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# SUSTAINABILITY REPORTING AND FINANCIAL PERFORMANCE OF QUOTED NON-FINANCIAL COMPANIES IN NIGERIA

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**Sadiq Ademola Raji[1], Adesoji Aderemi Oke[2], Olasumbo Maryam Bello-Olatunji[3], Abdulganiyy Akanni Agbaje[4], Opeyemi Ayomide Davies[5]**
[1]Fountain University, Department of Accounting and Finance, Osogbo, Nigeria
raji.sadiq@fuo.edu.ng , ORCID: 0000-0002-4142-5721
[2]Fountain University, Department of Accounting and Finance, Osogbo, Nigeria
oke.adesoji@fuo.edu.ng , ORCID: 0000-0002-2133-6799
[3]Fountain University, Department of Accounting and Finance, Osogbo, Nigeria
maryamolasumbo@gmail.com , ORCID: 0009-0008-8428-769X
[4]Fountain University, Department of Accounting and Finance, Osogbo, Nigeria
abdulganiyyagbaje@gmail.com , ORCID: 0000-0002-5558-7481
[5]Fountain University, Department of Accounting and Finance, Osogbo, Nigeria
Oayomide156@gmail.com , ORCID: 0009-0008-3855-0880

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## ABSTRACT

**Purpose-** The study investigated the relationship between sustainability reporting and the financial performance of listed non-financial firms in Nigeria.

**Methodology-** The sample comprised twenty-eight non-financial firms listed on the Nigeria Exchange Group over 2018-2022. Data from audited financial statements of companies were analysed using descriptive statistics, correlation analysis, panel data regression, and a generalized linear model. The results indicate that corporate governance reporting and the environmental reporting index have a positive correlation with sustainability reporting, whereas social reporting disclosures exhibit a negative relationship with sustainability reporting in Nigeria. Corporate governance reporting significantly and positively influences return on assets in non-financial firms within Nigeria. Similarly, the environmental reporting index has a notable and positive impact on return on assets among non-financial companies in Nigeria. Conversely, social reporting disclosures show an insignificant and negative effect on return on assets in Nigeria.

**Findings-** The results show that research enhances the understanding of sustainability reporting practices. The findings suggest that companies should proactively involve stakeholders in sustainability reporting efforts, as this engagement will improve the firms' reputation, attract investments, and enhance customer loyalty, ultimately leading to better performance.

**Conclusion-** Sustainabilty reporting by companies that often adopt eco-friendly and socially responsible practice often adopt cost-saving eco-friendly practices and also improve financial stabilty.

**Keywords**: Corporate governance reporting, environment reporting, social reporting, return on assets.
**JEL Codes:** M40, M41

## 1. INTRODUCTION

Businessmen have a responsibility to provide relevant information on operation of their businesses for faster decision making by investors. Besides meeting the legislating requirement, both large and small organization also ensure the existing and potential investors are retained by the publication of their financial statement whereby the capital stock of a corporation is widely held as well as the affairs of interests to public relation (Institute of Chartered Accountant of Nigeria <ICAN>, 2018). At present, sustainability reporting has garnered attention on a global scale regarding its influence on the financial outcomes of businesses (Rahi et al, 2023). Sustainability reporting entails the process of disclosing information about different facets of a company's management of environmental, social, and overall governance issues (Okon et al, 2023).

This data allow stakeholders to evaluate the organization's dedication to sustainable development and its possible effects on long-term financial performance (Thayaraj & Karunarathne, 2021). In Nigeria, as an emerging market, there has been a notable increase in sustainability reporting practices among non-financial firms (Adejola et al, 2024). These businesses span various industries, including manufacturing, energy, telecommunications, and consumer products (Okoye & Ezeagba, 2021). The driving force behind sustainability reporting in Nigeria originates from the growing recognition of the necessity for

sustainable development, the demand for corporate social responsibility, and the intention to attract ethical investors (Oyelere & Adeyemi, 2019). The aim of sustainable corporate management is to harmonize and integrate social, economic, and environmental considerations. Sustainability reporting encompasses the ethical, economic, social, and environmental responsibilities of business towards its stakeholders. This research intends to explore the connection between sustainability reporting and financial performance among quted non-financial firms in Nigerian Exchange Group.

