted in Nigeria. It is impossible to overstate the advantages of social sustainability reporting for business performance. Among stakeholders, social sustainability reporting fosters goodwill and trust. Businesses may build brand loyalty and improve their reputations by showcasing a dedication to social well-being. For instance, Dangote Group's involvement in community development initiatives has enhanced company reputation, which has raised stakeholder confidence and consumer retention (Akpan, 2017). Additionally, workplace safety and employee welfare disclosures have a favourable impact on worker morale and output.

Top talent is drawn to and retained by organisations that place a high priority on social sustainability. According to Uwuigbe et al. (2018), Nigerian banks such as Access Bank have implemented social sustainability measures like health benefits and diversity programs, which have increased employee engagement and decreased turnover rates. A company's commitment to long-term wealth development is communicated to investors through social sustainability reporting.

Socially conscious partners and investors are drawn to ethical and responsible business activities. Reporting on social sustainability is essential to improving corporate performance in Nigerian companies. Businesses can increase trust, draw in investments, and achieve sustainable growth by tackling societal issues, encouraging openness, and supporting moral behaviour (Ijeoma & Aronu, 2023). The widespread adoption of social sustainability reporting in Nigeria can be accelerated by the adoption of standardised frameworks, raised awareness, and strong enforcement mechanisms, notwithstanding ongoing hurdles.

Environmental Sustainability

A subset of corporate sustainability reporting, environmental sustainability reporting focusses on how businesses control their environmental effects and provide stakeholders with pertinent information. It includes the measurement, tracking, and reporting of an organization's environmental impact operations, including energy, water, waste, and carbon emissions (Odiaka, 2021). Environmental sustainability reporting has emerged as a key component in recent years for encouraging openness and corporate responsibility in the face of global environmental issues.

Internationally accepted frameworks like the Sustainability Accounting Standards Board (SASB), the Carbon Disclosure Project (CDP), and the Global Reporting Initiative (GRI) Standards are frequently used to govern environmental sustainability reporting. These frameworks give standards and criteria that

organizations use to declare their environmental performance in a consistent and comparable manner (Ogundare, 2020). The GRI framework, for example, places a strong emphasis on reporting on important topics including pollution control, biodiversity preservation, and greenhouse gas (GHG) emissions. Companies can give investors, regulators, and the general public reliable and verifiable information by following these guidelines (GRI, 2021).

Nigeria's urgent environmental problems, such as deforestation, oil spills, gas flaring, and difficulties with urban waste management, have made environmental sustainability reporting more important in that country. Significant environmental damage has resulted from Nigeria's substantial reliance on gas and oil as its main sources of income (Okafor et al., 2020). ExxonMobil and Shell Petroleum Development Company (SPDC), two oil firms with operations in this area, have come under fire for their environmental policies. According to Amaeshi et al. (2018), environmental sustainability reporting has thus emerged as a means for these organisations to exhibit their dedication to reducing environmental harm and interacting with impacted people.

Reporting on environmental sustainability has multiple uses. In the first place, it assists businesses in recognising and reducing environmental risks related to their activities. Businesses that keep an eye on their energy usage and carbon footprint, for example, can put plans in place to cut emissions and switch to renewable energy sources (Okafor et al., 2020). This not only minimizes environmental harm but also enhances operational efficiency and cost savings. For example, some Nigerian banks, such as Access Bank and Zenith Bank, have incorporated environmental risk assessments into their sustainability reports, showcasing their efforts to finance eco-friendly projects and reduce resource consumption (Akpan, 2017). Second, environmental sustainability reporting plays a critical role in regulatory compliance.

Organisations in Nigeria are required to comply with environmental protection standards by laws like the National Environmental Standards and Regulations Enforcement Agency (NESREA) Act. By demonstrating adherence to these regulations through sustainable reporting, businesses can evade fines and fortify their operating licence. Nigerian regulatory enforcement is still lax, nevertheless, which causes differences in the calibre and extent of environmental disclosures made by different businesses (Uwuigbe et al., 2018). Furthermore, by transparently disclosing a company's environmental actions, environmental sustainability reporting encourages stakeholder engagement. This is especially crucial in Nigeria, where international organisations, local communities, and non-governmental organisations frequently examine business operations for their effects on the environment.

Reports on environmental sustainability draw capital from investors who care about the environment. Environmental, social, and governance (ESG) factors are becoming more and more important to investors around the world when they make decisions. Strong environmental declarations by Nigerian companies frequently provide doors to foreign funding and collaborations. For instance, Access Bank has established itself as a pioneer in green finance in Nigeria by using its sustainability reporting to draw in international investments (Uwuigbe et al., 2018). Through the identification and resolution of environmental inefficiencies, ESR helps companies reduce expenses and increase profitability.

