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## **SUSTAINABILITY REPORTING PRACTICES AND FINANCIAL PERFORMANCE OF NON-BANK FINANCIAL CORPORATIONS IN NIGERIA**

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### **Abstract**

This research investigated the relationship between sustainability reporting and the financial performance of listed non-bank financial corporations in Nigeria with focus on the insurance sector. In line with the Global Reporting Initiative (GRI), sustainability reporting was measured in terms of environmental; social; and economic performance indicators. On the other hand, financial performance was measured in terms of net profit margin (NPMG). Data was collected using the content analysis approach from the audited annual reports of sixteen (16) insurance corporations for a period of eleven (11) years covering 2014 to 2024. Descriptive statistics, Pearson correlation and the panel least square (PLS) regression method used for data analysis. Findings of the research revealed a negative and statistically significant relationship between environmental performance and net profit margin. However, social and economic performance indicators had positive and statistically significant relationships with net profit margin. From the findings of the research, it is concluded that all three measures of sustainability reporting were important factors in the financial performance of insurance companies in Nigeria. The research thus recommended that it is suggested that insurance companies re-evaluate their environmental performance activities to determine why it appears to have the wrong effect on financial performance. It is further suggested that insurance companies can achieve much better financial performance if they were to improve their sustainability reporting practices.

### **Keywords:**

*Environmental reporting performance. Social reporting performance. Economic reporting performance. Profit margin.*

## Introduction

The primary aim of corporate organisations is to minimize the wealth of the promoters or shareholders of the business (Pandey, 2011). And as happens often, the unfettered pursuit of wealth maximization in many cases result in business organisations engaging in acts that are detrimental to the environment, economy and society at large. The issues relating to such behaviour that leads to negative impact on society has been variously reported globally. As a matter of fact, the COP26 climate change conference currently on going in Glasgow, Scotland is in response to the damage that has been done to our climate by the activities of mostly corporations which is now causing and threatening to cause even worse natural disasters globally. For example, rising temperatures has increased incidents of wildfires, in Australia, US, Greece, Canada; while massive flooding is reported in China, UK, Germany and rising sea levels is resulting in existential threats for coastal peoples around the world. Back home in Nigeria, the story is neither different no better. The farmers-herders clashes reported in various parts of the country is exacerbated by desert encroachment which is causing massive desertification in the traditional feeding grounds of herdsmen in northern Nigeria thus driving them southwards in search of better pasture. The wetlands (creeks) of the Niger Delta region are classified as the most oil polluted anywhere in the world. All these issues can be linked backed directly or indirectly to the actions and inactions of corporate organisations in pursuit of profit (Girón, Kazemikhasragh, Cicchiello & Panetti, 2020; Umoren, Akpan & Okafor, 2018; Uwuigbe&Jimoh, 2012).

Sustainability reporting is one among many actions and innovations by international organisations, governments, regulators, civil society groups and activists around the globe to try and make corporations more accountable for their negative/positive impact on the environment, economy and society as a whole. Girón, et. al, (2020) affirmed that the innovation of sustainability reporting is in reaction to the "increasing concern for the global environmental issues and the relating need for preservation of the ecosystem". The Global Reporting Initiative (GRI, 2011) in Whetman (2017) characterized a sustainability report as a published report (usually embedded as part of audited annual reports) by an corporate organisation detailing its environmental, social and economic impact(s) resulting from its operations and related activities. Umukoro, et. al, (2019) further stated that a sustainability reporting demonstrates a corporation's commitment to achieving its objectives through means that lives as little negative impact as possible.

As corporate organisations continue to come under pressure to operate in more environmentally, socially, and economically responsible and sustainable manner, the adoption of sustainable reporting has become a fait accompli for corporate organisations around as resistance would most likely lead to a negative perception/reaction from the wider public as put the reputation and responsible corporate citizenship of such organizations to questions. Martínez, Fernández, and Fernández, (2016) asserted that sustainable reporting is a "key instrument" (of disclosure accountability) that would help corporations to satisfy the growing demand for transparency and accountability from stakeholders and the public. In the present research we investigate the adoption of sustainable reporting practices by non-bank financial institutions in Nigeria and how its implementation is affecting their financial performance.