The paper is divided into five sections. Section one focus on the introduction, section two consider the literature review of the study, section three discuss the methodology used for the study. Section four and five focus on the results discussion, conslusion and recommedation.

## 2. LITERATURE REVIEW

Sustainability reporting, also refer to as Environmental, Social, and Governance (ESG) reporting, is when a company shares information about its environmental and social effects, as well as its governance practices. This type of reporting has become very important for businesses in today's world. It goes beyond regular financial reports and looks at how a firm operates based on environmental, social, and governance issues (Okoye & Ezeagba, 2021).

Several things have improved in how companies report on their responsibilities. One reason is that managers see it as smart to invest back into the community and environment they rely on for resources. Another reason is that companies believe that being open about their practices can help avoid costs related to not sharing information. Companies also feel they should explain to different groups how they are managing the environmental, social, and economic resources they are responsible for (Okutu & Adegbie, 2024). Additionally, the Nigerian Code of Corporate Governance Principle 26 requires companies to act as responsible citizens by addressing issues like environmental, social, and community health and safety to achieve good firm performance.

This review looks at the sustainability reporting and the financial performance of non-financial firms in Nigeria. It discusses theories like stakeholder theory, legitimacy theory, and Resource Based View (RBV). Legitimacy theory suggests that organizations need to maintain the trust of society to operate effectively. Stakeholder theory argues that companies are accountable not just to shareholders but also to other groups affected by their actions. RBV encourages companies to evaluate their resources and identify strengths that can give them an edge over competitors.

Adejola et al (2024) studied the effect of sustainability reporting and financial performance of listed Agriculture and natural resources companies in Nigeria from 2014 to 2023. The study used panel least square regression to find connections. Their study show that economic and social sustainabilty influence performance negatively.

Akinyele and Owoniya (2024) analyse sustainability reporting and performance of selected quoted companies in Nigeria. The study focused on 10 public listed firms on Nigeria exchange group for 10 years. The data gathered were analysed with he use of descript and inferential statistic. The study shows positively significant impact among sustainability reporting and performance.

Sunny and Apsara (2024) evaluate sustainability reporting on financial performance: Evidence from an Emerging Economy. The study used pooled ordinary least square method to analysed 270 firm from the emerging economy. The study found out mixed reaction of sustainability on performance. This implies that environmental and economic sustainability reporting influence positively on financial performance. Social sustainability, on the other hand reported insignificant impact with financial performance.

Dincer et al. (2023) examined Nexus between Sustainability Reporting and Firm Performance: Considering Industry Groups, Accounting, and Market Measures. The study focus on 46 companies for a period of 5 years (2016-2020) from Istanbul Stock Exchange. The study found positively significant impact among sustainability reporting and performance (return on assets). Under performance (measure with Tobin's Q), it reports a negative significant relationship between risk and performance.

Okon et al (2023) study focused on relationship between sustainability reporting and financial performance among the oil and gas sector. Revealing the influence of triple bottom-line disclosure (social, health & safety, and environmental) on ROCE. The research covered the period of 2012 to 2021. The study leveraged on ex-post facto design, and robust panel least square regression to analyze the research work. The findings shows that health & safety, social, and environmental disclosure have positive and substantial impact on ROCE.

Bansal et al. (2021) examined sustainability reporting and firm performance nexus: evidence from a threshold model. The research covers 10 years period (2010 to 2019) from Bombay Stock Exchange. Data collected are analysed through regression. The study found that ssustainability reporting has a various degree that influence firm performance.

Chikwendu et al (2020) analysed sustainability reporting infleunce on financial performance of companies in Nigeria over five years, from 2011 to 2015. They picked top 25 Nigerian firms whcih were listed on Forbes Africa's in West Africa in 2012. They collected information from the firms' audited annual reports were analyzed thrugh the use of regression. The findings indicate

that economic and environmental reporting did not significantly impact return on assets, but social reporting did have a significant effect on company performance.

