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Sustainability Reporting and the Financial Performance of Banks in Africa

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Abstract
This study examined the relationship between sustainability reporting and bank performance in Africa. Unlike previous studies that solely dwelled on accounting measures of performance, this study adopted both accounting (i.e., return on assets) and market-based measures of firm performance (i.e., Tobin's Q). The study relied on secondary data gathered from the audited financial statements of listed banks in Africa over ten years from 2010-2020. Notably, the financial statements of 20 listed banks (drawn from Ghana, Nigeria, and South Africa) were subjected to quantitative content analysis to quantify the extent of sustainability content. It was guided by the sustainability reporting framework developed by the global reporting initiative. The content analysis aims to identify and classify the extent to which firms report on Economic, governance, social, and environmental dimensions of sustainability. Besides, the financial statement figures aided the computation of a performance measure (return on assets and Tobin's Q) for the banks. The study utilised a panel fixed effect regression model to estimate the relationship between sustainability reporting and firm performance concerning data analysis. The results suggest that economic, social, and governance reporting of sustainability content (in the financial statement) has a significant positive association with Tobin's Q and Return on Assets (ROA). Furthermore, the study's findings suggest that banks ' reportage of environmental sustainability content significantly positively affects ROA. However, it has no significant effect on Tobin's Q. Generally, the study concludes that increased sustainability reporting enhances bank performance in the long term. Among others, the study recommends that policymakers develop a sustainability framework specific to the banking industry's needs.

Keywords: Examined, Sustainability, Environmental, Return on Assets, Bank performance

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INTRODUCTION

The challenge of businesses is to maximise 'shareholder's wealth and consider the sustainability of operations in the long term. [8] elaborate further, noting that stakeholders are also interested in organisations' environmental, Social, and Governance (ESG) practices aside from the assets, liabilities, and equity. The 21st century has witnessed arguments supporting that shareholder wealth maximisation alone is not a sustainable business objective since other stakeholders are also integral [38].

The accounting and finance literature generally agrees that the impact of organisational activities upon its external environment should be disclosed to its shareholders and the public members [19, 33]. Therefore, sustainability reporting is the disclosure or reporting of organisational activities in furtherance of sustainable development.In 1987, the World Commission on Environment and Development (WCED) defined sustainability as development that meets current demands without compromising future generations' ability to meet their own. Although the definition by WCED is widely held in the literature, it is noteworthy that it mainly dwells on an organisation's interaction with the natural environment [21, 40]. The complexities of the 21st century, occasioned by technological innovations, corporate malfeasance, community activism, among others, have widened the scope of sustainability beyond the natural environment. Presently, the definition of sustainability comprises factors bordering on a firm's environmental, Social, Governance, and Economic responsibilities/practices [27].

The World Business Council for Sustainable Development (WCED) defined sustainability as "the

commitment of business to contribute to sustainable economic development, working with employees, their families, the local community and society at large to improve their quality of life. " This definition resonates with [56], who argues that firms should be evaluated on their financial success and other performances that benefit society.Large firms must disclose some minimum sustainability indicators in their annual reports [20]. Disclosures provide a premise for examining their non-financial performance. The voluntary nature of sustainability disclosures often underpins the question of "what motivates firms to disclose sustainability information when such disclosures are non-mandatory. " For [9], three main reasons explain why firms disclose sustainability information. First, sustainability disclosure by some firms is motivated by their need to portray a positive public posture/reputation and gain legitimacy over resources. Secondly, other 'firms' disclosure of sustainability information is driven by their need to increase public transparency of risks, reduce the cost of capital, and attain a favourable capital market orientation. Finally, sustainability reporting may be motivated by the need to improve internal planning and performance management processes.

Company regulations in most African countries do not mandate sustainability disclosure [5]. For instance, the Ghanaian corporate code does not require the disclosure of most forms of sustainability information. That is, exposure to sustainability is primarily voluntary. For Ahiawor [4], mostcorporate malfeasance in Ghana, which usually manifests in poor business performance, can be attributed to the lack of sustainable business practices and disclosures. Accordingly, the study notes that Ghanaian firms will possess the right management tool to enhance good corporate governance towards a more sustainable future by embracing sustainable business practices and disclosures.

An extant review of the literature reveals that sustainability-related studies in the African context face a status-quo bias. Existing research on the phenomena is saturated with studies examining firms' corporate social responsibility practices without considering the other dimensions. Such as environmental sustainability see, for instance, [3, 6, 30]. Apart from CSR-related studies, another strand of research examines the governance dimension of sustainability, including board characteristics, board independence, board diversity, among others [45, 2]. However, the few investigations into the environmental dimension of sustainability mainly concentrate on the mining and extractive sectors [7, 5,50]. Seldom do studies investigate all the three dimensions of sustainability together. Only a handful of the existing literature examined sustainability reporting from the perspective of financial institutions, as the majority of research emphasised the so-called environmentally sensitive industries (e.g., mining, chemical, manufacturing, etc.). For instance, as [5] examine the sustainability reporting practices of the five plants operated by Newmont Mining company, [7] investigated the performance indicators disclosed in the sustainability reports of large mining companies in Ghana. Given this background, the purpose of the current study is to examine the relationship between sustainability reporting and 'Tobin's Q of listed banks in Africa.

Problem Statement

Examining the existing literature reveals that several studies have investigated the relationship between sustainability reporting and firm performance. Nonetheless, limitations in existing studies justify the conduct of this research. First, most existing studies on the subject matter used only accounting and non-market-based performance measures (e.g., profit margin, return on assets, return on equity, etc.) to assess the relationship between sustainability disclosures and firm performance. For example [53,15]. Meanwhile, accounting measures of performance, like any other measure, have their limitations [32].

According to [47], firm-specific selection and application of accounting assumptions, estimates, and treatment. Again, factors encompassing earnings management and recognition criteria may lead to creative accounting practices which distort reported profits [61]. It suggests that studies dwelling solely on accounting performance measures may yield misleading or inconclusive results; hence, the need to investigate the phenomena using market-based financial performance measures. Also, [32] expressed serious concerns about researchers and practitioners solely relying on either accounting measures or market-value-based measures of financial performance.