## Statement of the Problem

As stated earlier, sustainability reporting was developed to get corporate organisations to be more accountable for their impact on the environment, economy, and society. This is to be achieved by increasing and improving compulsory and voluntary disclosure in the annual reports generated by these organisations. Sustainability reporting provides a mechanism to assess the efforts of corporations to mitigate their negative impact on the ecosystem and where necessary to hold them responsible/accountable whatever damages that their activities may have caused the society. For example, through sustainable reporting an organisation should be able to show how it is contributing to the development of its immediate community in terms of social practices such as equal employment opportunities, labour practices and community engagement among others; environmental practices such as actions to mitigate negative fallout of its activities on biodiversity, promoting and using renewable energy sources, proper waste disposal; and economic in terms of economic effects (positive and/or negative) of the firm's activities, hiring practices in the local community to improve economic empowerment etc. (GRI, 2011).

From a review of previous empirical research, it is obvious that issues relating to sustainable reporting are now taking centre stage across the globe. However, in developing countries the rate of adoption still remains very low. Thus, much of the previous research in Nigeria has been focused on the manufacturing and oil and gas sectors of the economy (Mutali, Iriabije, Okon, & Odumegwu, 2020; Herbert, Nwaorgu, Onyilo & Iorombagah, 2020; Sanusi & Sanusi, 2019; Umoren, Akpan & Okafor, 2018; Dibia & Nwaigwe, 2017; Uwuigbe & Jimoh, 2012; Asaolu, Agboola, Ayoola, & Salawu, 2011;). The reason for this is not farfetched as these sectors are seen as being at the forefront of environmental pollution and degradation. However, we fail to realise that even the seemingly environmentally harmless services and financial services organisations also contribute their fair share to ecological problems facing the earth. For example, services sector organisations power their buildings and use resources in their daily operations that contribute to pollution. They also provide services to the frontline organisations (manufacturing, production, oil and gas etc.) that cause environmental degradation. Furthermore, sustainable reporting extends beyond environmental issues to social (labour, health, equal opportunity) and economic (hiring and payment practices, corruption, etc.). The present research recognises the need to assess the activities of services industry organisation to also report their efforts and activities towards sustainable development. Since there is an apparent lack of research in this area, this research is intended to fill the gap in research by focusing on the sustainable reporting activities of non-bank financial corporations in Nigeria with specific focus on listed insurance companies.

## Aim of the Study

The purpose of this research paper is to investigate the effect of sustainability reporting practices on the financial performance of non-bank financial corporations in Nigeria. This is to be achieved using the following specific objectives:

- Determine the relationship between environmental reporting performance indicators and the net profit margin of insurance companies in Nigeria

- Determine the relationship between social reporting performance indicators and the net profit margin of insurance companies in Nigeria
- Determine the relationship between economic reporting performance indicators and the net profit margin of insurance companies in Nigeria

### Research Hypotheses

**Ho<sub>1</sub>:** Environmental reporting performance indicators do not have significant relationship with the net profit margin of insurance companies in Nigeria

**Ho<sub>2</sub>:** Social reporting performance indicators do not have significant relationship with the net profit margin of insurance companies in Nigeria

**Ho<sub>3</sub>:** Economic reporting performance indicators do not have significant relationship with the net profit margin of insurance companies in Nigeria

### Stakeholders Theory

Freeman, and David (1983) characterized stakeholders as any and all groups or individuals who affect or are affected by the activities/operations of an organisations. From the above definition, the key stakeholders of a business organisation would include shareholders/investors, suppliers, customers, clients, financiers, creditors, the government and its regulatory agencies, employees, and local communities etc. Nusirat, and Fauziah (2020) further stated that stakeholders are individuals or groups that have legitimate interests in procedural and substantive aspects of the corporation's activities. The theory is anchored on the belief that in addition to investors/equity shareholders, there are other individuals and groups to whom the corporation owes responsibility as a result of its existence. Thus, the corporate organisation is expected to as much as possible satisfy its stakeholders in order to adequately justify its existence. In the context of the sustainability reporting, the stakeholders' theory provides a model through which the corporation satisfy the information disclosure needs of stakeholders in order to engender transparency and accountability. Generally speaking, diverse stakeholders require diverse information which the organisation may struggle to cater for.