## 3. METHODOLOGY

The study used a type of research design called ex post facto quantitative research, which was suitable for this work. The study consider 101 non-financial companies listed on the Nigerian Exchange Group as of December 11, 2023.

**Table 1: List of Non-Financial Listed Firms**

| Sectors on NGX | Population |
|---|---|
| Agriculture | 5 |
| Conglomerates | 5 |
| Construction & Real Estate | 9 |
| Consumer goods | 20 |
| Healthcare | 7 |
| ICT | 9 |
| Industrial goods | 15 |
| Natural Resources | 4 |
| Oil & Gas | 9 |
| Services | 22 |
| Total | 105 |

The research focus on three non-financial companies over five years (2018-2022). The purpose of selecting these sectors is to ensure the sector is adequately represented with at least 40 observations for each sector (that is, 5 years * selected firm) should not be less than 40. The Total number of companies in the study should be more than 10, and each sample should have at least 50% observations. To make sure the data is available, reliable, and accurate, the audited annual reports is collected from respective firms' websites and African financial database. Table 2 show the selected sectors that are use for the study.

**Table 2: List of Samples for the Study**

| Sectors | Populatıon | Sample |
|---|---|---|
| Consumer Goods | 20 | 10 |
| Industrial Goods | 15 | 7 |
| Services | 22 | 11 |

**Model Specification -** The econometric model used to examine sustainability reporting and financial performance of listed non-financial companies is stated as;

$$ROA = \alpha + \beta_1 CGRDIit + \beta_2 CSRDIit + \beta_3 ERDIit + \beta_4 FSZE + \beta_5 LEV + \mu it \quad (1)$$

Where ROA= Return on Asset, CGRDI = corporate governance reporting disclosure index, CSRDI= corporate social reporting disclosure index, ERDI= environmental reporting disclosure index, FSZE =Firm Size, LEV = Leverage

**Table 3: Variables Measurement**

| VARIABLES | DEFINITIONS | MEASUREMENT |
|---|---|---|
| ROA | This study looks at a financial measure that compares a company's market value to the cost of replacing its assets. (Saputra, & Nofrialdi, 2022). | *Profitt After Tax /Total Asset* |
| (CGRDI) | It points to a metric instrument applied in the assessment of the magnitude and quality of corporate governance information disclosed by a firm in its report. (Ha, 2022). | *Total score (DI) / Maximum possible score* |
| (CSRDI) | It also talks about a business approach that helps everyone involved—economically, socially, and environmentally—to encourage sustainable development. (Ali et al., 2022). | *Total SD score / Maximum possible SD score* |
| (ERDI) | This tool is used to evaluate and quantify the level of detail and quality that a company reports on its environmental issues (Akhter et al., 2023) | *Total ED Score / Maximum possible ED score* |

| | | |
|---|---|---|
| LEVERAGE | The term "leverage'' refers to the utilization of specific fixed cost (which function as a 'lever' to affect company's performance, i.e. its significantly increased profitability. Leverage is well-known in corporate finance literature. A fixed operational cost and a fixed finance cost serve as the "lever" for a firm. Three types of leverage are thus distinguished: total, operating, and financial leverage (Bahodirovich, 2024) | Total Debt /Total Asset |
| firm size | Firm size (FSZE) is defined as the number and variety of manufacturing capabilities and potentials that a company possesses, or quality and range of services a company may simultaneously make available to its clients (Noone, Lin, & Sharma, 2024). | Log of Total asset |

## 4. RESULTS AND DISCUSSION

Table 4 shows the mean values for ROA, CGRDI, CSRDI, ERDI, FSZE, and LEV as 0.061800, 0.690741, 0.355556, 0.446296, 7.560232, and 2.186881 respectively. This indicate the average scores for each variable, found by dividing the total observations by the number of observations.

