SUSTAINABILITY REPORTING AND FINANCIAL PERFORMANCE OF LISTED MANUFACTURING COMPANIES IN NIGERIA

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Abstract
The study investigates the impact of sustainability reporting on the financial performance of selected listed firms in Nigeria. The study adopts a quantitative research approach and utilizes panel data to examine the relationship between sustainability reporting and financial performance. It uses *correlational* research design. The population of the study is the 56 manufacturing companies listed on the Nigerian Stock Exchange as at May, 2022. The sample consists of 20 listed manufacturing firms in Nigeria. Secondary data were sourced from the company's annual reports and accounts for a period of five years, 2018-2022, with sustainability reporting as the independent variable and financial performance proxied by return on assets (ROA), return on equity (ROE), and earnings per share (EPS) as dependent variables. Regression analysis was used in testing the hypotheses. Based on the Hausman specification test, random effect model was used to evaluate the impact of sustainability reporting on financial performance. The study revealed that environmental and social sustainability reporting have a negative and insignificant effect on firms' financial performance while economic sustainability reporting has a positive insignificant effect on financial performance. The implication of this study is that companies that report sustainability reporting do not experience an increase in their financial performance. The study concluded that sustainability reporting does not have significant effect on the financial performance of manufacturing companies in Nigeria.

Keywords: sustainability reporting, financial performance, economic sustainability, social sustainability, environmental sustainability

1.0 Introduction

The practice of sustainability arose as a result of concern about the current and future environmental impact of resource utilization for human development. Fears of water, land, and air pollution, resource degradation, and deforestation have combined to create a new approach to resource utilization that seeks to meet current human needs without negatively affecting future generations' needs for such resources (Aminu, Abdullahi &Makama, 2021). As a result, sustainability reporting has become a standard practice in 21st-century business. In some developed countries, it is a mandatory practice, but it is voluntary in developing nation like Nigeria. According to KPMG (2022), surveys conducted over the last three decades have indicated that

sustainability reporting has become an accepted part of disclosure and transparency for many large companies, with continued global utilization and increased adoption into modern financial reporting.

The concept of sustainability reporting prioritizes both the mainstream concerns of business organizations' profit maximization, diversification, and product differentiation strategies as well as a global assessment of a firm's social and environmental impact (Yazid & Ahmed, 2021). In the modern business world, sustainability reporting has become increasingly relevant because it does not only satisfy stakeholders' informational needs about the firm's economic, social, and environmental activities but also gives the firm a competitive edge. Therefore, in today's business environment, where companies are always in competition, it is crucial for businesses to embrace sustainability reports so as to be abreast of their economic, social, and environmental performances to guarantee a competitive edge (Ivungu, 2020).

Most activities that are engaged in by firms often result into social, economic, environmental and humanitarian problems which have been of great concern to financial and social critiques as firms are expected to take care of these problems as well as contribute adequately to improving their environment. At the same time, companies are accompanied by the challenges to increase the value of their shareholders which is usually achieved by making profits. In light of this, scholars and accountants who are in support of sustainability reporting have argued that firms that engage in reporting sustainability issues more have positive performance indices than those who have not integrated sustainability reporting (Nnamani, Onyekwelu, Uche, Ugwu, 2017). The integration of the three performance areas, namely, economic, social and environmental indicators is regarded as sustainability and is deemed necessary for the survival of a modern business firm (Nnamani, *et al,* 2017). Sustainability reporting can help manufacturing companies in Nigeria comply with environmental and social regulations, reducing the risk of fines and legal action (Global Reporting Initiative, 2016). Sustainability reporting can assist manufacturing companies in engaging with stakeholders such as customers, employees, and communities. It can also boost trust, improve relationships, and foster a positive reputation (Global Reporting Initiative, 2016). However, manufacturing companies in Nigeria have a weak culture of stakeholders' engagement, making it difficult to gather the information required for sustainability reporting (Oshikoya, 2015).

