



Sustainability Reporting and Financial Performance of Listed Consumer Goods Firm in Nigeria

Grace Amarachukwu Offiaeli^{1*}, Rafiu Oyesola Salawu², Obiamaka Nwobu¹

¹Department of Accounting, Covenant University, Ota, Nigeria, ²Department of Management and Accounting, Obafemi Awolowo University, Ile-Ife, Nigeria. *Email: amarachukwu.offiaelipgs@stu.cu.edu.ng

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ABSTRACT

This study investigated the effect of sustainability reporting on the financial performance of listed consumer goods companies in Nigeria. The study employed an ex-post facto research design. Data were collected from the public audited annual financial reports of ten consumer goods companies listed on the Nigerian Exchange Group over a 10-year period, from 2014 to 2023. In this study, sustainability reporting Global Reporting Initiative (GRI) is the independent variable, and return on assets (ROA) and net profit margin (NPM) are the dependent variables. Data were analysed using the Panel Ordinary Least Squares (POLS) approach. At a 5% significance level, the POLS regression results showed that sustainability reporting has a positive but statistically negligible effect on ROA. Again, NPM is positively impacted by sustainability reporting, but this effect is again statistically negligible at 5% significance. As a result, the study found that there is no statistically significant relationship between sustainability reporting and financial performance. The study concluded with the importance of improving the quality and disclosure of sustainability reporting. Based on these conclusions, the study recommends that rather than considering sustainability goals as stand-alone projects, they should be included in the main business strategy and operations of a company.

Keywords: Sustainability Reporting; Financial Performance; Consumer Goods Firm

JEL Classifications: M41, Q56, M14

1. INTRODUCTION

Sustainability reporting growth is a quiet revolution that, given the complexity of contemporary business environments, is rewriting the company narrative. Benvenuto et al. (2023) state that there is increasing interest in the issue of sustainability reporting. The usage of sustainability reporting has increased considerably in recent years due to growing investor dependence on non-financial data related to social and environmental performance as a predictor of company risks and predicted future financial results. Examining the ever-changing terrain of corporate transparency, KPMG (2020) discovered that over the past two decades a stunning increase in sustainability reporting has occurred. Remarkably, a startling 96% of the 250 most powerful corporations worldwide have adopted sustainability reporting a voluntary effort in most countries. This

insightful trip through the emergence of sustainability reporting not only emphasizes a radical change in business behavior but also places Asia Pacific and Europe front and front in this worldwide movement.

Meutia et al. (2021) observed that several organizations have adopted sustainability as a fundamental aspect of responsible corporate behavior, with a focus on social and environmental well-being. This method demonstrates a company's commitment to social responsibility and welfare, as well as financial prosperity, therefore fostering enduring social and economic stability. The notion of sustainability is based on the triple bottom line, which involves incorporating a company's social and environmental performance into its financial bottom line. Enterprises are facing difficulties in maintaining their significance in rapidly evolving

marketplaces and are recognizing that focusing just on the financial aspect of their operations is insufficient. The manner in which a company portrays its commitment to sustainable growth, including financial, environmental, and human aspects, is increasingly crucial when formulating a robust business plan (Alshehhi et al., 2018).

The financial situation of every firm is supposed to be a good gauge of its whole performance in business. An important concern for investors is the return on investment. Therefore, strong financial performance draws capital from global sources. Increased employee compensation, enhanced product quality, and a stronger market presence are among the advantages that result from a company's success (Uwuigbe et al., 2018). The Global Reporting Initiative principles are widely used for sustainability reporting. They assist corporations in disclosing their effects on the economy, society, and environment. The Global Reporting Initiative Standards offer companies a standardized framework to communicate their impact on society and the environment in a comprehensive and consistent manner. These standards cater to the requirements of all stakeholders and facilitate transparent disclosure of a company's commitment to sustainable development (GRI, 2021). Abdullahi and Makama (2021) examine the field of sustainability reporting in less developed countries such as Nigeria, offering a distinct viewpoint for organizations who do not engage in reporting. Many times, sustainability reporting is seen as a luxury an expensive, onerous effort. Why would companies want to enter the realm of sustainability reporting? It appears that they feel driven by strong institutional factors rather than by choice. Sustainability reporting practices are shaped by institutional forces ranging from normative (following social norms) to mimetic (imitating industrial practices) and coercive (fulfilling rules or expectations). Businesses find themselves negotiating the currents of society expectations and industry standards. The process by which businesses provide their environmental, social, and governance performance to stakeholders that is, open insights on their sustainable activities and effects is known as sustainability reporting.

Hongming et al. (2020) underline how important sustainability reporting is to help to support the main goal of sustainable development. For those engaged in corporate planning, it becomes imperative to give sustainability reporting methods proper thought. The writers propose that government intervention especially in settings marked by corruption can be rather important in improving the dependability and credibility of companies. However, it is crucial to highlight that the results of the research are particular to the setting of Pakistan and the time period being analyzed. This underscores the need of interpreting and generalizing the findings cautiously.

Nelmida et al. (2020) propose doing more research that incorporates several financial performance measures, such as return on investment and return on equity ratios, to provide guidance for future investigations in the area of sustainability reporting and financial performance. This current study seeks to enhance the existing knowledge by specifically investigating the impact of sustainability reporting on the financial performance

of publicly traded manufacturing companies, with a focus on the consumer goods company in Nigeria. Given Nigeria's particular economic and business environment, such an analysis is expected to clarify the complex relationships between consumer goods industry sustainability reporting procedures and financial results. The adoption of sustainability reporting would have a significant impact on the financial performance of consumer products businesses listed in Nigeria. Disregarding sustainability reporting may pose several challenges for firms operating in the contemporary corporate landscape.