**Table 4: Descriptive Statistics Results**

| | ROA | CGRDI | CSRDI | ERDI | FSZE | LEV |
|---|---|---|---|---|---|---|
| MEAN | 0.061800 | 0.69071 | 0.355556 | 0.446296 | 7.560232 | 2.186881 |
| MEDIAN | 0.034104 | 0.750000 | 0.250000 | 0.500000 | 7.587361 | 1.281307 |
| MAXIMUM | 0.680167 | 1.000000 | 1.000000 | 0.750000 | 9.320150 | 47.922299 |
| MINIMUM | -0.307991 | 0.000000 | 0.000000 | 0.000000 | 5.849941 | 0.037935 |
| STD. DEV | 0.135685 | 0.254085 | 0.229508 | 0.168358 | 0.945150 | 4.600210 |
| SKEWNESS | 1.327507 | -0.925933 | 0.927368 | -0.600857 | -0.017733 | 7.9886210 |
| KURTOSIS | 7.024413 | 3.804129 | 3.748504 | 3.686094 | 1.669315 | 76.01372 |
| JARQUE-BERA | 130.7531 | 22.92769 | 22.50171 | 10.77099 | 9.967387 | 31422.83 |
| PROBABILITY | 0.000000 | 0.000011 | 0.000013 | 0.004583 | 0.006849 | 0.000000 |

The median is the middle value in a data set. In Table 4, the median values for ROA, CGRDI, CSRDI, ERDI, FSZE, and LEV are 0.034104, 0.750000, 0.250000, 0.500000, 7.587361, and 1.281307 respectively. This shows the midpoint for each variable after sorting the data.

The maximum values for ROA, CGRDI, CSRDI, ERDI, FSZE, and LEV are 0.680167, 1.000000, 1.000000, 0.750000, 9.320150, and 47.92299 respectively. The minimum values, which are the lowest for each variable, are -0.307991, 0.000000, 0.000000, 5.849941, and 0.037935.

Standard deviation shows data variations from the average. A small variations means the data points are close to the average, while a large standard deviation means the data points are spread out. For the variables in Table 4.1, the standard deviations are 0.135685, 0.254085, 0.229508, 0.168358, 0.945150, and 4.600210, indicating that the data is relatively close to the mean.

Skewness is a measure of how the data is distributed. It can be positive, negative, or zero. Positive skewness means there are more high values, while negative skewness means there are more low values. Zero skewness means the data is evenly distributed. In the table, the skewness for ROA, CGRDI, CSRDI, ERDI, FSZE, and LEV are 1.35685, -0.925933, 0.927368, -0.600857, -0.017733, and 7.988682. This shows that CSRDI, ERDI, and FSZE have negative skewness, while ROA, CGRDI, and LEV have positive skewness.

Kurtosis measures how peaked a probability distribution is. It shows how much the curve rises around its peak compared to other curves with the same variance. In a normal distribution, a kurtosis value above three (3) means a high peak, while a value below three (3) means a low peak. The kurtosis values for ROA, CGRDI, CSRDI, ERDI, FSZE, and LEV are 7.024413, 3.804129, 3.748504, 3.686094, 1.669315, and 76.01372, respectively, showing that ROA, CGRDI, CSRDI, ERDI, and LEV have high peaks while FSZE as a low peak.

To check if these values fit a normal distribution, the Jarque-Bera test, is used to examines skewness and kurtosis. This test helps confirm if the variables are regularly distributed. If the probability is less than 0.05, the test rejects the null hypothesis, meaning the distribution is not normal. If it's more than 0.05, we do not reject the hypothesis.

From the results, the Jarque-Bera test values for ROA, CGRDI, CSRDI, ERDI, FSZE, and LEV are 130.7531, 22.92769, 22.50171, 10.77099, 9.967387, and 31422.83, respectively. The probabilities for these variables are 0.000000, 0.000011, 0.000013,

0.004583, 0.006849, and 0.000000, respectively. This means all variables are normally distributed and can be used for further analysis.