Financial performance influences the market value as it helps investors in making informed financial and investment decisions that will maximize their wealth. Shareholders are typically interested in the financial performance of businesses (Umar, 2021). Companies are increasingly no longer just concentrating on the maximization of shareholder wealth but are also embracing the activities that could benefit the other stakeholders which to a large extent imply that firms are responding positively towards the issues of sustainability. Related studies in the area of sustainability reporting (SR) and financial performance (FP) have used different proxies to explain SR and FP. Return on assets, return on equity, net profit margin, earnings yield were used as proxies for FP in some studies (Ayodele &Oluwagbemi, 2018; Alhassan, 2021; Duc, 2021; Yazid & Hammed, 2021; Aiyesan, 2023; Peter &Ogaluzor, 2023, and Jayeola, 2024). In

addition, reduction in green house emission, waste and water consumption; Economic SR, Social SR and Environmental SR were commonly used as proxies for SR (Zamil & Hassan, 2019; Umaru. 2021; Yazid & Hammed, 2021; Aiyesan, 2023). As a result of this perceived interconnectivity between sustainability reporting, financial performance and methodological gap, this study examines the effect of sustainability reporting on the financial performance of listed manufacturing companies in Nigeria.

2.0 Literature Review

Financial performance measurements are important tools for assessing the overall health of a company. These metrics are used to evaluate the company's profitability, liquidity, and solvency (Adebowale, 2022). Some of the commonly used financial performance measurements include return on equity (ROE), return on assets (ROA), debt-to-equity ratio, current ratio, and gross profit margin. Also, Return on assets (ROA) is a measure of a company's profitability that shows how much profit a company generates with its total assets. ROA is calculated by dividing net income by total assets (John & Umeoduagu, 2017). A high ROA indicates that a company is efficiently using its assets to generate profits (Kusuma, 2021). The adoption of sustainability reporting practices has the potential to affect a company's financial performance, including its Return on Assets (Emmanuel, 2021).

Return on equity is a measure of a company's profitability that shows how much profit a company generates with the money invested by its shareholders. ROE is calculated by dividing net income by shareholders' equity (Khrawish, 2018). According to (Syamsuddin, 2017) Return on Equity (ROE) is the ratio used to measure the ability of its own capital to generate benefits for all shareholders, both common stock and preferred stock. This ratio is used by investors to see how far the company can provide benefits in the future. Return on equity is one measure of earnings (income) available for owners of firms (both common shareholders and preferred shareholders) on the capital that they invested in the company. Earnings per Share (EPS) represents the portion of a company's profit that is allocated to each outstanding share of common stock. These metrics help investors and analysts to assess a company's profitability, liquidity, and solvency. By using these financial performance indicators, investors and analysts can make informed decisions about investing in a company**.** EPS is calculated subtracting preference dividend from net income divided by Weighted Average Number of Common Shares.

Sustainability reporting is a process by which organizations disclose their economic, environmental, and social performance to stakeholders. The global reporting initiative defines sustainability reporting as a tool for communicating an organization's commitment to sustainable development and its efforts to mitigate the negative impacts of its operations.Sustainability reporting provides transparency and accountability, and helps organizations to identify areas for improvement and to demonstrate their contribution to sustainable development. Sustainability reporting portrays that firms should reason social and environmental implications accompanied with economic impacts (Lozano, 2018). According to Camelia, *et al*, (2020)

sustainability reporting is the practice of incorporating the environmental, social and economic aspects of an organization performance to the annual reports and accounts to enhance communication to the interested parties.

Environmental Sustainability Reporting encompasses the systematic measurement, disclosure, and communication of an entity's environmental performance and practices, enabling stakeholders to evaluate and understand its commitment towards sustainable practices (Chukwuma, 2019). The reporting process typically involves collecting relevant data on environmental aspects such as energy consumption, greenhouse gas emissions, water usage, waste management, and biodiversity preservation. Economic sustainability reporting refers to the practice of disclosing and communicating an organization's economic performance and its ability to create long-term value for shareholders and other stakeholders. It focuses on financial indicators, economic impacts, and value creation strategies that support sustainable development. Economic sustainability reporting typically includes key financial indicators, such as revenue, profit, and return on investment, along with metrics related to sustainable business practices and stakeholder engagement (Kelly, 2022)

Conceptualizing Social Sustainability Reporting,Nyahaz, Ntayi, Kamukama and Munene (2018) perceive social sustainability reporting can be defined as the process of disseminating information on the social activities of the company to stakeholders such as the community, employees and customers. Also, social sustainability reporting can be defined as the process of reporting information on product improvement and development, community and philanthropic projects, employees welfare programs, compliance with environmental laws, employment generation, efforts at improving community relations (Egbunike&Tarilaye, 2017; Dawd &Charfeddine, 2019). Therefore, social sustainability reporting can be defined as the communication of information on employees' welfare, ethical responsibility and the well-being of the people around the locality of operations.