Sustainability reporting is crucial for companies to showcase their commitment to environmental, social, and governance principles. Existing studies, including those by Karaman et al. (2018) and Alhassan et al. (2021), examine its impact on various sectors, but research on Nigerian consumer goods firms remains limited. This study focuses on the correlation between sustainability reporting and financial performance, using the Global Reporting Initiative for analysis.

2. LITERATURE REVIEW

2.1. Conceptual Review

2.1.1. Sustainability reporting

Sustainability reporting is a means for organizations to communicate their commitment to sustainable development, sharing both financial and non-financial information with stakeholders. It enables organizations to convey their green activities to consumers, investors, and workers, among others (2022). Furthermore, it helps organizations show accountability regarding their performance on sustainable development goals (SDGs) (Shad et al., 2019; Adams, 2017). Despite its significance, challenges such as differing corporate responsibility awareness, multiple frameworks, and voluntary reporting practices exist. However, it remains essential for transparency and maintaining corporate reputation, with increasing reliance on these reports from investors to gauge sustainability efforts. Reporting frameworks like the Global Reporting Initiative (GRI) guide these disclosures, reflecting the growing importance of sustainability in corporate governance.

2.1.2. Strength of sustainability reporting

Sustainability reporting fosters transparency and trust with stakeholders, including investors, employees, and customers, by openly disclosing a company's social, environmental, and governance performance. It enables companies to engage meaningfully with stakeholders, understand their expectations, and make better decisions. Reporting also helps organizations identify and address environmental, social, and governance (ESG) risks early, supporting long-term sustainability (Şahin and Çankaya, 2019). Businesses that incorporate sustainability into their strategies can create lasting value for society, the environment, and shareholders, contributing to a more sustainable future.

2.1.3. Risk involved in sustainability reporting

Poor or inaccurate sustainability reporting can harm a company's reputation and erode stakeholder trust. Practices like "greenwashing" where companies exaggerate or misrepresent their environmental

efforts, can further damage credibility (Eccles and Krzus, 2018). Other risks include inefficient sustainability initiatives or increased operational costs (Adams, 2017), reputational risk (KPMG, 2022) and operational risk (Sustainability Accounting Standards Board, 2020). Inadequate reporting and failure to address ESG risks may lead to disruptions, such as supply chain issues from natural disasters or labor conflicts, which could affect business operations and stakeholder confidence.

2.1.4. Global reporting initiative (GRI)

The Global Reporting Initiative (GRI) was established to standardize sustainability reporting, offering guidelines for organizations to disclose their impacts on governance, society, and the environment (GRI, 2021). It provides a comprehensive framework for transparent and consistent reporting across various sectors. The GRI framework helps organizations meet reporting criteria and ensures they adhere to recognized standards, enhancing their credibility with stakeholders. By following GRI guidelines, organizations demonstrate their commitment to sustainability and maintain their “license to operate,” fostering trust and long-term relationships.

2.1.5. GRI as a measure of sustainability reporting

The GRI framework ensures transparency and consistency in sustainability reporting, covering topics like supply chain management and social responsibility (GRI, 2021). It emphasizes the integration of sustainability into business strategies, helping companies reduce risks, improve reputation, and expand into new markets. The framework includes a range of performance standards (economic, environmental, social, and general) to evaluate sustainability performance. Companies’ performance is measured through a scoring system based on disclosure indicators, with quantitative and qualitative disclosures assessed differently.

2.1.6. Financial performance

Despite the lack of agreed-upon definition of financial performance, it has been admitted that performance can be considered an artifact based on which the success of an organization is appreciated (Tudose and Avasilcai, 2020). Thus, financial performance depicts a company’s ability to create economic value (Orozco et al., 2018) and to attract and generate returns for investors (Al-Sa’eed, 2018). Financial performance is a measure of a company’s ability to manage its resources efficiently to achieve its financial goals, which include profitability, leverage, and solvency. It reflects the company’s overall health and its ability to deliver returns to stakeholders, such as investors and creditors. A company’s financial condition is crucial for evaluating its effectiveness, growth prospects, and the ability to generate profits. Effective financial performance is essential for firms to fulfil their objectives, whether in generating profits for businesses or delivering public services for government and non-governmental organizations.

2.1.7. Benefit of financial performance

The benefits of financial performance cannot be downplayed. The impact of the concept greatly affects every aspects of an organizational existence. For instance, financial performance allows for better forecasting, improve quality decision-making,

enhance accountability and communication, and a tool for benchmarking and compelling compliance with organizational standing guidelines (Mubasher, 2023). Strong financial performance indicates a company’s success in generating profits, which can be reinvested for growth or distributed as dividends. Positive financial outcomes enhance investor confidence, leading to increased stock investment and market capitalization. Companies with good financial health find it easier to raise funds, pursue strategic acquisitions, and withstand economic downturns. Robust performance also enhances the company’s reputation, drawing customers, suppliers, and top talent. Ultimately, good financial performance fosters trust and strengthens relationships with stakeholders.

2.1.8. Measures of financial performance

Financial performance is assessed through various measures, including Return on Assets (ROA) and Net Profit Margin (NPM).

- Return on Assets (ROA) Measures how effectively a company uses its assets to generate profits, calculated as net income divided by total assets
- Net Profit Margin (NPM) Evaluates profitability by showing the proportion of net profit from sales, indicating how well a company turns revenue into profit after expenses. Both metrics are vital for understanding a company’s operational efficiency and financial health. Sustainability reporting can impact these metrics, improving financial outcomes by optimizing resources, reducing costs, and enhancing brand image, ultimately leading to better ROA and NPM.