**Table 5: Correlation Matrix**

| | ROA | CGRDI | CSRDI | ERDI | FSZE | LEV |
|---|---|---|---|---|---|---|
| **ROA** | 1.000000 | | | | | |
| **CGRDI** | 0.339135 | 1.000000 | | | | |
| **CSRDI** | 0.204339 | 0.579966 | 1.000000 | | | |
| **ERDI** | 0.228003 | 0.644675 | 0.582358 | 1.000000 | | |
| **FSZE** | -0.207353 | 0.191368 | 0.125972 | 0.232697 | 1.000000 | |
| **LEV** | -0.231197 | -1.120036 | -0.045702 | 0.002220 | 0.027585 | 1.000000 |

Table 5 describes the strength of relationship between variables and their direction (either positive, negative or zero relationship). A positive indicate relationship indicates same direction movement of variable while negative relationship indicates opposite direction movement of variables.

**Regression Analysis -** The regression result of the explained variable proxied by return on assets (ROA) and the study's explanatory variables (CGRDI , CSRDI, ERDI, FSZE, LEV) are discussed in this section. The results of the fixed and random effect models are presented so that the best model can be chosen from the two possibilities available.

**Table 6: Fixed Effect Results**

| Variable | Coefficient | Std. Error | t-Statistic | Prob. |
|---|---|---|---|---|
| CGRDI | 0.077101 | 0.098424 | 0.783355 | 0.4352 |
| CSRDI | -0.037993 | 0.133690 | -0.284188 | 0.7768 |
| ERDI | -0.029636 | 0.141938 | -0.208795 | 0.8350 |
| FSZE | -0.276428 | 0.072438 | -3.816075 | 0.0002 |
| LEV | -0.001695 | 0.001782 | -0.951486 | 0.3436 |
| C | 2.128848 | 0.554787 | 3.837231 | 0.0002 |
| R-squared | 0.751166 | | | |
| Adjusted R-squared | 0.676275 | | | |
| Prob(F-statistic) | 0.000000 | | | |
| F-statistic | 10.03004 | | | |
| Durbin-Watson stat | 1.636380 | | | |

The constant value (α) in the model is 2.1288. This means that if explanatory variables are held constant, (CSRDI, ERDI, FSZE, and LEV), ROA will change by 2.1288. The slope coefficient explains the effect of one explantory variable on the dependent variable when other explanatory variables are held constant. The effect of ROA and CGRDI is 0.0771. This indicate a positive effect when all other independent variables (CSRDI, ERDI, FSZE and LEV) are held constant. ROA has negative influence on CSRDI with 0.0380. This is when all other independent variables (CGRDI, ERDI, FSZE and LEV) are held constant. The effect of ROA and ERDI is 0.0296. This indicate a negative effect when all other independent variables (CGRDI, CSRDI/ FSZE and LEV) are held constant. RAO has negative influence on FSZE with 0.2764. This is when all other independent variables (CGRDI, CSRDI, ERDI and LEV) are held constant. The effect of ROA and LEV is 0.0017. This indicate a negative effect when all other independent variables (CGRDI, CSRDI, ERDI, FSZE) are held constant.

The T-probability value was used to test for the individual null hypothesis. When the P-value is lower than the level of significance (5%), the null hypothesis will be rejected. If it is greater than the level of significance the null hypothesis will not be rejecteds. From table 6, the null hypothesis for CGRDI, CSRDI, ERDI and LEV will not be rejected. While FSZE will be rejected.

The F-statistic is use for joint hypothesis; the joint hypothesis is rejected when the F-prob is lower than the level of significance (5%). In table 6, the F-probability is 0.0000 which is less than 0.05, this indicate that all the independent variables jointly influence the dependent variable.

The R-squared value shows how well the model fits. In this study, R-squared is 0.7512 which R-squared value closer to 1. This means that about 75.12% of what affect dependent variable has been explained by independent variable. This shows a moderate relationship, with 75.11% of the changes in the dependent variable explained by the explanatory variables. The remaining 24.89% is due to other factors that has not been captured by the independent variables.

Durbin-Watson (DW) test is used to check for the presence of autocorrelation. From the DW result from table 6 is 1.6363 which is then compared with the DW table. The lower and upper bounds from the Durbin-Watson table are 1.6429 and 1.79624 respectively. Since our calculated DW result falls within this range (upper and lower value), it indicates presence of autocorrelation.