Empirical review

Ayodele and Oluwagbemi (2018) conducted a study on sustainability reporting and financial performance: evidence from Nigerian manufacturing firms. The results showed a positive relationship between sustainability reporting and return on assets (ROA), return on equity (ROE), and net profit margin (NPM). Also, Uwuigbe (2018), examined the bi-directional relationship between sustainability reporting and firm performance in quoted Deposit Money Banks (DMBs) in Nigeria. The study observed found that sustainability reporting had a significant positive impact on the revenue generation based on the sample firms.

Zamil and Hassan (2019) examined the impact of environmental reporting on the financial performance of Fortune 500 firms from 2013 to 2017. It appraises financial performance by measuring three independent variables: reduction in greenhouse gas emissions, reduction in waste, and reduction in water consumption. While the target population comprised the top 100 CSR-reputed companies listed on Fortune

500, the sample size was determined to be 50 based on observations of 250 companies. Findings indicated that reduction in nominated variables such as greenhouse gas emissions and water consumption had a positive and significant impact on financial performance, whereas that in another variable, i.e., waste, had a negative and significant impact on financial performance.

Alhassan (2021) examined the relationship between sustainability reporting and financial performance of listed industrial goods firms in Nigeria. The study found that sustainability reporting has a positive and significant impact on financial performance, as measured by ROA, ROE, and earnings per share (EPS). On the other hand, Umar (2021) investigated the impact of sustainability reporting on the financial performance of Nigerian listed consumer goods firms. The findings revealed a strong positive relationship between social reporting sustainability and financial performance. Similarly, findings indicate that financial performance has a positively significant impact on environmental sustainability reporting. Duc (2021), conducted a study to empirically explore the influence of sustainability practices on the financial performance of 116 listed Swedish companies in the year 2019. The research findings indicate a positive relationship between corporate sustainability and financial performance that is measured by earnings yield, return on asset, return on equity and return on capital employed. Yazid and Ahmed (2021) examined the effect of sustainability reporting on financial performance of quoted Nigerian oil and gas firms. The study makes use of Return on Asset to measure financial performance. The result revealed that economic sustainability has a positive insignificant effect on ROA; environmental sustainability has a positive significant effect on ROA while social sustainability has a positive insignificant effect on ROA. Based on the findings, this study therefore, concludes that sustainability reporting has a significant effect on the financial performance of listed oil and gas firms in Nigeria. The study, recommends among others that, listed Nigerian oil and gas firms should emphasize more on reporting their sustainability activities as it is capable of improving their financial performance. The policy makers and standard setting organisations should facilitate the issuance of a sector specific reporting guidelines to facilitate compliance.

Aiyesan (2023) examined the effect of sustainability reporting on financial-performance of listed manufacturing firms in Nigeria from 2010 to 2020. Ex-post facto research design was employed and 24 firms from 8 sectors were sampled. Data were sourced from their annual report and analysed using Panel-regression technique. The study found positive significant connection linking DP, ERS and R&D and financial performance while CRS has negative insignificant effect on financial performance. Base on the findings, the study concluded that SR has positive influence on financial performance of listed manufacturing firms in Nigeria. The study recommended that relevant authorities should encourage firms to report SR on real-time and make reporting compulsory and not voluntary. There should be strict enforcement on firms to increase investment in R&D as this profitability and help climate change

Peter and Ogaluzor (2023) examined the effect of corporate sustainability reporting on financial performance in Nigeria employing samples from manufacturing firms that are listed on the floor of the Nigerian Exchange

Group for the period 2012-2021. In the study, environmental disclosure index, social disclosure index and governance disclosure index are the corporate sustainability reporting employed to examine their effect on financial performance. Financial performance is measured in terms of return on asset. Earnings per share as the control variable. A critical examination of all the diagnostic tests revealed that the model failed the normality assumption of the OLS estimates. The study concluded that only the variable of governance disclosure appears to significantly affect the financial performance of listed manufacturing firms in Nigeria. However, there was an insignificant positive effect of environmental and social sustainability on the financial performance. It was recommended that valuable financial, material, and human resources should be channelled on policies that relate to improving governance sustainability if the desire is to gain improved return on asset or improved firm value.