Regarding accounting measures, [32] stated that"… Accounting income numbers to measure firm performance are typically justified because they are the best available data. There are measurement problems, however, caused by different accounting practices across industries, (possibly) inappropriate expensing of research and development (R & D) and advertising expenditures, a failure to reflect opportunity costs and risk, and replacement-cost accounting

Besides, the authors also indicated that accounting profitability measures are based on historical data or are rather backwards-looking when shareholders are more interested in the firm's future outlook. Thus, the argument by [32] suggests the need for a more forward-looking or future-oriented measure of profitability, which falls within the realms of market-value-based

profitability measures. However, concerning market value-based measures of profitability, [32] indicated that "The prices that the markets place on the securities issued by firms and the changes in these values over time provide an ongoing assessment of the value of such firms" (p. 375). Thus far, it can be said that one approach to performance evaluation cannot be overarching since, at best, it is either forward-looking or backwards-looking. It then underscores the need to integrate both accounting and market-value-based performance evaluation approaches in assessing financial performance.

Regarding this, [32] adopt the perspective that; "neither accounting nor market data provide an ideal or true measure of profitability. Instead, we argue that measures developed from both sources offer potentially unique but imperfect measures of profitability. We believe that a comparison of accounting and market data can prove highly beneficial" (p. 375). In essence, [32] call on researchers to use both accounting and market-value-based profitability measures to enhance the reliability of research findings. This study uses the 'Tobin' q ratio as a market-based performance measure. It uses return on assets as an accounting profitability measure to assess the relationship between C.R. and firm performance. In addition, there is a relative lack in sustainability studies as far as developing 'countries' context is concerned [1,35].

An extant review of the literature suggests that most studies on sustainability have emphasised mainly European and North American corporate entities, with little attention dedicated to developing countries [1, 35]. Besides, the few empirical inquiries generally discussed the sustainability practices of firms without due consideration on how the disclosure practices influence vital variables, such as financial performance, growth, etc. Increasing sustainability-related research in the context of emerging economies is underscored by the fact that research findings in the developed world (e.g., Europe and North America) may not necessarily apply to developing countries due to differences in culture, infrastructure among others [52]. Finally, the financial sector, especially the banking industry, has inadequate sustainability-related research. It stems from the fact that most existing studies have paid attention to environmentally sensitive firms like mining firms.

Meanwhile, research findings from other sectors may not apply to the banking sector because of their unique nature, such as regulations and levels of environmental sensitivity. Investigating sustainability in the context of financial institutions in general and banks will enrich the sustainability literature. The study focuses on listed universal commercial banks in Africa. The study used only listed banks to enhance accessibility to data for purposes of analysis.

LITERATURE REVIEW

This chapter presents a review of relevant empirical literature as far as sustainability reporting and disclosure is concerned. The chapter is organised into three main sections. The first section looks at basic concepts relating to sustainability, the second section presents the theoretical review, while the third section discusses empirical literature focusing on sustainability reporting.

Concepts of Sustainability

The united nations (U.N.) is an inter-governmental organisation formed in 1945 to address crucial global issues encompassing climate change, sustainable development, human rights, disarmament, terrorism, humanitarian and health emergencies, gender equality, governance, food production, and more. The U.N championed the modern view of sustainable development in a report produced by the World Commission on Environment and Development (WCED). In September 2000, members of the U.N., consisting of 99 heads of state, signed the Millennium Declaration. The singing of the declaration committed world leadersto fight "poverty, hunger, disease, illiteracy, environmental degradation, and discrimination against women," among others. Eight Millennium development goals (MDGs) emerged from the millennium declaration, expected to be accomplished by 2015. Having expired in 2015, the MDGs were replaced with 17 sustainable development goals (SDGs), scheduled to be achieved by 2030. The SDGs are summarised in table 1.

Businesses across the globe are increasingly making efforts to maintain sustainable business practices. According to a PWC sustainability survey [48], the initiation of sustainable development goals (SDGs) involved a more extensive stakeholder consultation at the international, national, and firm levels. Businesses are expected to adopt environmentally friendly practices at the firms level in their operational and long-term activities. Besides, companies must contribute to the attainment of SDGs by adopting practices that serve not only shareholder wealth maximisation objectives but also benefit the overall stakeholder groups, including society. The sustainability literature suggests that investors are increasingly attracted to firms that adopt sustainable practices, and stakeholders are demanding financial and non-financial accountability in the form of environmental and social reporting/disclosures. To demonstrate and account for their contribution toward sustainable development, businesses across the globe are devising ways of disclosing/reporting sustainability initiatives using various methods and mediums.

Table 1 (United Nations Sustainable Development Goals)

Goal Number	***Description***
1: No poverty	By 2030, eradicate extreme poverty for all people everywhere
2: Zero hunger	End hunger, achieve food security and improved nutrition and promote sustainable agriculture
3: Good Health and Well-Being:	Ensure healthy lives and promote well-being for all at all ages
4: Quality Education:	Ensure inclusive and equitable quality education and promote lifelong learning opportunities for all
5: Gender Equality:	Achieve gender equality and empower all women and girls
6: Clean water and sanitation:	Ensure availability and sustainable management of water and sanitation for all
7: Affordable clean energy	Affordable clean energy: Ensure access to affordable, reliable, sustainable, and modern energy for all
8: Decent work and economic growth	Decent work and economic growth: Promote sustained, inclusive, and sustainable economic growth, full and productive employment, and decent work for all
9: Industry, innovation, infrastructure:	Industry, innovation, infrastructure: Build resilient infrastructure, promote inclusive and sustainable industrialisation, and foster innovation
10: Reduced inequality	Reduced inequality: Reduce inequality within and among countries
11: Sustainable cities and communities	Sustainable cities and communities: Make cities and human settlements inclusive, safe, resilient, and sustainable
12: Responsible consumption and production	Responsible consumption and production: Ensure sustainable consumption and production patterns
13: Climate action	Take urgent action to combat climate change and its impacts*
14: Life below water	Life below water: Conserve and sustainably use the oceans, seas, and marine resources for sustainable development
15: Life on land	Protect, restore and promote sustainable use of terrestrial ecosystems, sustainably manage forests, combat desertification, and halt and reverse land degradation and halt biodiversity loss
16: Peace, justice, and strong institutions	Peace, justice, and strong institutions: Promote peaceful and inclusive societies for sustainable development, provide access to justice for all, and build effective, accountable, and inclusive institutions at all levels
17: Partnerships	Partnerships: Strengthen the means of implementation and revitalise the global partnership for sustainable development

*Source: quoted from**https://sustainabledevelopment.un.org/sdgs***

Concerning the methods of disclosures, whereas some firms use standalone sustainability reports in disclosing sustainability efforts/practices, others use integrated reports to make sustainability disclosures [37]. Concerning disclosure mediums, prior literature suggests that many firms inform their sustainability practice using periodic reports, followed by web-mediated platforms in the form of official websites. Regular sustainability reports are usually produced together with annual reports, and they represent the conventional reporting medium known to the business world [49].