**Table 7: Random Effect Regression Results**

| Variable | Coefficient | Std. Error | t-Statistic | Prob. |
|---|---|---|---|---|
| CGRDI | 0.143524 | 0.073532 | 1.951850 | 0.0531 |
| CSRDI | 0.009697 | 0.086609 | 0.111961 | 0.9110 |
| ERDI | 0.008706 | 0.109387 | 0.079592 | 0.9367 |
| FSZE | -0.053964 | 0.020595 | -2.620173 | 0.0098 |
| LEV | -0.002188 | 0.001734 | -1.261868 | 0.2093 |
| C | 0.368091 | 0.156231 | 2.356070 | 0.0200 |
| R-squared | 0.097894 | | | |
| Adjusted R-squared | 0.062929 | | | |
| Prob (F-statistic) | 0.019566 | | | |
| F-statistic | 2.799758 | | | |
| Durbin-Watson stat | 0.508520 | | | |

The constant value (α) in the model is 0.3681. This means that if explanatory variables are held constant, (CSRDI, ERDI, FSZE, and LEV), ROA will change by 0.3681. The slope coefficient explains the effect of one explantory variable on the dependent variable when other explanatory variables are held constant. The effect of ROA and CGRDI is 0.1435. This indicate a positive effect when all other independent variables (CSRDI, ERDI, FSZE and LEV) are held constant. ROA has positive influence on CSRDI with 0.0097. This is when all other independent variables (CGRDI, ERDI, FSZE and LEV) are held constant. The effect of ROA and ERDI is 0.0087. This indicate a positive effect when all other independent variables (CGRDI, CSRDI/ FSZE and LEV) are held constant. RAO has negative influence on FSZE with 0.0540. This is when all other independent variables (CGRDI, CSRDI, ERDI and LEV) are held constant. The effect of ROA and LEV is 0.0022. This indicate a negative effect when all other independent variables (CGRDI, CSRDI, ERDI, FSZE) are held constant.

The T-probability value was used to test for the individual null hypothesis. If the P-value is less than the level of significance (5%). The null hypothesis will be rejected. If it is greater than the level of significance the null hypothesis will be accepted. From table 7, the null hypothesis for CGRDI, CSRDI, ERDI and LEV will not be rejected. While FSZE will be rejected.

The F-statistic is use for joint hypothesis; the joint hypothesis is rejected when the F-probability is less than the level of significance (5%). In table 7, the F-probability is 0.0000 which is less than 0.05, this indicate that all the independent variables jointly affect the dependent variable.

The R-squared value shows how well the model fits. In this study, R-squared is 0.0979 which indicate R-squared value is not closer to 1. This means that about 9.79% of what affect dependent variable has been explained by independent variable. This does not show a moderate relationship. The remaining 90.21% is due to other factors that has not been captured by the independent variables.

Durbin-Watson (DW) test is used to check for the presence of autocorrelation. From the DW result from table 7 is 0.5085 which is then compared with the DW table. The lower and upper bounds from the Durbin-Watson table are 1.6429 and 1.79624 respectively. Since our calculated DW result does not falls within this range (upper and lower value), it indicates no presence of autocorrelation.