Jayeola (2024) explored the relationship between sustainability reporting (SR) and financial performance of drug manufacturers listed on the Nigerian Stock Exchange (NSE). Seven drug manufacturing companies' annual reports from 2019-2022 were used for the purpose of analysis. SR measurement included environmental, economic, and social sustainability. Performance was measured using return on assets. The results indicate a positive association between sustainable economic reporting and financial performance, but statistically insignificant. In addition, there is a negative and significant correlation between sustainable environmental reporting and financial performance. However, sustainable social reporting correlates with financial performance negatively and insignificantly.

Theoretical Review

Legitimacy theory suggests that firms have a social contract with society and must act in a socially responsible manner to maintain their legitimacy. Sustainability reporting allows firms to communicate their ESG performance to society and demonstrate their commitment to sustainability. When firms act in a socially responsible manner, they are perceived as legitimate and trustworthy, leading to increased financial performance (Faisal et al, 2012). The Legitimacy theory assigns management the responsibility of providing fair disclosure of social, economic, and environmental information about the firm to various stakeholders group. To effectively manage legitimacy as a resource, firms voluntarily disclose this information in their annual report, to capture the attention of interested stakeholders, which is expected to be done ethically (Akintoye, 2022). Considering the heritage held by management, (Burlea, 2020) believed that legitimacy theory should connect reporting responsibilities with ethical values. The legitimacy gap often arises when management is not sensitive to the effects of the company's activities in the society where it exists, as well as the community expectations with respect to the generation of maximum profit. The legitimacy gap is minimized through the provision of social and environmental responsibilities as well as striking a compatible balance between company operations and the expectations of the society where manufacturing activities take place (Akintoye, *et al.,* 2022).

Stakeholder theory suggests that firms have a responsibility towards various stakeholders, including shareholders, employees, customers, and society. Sustainability reporting allows firms to communicate their ESG performance to stakeholders and address their concerns.

A stakeholder can be described as an individual or group of people that are affected by the achievement of goals of an organization (Freeman, 1984). Philips (2003) also identified a stakeholder as a particular group of people that the company owes an obligation based on their cooperation and participation in its corporate affairs and that makes the organization and a going concern. From the point of view of stakeholders, firm performance indicators are the most important because they are significant to all of the firm's core stakeholders but they are unfinished and oversimplify the duties of the stakeholders that are crucial to the success of the firm (Barney, 2011). Stakeholder theory differs from legitimacy theory because, legitimacy theory treats the society as one group and tasks the firm to meet the expectations of the group (the society) while stakeholder's theory divides the society into groups called stakeholders and task the firm to meet the expectations of various stakeholders (John, *et al.,* 2021). Sustainability reporting encompasses economic, social and environmental aspects of reporting while financial performance reflects the return due to investors as proxied with ROA and ROE.

3.0 Methodology

Ex post-facto research design was used in the study. Return on asset, return on equity, and earnings per share are the dependent variables, while economic sustainability reporting, environmental sustainability reporting and social sustainability reporting are the proxies for independent variables. Furthermore, secondary data was used for this study because the measurement for the variables are available in the annual reports of the sampled firms. The population of the study is 56 quoted manufacturing firms on the Nigerian Exchange Group (NGX) as at May 2022. The population, according to NGX, comprises of the following sectors: agriculture (5), consumer goods (21), healthcare (7), industrial goods (13), and natural resources (4). The period for the study is five (5) years, from 2018- 2022. Stratified sampling was used as the appropriate sampling method in the study to determine sample size. This study relied on a sample of 19 companies from 5 different sectors: conglomerates, consumer goods, health care, natural resources and industrial goods for a period of 5 years, that is, 2018-2022 because of the growing acceptance of sustainability reporting since 2018. The data related to sustainability were collected from annual reports through the use of content analysis technique. Specifically, GRI-4 was the basis for extracting the data for economic sustainability, social sustainability and environmental sustainability while the variables of financial performance were extracted from annual accounts and reports. The variables of financial performance and sustainability reporting were sourced from published annual reports and accounts, and standalone sustainability reports of sample firms. Factors considered in determining the sample size of 20 firms are: the companies whose shares had been traded for at least five years 2018-2022, companies that published annual financial reports for year 2018 through 2022, and finally, corporations that included sustainability reporting components in their financial statements or separate sustainability reports. Stratified and purposive sampling techniques were adopted in the selection of sampled companies that met the stated criteria in order to achieve the objective of study.