For example, while investors and creditors require information that reassure them of the financial health of the organisation, customers would be more interested in the quality of goods and services produced while government and regulators would want to ensure that processes used are safe for the general public as well as that the organisation is meeting its obligations in terms of paying its taxes. However, with sustainability reporting, the interests of all stakeholders are aggregated as issues relating to sustainability affects all stakeholders - from the environmental, to social and economic issues. Through sustainability reporting, the problem of information asymmetry between an organisation's management and its stakeholders will be substantially reduced. Thus, it is in the interest of all stakeholders that business organisations provide accountability on its footprint on the wider society.

## Sustainability Reporting Practice

The Longman Dictionary of Contemporary English characterized the word 'sustainable' as an "action or process that can continue or last for a long time" - while the Cambridge Advanced Learner's Dictionary provide further insight on the word by exemplifying it as an action or process "causing little or no damage to the environment and therefore able to continue for a long time". From the above, we infer that the concept of sustainability especially in the context of business organisations involves corporate organisations operating in such a manner that reduces their impact on the environment, consumes natural resources at a rate that reduces the rate and speed of depletion of resources and hence last for a long period of time. The concept of sustainability and sustainable development has been muted for a long period of time but has come to the fore in recent times as a result of the environmental/climatic manifestation of the negative effect of consuming natural resources at 'unsustainable' rate and the associated waste and pollution resulting from it. Rising temperatures are reported from all over the globe causing rising sea levels, wildfires and flooding.

According to the Global Reporting Initiative (GRI, 2011) sustainability reporting involve the measurement, analysis and communication (to stakeholders) of the interactions between social, environmental and economic issues constituting the three dimensions of sustainability. Sustainability reporting was devised to make corporate organisation more aware and accountable for their impact on the environment, economy, and society. It provides a means for organisational stakeholders to identify which actions and operations of corporations that may be causing damage and what steps such organisations are taken to remedy their negative impact on the environment. (Dibia, and Nwaigwe (2017) opined that sustainability reporting provides a framework for the communication and engagement between a company and its stakeholders - concerning issues relating to resource use, the sustainability of resource use, its environmental effects and remedial actions necessary and implemented. Ultimately, the outcome of sustainability reporting can form the basis of rewarding or punishing entities on the basis of the operations and its negative/positive outcomes on society.

As mentioned earlier, sustainability reporting framework proposed by the GRI (2011) comprise of three inter-related dimensions on which corporations are expected to report to stakeholders. These are the environmental, social and economic dimensions. Each dimension is captured for measurement using indicators developed in in GRI sustainability reporting framework. The environmental dimension captures to an organisation's activities associated with protection of natural resources and efforts to preserve the environment (Hart, 1995). In this context, corporate organisations are expected measure and report on their activities that affect the environment to their stakeholders and efforts being taken to mitigate whatever negative impact that may result due to their activities/operations. The social sustainability reporting dimension captures the long and short-term effects of organisational activities on the wellbeing and welfare of the society. Chow and Chen (2012) enumerated some of the key issues to be captured in the social dimension to include: reducing social inequality; undertaking charitable activities; protecting human rights; and engaging in employee welfare; health, and labour practices; employee skills development and training; workplace safety standards; workplace injury mitigation and treatment discrimination in the workplace. Finally, the economic sustainability reporting dimension is characterized by

Reddy, and Gordon 2010) as implying "a system of production that satisfies present consumption levels without compromising future needs". Economic sustainability is associated with labour in economic theory, with investors in neoclassical economics and with society in the theory of economic policy (Simpson and Radford, 2012).

Owolabi, and Okulenu (2020) categorised the benefits of sustainability reporting into those accruing to the specific organisation and those to the society. Among others, benefits accruing to the organisation include: better understanding of risks and opportunities; streamlining operations and processes to cut waste and improve efficiency in resource utilization; improving performance measurement by recognising non-financial performance indicators; improving reputation and public perception of the organisation by being recognised and responsible corporate citizen; bench-marking performance to drive future improvement. On the other hand, society benefits from sustainability reporting practices of business organisations by reducing the negative toll of corporate operations on the environment; improve resources utilization to sustain a longer term development for the entire economy; potentially improves the quality of life and health as a result of reduced pollution and environmental degradation and healthier populace.