Businesses in Nigeria that keep an eye on the use of resources like electricity, water, and raw materials can put plans in place to cut waste and operating expenses. For instance, Dangote Cement PLC's sustainability initiatives, such as the use of energy-efficient production methods, have improved financial results by lowering costs while simultaneously lessening environmental harm. Additionally, companies must abide by environmental rules in Nigeria, which are enforced by the National Environmental Standards and Regulations Enforcement Agency (NESREA). It assists businesses in proving compliance, preventing fines and legal ramifications (Wang et al., 2020).

Corporate Performance

The ability of a business to accomplish its goals, please stakeholders, and add value over time is measured by its corporate performance. Financial performance, operational effectiveness, market competitiveness, and social responsibility are only a few of its many facets (Uwuigbe et al., 2018). Financial measures including profitability, revenue growth, return on equity (ROE), return on assets (ROA), and return on investment (ROI) were traditionally used to evaluate a company's performance. However, in order to reflect a shift towards a more comprehensive understanding of organisational success, contemporary corporate performance evaluations now include non-financial metrics including environmental, social, and governance (ESG) factors (Uadiale & Fagbemi, 2012).

In Nigeria, tackling socioeconomic issues, promoting innovation, and propelling economic progress all depend heavily on business performance. Nigerian companies are essential to the nation's GDP and job creation, especially in industries like banking, telecommunications, and oil and gas. For instance, the banking industry has made a substantial contribution to economic expansion and financial inclusion, while the oil and gas sector continues to be a major source of national income (Uadiale & Fagbemi, 2012). Therefore, enhancing corporate performance is a national objective as well as a

business necessity. A key component of assessing company performance is still financial performance. The sustainability and financial health of the company are evaluated using metrics like return on assets. For example, in order to give stakeholders information about their financial performance, companies listed on the Nigerian Exchange Group must release audited financial statements. Securing loans, drawing in investments, and preserving investor trust all depend on these reports. However, in a dynamic and complicated operating environment, a company's contributions and problems cannot be fully captured by financial success alone. Beyond financial and operational measurements, company performance increasingly stresses ESG factors. This change is a result of a greater understanding of how corporate operations affect society and the environment more broadly.

There is currently demand on Nigerian businesses to address problems like social injustice, environmental degradation, and governance transparency. A balanced approach to corporate performance that incorporates sustainability goals is necessary, as evidenced by the scrutiny of oil corporations in the Niger Delta for their community relations and environmental practices (Amaeshi et al., 2018). Market performance metrics like market share, brand reputation, and customer loyalty are also included in corporate performance. These elements are essential for long-term company viability, especially in cutthroat sectors like telecommunications. As companies and stakeholders see the importance of incorporating sustainability practices into organisational operations, the relationship between corporate performance and sustainability reporting in Nigeria is receiving more and more attention. This connection demonstrates how, especially in a demanding and changing context like Nigeria, sustainability reporting may impact financial results, operational effectiveness, stakeholder trust, and long-term business success.

Theoretical Framework

The legitimacy theory, which was developed in 1975 by John Dowling and Jeffrey Pfeffer to comprehend the interaction between organisations and their stakeholders, served as the foundation for this investigation. It asserts that organisations have legitimacy to function because they are part of a larger social framework (Akinleye & Ogunmuyiwa, 2022). When an organization's actions conform to societal standards, values, and expectations, legitimacy is attained. According to this notion, companies must consistently show their dedication to society values by implementing policies like accountability, transparency, and sustainability reporting.

According to legitimacy theory, organisations try to justify their operations by conforming to social norms and expectations. It originates from the more

general idea of a "social contract" between companies and society, according to which companies are given permission to function in return for making contributions to the welfare of society (Ezeagba et al., 2022). "A generalised perception or assumption that the actions of an entity are desirable, proper, or appropriate within a socially constructed system of norms, values, beliefs, and definitions" is what is meant by legitimacy. According to Ijeoma and Aronu (2023), achieving this legitimacy can be accomplished by proactive participation, communication, transparency, and adherence to social norms.

A vital technique for proving an organization's authenticity is sustainability reporting. Businesses respond to societal issues and demonstrate their dedication to moral business practices by making open and honest disclosures about their environmental, social, and governance (ESG) activities. This is especially crucial in Nigeria, where problems like social inequality, corruption, and environmental degradation frequently call into question the legitimacy of corporations (Odiaka, 2021). The goal of these initiatives is to preserve their operating licence and win back public trust. Legitimacy theory is especially applicable in Nigeria in fields that are subject to intense public scrutiny. According to the hypothesis, companies in delicate sectors give sustainability reporting and corporate social responsibility (CSR) initiatives top priority in order to meet public expectations.