Table 1 Sustainability reporting measurements (Independent variables)

Measure	Abbreviation	Definition
Sustainability Reporting	SR	Average of aggregate of ECSR (4), SOSR (12) and ENSR (17).
Economic Sustainability Reporting	ECSR	The aggregate score of the arithmetic mean for each indicator under economic category.
Environmental Sustainability Reporting	ENSR	The aggregate score of the arithmetic mean for each indicator under environmental category.
Social Sustainability Reporting	SOSR	The aggregate score of the arithmetic mean for each indicator under social category.
Financial performance measurements (Dependent Variables)		
Financial performance	FP	Average of aggregate of ROA, ROE and EPS
Return on Asset assets.	ROA	Average of a company's profitability in relation to its total It is calculated by dividing the net income of the company by its total assets
Return on Equity	ROE	Average of a company's profitability in relation to its shareholders' equity. It is calculated by dividing the net income of the company by its shareholder's equity.
Earnings per Share	EPS	Average of a company's profit allocated to each outstanding share of its common stock. It is calculated by dividing the company's net income by the total number of outstanding shares.

Source : Author's Draft (2023)

4.0 Discussion of the Results

The descriptive statistics of the variables used in the analysis are presented in Table 2. The table explains and summarizes the minimum, maximum, mean, median, spread and normality of variables. ROA mean value is 0.2070 which implies that the average Return on Asset for Sample Company is 20.7%. It had a median value of 4% which is the middle value in the dataset.

Table 2: Descriptive Statistics

	ROA	ROE	EPS	EVSR	ECSR	SOSR
Mean	0.02070	0.13570	5.48250	0.21700	0.51750	0.17450
Median	0.040000	0.125000	0.560000	0.145000	0.500000	0.14500
Maximum	0.640000	3.670000	61.77000	0.750000	0.750000	0.58000
Minimum	-3.33000	-15.7000	-5.74000	0.080000	0.250000	0.06000
Std. Dev.	0.36147	1.71407	13.7440	0.17241	0.14059	0.11363
Observations	100	100	100	100	100	100

Source: Researcher's compilation using E-views 10 output, (2023)

Also, it had a maximum and minimum value of 64% and -3.33% respectively, showing the highest and lowest return on asset recorded by a firm. ROA had a standard deviation of 36% showing the degree of variability in the return on

asset of sampled firms. ROE shows a mean score of 14% and median value of 13%, maximum and minimum values of 3.67% and -15.7% respectively. EPS shows mean and median values of 5.48% and 56% respectively, maximum and minimum values of 61.77% and -5.74% respectively.

Correlation Analysis

Correlation analysis assesses the relationship between dependent and independent variables. Correlation analysis helps determine whether changes in one variable are associated with changes in another variable. The correlationcoefficient of a variable is shown by the table above with regards to itself as 1.000. The correlation test for the model in the table 3 reveals that explanatory variables such as ENSR, ECSR and SOSR have a positive correlation with the firm's financial performance.

Table 3 Correlation Analysis

Correlation	ROA	ROE	EPS	EVSR	ECSR	SOSR
ROA	1.000000					
ROE	0.076503	1.000000				
EPS	0.175246	0.159217	1.000000			
EVSR	0.010455	0.101681	0.041351	1.000000		
ECSR	0.194139	-0.101434	0.186334	0.330333	1.000000	
SOSR	0.055053	0.035073	0.095940	0.374969	0.540316	1.000000

Source: E-views 10 output (2026)

This indicates a positive correlation, meaning that as one variable increases, the other variable also increases. As environmental sustainability reporting (ENSR), economic sustainability reporting (ECSR) and social sustainability reporting (SOSR) increase, return on asset (ROA) and earnings per share (EPS) also increases, except ECSR which reveals a negative correlation to ROE with a negative value of -10% meaning that as ECSR increases, return on equity also decreases. ECSR and ROA shows the strongest relationship with a positive correlation value of 19%.