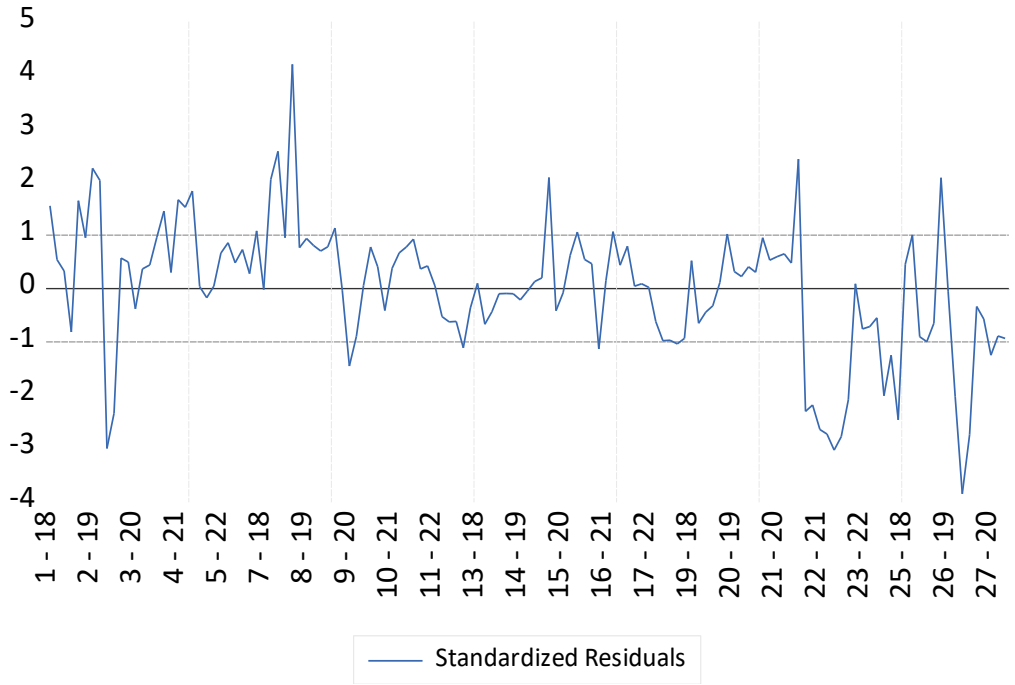
**Table 8: Hausman Test**

| Test Summary | Chi-Sq Stastictics | Chi-Sq d.f | Prob |
|---|---|---|---|
| Cross- section Random | 14.598853 | 5 | 0.0122 |

The Hausman test helps to decides whether the random effect result is appropriate or not. If the p-value is less than the significance level, the random effect is rejected, if the p-value is greater than the level of significance, the random effect result is not rejected. In Table 8, the p-value for the Hausman test is 0.0122, which is below 5%. This means we reject the random effects model and accept the fixed effects model.

This is used to test the presence of outliners see Figure 1.

**Figure 1: Standardized Residuals Graph**




To test for heteroscedasticity, the study use standardized residual graph. Figure 1 shows that there are presence are outliers. The presence of outliers goes against the ordinary least square's assumptions. To fix this, we will use the generalized least squares method.

**Table 9: Generalized Linear Model Test Results**

| Variable | Coefficient | Std. Error | z-Statistic | Prob. |
|---|---|---|---|---|
| CGRDI | 0.167119 | 0.057961 | 2.883320 | 0.0039 |
| CSRDI | -0.003048 | 0.059592 | -0.051153 | 0.9592 |
| ERDI | 0.076418 | 0.087830 | 0.870076 | 0.3843 |
| FSZE | -0.040703 | 0.011448 | -3.555597 | 0.0004 |
| LEV | -0.005481 | 0.002311 | -2.372117 | 0.0177 |
| C | 0.233056 | 0.085672 | 2.720339 | 0.0065 |

From Tables 9, the coefficient shows the effect of one variable one other of the remains variables are held constant in our model is 1.5125. This means that if we keep all variables (ROA, CGRDI, CSRDI, ERDI, FSZE, LEV) the same, ROA will change by 0.233056. The β1 coefficient is 0.167119, showing a positive effect; β2 is -0.003048, indicating a negative influence; β3 is 0.076412, also showing a positive impact; β4 is -0.040703, indicating a negative effect; and β5 is -0.005481, showing a negative influence as well.

The analysis of the current research indicates that Z-probability is more superior to Z-statistic. The P-value found from the regression result for dependent variable C, equal to or lesser than 0.05 ROA, CGRDI, CSRDI, ERDI, FSZE, and LEV it indicates that we reject the null hypothesis. In the case of MPSD, if we have a look at the P-value it will indicate that MPSD is significant thus we accept the null hypothesis.