THEORETICAL REVIEW

Stakeholder Theory and Sustainability Reporting

The stakeholder theory has a broader perspective on corporate governance. Generally, stakeholders consist of a wide range of individuals and groups that can affect or impact a corporate entity's actions and inactions. [58] offers a theoretical perspective of the stakeholder theory, noting as follows: "companies are so large, and their impact on society so pervasive, that they should discharge accountability to many more sectors of society than solely their shareholders... Not only are stakeholders affected by companies, but they, in turn, affect companies in some way". Contrary to the agency theory's propositions, stakeholder theory holds that a firm should be accountable to all parties interested in the firm [14]. Different stakeholders have different interests in the affairs of a firm. For example, while shareholders are interested in rewarding returns, employees are concerned about job security and good income. Besides, creditors are interested in the firms' creditworthiness, while environmentalists expect the firm to adopt sustainable environmental practices. The stakeholder theory makes several assumptions.

Notably, the theory holds that businesses should seek the financial interest of owners and the good of the broader society [14]. Relatedly, the theory assumes that the directors of organisations are equally accountable to all stakeholders, including employees, government, local community, customers, and suppliers. Stakeholder theory has been criticised in the literature because it conflicts with shareholder wealth maximisation's central objective [59]. Additionally, the theory has also been condemned to conflict with the agent-principal relationship, which posits that managers should be accountable primarily to shareholders.

In 1997, [19] contended that corporations should concentrate on making profits and generating returns for shareholders. However, for [19], businesses should also focus on social and environmental concerns. This concept later became known as the triple bottom line, and it seeks to gauge an organisation's commitment to corporate social responsibility and sustainable business practices. Today the concept of sustainability reporting has become widespread among practitioners and academics [9]. In demonstrating their commitment toward sustainability, businesses report their sustainability practices in annual reports and other special reports. Stakeholder theory has been associated chiefly with the notion of morality in the context of corporate social responsibility.

Consequently, many prior works of literature resorted to the stakeholder theory in discussing sustainability reporting [8,63]. Mostly, such studies argue that business organisations should adopt practices that benefit shareholders and the entire society. By implication, businesses must adopt practices that help the community, protect and maintain the environment, and ensure long-term economic sustainability.

Stakeholder-oriented Sustainability and Firm Performance

Three prominent theories offer explanations of the effects of sustainability reporting on firm performance. They include:(a)consumerinference-making theory, (b) signalling theory, and (c) social identity theory. 'The consumerinference-makingtheory posits that consumers are more likely to infer positively about a product if they perceive the manufacturer as a sustainability-conscious or environmentally responsible producer [13]. As an implication, such favourable inferences about company products induce consumer purchase intentions and actual purchase decisions [41,18,13,25,22,46]. For instance, a recent multinational study [18] revealed that positive brand image perceptions about Microsoft induce purchase intentions among potential customers. Therefore, it is believed that such favourable inferences about a product can increase sales and create customer loyalty in the long run. Contextually, firms that engage in sustainable practices and report such practices in their sustainability reports are likely to be perceived as socially and environmentally responsible. With such a positive public image, the society or consumers would make a favourable inference about their products and eventually prefer to consume them. Thus, it can increase revenues and profitability. Besides, information about such a positive company image can impact stock prices and overall business performance.

Sustainability Reporting Practices

In 2015, [10] conducted a study investigating the extent to which companies within the Eurozone report on their corporate sustainability practices. A content analysis was born within the survey of the annual sustainability reports of 306 Eurozone companies listed in the STOXX Europe 600. The sample for the study included 19 subsectors and 12 countries encompassing Austria, Finland, Germany, Luxemburg, the Netherlands, Spain, Belgium, France, Greece, Ireland, Italy, and Portugal. The dependent variables analysed within the study were *environmental*, *social*, and *governance* indicators of sustainability based on the 'AECA's (the Spanish Accounting and Business Association's- AECA) integrated sustainability framework/scorecard. In addition, independent variables analysed as predictors of the level of CSR disclosures encompassed country of origin, industry, and listing in DJSI.

In contrast, profitability and the size of the company were treated as control variables. The study's findings were that most Eurozone companies report more information on their corporate Governance practices than their environmental and social practices. Also, the study found that Eurozone companies make moderate disclosures on their ecological impacts, whereas there is a limited disclosure on social indicators of sustainability practices. The study, however, did not find any significant relationship between the size of the company and the level of CSR practices. This finding contradicts earlier findings by [62],[26], and [12], who indicated that large companies are more likely to make extensive sustainability disclosures since they are more socially visible and exposed to public scrutiny.

A related study [51] investigated the question, "What indicators are currently disclosed in corporate sustainability reports?"A content analysis of the annual reports of 94 Canadian firms was examined within the study using the global reporting initiative index. The study's findings suggested that most Canadian firms make extensive disclosures on their social practices (e.g., Funding, donations, sponsorship, and community investments) than environmental and governance practices. This finding contradicts the recent discovery by [10] on firms in the Eurozone. [10] found that Eurozone firms disclose more information on governance than environmental and social aspects of

sustainability; contradictory findings may be explained from two perspectives, namely "***the research context***" and "***the research framework***." Differences in the results of the two experts could be explained by differences in the geographic setting in which the investigations were done, notably Europe vs Canada. However, again, differences in the research framework adopted in both studies might have accounted for the variation in results. In contrast, [10] adopted the Spanish Accounting and Business Association's (AECA) sustainability index, [51] adopted the GRI sustainability index. Such mixed results suggest that the sustainability practices of corporate entities have not been adequately addressed, hence justifying further studies such as this.