2.1.9. Environmental, social, and governance (ESG) and financial performance

Environmental, Social, and Governance (ESG) factors are key to assessing a company’s sustainable practices and impact. Companies with strong ESG ratings tend to perform better financially, as they are better positioned to manage risks and capitalize on opportunities related to sustainability. Integrating ESG considerations into business strategies helps improve social accountability and governance, which in turn boosts financial performance. Research suggests a positive correlation between higher ESG ratings and better financial outcomes, emphasizing the importance of balancing environmental, social, and governance efforts to maximize long-term success.

2.2. Empirical Review

Agbo et al, (2023) examined the financial impact of sustainability reporting by Nigerian companies, focusing on the relationship between Return on Equity (ROE) and Return on Assets (ROA). The results showed a minor negative impact on ROE and a slight positive impact on ROA over a 5-year period. The study highlights the need for corporate management to monitor sustainability reporting initiatives closely (Korolo and Korolo, 2023a) The researchers studied the effect of sustainability reporting on Nigerian deposit money banks from 2013 to 2022. They found that environmental reporting had a mixed effect, while social sustainability reporting had a negative impact on financial performance. The study recommends implementing regulations that assess the economic, social, and environmental impact of these practices.

Celik (2023) investigated sustainability reporting and financial performance among companies listed on the Borsa Istanbul Stock Market Sustainability Index. The findings suggested that profitability does not affect sustainability efforts, but larger companies are more likely to engage in sustainability activities, highlighting the importance of these programs for financial success. Soomiyol et al. (2023) the research focused on sustainability reporting among Nigerian oil and gas companies. They found that economic and environmental reporting significantly impacted financial performance, while social reporting had no effect. The study recommends prioritizing economic sustainability reporting to meet stakeholder demands and enhance operations. Al Hawaj and Buallay (2022) examined the impact of sustainability reporting on business performance across seven industries and 3,000 companies in 80 countries from 2008 to 2017. The research found that sustainability reporting affects market, financial, and operational performance, advancing the understanding of sustainable accounting practices. Isiaka Isiaka (2022) focused on Africa, this study found a positive correlation between financial success and sustainability reporting, despite limited progress in the region. The results suggest that managers in developing countries can enhance global sustainability reporting efforts by adopting voluntary reporting practices.

Awadzie et al. (2022), analyzed the relationship between sustainability reporting and financial performance in African banks, using data from Ghana, Nigeria, and South Africa. It found a positive correlation between sustainability reporting and performance metrics like ROA and Tobin's Q, suggesting that more comprehensive sustainability reporting can enhance long-term performance. Okika et al. (2022) explored the relationship between earnings management and sustainability reporting in Nigerian non-financial firms. It found that companies engaging in earnings management are more likely to disclose higher levels of sustainability activities, indicating a link between profit management and sustainability reporting.

Fiaz and Saba (2022) found a direct and favorable relationship between corporate sustainability and ROA of the firms in the U.S. This suggests that sustainable practices can enhance financial performance, urging lawmakers to support the implementation of sustainability measures. Olafusi et al. (2022), examined Nigerian Deposit Money Banks and found that governance reporting had a significant impact on financial performance. However, the study revealed that banks do not prioritize sustainability reporting in their annual financial statements, despite its potential positive effects.

Nzekwe et al. (2021), investigated the impact of sustainability reporting on Nigerian industrial goods companies. It found a significant positive effect of environmental, social, and financial reporting on cash value added, suggesting the creation of regulations to enhance sustainability reporting and value creation. Alhassan et al. (2021) in their study, the result showed that sustainability reporting has a favorable and significant impact on ROA, ROE, and earnings per share (EPS) in Nigerian industrial products companies. The research advocates for a standardized

sustainability index to support sustainable development and environmental objectives. Nguyen (2020) found a negative correlation between firm value and the extent of GRI-based sustainability reporting in his study on major German firms. This suggests that stricter adherence to GRI principles may not always enhance corporate value. Oncioiu et al. (2020) in their study, emphasized the importance of incorporating corporate social responsibility (CSR) indicators into financial reporting, showing that these non-financial activities have financial significance and impact organizational performance.

Aifuwa (2020) In underdeveloped nations, the study found a broad positive correlation between sustainability reporting and corporate performance, while highlighting the need for more advanced research methods to better understand the relationship between sustainability and financial success. The study of Shad et al. (2019) explored the impact of sustainability reporting on the relationship between company performance and enterprise risk management in the oil and gas industry. The findings suggest that effective risk management improves performance and recommend using content analysis to evaluate sustainability and risk management. Carp et al. (2019) examined the influence of sustainability reporting on company development in Romania. It found minimal impact on growth measures like the price-to-book ratio, suggesting insufficient stakeholder support for using sustainability reporting in decision-making.

Iheduru and Okoro (2019) researched on Nigerian listed companies and revealed that economic and social sustainability disclosures positively influenced ROE, while governance and environmental disclosures had a negative impact. The study calls for improved strategies to enhance sustainability reporting's financial effectiveness. This research of Amedu et al. (2019) highlighted the importance of economic and social sustainability reporting in Nigerian manufacturing firms, supporting the adoption of laws that mandate sustainability reporting for publicly listed companies. Buallay (2019) investigated the relationship between sustainability reporting and performance in financial institutions across 20 countries. It found a positive correlation between ESG ratings and market success, but a negative impact on operational and financial performance, suggesting the need for better alignment between reporting and business strategy.

Diantimala (2018) found that increased sustainability disclosure led to a rise in firm value for companies on the Jakarta Islamic Index. However, this gain was not linked to debt levels, profitability, or company size, indicating the influence of sustainability practices on firm worth. Uwuigbe et al. (2018) The research on Nigerian Deposit Money Banks found a reciprocal relationship between sustainability reporting and corporate performance, with reporting positively influencing revenue creation but negatively affecting market price per share. Karaman et al. (2018) In the aviation sector, the study found that larger, more influential companies are more likely to engage in sustainability reporting. The research advocates for improved reporting practices and stronger involvement from boards and regulators to enhance sustainability standards in aviation.