This study looks at the research question: How do sustainability reporting and financial performance of listed non-financial companies in Nigeria change from 2018 to 2021? The study uses results from Random effect regression analysis instead of Fixed effect regression analysis because the former gives better results.

Surprisingly, the study found that the Corporate Governance Reporting Disclosure Index (CGRDI) has a positive and significant effect on the performance of listed companies in Nigeria, which matches the study's expectations. However, the Social Reporting Disclosure Index (CSRDI) has a negative and insignificant effect, which goes against what was expected and previous research by Hussain (2015). The analysis also shows that some components of the Environmental Reporting Disclosure Index

(ERDI) positively affect the performance of these companies, which contradicts the study's initial expectations and Hussain's findings, although their regulations differ slightly.

Additionally, the study found that Firm Size (FSZE) has a significant negative effect on company performance, suggesting that larger companies may perform worse. The results also indicate that Leverage (LEV) negatively impacts the performance of listed non-financial companies, which is not what was expected. Lower debt in a company may actually lead to better performance, indicating that companies with little to no debt tend to perform better in terms of returns and profitability.

Overall, the study interprets and discusses results from the random effect model, which provides a more reliable estimate of the relationships between Corporate Governance Disclosure (CGDI) and other factors (LEV, FSZE, CSRD, ERI) with Return on Assets (ROA) for non-financial companies in Nigeria.

## 5. CONCLUSION AND RECOMMENDATIONS

This research has helped us understand how sustainability reporting affects the financial performance of non-financial companies listed on the Nigerian Exchange Group. We found a positive link between these two factors, showing that sustainability reporting can improve financial results.

The study shows that companies focusing on sustainability reporting tend to perform better financially. This is due to a few reasons. First, when companies report on sustainability, they often adopt eco-friendly and socially responsible practices, which can save money in the long run. For instance, companies that use energy-efficient methods can lower their utility bills, helping them make more profit.

Second, sustainability reporting helps companies create a good image, attracting more customers and increasing revenue. Nowadays, customers and investors care more about a company’s social responsibility and environmental impact. Thus, companies that share sustainability information are likely to gain more customers and investors, leading to better financial returns.

Additionally, this study suggests that sustainability reporting can serve as a risk management tool. Companies that disclose important sustainability information are more likely to identify and manage risks that could negatively impact the environment and society, which can also affect their financial health. Being able to address these risks can strengthen a company’s stability.

It is important to note that while we found a positive connection between sustainability reporting and financial performance, more research is needed to explore this relationship further. The complexity of this relationship means other factors, like the quality of sustainability reporting and specific practices, may also influence financial performance. Understanding these factors could help companies improve their sustainability strategies to boost financial success.

In summary, this study highlights the significance of sustainability reporting as a key strategy for enhancing financial performance. The positive link between these two aspects shows that sustainability is not just a moral obligation or a regulatory issue, but a crucial business strategy that can lead to a company's financial success. Therefore, non-financial companies in the Nigerian Exchange Group and beyond should adopt sustainability reporting as an essential part of their business approach.

Our study looked at how sustainability reporting affects the financial performance of non-financial companies on the Nigerian Exchange Group. Based on our findings, we suggest the following:

1. Better Sustainability Reporting: Companies should prioritize sustainability reporting as a key part of their growth strategy. Since there is a link between good sustainability reporting and better financial results, companies need to provide more detailed and high-quality reports. This includes fully sharing information about their Environmental, Social, and Governance (ESG) activities and their impacts to manage risks properly.
2. Government and Regulatory Support: Policymakers and regulatory groups should create incentives to encourage strong sustainability reporting. This could mean offering tax breaks, grants, or special benefits for companies that show a commitment to transparency and sustainability, which may lead to more companies adopting these practices.
3. Engaging Stakeholders: Companies should involve stakeholders in their sustainability efforts. This can improve the company's reputation, attract more investment, and increase customer loyalty, which can all help boost financial performance.
4. Training and Development: Companies should invest in training their employees to understand and effectively implement sustainability reporting. This could include partnering with organizations that focus on sustainability for help and support.

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