There is an emerging trend in sustainability reporting literature whereby scholars attribute sustainability reporting to the nature of the industry within which firms find themselves and the extent of sustainability regulations that firms must comply with. For example, [36] investigated the ESG reporting practices of metal and mining sector companies listed in the Australian Securities Exchange. The study used a content analysis scoresheet in examining the annual reports of 30 of the top 100 mining companies listed on the ASX. In terms of environmental sustainability disclosures, the study found that " on average, 63% of the indicators of ecological sustainability were not reported by the firms considered. According to [36], greenhouse gas emissions were the highest reported indicator, written by 23 out of 30 companies (76.7% of the sample). They report their emissions as tonnes, kilotonnes, or megatonnes.

Regarding disclosures on the social dimension of sustainability, the study found that almost all the firms studied reported the majority of the social indicators of sustainability as far as the GRI framework is concerned. However, according to [36], the study relied on secondary data. Therefore, it was unclear whether companies avoided reporting this information or whether incidents such as fatalities, discrimination, human rights grievances, corruption, and non-monetary sanctions did not occur during the reporting period. Concerning corporate governance disclosures,the study found that all the 30 sampled firms disclosed all required governance information as far as the GRI framework is concerned. Relatedly, [34] examined the website reporting practices of CSR activities by firms in Sub-Saharan Africa, notably Kenya, Botswana, Ghana, Tanzania, Uganda, Nigeria, and Zambia.

Frameworks for Reporting Sustainability

Company boards, executives, and management are investing more and more time and resources on issues of sustainability - such as carbon (greenhouse gas emissions), energy-efficient technology, water use, clean-tech, and biodiversity. A vital part of the global pursuit towards sustainability practices involves a need to account for and report on sustainability, often referred to as environmental, social, and governance (ESG) reporting. Several organisations have provided frameworks for sustainability reporting. Notable among such frameworks include sustainability reporting frameworks by the United Nations Global Compact (UNGC), the Organization for Economic Cooperation and Development (OECD), the International Organization for Standardization (ISO), Thompson Reuters (Asset 4 framework), and the Global Reporting Initiative (GRI). Of these frameworks, the study adopts the Global Reporting Initiative sustainability framework as a standard benchmark for scoring sustainability disclosure rates of the firms herein considered. GRI is an Independent International Organization that has pioneered sustainability reporting since 1997. According to a KPMG report (KPMG Survey of Corporate Responsibility Reporting. "The GRI Sustainability Reporting Standards (GRI Standards) are the first and most widely adopted global standards for sustainability reporting. As a result, 93% of the 'world's largest 250 corporations report on their sustainability performance".

Moreover, within the literature, the GRI framework is considered a more comprehensive and flexible sustainability framework are covering several dimensions of sustainability reporting. Besides, the GRI framework is noted for its flexibility, making it universally applicable in different contexts [28]. According to [29], although companies are not required to follow this guidance, those that voluntarily disclose sustainability information using standard frameworks like the GRI may find strategic and operational benefits from using an established framework [29].

The Global Reporting Initiative Framework (GRI)

The GRI framework requires three significant categories of reporting as far as sustainability reporting is concerned. These include Economic and Environmental reporting, social reporting, and governance reporting.

Economic Sustainability Reporting

Economic sustainability (series 200) in the context of GRI standards requires organisations to disclose/report on their impacts on the economic conditions of stakeholders as a whole and economic systems at the local, national and global levels. The financial sustainability reporting dimension of the GRI framework looks at the flow of capital among various stakeholders, the impact that organisations have on society as they work toward generating wealth and other economic benefits, and how such effects are managed. The Economic Standards, otherwise called

"The 200," include topic-specific Standards made up of the following:

""GRI 201: Economic Performance 2016 Effective From: 01 Jul 2018"".
""GRI 202: Market Presence 2016 Effective From: 01 Jul 2018""
""GRI 203: Indirect Economic Impacts 2016 Effective From: 01 Jul 2018""
""GRI 204: Procurement Practices 2016 Effective From: 01 Jul 2018""
""GRI 205: Anti-corruption 2016 Effective From: 01 Jul 2018""
""GRI 206: Anti-competitive Behavior 2016""

Environmental Sustainability Standards

Environmental sustainability standards (The 300 series) of the GRI Standards include topic-specific Standards used to report information on an 'organisation's material impacts related to environmental topics. This dimension is also known as series 300, and its sub-components include the following:

""GRI 301: Materials 2016 Effective From: 01 Jul 2018:
""GRI 302: Energy 2016 Effective From: 01 Jul 2018""
""GRI 303: Water and Effluents 2018 Effective From: 01 Jan 2021""
""GRI 304: Biodiversity 2016 Effective From: 01 Jul 2018:
""GRI 305: Emissions 2016 Effective From: 01 Jul 2018""
""GRI 306: Effluents and Waste 2016 Effective From: 01 Jul 2018""
""GRI 307: Environmental Compliance 2016 Effective From: 01 Jul 2018""
""GRI 308: Supplier Environmental Assessment 2016 Effective From: 01 Jul 2018""

Social Sustainability Reporting

Social sustainability reporting Standards (series 400)include topic-specific Standards used to report information on an 'organisation's material impacts on social topics. It has subcategories encompassing the following:

"GRI 401: Employment 2016 Effective From July 01, 2018"
""GRI 402: Labor/Management Relations 2016 Effective From: 01 Jul 2018""
"GRI 403: Occupational Health and Safety 2018 Effective From January 01, 2021, GRI 404: Training and Education 2016 Effective From July 01, 2018"
"GRI 405: Diversity and Equal Opportunity 2016 Effective From July 01, 2018, GRI 406: Non-discrimination 2016 Effective From July 01, 2018"
"GRI 407: Freedom of Association and Collective Bargaining 2016 Effective From July 01, 2018"
"GRI 408: Child Labor 2016 Effective From July 01, 2018"
"GRI 409: Forced or Compulsory Labor 2016 Effective From July 01, 2018"
"GRI 410: Security Practices 2016 Effective From July 01, 2018"
"GRI 411: Rights of Indigenous Peoples 2016 Effective From July 01, 2018"
"GRI 412: Human Rights Assessment 2016 Effective From July 01, 2018"
"GRI 413: Local Communities 2016 Effective From July 01, 2018"
"GRI 414: Supplier Social Assessment 2016 Effective From July 01, 2018"
"GRI 415: Public Policy 2016 Effective From July 01, 2018"
"GRI 416: Customer Health and Safety 2016 Effective From July 01, 2018"
"GRI 417: Marketing and Labeling 2016 Effective From July 01, 2018"
"GRI 418: Customer Privacy 2016 Effective From July 01, 2018"
"GRI 419: Socioeconomic Compliance 2016"