2.3. Theoretical Framework

Stakeholder theory underpins this study's framework, emphasizing how sustainability reporting addresses diverse stakeholder interests. It highlights the role of programs like the Global Reporting Initiative in guiding strategic decisions, enhancing financial performance through increased efficiency, cost reductions, and improved resource use. Transparency fosters trust, mitigates risks, and boosts profitability. The theory was developed by Edward Freeman in 1983.

Freeman defines stakeholders as any group or individual who can affect or be affected by the achievement of an organization's objectives. This theory emphasizes that corporate management operates within a complex environment where multiple stakeholder interests must be considered, rather than solely focusing on shareholder value.

Adopting Stakeholder Theory in the study of sustainability reporting offers several advantages

1. **Comprehensive Understanding** It provides a broader perspective on how sustainability impacts financial performance and the wider environment, including social, environmental, and governance aspects
2. **Building Trust and Loyalty** by engaging with stakeholders through transparent reporting, companies can foster trust and loyalty, positively influencing their financial outcomes
3. **Long-term Value Creation** The theory promotes long-term sustainability over short-term profits, ensuring that companies adopt practices that benefit future generations and support enduring financial success.

Stakeholder Theory is relevant to sustainability reporting as it

- Acknowledges the diversity of stakeholders involved, such as customers, employees, suppliers, and regulatory bodies
- Helps companies navigate regulatory pressures and societal norms, as sustainability reporting becomes more mandated globally.

Key advantages of applying Stakeholder Theory include

- **Improved Financial Performance** Aligning with stakeholder interests can boost both sustainability and financial results
- **Risk Mitigation and Resilience** By considering stakeholders' concerns, companies can become more resilient to environmental and social risks, positively affecting their performance.

3. METHODOLOGY

An *ex-post facto* design examines past data to explore correlations between variables, focusing on retroactive analysis. This design is suitable for this study as it enables direct, comprehensive comparison and provides valuable insights (Gopalan et al., 2020). The study population consists of 10 consumer products companies listed on the Nigeria Exchange Group. Secondary data was used, with financial information from the companies' annual reports for the years 2014-2023 (Table 1).

3.1. Model specification

The model rest on the stakeholder theory, it was adapted from the studies of Cho et al. (2019) in Study on the Relationship between

Table 1: The selected consumer goods companies

S. No.	Listed consumer goods firms
1.	Cadbury Nigeria Plc.
2.	Champion Brew Plc.
3.	Dangote Sugar Refinery Plc.
4.	Flour Mills Nigeria Plc.
5.	Guinness Nigeria Plc.
6.	Honeywell Flour Mill Plc.
7.	Vitafoam Nigeria Plc.
8.	Nestle Nigeria Plc.
9.	PZ Cussons Nigeria.
10.	Unilever Nigeria.

Source Author's Compilation (2025)

Corporate Social Responsibility and Financial Performance

$$ROA_{it} = \alpha_0 + \alpha_1 LNCSR_{it} + \alpha_2 LNSIZE_{it} + \alpha_3 LEV_{it} + e_{it} \quad (1)$$

$$GROWTH_{it} = \alpha_0 + \alpha_1 LNCSR_{it} + \alpha_2 LNSIZE_{it} + \alpha_3 LEV_{it} + e_{it} \quad (2)$$

ROA: A proxy variable for firm financial performance (return on assets)

LNCSR: The natural log value of the KEJI index

LNSIZE: The natural log value of the total assets (term-end total assets, a measurement of firm size)

LEV: The debt ratio (total debt/total equity)

GROWTH: The growth rate of sales revenue (variation in sales revenue/sales revenue of the previous term)

e: Residual

The model was modified to suit the hypotheses of this study as follows:

$$ROA_{it} = \alpha_0 + \alpha_1 GRI_{it} + \alpha_2 LNSIZE_{it} + \alpha_3 LEV_{it} + \alpha_4 FA_{it} + e_{it} \quad (3)$$

$$NPM_{it} = \alpha_0 + \alpha_1 GRI_{it} + \alpha_2 LNSIZE_{it} + \alpha_3 LEV_{it} + \alpha_4 FA_{it} + e_{it} \quad (4)$$

Where;

ROA: Return on Asset (dependent variable).

NPM: Net profit margin (dependent variable).

GRI: Global reporting initiative (Independent variable).

SIZE: Firm size is analyzed on the natural log of total assets.

LEV: Financial leverage

FA: Firm age

LN: Natural log sequence.

α_0 : Serves as intercept or constant term.

$\alpha_1, \alpha_2, \alpha_3, \alpha_4$: Parameter estimate of the variables.

e: is the error term of the regression equation (Stochastic variable).

3.2. Apriori Expectation

It is expected that a higher degree of sustainability reporting will correlate favorably with the overall analysis of the financial performance of publicly traded firms in the consumer goods sector. This expectation results from the belief that comprehensive sustainability reporting demonstrates a commitment to moral corporate behavior, therefore enhancing the long-term financial viability of a corporation (Table 2). The measurement of variables are presented in Table 3.

4. RESULTS AND DISCUSSION

4.1. Descriptive Statistics

The statistical descriptions of the dependent variable and independent variable used in the assessed model are shown in Table 4.