### **Empirical Review**

Aifuwa (2020) conducted a literature review on sustainability reporting and organisational performance in developing countries. The review revealed that findings on the subject matter were inconclusive though there were more research evidencing a positive relationship between sustainability reporting and firm performance. This is perhaps a justification for further research on the subject matter with better and more robust methodologies. This aligns with the observation of the researcher's methodological flaws in sustainability reporting. The research further revealed that developing countries had much lower levels of sustainability disclosures in their financial reporting in comparison to what is obtainable in developed countries. This is probably as a result of weaker institutions in developing countries. In all, a universal adoption of the GRI framework will likely enhance sustainability reporting in developing countries.

Hongming, et. al. (2020) conducted the research to interrogate the extent of and linkages between sustainability reporting and the performance of non-financial corporations in Pakistan. Data was collected from fifty companies using forty two indicators from the GRI reporting framework - vis-à-vis: environmental; health and safety; and social indicators to which they applied two OLS regression models. Their findings revealed a positive relationship between all three sustainability reporting indicators on firm performance in the country. From the findings, it was concluded that introducing sustainability reporting on a wider scale had a significant level of economic relevance.

Kiyanga, Wingard and Cronje (2016) conducted a comparative research on sustainability reporting practices in South Africa and Botswana with focus on listed companies in both countries. The intent was to compare the level sustainability reporting in both countries. Their findings revealed significant differences in levels of sustainability reporting in both countries - which they attributed to lower levels of sustainable activities in companies listed in the Botswana stock market. They recommended research on institutional differences in order to further

understand the role of institutional differences in the level of sustainability reporting in both countries.

Kaya and Akbulut (2019) investigated if the implementations of sustainability reporting practices enhance firm value and profitability across one hundred and fifty-five automotive companies in twenty countries for a period spanning 2010 to 2018. The research adopted the logistic panel regression method using KPIs such as Tobin's Q, firm size and leverage as measures of firm value and performance while sustainability reporting was measured in terms the GRI framework sustainability indicators. The findings revealed a statistically significant relationship between sustainability reporting and firm size and negative relationship with leverage.

Dibia, and Nwaigwe (2017) conducted a survey of quoted companies in Financial Services, Agriculture, Industrial and Consumer goods, Healthcare, and ICT and Oil and gas sectors in Nigeria with a view to determine the relationship between corporate sustainability reporting and profitability of the surveyed firms for the period covering 2011 to 2015. The audited reports of the surveyed companies formed the primary source of data. Using multiple regression as analysis technique, findings of the research revealed that there was no significant relationship between corporate sustainability reporting and the financial performance of the surveyed companies. The research considered it imperative that companies in country implement sustainability and thus recommended that it be made compulsory requirement for financial reporting in the country.

Owolabi, and Okulenu (2020) focused their research on the insurance industry in Nigeria. utilized the ex post facto design and collected from the annual reports of the companies using the content analysis technique. Findings of the research data which was analyzed with multiple regression method indicated the environmental and economic sustainability reporting indicators had a positive but statistically insignificant relationship with firm market value while social sustainability indicators had a negative relationship with firms' market value. The research concluded that lack of commitment to sustainability reporting was hindering companies from reaping the full benefits inherent therein. It was therefore suggested that companies intensify efforts at implementing sustainability reporting methods.

Umukoro, et. al, (2019) how the level of education and expertise of members of the board of directors affected sustainability reporting in deposit money banks in Nigeria. The research investigated "the influence of environmentally sensitive, certified or educated board members on the disclosure of sustainability report". Using the static panel regression method for a period covering 2014 to 2016, findings of the research revealed that having a BOD of highly educated members had a positive effect on sustainability reporting. However, both executive and non-executive BOD members appeared to have little knowledge of environmental issues resulting in insignificant effect on related issues.

Herbert, Nwaorgu, Onyilo, and Iormbagah (2020) evaluated the relationship between sustainability reporting and the performance of listed upstream oil and companies in Nigeria, using a content analysis approach. Sustainability reporting was assessed in line with the GRI framework. Findings of the research revealed that there was inadequate reporting of sustainable economic performance by the major oil and gas firms, especially the financial implications and other risks and opportunities due to climate change. The results also show that the oil and gas

companies are less perturbed by environmental conservatism due to weak environmental law enforcement. The findings also indicate that there is sustainability implementation laxity or apathy in Nigeria.