Methodology

Results

Table 1: Summary of Descriptive Statistics

Variable	Mean	Std. Dev.	Min	Max
Return on Assets	1.1265	0.1984	0.835	1.542
Social Disclosure	74.346	9.8352	55.10	88.75
Environmental Disclosure	6.2840	1.4507	3.900	9.100
Governance Disclosure	11.953	3.2148	7.100	18.46

Source: Researcher's Computation (2025)

Table 1 reflects the summary of descriptive statistics; the dependent variable is financial performance (measured by return on assets - ROA), while the independent variables is sustainability reporting (measured by economic, social and governance disclosures). For return on assets (ROA), on the average, firms have a ROA of about 1.13 (with relatively low variability). ROA values range from 0.835 to 1.542.

Table 2: Pearson Correlation

Variables	ROA	SDR	EDR	GDR
ROA	1.0000			
SDR	0.0342	1.0000		
EDR	-0.0195	0.1981	1.0000	
GDR	0.0218	0.0645	0.2527	1.0000

Using an ex-post facto research design, this study examined how sustainability reporting affects corporate performance of Nigerian commercial banks that were publicly traded. The effect of governance, social, and environmental disclosures on financial performance (return on assets) was investigated. Information from the audited annual and sustainability reports of the publicly traded commercial banks on the Nigerian Exchange Group was used in the study as secondary data.

Furthermore, all publicly traded commercial banks on the Nigerian Exchange Group were included in the study population, and the sample consisted of publicly traded banks that have regularly released sustainability reports from 2019 to 2024. Descriptive, diagnostic, and inferential tools were used to analyse the data. The relationship was represented via a linear regression equation:

$$F = (EDR, SDR, GDR)$$

eq. 1

$$ROA_{it} = \beta_0 + \beta_1 EDR_{it} + \beta_2 SDR_{it} + \beta_3 GDR_{it} + U_{it}$$

eq. 2

Where: F =Financial performance; ROA; return on assets(measure of financial performance); EDR = Economic sustainability disclosure; SDR = Social sustainability disclosure; GDR = social sustainability disclosure; β = intercept (constant term); U_{it} = error term.

In terms of social disclosure, the average social disclosure score is 74.35, with moderate variation. Scores range from 55.10 to 88.75, indicating some firms are much more transparent than others. On the other hand, environmental disclosure had a mean of 6.28, with values ranging from 3.90 to 9.10, suggesting a relatively narrower range compared to social disclosure while governance disclosure recorded an average of 11.95, with scores ranging from 7.10 to 18.46, showing some dispersion in governance practices or transparency.

Source: Researcher's Computation (2025)

Presented in Table 2 is the Pearson correlation result between the independent and dependent variables of the study. The Pearson correlation between ROA and SDR (0.0342) is a very weak positive correlation, suggesting that as short-term debt ratio increases, ROA slightly increases, but the relationship is extremely weak and likely not meaningful. The correlation between ROA and EDR (-0.0195) is very weak negative correlation, indicating a negligible

inverse relationship between equity-to-debt ratio and profitability (ROA). For ROA and GDR (0.0218), it is very weak positive correlation, indicating growth in debt does not significantly influence ROA in this sample. Overall, the ROA shows negligible correlations with all three financial structure variables. This suggests that profitability (ROA) is not strongly explained by short-term debt, equity-to-debt, or debt growth, at least in a linear sense.

Table 3: Variance Inflation Factor (VIF)

Variable	SDR	GDR	EDR
VF	1.18	1.06	1.15
1/VF	0.847	0.943	0.870

Source: Researcher's Computation (2025)

From Table 3, the range of VF for the independent variables is between 1.06 to 1.18; however, none of the VIF result were below the conventional threshold of 10, suggesting that there is very low degree of multicollinearity among the pairs of the independent

variables of the study. The low VF shows minimal linear dependency among the independent variables, suggesting that each independent variable contributes uniquely to the empirical model without redundancy.

Table 4: Regression Results for SDR and ROA

Variables	Symbol	Coefficient	Std. Err.	t-Statistics	Sign.
Constant	_CONS	3.2840	0.9820	9.34	0.000
SDR	ROA	0.0890	0.0270	5.21	0.000
F-Value				20.30	0.000
R-Squared					0.684
R-Squared Adj.					0.577

Source: Researcher's Computation (2025)

Table 4 is the regression result for social sustainability reporting and return on assets. The intercept (Constant = 3.2840) implies that when the independent variable (ROA) is zero, the expected value of the dependent variable is 3.2840; however, the result is statistically significant at $p = 0.001$ ($p < 0.05$), so we can trust this estimate. SDR coefficient (0.0890) indicates that a 1-unit increase in SDR is

associated with an increase of 0.0890 units in the dependent variable (ROA), holding all else constant; however, it is statistically significant at $p = 0.002$ (well below 0.05 threshold), suggesting a strong and significant positive relationship between SDR and ROA. This result implies that social sustainability reporting significantly affects financial performance (ROA) of the listed commercial banks in Nigeria.