The descriptive statistics presented in Table 4 offer a comprehensive overview of the central tendencies, dispersion, and distributional characteristics of Return on Assets (ROA), Net Profit Margin (NPM), Global Reporting Initiative (GRI), Firm Size (LNFS), Financial Leverage (LEV), and Firm Age (FA) for consumer goods firms listed in Nigeria. Given that there are 100 observations for each variable, the sample size is sufficiently robust to get significant insights. The firms have an average Return on Assets (ROA) of 5%, which is represented by a mean value of 0.05. The median Return on Assets (ROA) is 0.04, indicating a distribution that is biased to the right due to the fact that the mean is greater than the median. The standard deviation of 0.08 indicates a rather stable level of variation around the mean. The range of ROA values spans from -0.30 to 0.26, demonstrating significant variation across various organizations. The distribution has a negative skewness of -0.42 and a kurtosis value of 6.58, indicating a longer left tail and a larger peak compared to a normal distribution. The Jarque-Bera test

statistic of 56.25 and its P-value of 0.0000 provide solid evidence that the distribution of ROA deviates considerably from normality. With a mean value of 0.05, NPM quite closely matches the ROA and shows that, on average, companies keep a profit margin of 5% following all expenses. Comparatively to the mean, the median value of 0.04 exhibits a rather smaller central tendency. The 0.09 standard deviation shows that the profit margins of several corporations vary somewhat fairly. With a low of -0.24 and a maximum of 0.26, the NPM highlights rather significant variation. With a kurtosis value of 4.70, the distribution is negatively skewed (-0.83) indicating a left-skewed distribution with heavier tails than a normal distribution. Significantly deviating from normalcy are shown by the Jarque-Bera test statistic (23.56) and P-value (0.0000).

With a mean GRI score of 1.22, companies seem to be rather involved in environmental reporting on average. But the median value of 0.50 points to a distorted distribution since half of the companies have a GRI score below this level. The 7.09 standard deviation shows rather great variation in GRI scores. With a minimum of 0.14 and a high of 71.40, the GRI shows a broad distribution and implies that whereas some companies have little involvement, others are heavily reporting on sustainability. Extreme skewness (9.84) and very high kurtosis (97.88) point to a significantly distorted distribution with notable outliers. Confirming the non-normality are the Jarque-Bera test statistic (39126.00) and P-value (0.0000).

Measuring business size as the natural log of total assets, the

Table 2: Apriori expectation

Label	Expected value
ROA	Positive (+)
NPM	Positive (+)
GRI	Positive (+)

Source: Author's Compilation (2025)

Table 3: Measurement of variables

Description Variables	Measurement	Author
Dependent variables		
Return on asset	Return on asset is measured by calculating the net profit, adjusted for interest, taxes, and preference dividend, relative to the total assets owned by shareholders.	Alhassan et al. (2021).
Net profit margin	Net profit margin is measured by dividing the net profit obtained by the firm during a period by the income (net revenue) generated by the firm in the same period.	Budianto and Dewi., (2023)
Independent variables		
Global reporting initiative	Global reporting initiative can be measured by assessing an organization's adherence to GRI standards.	Weber et al. (2008)
Control variables		
Firm size	This is expressed as the log of the total asset value.	Paul et al. (2019)
Firm age	The length of time an organization has been listed on a stock exchange is known as its corporate age.	Aimuyedo et al. (2022)
Financial leverage	Total debts/total equity.	Elmerraji et al. (2025)

Source: Author's Compilation (2025)

Table 4: Descriptive statistics test

	ROA	NPM	LEV	GRI	FS	FA
Mean	0.05	0.05	1.82	1.22	1.38E+11	54.70000
Median	0.04	0.04	1.39	0.50	1.08E+11	55.00000
Maximum	0.26	0.26	13.51	71.40	7.19E+11	100.0000
Minimum	-0.30	-0.24	-8.46	0.14	9.59E+09	9.000000
Std.Dev.	0.08	0.09	2.41	7.09	1.40E+11	21.23
Skewness	-0.42	-0.83	1.98	9.84	1.86	-0.06
Kurtosis	6.58	4.70	15.54	97.88	6.79	3.10
Jarque-Bera	56.25	23.56	721.12	39126.00	117.52	0.11
Probability	0.000000	0.000008	0.000000	0.000000	0.000000	0.95
Sum	4.74	4.61	182.19	121.55	1.38E+13	5470.00
Sum Sq. Dev	0.62	0.72	575.98	4978.82	1.93E+24	44621.00
Observations	100	100	100	100	100	100

Source: Author's Computation (2025)

mean value of 1.38E+11 indicates that the sample contains rather substantial companies. The median value of 1.08E+11 and the standard deviation of 1.40E+11 show somewhat different company sizes. The range from 9.59E+09 to 7.19E+11 shows the substantial variation in sample firm sizes. With a lengthy right tail and a higher peak, the positive skewness (1.86) and high kurtosis (6.80) point to a distribution significant departure from normalcy is shown by the Jarque-Bera test statistic (117.52) and P-value (0.0000). With a mean score of 1.82, financial leverage indicates that companies, on average, have almost twice the debt level than their equity. Indicating a right-skewed distribution, the median value of 1.39 is less than the mean. Leverage ratios show great fluctuation according to the 2.41 standard deviation. Reflecting considerable variations in financial structures among companies, the range runs from -8.46 to 13.51. Extreme values and strong tails are suggested by the positive skewness (1.98) and rather high kurtosis (15.54). Confirming the non-normally distribution is the Jarque-Bera test statistic (721.11) and P-value (0.0000).

With a mean value of 54.7 years, firm age indicates in the sample mature companies. With a median value of 55.00 and a standard deviation of 21.23, 55.00 exhibits a somewhat moderate range around the mean. The range of years between 9.00 and 100.00 points to a wide spectrum of corporate age. The very zero skewness (-0.06) points to a symmetric distribution; the kurtosis value (3.1049) is rather close to the kurtosis of the normal distribution. High P-value (0.95) and the Jarque-Bera test statistic (0.11) point to the company age distribution not notably deviating from normality.