Mutali, Iriabije, Okon, and Odumegwu (2020) investigated the level of impact of sustainability reporting on corporate performance of listed companies in Nigeria. The research used a sample of 64 companies selected from 76 non-financial companies quoted on the Nigerian Stock Exchange - secondary data sourced from the audited annual reports formed the primary source of data. Findings of the research indicated that sustainability reporting impacted positively on financial performance of quoted companies in Nigeria. Companies are therefore encouraged to adopt this reporting system in order to account for its social, environmental and economic values which serve as tools for investment decision making.

Fasua and Osifo (2020) sought to establish effects of corporate performance on environmental accounting disclosure and examine kind of significant relationship that subsists between environmental accounting and corporate performance of firms in Nigeria. The data for the study were collected from annual reports and accounts of 18 randomly selected quoted firms in the Nigeria. The data were analyzed with the panel regression analysis method. The key findings of the study show that there are statistically significant positive relationships between environmental performance accounting, and return on asset; and net profit margin as well as a statistically significant negative relationship between environmental performance accounting, and earnings per share.

## **Research Gap**

As attested by the empirical review above, research interest in sustainability accounting/reporting and how it relates with and/or affect the performance of corporate organisations continue to gain much needed attention in Sub-Saharan Africa and other developing countries around the world. However, much of the research has been focused on manufacturing/production, oil and gas, extractive industries, agriculture and related sectors - with little research interest in other sector like the insurance industry which has the highest number of listed companies after the manufacturing/production sector but where no research on the subject matter (to the knowledge of this researcher) has been conducted. This is quite understandable considering that corporations in these industries are recognised as the major producers of greenhouse gases and other pollutants that are degrading the environment. We observe however, that sustainability reporting goes beyond environmental issues but also relates to social relationships and sustainability and the economic sustainability of the activities of these companies (GRI, 2013, Herbert, et. al, 2020). Thus, it is imperative that research extend to other sectors. This research is an effort to fill the observed gap in research by conducting an empirical research on the relationship between sustainability reporting and the financial performance of the insurance industry in Nigeria.

## **Methodology**

The survey research design was adopted for this seminar paper. For this purpose, the researcher conducted a contents analysis of the annual report of manufacturing companies listed on the Nigeria Stock Exchange (NSE) "surveyed" using the contents analyses method. With twenty six

(26) companies, the insurance industry has the highest number of companies listed on the Nigeria Stock Exchange (NSE) after the manufacturing/productions sector. From the purpose of this research, sixteen (16) insurance companies were selected on the basis of availability of consistently published annual reports for the period of the study which spans 11 years - from 2014 to 2024. Thus, data consisted of 176 firm year observations. As previously stated, the content analyses approach was adopted to collect data for the research from the annual reports of the concerned companies. This research measured sustainability reporting based on the environmental, social and economic performance indices developed by the Global Reporting Initiative (GRI) framework. An equal number of performance indicators (8 each) were selected from the GRI framework to measure all three variables. Environmental, social and economic performance indicators were measured with seventeen (17), twenty-one (21) and nine (9) items each. These were measured by a scoring index based on performance indicators selected from Global Reporting Initiative (GRI) guidelines. The economic, environmental and social disclosure indices are calculated based on the number of indicators that are disclosed (occurrence) and the level of disclosure (quantitative and qualitative). Thus, disclosing specific quantity in terms of monetary or units attracts the highest score of three (3). If the disclosure is qualitative - for example addressing the issue in a written statement or address or speech, the indicator is scored two (2) and one if the item only appears (qualitatively) in the annual reports without being addressed. Finally, the indicator scores a zero if no mention is made of it in the annual report. Economic, environmental or social index equal total level of disclosure divided by total occurrence. Financial performance was measured in terms of net profit margin (NPMG). Data was analysed using descriptive statistics, and the Panel Least Square (PLS) regression method using EViews. In its functional form is given as:

$$Financial\ Performance = f(Sustainability\ Reporting) \dots\dots\dots (1)$$

Sustainability reporting is measured as: environmental performance reporting (ENVP); social performance reporting (SOCP); and economic performance reporting (ECOP) and financial performance as net profit margin (NPMG), equation 1 is expanded such that:

$$NPMG = f(ENVP, SOCP, ECOP) \dots\dots\dots (2)$$

Thus, equation 2 above is restated below as:

$$NPMG = a_0 + b_1ENVP + b_2SOCP + b_3ECOP + \mu \dots\dots (3)$$

The a priori expectation is that the presence of sustainability reporting in terms of environmental, social and economic performance indicators is predicted to enhance financial performance this is stated mathematically as:  $b_1, b_2$  and  $b_3 > 0$