Significance of the Study

The relevance of this study lies in its contribution to theory, practice, and policy.To view, the study is one of the few empirical inquiries in the field that will serve as a reference point for future studies to follow. This is because previous studies emphasising the subject matter primarily used accounting profitability measures and mainly emphasised CSR (and not on all three dimensions of sustainability). This study will thus serve as a theoretical opening for other researchers to follow.

To practitioners, the study will be valuable to corporations that seek greatness in the foreseeable future as its findings will be a valuable source of knowledge for corporations to feed on, as far as sustainability is concerned. The study would also benefit the government and regulatory bodies to achieve the Global Sustainability Goals (SDGs). The findings of the survey will also help policymakers in strengthening company codes bordering on governance and ethics.

Research Objectives

The general purpose of the study is to investigate the relationship between sustainability reporting and firm performance. Specific objectives include:

1. To investigate the influence of Economic Sustainability Reporting on Bank Performance
2. To assess the influence of Governance Sustainability Reporting on Bank Performance
3. To examine the influence of Social Sustainability Reporting on Bank Performance
4. To investigate the influence of Environmental Sustainability Reporting on Bank Performance

Research Questions

1. What is the influence of Economic Sustainability Reporting on Bank Performance?
2. What is the influence of Governance Sustainability Reporting on Bank Performance?
3. What is the influence of Social Sustainability Reporting on Bank Performance?
4. What is the influence of Environmental Sustainability Reporting on Bank Performance?

Limitations of the Study

First, some companies tend to disclose only financial transactions and fail to include some material aspects of how their activities impacted society and the environment. This may limit the extent of analysis that can be made. Second, the study adopted the sustainability reporting standards by the Global Reporting Initiative as a basis of content analysis of sustainability reports. By implication, the study will face challenges occasioned by limitations inherent in the GRI framework (although none has been found and validated yet).

RESEARCH METHODOLOGY

Model Specification

The causal research design was used in this analysis. Causal research looks at the interaction between variables, or the impact of one thing on another, and more precisely, the impact of one variable on another [42]. The study's target population was listed banks operating in three African countries, including Ghana, Nigeria, and South Africa, emphasised in the study over ten years from 2010 to 2020. The utilised panel fixed effect regression model.

Research Model and Development of Hypothesis

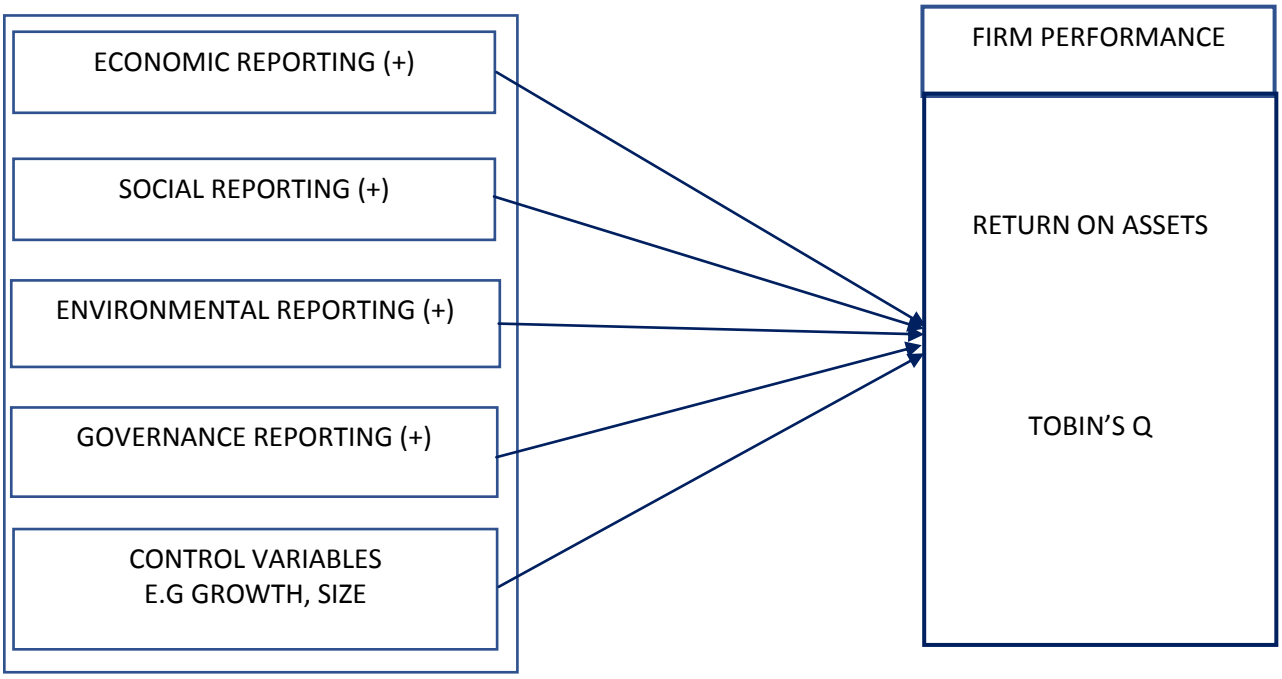

Figure 1 Conceptual Model

Conceptual Framework is mathematically represented as follows:

Tobin's Q/ROA$_{it}$= $\beta 0 + \sum_{i=1}^{n} \beta 1 Xit + \in$

Where,
β0 = the intercept of equation
β 1 = Coefficient of X $_{it}$ variables
X, it = the different independent variables representing sustainability in bank one at Time t.
t = time from 1, 2… years and ε=Error term
ROA= Return on Assets