Regression Analysis

To examine the effect of sustainability reporting on financial performance, the multiple regression analysis was carried out. The Hausman test was conducted in order to determine which model would be used for this analysis.

Test of Hypotheses

The study sets its decision rule for the acceptance of hypothesis at 5% level of significance, and at a t-value of 1.96. Hence, the null hypothesis would be rejected if the probability value is less than 0.05 and the t-value is less than 1.96.

Test of Hypothesis 1

H0: Economic sustainability reporting does not have any significant effect on the financial performance of listed manufacturing firms in Nigeria.

Table 4 shows the results for the regression analysis of the Effects of Sustainability Reporting on Financial Performance of selected Listed Companies in Nigeria. The dependent variables are Return on Asset (ROA), Return on Equity (ROE) and Earnings per Share (EPS). The independent variables are Environmental Sustainability Reporting (EVSR), Economic Sustainability (ECSR) and

Social Sustainability (SOSR) *Significant at 5%.

The results show that EVSR and SOSR have a negative relationship with return on asset of selected listed companies in Nigeria. There is evidence that environmental and social sustainability reporting have an insignificant relationship with return on equity of selected listed companies in Nigeria. Given the results, EVSR has a negative insignificant effect on ROA (T-value of -4% and p-value 68.9%), and SOSR has a negative insignificant effect on ROA with t-value of (-4% < 1.96) and p-value of (66.9% > 5% level of significance). A negative insignificant effect suggests that the reporting of environmental and social sustainability practices does not have an effect on the ROA of the company.

Table 4: Effect Economic sustainability reporting on the financial performance

Dependent Variable: ROA				
Method: Panel EGLS (Cross-section random effects)				
Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	-0.246243	0.151648	-1.623780	0.1077
EVSR	-0.099878	0.249465	-0.400369	0.6898
ECSR	0.619040	0.337049	1.836648	0.0694
SOSR	-0.181870	0.424561	-0.428370	0.6693
	Effects Specification			
			S.D.	Rho
Cross-section random	0.076275			0.0448
Idiosyncratic random	0.352271			0.9552
	Weighted Statistics			
R-squared	0.036526		Mean dependent var	0.018631
Adjusted R-squared	0.006417		S.D. dependent var	0.353407
S.E. of regression	0.352271		Sum squared resid	11.91312
F-statistic	1.213139		Durbin-Watson stat	1.327450
Prob(F-statistic)	0.309201			
	Unweighted Statistics			
R-squared	0.043097		Mean dependent var	0.020700
Sum squared resid	12.37855		Durbin-Watson stat	1.277539

Source: E-views 10 output (2026)

Economic sustainability reporting is the exception, which has a positive and significant effect on ROA with a t-value of (1.84% < 1.96) and p-value (6.9% > 5%). A positive coefficient means that the act of reporting sustainability practices does not have a meaningful impact on a company's return on asset. The negative effect implies that there might be a slight reduction in ROA, but this reduction is not statistically significant or substantial enough to draw conclusive evidence of a relationship between the two variables.

The R-squared, which is the multiple coefficient of determination, gives the proportions of the total variation in the dependent variable explained by independent variables jointly. The result shows that about 3.6% of systematic variations of earnings per share are explained by sustainability reporting leaving 96.4% unaccounted for. The R-squared when further adjusted to -0.006 signifies that only 0.64% of changes in return on asset of selected listed firms in Nigeria are caused by their sustainability reporting practices. The Durbin Watson value of 1.33% < 2.0 is an indication of positive autocorrelation in the model. Therefore, the null hypothesis was not rejected which states that economic sustainability reporting has no significant effect on financial performance of the selected listed firms in Nigeria.

Test of Hypothesis 2

H0: Environmental sustainability reporting does not have a significant effect on the financial performance of listed manufacturing firms in Nigeria.