## Data and Results

**Table 1: Descriptive Statistics**

	Mean	Median	Max	Min	Std. Dev.	Jarque-Bera	Prob.	Obs.
NPMG	0.2479	0.1868	0.9829	0.0017	0.2078	6.0229	0.0590	176
ENVP	2.5899	2.6176	3.1176	1.8824	0.2504	5.5779	0.0615	176

SOCP	2.3685	2.3810	2.8095	1.6667	0.1895	4.3275	0.1149	176
ECOP	3.0365	3.0000	3.7143	2.0000	0.3027	2.6280	0.2687	176

In table 1, net profit margin (NPMG) for all 16 non-bank financial corporations used in the study had a mean value of 0.2479 with a standard deviation of 0.2078. Environmental, social and economic performance indicator(s) had mean values of 2.5899; 2.3685; 3.0365 and standard deviation values of 0.2504; 0.1895; 0.3027 respectively. From the probability of the Jarque-Bera statistics values of 0.0590; 0.0615; 0.1149; 0.2687 for all variables, it can be inferred that all the variables were normally distributed as a prerequisite for OLS regression analysis. Finally, total observations is 176 firm years which is a product of the number firms (16) and number of periods (11) from 2014 to 2024.

**Table 2: Pearson Correlation Matrix**

	NPMG	ENVP	SOCP	ECOP
NPMG	1.00000			
ENVP	-0.12133	1.00000		
SOCP	0.13205	0.46777	1.00000	
ECOP	0.17444	0.29446	0.18627	1.00000

The correlation results in Table 2 above shows that the environmental performance indicator (ENVP) had a negative correlation with net profit margin (NPMG). The strength of the relationship was indicated as -0.12133 (12.13%) which implies that change in any of the two variables is predicted to have the opposite effect on the other variable. However, both social performance indicator (SOCP) and economic performance indicator (ECOP) were positively correlated with net profit margin (NPMG). Social performance indicator (SOCP) and economic performance indicator (ECOP) had correlation values of 0.13205 and 0.17444 implying that the strength of the relationship between net profit margin and both variables was 13.21% and 17.44% respectively. Thus, change in SOCP or ECOP is predicted to lead to a correlated change in NPMG in the same direction. This also implies that the relationship between social and economic performance indicators is in line with the a priori expectation while the relationship between environmental performance indicator and net profit margin does not align with the a priori expectation.

**Table 3: Panel Least Square Regression Result**

Dependent Variable: NPMG

Method: Panel Least Squares

Total panel (balanced) observations: 176

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	-0.171030	0.227322	-0.752368	0.4529
ENVP	-0.242478	0.069788	-3.474516	0.0006

SOCP	0.250185	0.089716	2.788628	0.0059
ECOP	0.149642	0.051939	2.881135	0.0045
R-squared	0.103614	Mean dependent var	0.247933	
Adjusted R-squared	0.087979	S.D. dependent var	0.207753	
S.E. of regression	0.198404	Akaike info criterion	-0.374557	
Sum squared resid	6.770642	Schwarz criterion	-0.302500	
Log likelihood	36.96097	Hannan-Quinn criter.	-0.345331	
F-statistic	6.627187	Durbin-Watson stat	1.993830	
Prob(F-statistic)	0.000291			

In table, the coefficient of regression for the relationship between environmental performance indicator (ENVP) and net profit margin (NPMG) gave a value of -0.2425 which implies that a unit increase in environmental performance is predicted to a decrease of 0.2425 units in net profit margin and vice versa. However, both social performance and economic performance disclosure indicators had a positive relationship with net profit margin with coefficient of regression (B) values of 0.2502 and 0.1496 respectively. These imply that increased performance for economic and social sustainability issues is predicted to lead to improved financial performance in the insurance industry in terms of net profit margin. All three sustainability reporting performance indicators had statistically significant relationships with net profit margin with probability of t-statistic values of 0.0006; 0.0059; and 0.0045 respectively for ENVP; SOCP; and ECOP. From this result we infer all three null hypotheses are rejected and conclude that sustainability reporting in terms of environmental performance; social performance and economic performance all have significant relationship with financial performance of insurance companies in Nigeria in terms of net profit margin. Finally, the adjusted coefficient of determination (Adjusted R-Squared) gave a value of 0.08. which implies that all three independent variables as a unit can only account for 8.8% of the variations in net profit margin.