Finally, the above general least square model is converted into specified models as follows;

Research Model 1: Using Tobin's Q as Performance Measure

Tobins'Q$_{it}$= β_0 + β_1Econ_Sus$_{it}$ + β_2Gov_Sus$_{it}$ + β_3Soc_Sus$_{it}$ + β_4Env_Sus$_{it}$ + $\beta_6$size$_{it}$ +Growth$_{it}$ + ε_{it} (2)

Research model 2: Using Return on Assets as a performance measure

$$\mathbf{ROA}'_{it} = \beta_0 + \beta_1 Econ\_Sus_{it} + \beta_2 Gov\_Sus_{it} + \beta_3 Soc\_Sus_{it} + \beta_4 Env\_Sus_{it} + \beta_6 size_{it+} Growth_{it} + \varepsilon_{it} \quad (3)$$

Name	Definition
Dependent variables	
ROA	"Return on Assets given as the Ratio of profits before interest and tax to total assets. ".
Tobin's Q	"ratio of the market value of a company's assets (as measured by the market value of its outstanding stock and debt) divided by the replacement cost of the company's assets (book value)."
Variables of Interest	
Econ_Sus	Economic disclosure score as per GRI standards
Gov_Sus	Governance disclosure score as per GRI standards
Soc_Sus	Social disclosure score as per GRI
Size (SIZE 1)	"The Log of total assets for the bank 1 in time t"
Growth (GRO)	"Year on Year change in interest income for Bank one in time t"
E	Error term

RESULT AND DISCUSSION

Descriptive Statistics

Table 3 below contains the Descriptive statistics on the key variables measuring sustainability. On average, the results suggest that Economic disclosures have the highest mean score (mean=5.92; SD=2.17) across the firms studied. By implication, it indicates that banks disclose more information on sustainability's economic dimension compared to the other dimensions. Following financial disclosures, governance indicators were the second most revealed dimension of sustainability by the banks under consideration (mean= 5.41). The financial sector is sensitive, and any governance anomaly can result in dire consequences to individual stakeholders and the macroeconomy. As a result of this, there are strict regulatory requirements concerning governance mechanisms and processes. In addition, the social dimension of sustainability was found to be the third most disclosed dimension of sustainability among the banks under consideration (mean=5.35). Finally, the environmental dimension of sustainability was the least disclosed sustainability dimension (Mean= 4.52).

Test for the Presence of Heteroskedasticity

Table 2 Presence of Heteroskedasticity

Breusch-Pagan / Cook-Weisberg test for heteroskedasticity

Ho: Constant variance (Accept)
Variables: fitted values of TOBQ
chi2(1) = 0.93
Prob > chi2 = 0.3340

From Table 4, a P-Value of **0.3340** at 5% significance suggests that we fail to reject the null hypothesis and accept that the underlying data (variables) for estimating the regression model does not suffer heteroskedasticity.Having established that the residuals of the variables are homoscedastic, we proceed to determine when the research models are best estimated using fixed-effects or random effects.

Model 1 (Tobins Q) Specfication Test

Table 3 Model 1 Specification

	---- Coefficients ----			
	(b) initialFE	(B) initialRE	(b-B) Difference	sqrt(diag(V_b-V_B)) S.E.
ENVi	.0605308	.0629029	-.0023721	.
SIZEi	.0296286	.0384953	-.0088667	.
ECOi	.044726	.0642559	-.0195299	.
GOVi	.0727821	.0876994	-.0149173	.
SOCi	.0375393	.0429563	-.005417	.
GROWTH	.0635927	.0707377	-.007145	.

Prob>chi2 = 0.0000
H0: random effects is appropriate (reject)
Ha: Fixed effects is appropriate

The results in Table 5 indicate that the Haussmann specification test selected the fixed effect specification. It suggests that the research model will be more efficient when estimated with fixed effects rather than random effects. Thus, with a P-value of 0.003 at a 5% significance level, we reject the null hypothesis that incidentalimpact is appropriate and accept that Fixed effects are somewhat reasonable.

Model 2 (ROA) specification test

Table 4 Haussmann Specification Test 2

	---- Coefficients ----			
	(b)	(B)	(b-B)	sqrt(diag(V_b-V_B))
	fe3	re3	Difference	S.E.
ECOii	.0545596	.0677679	-.0132083	.0041047
GOVii	.0423894	.0355917	.0067977	.0021025
ENVii	.0381999	.0550752	-.0168753	.0055473
SOCii	-.0003282	.0098682	-.0101964	.0036498
SIZEii	.0180626	.0285133	-.0104508	.0018855
GROWTH	.0335101	.0388779	-.0053677	.0022932

Test: Ho: Random effect is appropriate (reject)
Ha: fixed Effects is appropriate (Accept)
Prob>chi2 = 0.0000

As in model 1, the Haussmann specification test result above indicates that the second research model can be better estimated using fixed effects. That is, against the null hypothesis that "random effect is appropriate," a probability value of 0.0000 suggests rejecting the null hypothesis. Hence, the second model was also estimated using fixed effects.

Model 1 Final Estimate

Table 5 Final estimation of Model 1

Fixed-effects (within) regression				Number of obs	=	124
Group variable: ID				Number of groups	=	17
R-sq: within	= 0.6628			Obs per group: min	=	4
Between	= 0.2308			avg	=	7.3
Overall	= 0.2279			max	=	8
	F(7,100)	=	28.08			
Corr (u_i, Xb)	= 0.2109			Prob > F	=	0.0000

TOBQ	Coef.	Std. Err.	t	P>|t|	[95% Conf.	Interval]
lagdep	-.2232678	.0672354	-3.32	0.001	-.356661	-.0898746
ENVi	.0521217	.0060598	8.60	0.000	.0400993	.0641442
SIZEi	.0282144	.0114483	2.46	0.015	.0055013	.0509275
GOVi	.0671849	.0220569	3.05	0.003	.0234247	.1109451
ECOi	.058355	.0162731	3.59	0.001	.0260697	.0906403
SOCi	.0328664	.0148486	2.21	0.029	.0034072	.0623256
GROWTHTOBQ	.0321465	.0154863	2.08	0.040	.0014222	.0628709
_cons	6.596587	.5851045	11.27	0.000	5.435757	7.757418

sigma_u	.7580427
sigma_e	.09028342
rho	.98601342 (fraction of variance due to u_i)