Table 5 shows the results for the regression analysis of the Effects of Sustainability Reporting on Financial Performance of selected Listed Companies in Nigeria. The dependent variables are Return on Asset (ROA), Return on Equity (ROE) and Earnings per Share (EPS). The independent variables are Environmental Sustainability Reporting (EVSR), Economic Sustainability (ECSR) and Social Sustainability (SOSR) *Significant at 5%. The results show that SOSR has a positive relationship with return on equity of selected listed companies in Nigeria. There is evidence that environmental and social sustainability reporting have an insignificant relationship with return on equity of selected listed companies in Nigeria.

Table 5 Effect Environmental sustainability reporting financial performance

Dependent Variable: ROE				
Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	0.836229	0.668760	1.250417	0.2142
EVSR	1.310443	1.100126	1.191176	0.2365
ECSR	-2.362751	1.486367	-1.589615	0.1152
SOSR	1.362913	1.872293	0.727938	0.4684
	Effects Specification			
			S.D.	Rho
Cross-section random			0.000000	0.0000
Idiosyncratic random			1.725999	1.0000
	Weighted Statistics			
R-squared	0.036230	Mean dependent var		0.135700
Adjusted R-squared	0.006113	S.D. dependent var		1.714070
S.E. of regression	1.708823	Sum squared resid		280.3273
F-statistic	1.202956	Durbin-Watson stat		1.296999
Prob(F-statistic)	0.312936			
	Unweighted Statistics			
R-squared	0.036230	Mean dependent var		0.135700
Sum squared resid	280.3273	Durbin-Watson stat		1.296999

Source: E-views 10 output (2026)

Given the results, EVSR has a positive insignificant effect on ROE (T-value of 1.19% and p-value 23.7%) and SOSR has a positive insignificant effect on ROE with t-value of (0.72% < 1.96) and p-value of (46% > 5% level of significance). A positive insignificant effect suggests that the reporting of environmental and social sustainability practices does not harm or benefit the return on equity of the investors. Economic sustainability reporting is the exception, which has a negative and significant effect on ROE with a t-value of (-1.59% < 1.96) and p-value (12% > 5%). A negative coefficient means that the act of reporting economic sustainability does not have a meaningful impact on a company's return on equity. The negative effect implies that there might be a slight reduction in ROE, but this reduction is not statistically significant or substantial enough to draw conclusive evidence of a relationship between the two variables.

The R-squared, which is the multiple coefficient of determination, gives the proportions of the total variation in the dependent variable explained by independent variables jointly. The result shows that about 3.6% of systematic

variations of earnings per share are explained by sustainability reporting leaving 96.4% unaccounted for. The R-squared when further adjusted to -0.006 signifies that only 0.6% of changes in return on equity of selected listed firms in Nigeria are caused by their sustainability reporting practices. The Durbin Watson value of 1.29% > 2.0 is an indication of positive autocorrelation in the model. Therefore, the null hypothesis was accepted which states that environmental sustainability reporting has no significant effect on financial performance of the selected listed firms in Nigeria.

Test of Hypothesis 3

H0: Social sustainability reporting does not have a significant effect on the financial performance of listed manufacturing firms in Nigeria.

Table 6 shows the results for the regression analysis of the Effects of Sustainability Reporting on Financial Performance of selected Listed Companies in Nigeria. The dependent variables are Return on Asset (ROA), Return on Equity (ROE) and Earnings per Share (EPS). The independent variables are Environmental Sustainability Reporting (EVSR), Economic Sustainability (ECSR) and Social Sustainability (SOSR) *Significant at 5%.

Table 6 Effect of Social sustainability reporting on the financial performance

Dependent Variable: EPS				
Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	-3.933480	12.01011	-0.327514	0.7440
EVSR	-1.800079	19.75690	-0.091111	0.9276
ECSR	18.96732	26.69331	0.710565	0.4791
SOSR	-0.051535	33.62406	-0.001533	0.9988
	Effects Specification			
			S.D.	Rho
Cross-section random			13.61927	0.8475
Idiosyncratic random			5.777509	0.1525
	Weighted Statistics			
R-squared	0.007082	Mean dependent var		1.021886
Adjusted R-squared	-0.023947	S.D. dependent var		5.709550
S.E. of regression	5.777509	Sum squared resid		3204.442
F-statistic	0.228238	Durbin-Watson stat		1.483992
Prob(F-statistic)	0.876534			
	Unweighted Statistics			
R-squared	0.035178	Mean dependent var		5.482500
Sum squared resid	18043.19	Durbin-Watson stat		0.263555