4.2. Hausman Test

The Hausman test is a statistical test used to determine whether a model’s assumptions are valid for a given dataset, particularly in the context of panel data analysis. It frequently assists in selecting between fixed effects and random effects models. The main purpose of the Hausman test is to determine if a model’s unique errors, or individual-specific effects, match the regressors, or independent variables. In the event when the residuals show no correlation with the regressors, the random effect model is advised above the fixed effect model (Utami et al., 2021). The Hausman test ensures users are utilizing the most effective and impartial estimator for their panel data analysis by evaluating the null hypothesis that random effects are the preferred model.

The results of the Hausman test for Model 3 in Table 5 indicate a Chi-Square statistic of 9.671854, with 4 degrees of freedom and a P-value of 0.05. Given that the P-value is below the conventional significance threshold of 0.05, we may conclude that the null hypothesis is rejected. The null hypothesis in the Hausman test assumes that the random effects model is suitable, under the condition that there is no connection between the individual mistakes and the regressors. If this hypothesis is disproven, it

indicates that the assumption of random effects is not true and there is a link between the individual mistakes and the regressors. Therefore, Model 3 is better suited for the fixed effects model. This indicates that ROA is influenced by unique firm characteristics that do not change over time and are associated with the explanatory variables (GRI, LNFS, LEV, and FA). Hence, the fixed effects model will provide more accurate and consistent estimates of the relationship between the independent variables and ROA.

Alternatively, by doing the Hausman test, Model 4 yields a Chi-square statistic of 4.196600 with 4 degrees of freedom and a P-value of 0.38. The null hypothesis is not rejected due to the P-value being significantly more than the 0.05 threshold. In this scenario, the null hypothesis argues that the random effects model is appropriate, since it reveals that the mistakes are not correlated with the regressors. For Model 4, the random effects model is thus suitable. This suggests that, at least they are not connected with the explanatory variables (GRI, LNFS, LEV, and FA), hence the individual firm characteristics that do not change over time have no appreciable impact on NPM. Therefore, the random effects model offers effective estimations without requiring the control for the time-invariant properties of the companies.

4.3. Panel Ordinary Least Square Method

The panel ordinary least squares (OLS) method results presented evaluate the impact of Global Reporting Initiative (GRI) scores, firm age (FA), financial leverage (LEV), and firm size (LNFS), analyzed in its natural log (LN) forms, on the financial performance of Nigerian listed consumer goods companies. The dependent variables under consideration are return on assets (ROA) in Model 3 and net profit margin (NPM) in Model 4 (Table 6).

In Model 3, ROA is the dependent variable. The results indicate that the GRI coefficient is 0.00, with a t-statistic of 1.36 and a probability (P-value) of 0.18. This suggests that while there is a positive relationship between sustainability reporting (as measured by GRI scores) and ROA, it is not statistically significant at conventional levels ($p < 0.05$). This implies that, for these firms their return on assets is not significantly impacted by the volume of their sustainability reporting, the coefficient for firm size (LNFS) is 0.00 with a t-statistic of 1.06 and a P-value of 0.29, indicating no significant effect of firm size on ROA. Interestingly, firm age (FA) has a negative coefficient of -0.08, a t-statistic of -2.64, and a P-value of 0.00. This result is statistically significant, suggesting that older firms tend to have lower ROA, which might be due to diminishing returns or increased operational inefficiencies over time. Financial leverage (LEV) shows an insignificant negative effect on ROA with a coefficient of -0.00 and a P-value of 0.90. The constant term (C) is positive and significant with a coefficient of 1.85 and a P-value of 0.00, indicating that there are other factors, not included in the model, positively influencing

Table 5: Hausman test

Model 3				Model 4			
Dependent variable: ROA				Dependent variable: NPM			
Test summary	Chi-sq. statistic	Chi-sq. d.f.	Prob.	Test summary	Chi-sq. statistic	Chi-sq. d.f.	Prob.
Cross-section random	9.671854	4	0.05	Cross-section random	4.196600	4	0.38

Source: Author’s Computation (2025)

ROA. The R-squared value for this model is 0.41, suggesting that approximately 41% of the variation in ROA is explained by the independent variables. The F-statistic is significant at 4.56 with a P-value of 0.00, indicating the overall model is statistically significant. The Durbin Watson for this model is 1.46, indicating that there is no presence of auto correlation between the independent variables and the dependent variable.

In Model 4, NPM is the dependent variable. The GRI indicate coefficient is 0.00 with a t-statistic of 1.01 and a P-value of 0.31. Similar to Model 3, GRI has a positive but statistically insignificant effect on NPM, indicating a weak association between sustainability reporting and net profit margin. The coefficient is -0.06 with a t-statistic of -1.67 and a P-value of 0.10. This suggests a negative impact of firm size on NPM that is marginally insignificant at the 10% level, indicating that larger firms might have lower net profit margins, although this finding is not conclusive. The coefficient is -0.00 with a t-statistic of -0.71 and a P-value of 0.48, showing an insignificant effect of firm age on NPM. The age of the firm does not significantly impact its net profit margin. The coefficient is 0.00 with a t-statistic of 0.32 and a P-value of 0.75. Financial leverage has a negligible and statistically insignificant effect on NPM. The constant term is 1.46 with a t-statistic of 1.94 and a P-value of 0.06, indicating marginal significance. The R-squared value is 0.20, meaning only 20% of the variation in NPM is explained by the model. The adjusted R-squared is lower at 0.08. The F-statistic is 1.64 with a P-value of 0.09, suggesting that the overall model is marginally insignificant. The Durbin-Watson stat

of 1.58 indicates some positive autocorrelation.