F test that all u_i=0: F(16, 100) = 29.22 Prob > F = 0.0000

The research model was re-estimated after correcting the problem of serial correlation. Compared to the previous model (where the serial correlation was present), the current model explains more of the variance in the dependent variable. In the final iteration, the co-efficient of determination increased from 63% to 67%. It suggests that the first estimate of the model was rendered less efficient by serial correlation. According to [17], r-squared values ranging from 50%-69% are considered moderate. It suggests that the exogenous variables in model one moderately explain the variations in the endogenous variable. Specifically, about 67% of the variance in bank performance can be jointly presented by sustainability disclosures, including economic reporting, governance reporting, social reporting, environmental reporting, bank size, and growth. Bank size and bank growth were used as control variables. Additionally, it is noteworthy that all the variables were jointly significant at a 5% significance level (i.e., P-Value of F-statistics = 0.0000). Besides, the final model was examined the second time to assess whether the introduction of the lagged dependent variable successfully eliminated the problem of serial correlation.

Model 2 Final Estimate

The final estimate of model 2 improved the R-squared after eliminating the impact of serial correlation.

Table 6 Final estimation of Model 2

```
Fixed-effects (within) regression               Number of obs      =       141
Group variable: ID                              Number of groups   =        18
R-sq:  within  = 0.4806                         Obs per group: min =         6
       between = 0.0346                                        avg =       7.8
       overall = 0.0003                                        max =         8
                                F(7,116)           =     15.33
corr(u_i, Xb)  = -0.1705                        Prob > F           =    0.0000
------------------------------------------------------------------------------
         ROA |      Coef.   Std. Err.      t    P>|t|     [95% Conf. Interval]
-------------+----------------------------------------------------------------
       ECOii |   .0388183   .0133699     2.90   0.004     .0123374    .0652991
       ENVii |   .0417534   .0207406     2.01   0.046     .0006741    .0828328
       GOVii |   .0405458   .0085116     4.76   0.000     .0236876    .057404
       SOCii |   .0254755   .0116373     2.19   0.031     .0024265    .0485246
     SIZEii |   .0172294   .0071022     2.43   0.017     .0031626    .0312961
  GROWTHROA |   .0279007   .0102057     2.73   0.007     .0076871    .0481144
     Lagdep |   -.1700089   .0758225    -2.24   0.027    -.3201848    -.019833
      _cons |   6.621671   .5807967    11.40   0.000      5.47133    7.772012
-------------+----------------------------------------------------------------
     sigma_u |  .82245998
     sigma_e |  .11322165
         rho |  .98140157   (fraction of variance due to u_i)
------------------------------------------------------------------------------
F test that all u_i=0:     F(17, 116) =    14.02          Prob > F = 0.0000
------------------------------------------------------------------------------
```

Notably, it is observed that the introduction of the lagged dependent variable led to an improvement in the coefficient of determination from 40% to 48%, almost 0% (Refer to Table 11 above). By implication, this suggests that the final model accounts for nearly 50% of the variation in the performance of banks; all other things held constant. Taken together, the F-statistics also suggest that all the explanatory variables are jointly significant in explaining the endogenous variable.

DISCUSSION OF RESULTS

This section discusses the findings of the study in light of the existing literature. The discussions on the hypothesised relationships are based on the final estimated regression models. These are summarised in Table 13 below.

Table 7 Hypotheses Tests

	MODEL 1			MODEL 2		
VARIABLES	**TOBINQ (β)**	**S.E**	**P-Value**	**ROA (β)**	**S.E**	**P-Value**
ENV	0.052***	(0.006)	0.000	0.042	(0.021)	0.51
SIZE	0.028**	(0.011)	0.015	0.017**	(0.007)	0.017
ECO	0.058***	(0.016)	0.001	0.039***	(0.013)	0.004
GOV	0.067***	(0.022)	0.003	0.041***	(0.009)	0.000
SOC	0.033**	(0.015)	0.029	0.025**	(0.012)	0.031
GROWTH	0.032**	(0.015)	0.040	0.028***	(0.010)	0.007
Constant	6.597***	(0.585)	0.000	6.622***	(0.581)	0.000
Lagged(DV)	0.223***	(0.067)	0.001	0.170**	(0.076)	0.027
R-squared			**0.663**		**0.481**	
Prob > F =			**0.000**		**0.000**	

NB:

Standard errors in parentheses

***** p<0.01, ** p<0.05, * p<0.1**

Economic Disclosures and Firm Profitability

Under models one and model two, H2c and H2d were validated at a 0.1% significance level. In H1a, the result suggests that a one-unit improvement in bank economic distribution will result in about a 5a. In the case of H1b, the finding was that a unit improvement in the financial disclosure of banks would result in a corresponding increase in their return on assets by about 4%, all other things held constant. Comparatively, although both models demonstrated a significant positive association between financial disclosures and financial performance, it appears that the first model (using Tobin's Q) had a more substantial effect.

Consistent with [43] and [57], the results depict those financial disclosures have the highest impact on financial performance under H1b, compared to other dimensions of sustainability. [43] studied sustainability (i.e., economic, environmental, and social) disclosure practices of banks in the United Arab Emirates. In their study, [43] segmented the banks under consideration into two, including conventional banks and Islamic banks. The study's findings that financial disclosures are higher for both types of banks. A study by [31] also concluded that economic indicators were the most disclosed dimensions of sustainability.

On the contrary, the findings of [10]do not collaborate with this study. Instead, they found that firms disclosed more governance information than environmental, economic, and social information. The findings might be attributed to the differences in the sustainability disclosure mediums emphasised by each study. At the same time, the study focuses on sustainability reportage via annual reports, [10]highlighted website r. Besides, the choice of sustainability framework adopted in the conduct of each study may account for the differences in the results. Thus, whereas the current study employed the sustainability framed developed by the global reporting Initiative, [10] adopted the Spanish Accounting and Business Association's (AECA) sustainability index.Some scholars point to regulatory requirements concerning disclosures of financial information and why firms disclose more economic content relative to other sustainability indicators [2]. Another strand of the literature believes that increased financial disclosures can enhance firm value and reputation in the long run [10,57]. Notably, the argument has also been made that expanded financial disclosures demonstrate a firm's commitment toward accountability and transparency.