Source: E-views 10 output (2026)

The results show that SOSR has a negative relationship with earnings per share of selected listed companies in Nigeria. There is evidence that environmental and social sustainability reporting have an insignificant relationship with earnings per share of selected listed companies in Nigeria. Given the results, ENSR has a negative insignificant effect on EPS (T-value of -9% and p-value 92%) and SOSR has a negative insignificant effect on EPS with t-value of (-0.1% < 1.96) and p-value of (99% > 5% level of significance). A negative insignificant effect suggests that the reporting of environmental and social sustainability practices does not harm or benefit the earnings per share of the company. Economic sustainability reporting is the exception, which has a positive and significant effect on EPS (t-value 71% < 1.96 and p-value 48% > 5%). A positive coefficient suggests that an increase in economic sustainability reporting will lead to an increase in EPS.

However, since the effect is insignificant, it implies that this relationship is not strong enough to be considered statistically significant.

The R-squared, which is the multiple coefficient of determination, gives the proportions of the total variation in the dependent variable explained by independent variables jointly. The result shows that about 0.7% of systematic variations of earnings per share are explained by sustainability reporting leaving 99.3% unaccounted for. The R-squared when further adjusted to -0.023 signifies that -2.3% of changes in earnings per share of selected listed firms in Nigeria are caused by their sustainability reporting practices. The Durbin Watson value of 0.26% < 2.0 is an indication of positive autocorrelation in the model. Therefore, the null hypothesis was accepted which states that social sustainability reporting has no significant effect on financial performance of the selected listed firms in Nigeria.

Discussion of Findings

The study assesses the effect of sustainability reporting on firms' financial performance in Nigeria for the period 2018-2022. Three hypotheses were examined and their results are summarized below. The first hypothesis examined the effect of economic sustainability reporting on the financial performance of selected listed companies in Nigeria. The regression result showed that the null hypothesis of economic sustainability reporting and financial performance of the selected listed firms in Nigeria was not rejected. Thus, the alternative hypothesis was rejected which states that economic sustainability reporting has a significant effect on financial performance of the selected listed firms in Nigeria. This result contradicts the findings of Maryam (2021) which show a significant effect of economic sustainability reporting and financial performance. But it corresponds with Yazid & Ahmed (2021) whose study revealed that economic sustainability has an insignificant effect on financial performance.

The second hypothesis examined the effect of environmental sustainability reporting and financial performance of the selected listed firms in Nigeria. The null hypothesis was accepted which states that environmental sustainability reporting has no significant effect on financial performance of the selected listed firms in Nigeria. This result is consistent with Ogonna and Chikwendu (2019) who found an insignificant effect of environmental sustainability reporting on financial performance of firms using ROA as a measure of financial performance. However, Odumegwu (2022) used ROE as a measure of financial performance, but found no significant relationship between sustainability reporting and financial performance.

The third hypothesis of this study examined the effect social sustainability reporting and financial performance of the selected listed firms in Nigeria. From the results, the outcome of this study shows that SOSR has no significant effect on the financial performance of selected listed companies in Nigeria. The null hypothesis was accepted which states that social sustainability reporting has no significant effect on financial performance of the selected listed firms in Nigeria. This result contradicts the study of Ismail (2021) which found significant effect of social sustainability reporting and firm financial performance. It is congruent with Mohammed (2021) whose study reveals an insignificant relationship between sustainability reporting and financial performance of selected listed firms in Nigeria.

Recommendations

The study recommends that:

1. Manufacturing companies should adhere to the economic sustainability reporting standards so as to balance it with their financial performance objectives for the purpose of meeting the needs of several stakeholders.

2. Manufacturing companies should invest in environmental preservation so as to increase their legitimacy which will eventually boost financial performance.

3. Manufacturing companies should commit funds to projects that can benefit the neighbouring communities to boost the drive for profitability.

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