### Discussion of Findings

This research investigated the relationship between sustainability reporting and the financial performance of listed non-bank financial corporations in Nigeria with focus on the insurance sector. In line with the Global Reporting Initiative (GRI), sustainability reporting was measured in terms of environmental performance indicator (ECOP); social performance indicator (SOCP); and economic performance indicators (ECOP). On the other hand, financial performance was measured in terms of net profit margin (NPMG). Data was collected using the content analysis approach from the audited annual reports of sixteen (16) insurance corporations for a period of eleven (11) years covering 2014 to 2024. Descriptive statistics was used to assess the basic characteristics of the data while the Pearson correlation was used to determine the relationship between the variable and the panel least square (PLS) regression method was used to test the proposed hypotheses.

From the data analysis, we observe a negative and statistically significant relationship between environmental performance and the net profit margin - implying that increasing performance in

sustainability reporting in terms of environmental performance is predicted to result in decrease in net profit margin. This could be as a result of the fact that environmental performance requires substantial cost implications for the companies. Thus, the costs incurred in the effort to generate adequate environmental impact may be hampering financial performance. This finding is in contrast to the findings of Fasua and Osifo (2020) who sought to establish effects of corporate performance on environmental accounting disclosure. They showed that environmental performance indicators had a positive relationship with financial performance which they proxied in terms of return on asset; and net profit margin. However, earnings per share showed a similar outcome (negative relationship) like in the present research. On the other hand, Dibia, and Nwaigwe (2017) reported in their research that environmental performance did have a significant impact on financial performance.

However, sustainability reporting in terms social performance indicators is indicated to have a positive and statistically significant relationships with net profit margins of insurance companies in Nigeria. Social performance indicators in terms of costs incurred in such activities as improving the capacity of the workforce which may take the form of healthcare services, and improving the work environment in addition to investing in host communities and charities have the potential to improve performance as they provide the corporation(s) with a positive public image that can increase patronage and market share. The key would be for the companies to identify the societal performance indicators that have the most likelihood to improve their performance. The findings of Mutali, Iriabije, Okon, and Odumegwu (2020) in a similar research corroborated the findings in this study. Their findings revealed that sustainability reporting in Nigeria listed companies had a positive impact on financial performance.

Finally, sustainability reporting in terms of economic performance indicators had a positive and statistically significant relationship with financial performance. This is as expected as the economic performance indicators include issues such as direct economic value generated and distributed, including revenues, operating costs, employee compensation, donations and other community investments, retained earnings, and payments to capital providers and governments (GRI, 2013). If adequate attention is accorded these key economic performance indicators, then the corporations are expected to reports a higher financial performance. In all, several researches on sustainability reporting/accounting have reported inconclusive findings (Aifuwa, 2020; Kiyanga, Wingard& Cronje, 2016). However, our findings are quite conclusive - indicating that sustainability reporting practices significantly affects the financial performance of non-bank financial institutions in Nigeria.

## **Conclusion and Recommendations**

From the findings of the research, it is concluded that environmental performance indicators have considerable effect on the financial performance of insurance companies in Nigeria. However, the negative of its effect implies that environmental performance among insurance companies causes deterioration in financial performance as opposed to the expected enhancement of financial performance. Furthermore, social performance indicators are important contributor to enhanced financial performance among insurance companies in Nigeria. In the same vein, economic performance indicators also contribute meaningfully to improving financial performance.

However, the combined effect of sustainability reporting on financial performance is quite minimal as it accounts for less than ten per-cent of the change in financial performance of listed insurance companies in Nigeria. Based on the above conclusions, it is suggested that insurance companies re-evaluate their environmental performance activities to determine why it appears to have the wrong effect on financial performance. Furthermore, it is suggested that insurance companies can achieve much better financial performance if they were to improve their sustainability reporting practices. This may include committing to increase the number of sustainability reporting items included in their audited reports. Furthermore, regulator and organisations in charge of accounting and financial reporting standards and disclosure practices can incentivise companies to increase their sustainability reporting disclosures by recognising and rewarding those already taking the lead on such issues.

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