4.4. Diagnostic test

The covariance analysis Table 7 provides correlation coefficients and P-values for several variables, which are essential for assessing the presence of multicollinearity in a regression model. Multicollinearity occurs when two or more independent variables are highly correlated, leading to unreliable coefficient estimates and inflated standard errors. In this analysis, the correlation matrix reveals that the primary concern for multicollinearity lies in the relationship between Return on Assets (ROA) and Net Profit Margin (NPM). These two variables exhibit a very high positive correlation of 0.818470, with a P-value of 0.0000, indicating a statistically significant and strong linear relationship. This suggests that ROA and NPM may be measuring similar aspects of financial performance, and including both in a regression model could introduce multicollinearity, hence, this study does not include the two variables in the same model.

On the other hand, the other variables in the dataset—Log of Firm Size (LNFS), Leverage (LEV), GRI Index (GRI), and Fixed Assets (FA)—show weak correlations with each other and with ROA and NPM. For instance, LNFS has low correlation coefficients with all other variables, ranging from -0.140416 to 0.142684 , and the corresponding P-values are all above 0.05, indicating that these relationships are not statistically significant. Similarly, LEV, GRI_INDEX, and FA exhibit weak correlations with the other variables, with P-values suggesting that these relationships are

Table 6: Panel ordinary least square method

Model 3: Fixed effect test Dependent variable: ROA				Model 4: Random effect test Dependent variable: NPM			
Variable	Coefficient	t-statistic	Prob.	Variable	Coefficient	t-statistic	Prob.
GRI	0.00	1.36	0.18	GRI	0.00	1.01	0.31
LNFS	0.00	1.06	0.29	LNFS	-0.06	-1.67	0.10
FA	-0.08	-2.64	0.01	FA	-0.00	-0.71	0.48
LEV	-0.00	-0.13	0.90	LEV	0.00	0.32	0.75
C	1.85	3.09	0.00	C	1.46	1.94	0.06
R-squared	0.41			R-squared	0.20		
Adjusted R-squared	0.32			Adjusted R-squared	0.07		
F-statistic	4.56			F-statistic	1.64		
Prob (F-statistic)	0.00			Prob (F-statistic)	0.09		
Durbin-Watson stat	1.46			Durbin-Watson stat	1.58		

Source: Author's Computation (2025)

Table 7: Multicollinearity

Probability	Correlation					
	ROA	NPM	LNFS	LEV	GRI	FA
ROA	1.000000					

NPM	0.818470	1.000000				
	0.0000	-----				
LNFS	0.071916	0.030633	1.000000			
	0.4771	0.7622	-----			
LEV	0.068617	0.051477	0.142684	1.000000		
	0.4976	0.6110	0.1567	-----		
GRI	0.068334	0.079609	-0.140416	-0.056250	1.000000	
	0.4993	0.4311	0.1635	0.5783	-----	
FA	-0.143177	-0.167055	-0.037502	0.050981	-0.031906	1.000000
	0.1553	0.0967	0.7111	0.6145	0.7527	-----

Source: Author's computation 2025

not meaningful. This implies that these variables are unlikely to contribute to multicollinearity in the model, and their inclusion should not pose significant issues for regression analysis.

4.5. Test for Heteroscedasticity

In Table 8, The Breusch-Pagan-Godfrey test results indicate mixed evidence of heteroskedasticity. The F-statistic (1.849593) and Obs*R-squared (7.225089) have P-values of 0.1258 and 0.1245, respectively, suggesting no significant heteroskedasticity at the 5% level. However, the Scaled Explained SS (21.88542) has a P-value of 0.0002, indicating potential heteroskedasticity. The test equation shows that LEV is significant (P = 0.0145), suggesting it may influence variance. Overall, while some metrics suggest heteroskedasticity, the primary statistics do not strongly confirm its presence, implying relatively stable variance in the model. Further diagnostics or robust standard errors may still be advisable.

The Breusch-Pagan-Godfrey test results indicate no evidence of heteroskedasticity (Table 9). The F-statistic (0.312777) and Obs*R-squared (1.299836) have P-values of 0.8688 and 0.8614, respectively, well above the 0.05 significance level. Similarly, the Scaled Explained SS (2.522284) has a P-value of 0.6406, further supporting the absence of heteroskedasticity. All test statistics suggest that the variance of the residuals is constant, implying the model does not suffer from heteroskedasticity. No corrective measures are needed.

4.6. Test of Hypothesis

This work developed a series of hypotheses and subsequently tested them:

4.6.1. Hypothesis one

H₀: There is no significant effect of sustainability reporting on the return on asset of the selected listed consumer goods firms in Nigeria.

Decision: With a P-value of 0.18, which is higher than the 0.05 significance level, Table 4 above indicates that the global reporting initiative, which is a measure of sustainability reporting, is positively but not statistically significant on the return on assets of Nigerian listed consumer goods companies. Consequently, the null hypothesis (H₀) that there is no meaningful correlation between sustainability reporting and return on assets is accepted by this study. These results are consistent with those of Soomiyol, et al. (2023) who discovered that social disclosure

had no discernible impact on the return on asset of a sample of Nigerian oil and gas companies. Also Agbo and Ihotu, (2023) demonstrate that the inclusion of sustainability reporting has a negligible positive impact on ROA and a negligible negative impact on ROE of listed environmental sensitive enterprises in Nigeria. Additionally, the study by Ogiriki and Igo, (2022) found that sustainability reporting had no discernible impact on return on asset, which is also consistent with the findings of Asuquo et al. (2018) study, which found that sustainability reporting has a positive but insignificant impact on return on asset, and which found that Economic Performance disclosure (P-value of 0.22), Environmental Performance disclosure (P-value of 0.30), and Social Performance disclosure (P-value of 0.37) have no significant effect on return on asset.

4.6.2. Hypothesis two

H₀: There is no significant impact of sustainability reporting on the net profit margin of the selected listed consumer goods firms in Nigeria.