Table 5: Regression Results for EDR and ROA

Variables	Symbol	Coefficient	Std. Err.	t-Statistics	Sign.
Constant	_CONS	4.1030	1.2540	13.27	0.000
EDR	ROA	0.1270	0.0420	12.96	0.000
F-Value				28.78	0.000
R-Squared					0.643
R-Squared Adj.					0.5364

Source: Researcher's Computation (2025)

Table 5 is the regression result for environmental sustainability reporting and return on assets. The result revealed that when EDR = 0, the predicted value of dependent variable is 4.1030 and the intercept is statistically significant ($p < 0.05$), meaning it's unlikely to be zero. Also, for every 1 unit increase in EDR, the dependent variable increases by 0.1270 units, holding everything else constant. The p-value (0.003) indicates that this relationship is statistically significant at the 1% level. The high t-statistic (12.96) confirms strong evidence that EDR significantly predicts the dependent variable.

Table 6: Regression Results for GDR and ROA

Variables	Symbol	Coefficient	Std. Err.	t-Statistics	Sign.
Constant	_CONS	2.3010	0.5370	14.28	0.000
GDR	ROA	0.0620	0.0180	13.36	0.000
F(1, 128)				31.30	0.000
R-Squared					0.612
R-Squared Adj.					0.505

Source: Researcher's Computation (2025)

The overall regression model is statistically significant, meaning EDR as a predictor significantly explains variation in the dependent variable. A high F-value and $p < 0.05$ confirm the model's usefulness. The R-Squared = 0.643; this means that 64.3% of the variance in the dependent variable is explained by EDR and this is a relatively strong R-squared for many social sciences or finance-related models. The result implies that economic sustainability reporting significantly affects financial performance (ROA) of the listed commercial banks in Nigeria.

Table 6 is the regression result for governance sustainability reporting and return on assets. The intercept ($_CONS$) = 2.3010; this means when the independent variable (GDR) is zero, the expected value of ROA is 2.3010 units. This is the baseline level of ROA. Also, GDR Coefficient = 0.0620; this means for every 1-unit increase in GDR, the ROA is expected to increase by 0.0620 units, holding everything else constant. The standard errors (0.5370 for the constant and 0.0180 for GDR) measure the variability or uncertainty of the coefficient estimates. Smaller standard errors relative to coefficients suggest more precise estimates. The t-statistics test whether each coefficient is significantly different from zero. It is calculated as (Coefficient / Std. Err.). For instance, the intercept t-stat = $2.3010 / 0.5370 \approx 14.28$ and GDR t-stat = $0.0620 / 0.0180 \approx 13.36$; the high values indicate the coefficients are statistically significantly different from zero. Furthermore, both the constant and GDR have p-values of 0.000 (typically interpreted as < 0.001), which means the coefficients are highly statistically significant at conventional levels (e.g., 1%, 5%). The F-statistic is 31.30 with a p-value of 0.000, which is highly significant. This means the model as a whole is statistically significant, and ROA provides useful explanatory power. R-Squared = 0.612; this means approximately 61.2% of the variance in the dependent variable is explained by ROA. This is considered a good fit in many contexts. This implies that governance sustainability reporting significantly affects financial performance (ROA) of the listed commercial banks in Nigeria.

Conclusion and Recommendations

Using an ex-post facto research design, this study examined how sustainability reporting affects corporate performance of Nigerian commercial banks that were publicly traded. The study looked at the impact of governance, social, and environmental disclosures on financial performance. Information from the audited annual and sustainability reports of the publicly traded commercial banks on the Nigerian Exchange Group was used in the study as secondary data. All publicly traded commercial banks on the Nigerian Exchange Group were included in the study population, and the sample consisted of publicly traded banks that have regularly released sustainability reports from 2019 to 2024. Descriptive, diagnostic, and inferential tools were used to analyse the data. Among other things, the inferential statistical results showed that sustainability disclosures (environmental, social, and governance)

significantly improved the corporate performance of Nigeria's publicly traded commercial banks. Accordingly, the study comes to the conclusion that, while its efficacy is primarily dependent on the quality, consistency, and transparency of disclosures, sustainability reporting is a strategic driver of corporate performance and competitiveness in the Nigerian banking sector. The study suggests strengthening legal frameworks to standardise sustainability reporting by guaranteeing adherence to national and international standards, including the global reporting initiative, in light of the findings. Furthermore, in order to teach Nigerian commercial banks how to properly disclose sustainability issues in their financial statements, capacity-building programs must be set up.

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