Decision: Based on the P-value of 0.31 which is significantly higher than the standard significance level (0.05), Table 4.3 above demonstrates that the global reporting initiative, a measure of sustainability reporting, was positively associated to net profit margin and statistically insignificant. The null hypothesis, according to which there is no discernible effect of sustainability reporting on the net profit margin of listed consumer products companies in Nigeria, is not supported by the results of this study. This result is consistent with the findings of Korolo and Korolo (2023b), who found that the disclosure of sustainability reporting has no discernible effect on net profit margin, as well as Ogiriki and Igo’s (2022) findings that sustainability reporting has not significantly affected net profit margin (Table 10).

4.7. Discussion of Findings

Examining the effect of sustainability reporting on the financial performance of consumer goods companies listed in Nigeria was the aim of this study. The results of the investigation showed a slight but favorable correlation between return on assets and worldwide reporting systems that gauge sustainability reporting. This study supports the conclusions of Ogiriki and Igo (2022), who examined the measures of sustainability reporting and the efficacy of non-financial firms listed on the Nigerian Stock Exchange using the worldwide reporting effort as a stand-in for sustainability reporting. The findings of the study indicate that the net profit margin of companies listed on the Nigeria Stock Exchange has not been significantly impacted by sustainability reporting. The study findings suggest that sustainability reporting does not significantly impact return on assets. Adebayo et al. (2024) conducted an analysis that revealed a small but favorable association between sustainability reporting and return on assets. Akinadewo et al. (2023) opined there is a positive but insignificant

Table 8: Model 1 (Return on Asset)

Heteroskedasticity Test: Breusch-Pagan-Godfrey			
F-statistic	1.849593	Prob. F (4,95)	0.1258
Obs*R-squared	7.225089	Prob. Chi-Square (4)	0.1245
Scaled explained SS	21.88542	Prob. Chi-Square (4)	0.0002

Source: Author’s computation 2025

Table 9: Model 2 (Net Profit Margin)

Heteroskedasticity Test: Breusch-Pagan-Godfrey			
F-statistic	0.312777	Prob. F (4,95)	0.8688
Obs*R-squared	1.299836	Prob. Chi-Square (4)	0.8614
Scaled explained SS	2.522284	Prob. Chi-Square (4)	0.6406

Source: Author’s computation 2025

Table 10: Summary table of hypothesis

Variables	GRI	Decision
ROA	Insignificant	Accept
NPM	Insignificant	Accept

Source: Author’s Computation (2024)

correlation between sustainability reporting practices and financial performance of listed industrial goods companies' financial performance. These results go counter to Alhassan et al. (2021) their results show that reporting on sustainability greatly increases return on assets; so, more study is needed in this regard. These research results imply that measurements of return on assets may not immediately reflect the financial gains of sustainability reporting. Sustainable methods usually depend on heavy upfront investments in new systems, processes, and technologies. These costs can first reduce profitability and, thus, the return on assets.

Nevertheless, when assessing the correlation between global reporting initiatives as a metric for sustainability reporting and net profit margin, the outcomes aligned with the conclusions drawn by Korolo and Korolo (2023b) there is no discernible impact of sustainability reporting disclosure on net profit margin. Similarly, Ogiriki and Igo (2022) discovered that sustainability reporting does not have a statistically significant effect on net profit margin. The investigation found no statistically significant impact of sustainability reporting on net profit margin. The results indicate that the effectiveness of sustainability reporting in serving the interests of different stakeholders depends on how these stakeholders perceive and react to the information provided. Investors and customers among other stakeholders of a corporation could have different priorities on its performance. If Nigerian consumer goods sector stakeholders are less open to sustainability information or if they perceive it is not as relevant to their immediate concerns, the effect on financial performance measures such net profit margin may be minimal

5. CONCLUSION

Sustainability reporting is increasingly vital for businesses globally, reflecting their commitment to environmental, social, and governance standards. This practice is becoming more common among Nigerian consumer goods companies listed on the stock exchange. The findings of this study reveal that sustainability reporting, evaluated through global reporting efforts, has a positive but relatively small impact on the financial performance of these companies. The study shows that sustainability reporting has a favorable yet insignificant effect on the net profit margin of quoted consumer goods businesses in Nigeria. Additionally, the study finds that firm size and leverage have a positive but negligible effect on return on assets (ROA), whereas firm age shows a positive and significant relationship with ROA. The analysis concludes that net profit margin does not correlate with firm age, leverage, or firm size, as measured by the natural logarithm.

5.1. Recommendations

Based on the findings of this study, the following recommendations are provided:

- **Leverage Knowledge and Market Presence:** More established businesses should capitalize on their vast knowledge and established market presence. This includes optimizing current operational practices and utilizing long-standing relationships with suppliers and clients to increase productivity and profitability
- **Showcase Longevity as a Competitive Advantage:** Older

companies should use their long history as a competitive edge by emphasizing their reliability and established track record. Marketing campaigns highlighting their heritage and commitment to quality can enhance brand loyalty and attract new customers

- **Maintain Innovation for Competitive Edge:** Despite the positive correlation between ROA and company age, older companies must continue to invest in innovation to retain their competitive advantage. This can be achieved by investing in research and development (R&D) and staying attuned to market trends and changes
- **Integrate Sustainability into Core Strategy:** Instead of treating sustainability as a separate initiative, older businesses should integrate sustainability goals into their core business strategy. This includes incorporating sustainable practices into supply chain management, product development, and overall company operations, fostering collaboration and improving performance
- **Focus on Long-Term Investments for Sustainable Growth:** Older businesses should prioritize long-term investments that promote sustainable growth, such as investing in sustainable practices, exploring new markets, and advancing technology. This will help maintain a strong market position and ensure continued success
- **Enhance Risk Management Strategies:** Older companies can enhance their risk management strategies by utilizing their historical data and experience to predict and mitigate future risks. This will help safeguard assets and ensure steady financial performance, even in challenging market conditions.

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