Additionally, [57] and [23] corroborate our finding that economic reporting positively influences firm value. It is held in the literature that firms with good financial standings are more likely to increase their disclosures on economic matters. It may explain why economic reporting has a positive association with financial performance. Besides, it is believed that stakeholders are increasingly becoming sensitive to issues bordering on sustainability. Hence, they tend to reward firms who make extensive disclosures about their sustainability practices, enhancing performance. Contrary, [43] findings concluded that no significant relationship exists between financial disclosures and firm performance. Such mixed findings in the literature may signify the need for further research.

Governance Disclosures and Firm Performance

The study sought to examine whether banks' disclosure of governance indicators influences their financial performance and firm value. According to the

sustainability framework developed by the Global reporting initiative, governance disclosures encompass reporting on company mission, vision, strategy, organisational structure, board characteristics, board composition, among others. The results presented in Table 13 fail to reject hypotheses H2a and H2b. the study found a significant positive relationship between governance disclosures and financial performance for models one and two. Specifically, Under H2a, the finding suggests a one-unit improvement in governance disclosures will result in about a 6.7% increase in the Tobin's Q of banks, all other things being equal. Accordingly, Under H2b, findings suggest that a one-unit improvement in the governance disclosures of banks will culminate in about a 4.1% improvement in the return on banks' assets. The findings contradict the earlier study by [43] but corroborate with [57]. Whereas [57] found a positive relationship between governance disclosures and firm performance, [43] failed to establish any meaningful relationship.

Social Disclosure and Firm Performance

The study examined whether social disclosures influence the financial performance of firms. The social dimension of sustainability entails human resources, labour practices, impact on society, and corporate social responsibility. The result of the study validated H3a and H3b. The study results indicate that social disclosures have a significant favourable influence on financial performance and firm value. Under H3a, data in Table 13 reveals that a unit improvement in the social exposure of banks will culminate in about 3.33% increase in their Tobin's Q. Additionally, under H3b, the findings suggest that a one-unit improvement in the social disclosure of firms will lead to about a 2.5% increase in the return on assets of banks.

A related study by [41] contended that responsible social practices by businesses enhance corporate reputation, which can lead to a favourable perception of the firm by customers and other stakeholders and lead to increased business performance. That is, according to the consumer inference theory, consumers are more likely to increase their demand for a company's product if they perceive it to be socially responsible [13]. Besides, Consumers may associate high product quality with proactive corporate citizenship [39,41]. [41] explains further, stating as follows

Alternatively, irresponsible behaviour by firms agitates stakeholders. They often react by boycotting the company, reducing its consumption, initiating legal action against the company, and spreading lousy word-of-mouth about irresponsible business practices (p.576).

Environmental Disclosure and Firm Performance

Environmental reporting includes disclosing sustainability indicators such as energy consumption, waste management, emissions, and biodiversity. There have been persistent arguments in the literature concerning whether environmental reporting impacts financial performance and firm value. Whereas one strand of the literature has established a positive relationship between the two variables [60,65,24], another strand finds a negative relationship between the two variables [17]. Some studies do not see any significant relationship between the two variables [44, 55]. In most cases, those who find a negative relationship between environmental reporting and firm performance explain that managing environmental responsibility may erode profits; hence the higher the environmental cost, the lower the financial performance. Other scholars have also argued that although environmental responsibility may not translate to increased profitability in the short run, it has long term benefits such as boosting firm reputation and prestige, enhancing legitimacy, as well as increasing the long-term value of the firm

In the current study, there are divergent findings concerning whether environmental reporting influences firm performance. In the first model, the results suggest that ecological reporting has a significant positive effect on firms performance, as measured by Tobin's Q.; nonetheless, the second model (using return on assets as a measure of financial performance) did not establish any significant relationship between the two variables. Specifically, Under H1a, the findings suggest that a one-unit improvement in the environmental disclosure of banks will result in about a 5.2% improvement in firm profitability, all other things being equal. However, under H1b, although the result shows that a unit improvement in environmental reporting can enhance profitability by about 0.42%, such an outcome was statistically insignificant. Thus, the contradiction in model I and model II findings can mainly be attributed to the differences in performance measures. In other words, whereas the accounting measure of performance suggests that no statistically significant relationship exists between environmental reporting and return on assets, the market-based performance measure has established a meaningful positive relationship between environmental reporting and Tobin's Q. These findings complement the existing literature, which argues that ecological reporting may not impact profitability in the short-term, but may have an impact on the overall firm's value. That is, Tobin's Q, which established a positive relationship, has been by several studies to measure firm value. In contrast, return on assets has also been used as an accounting profitability measure.

Bank Size, Growth, and Firm Performance

Firm size was used as a control variable in the study. Generally, the literature agrees that larger firms report more sustainability information than smaller firms [11]. Besides, being able to adequately value and report environmental sustainability performance might be challenging to smaller firms that (due to financial challenges) cannot employ qualified personnel for such a task. Consistent with the existing literature, the study finds a significant positive relationship between Bank Size and performance for both models. Under H4a, the finding suggests that Tobin's Q of firms will improve by 2.8% with a unit increase in firm size. Besides, using the second model, a unit increase in bank size will increase the return on assets by 1.7%, all other things being equal. Again, bank growth (measured by year-on-year change in assets) established a statically significant positive relationship with return on assets and Tobin's Q.

CONCLUSION AND RECOMMENDATIONS

Generally, increased sustainability disclosures tend to enhance firm performance.

Nonetheless, it appears the effect of sustainability reporting is more felt in the long term than in the short time. Additionally, it can be said that because sustainability reporting has to do with information disclosure. Any increment in disclosure practices is more likely to impact stock market-based performance measures (Tobin's Q) than accounting performance measures (return on assets). It may explain the efficient market hypothesis, which states that asset prices reflect all available information. Consequently, increased disclosures may paint a positive picture of firms' sustainability practices, thereby boosting stock prices and overall firm value (measured by Tobin's Q). Besides, firms tend to disclose more sustainability information when company laws mandate it, and this was reflected in the disclosure rates for financial and governance information, which are mostly mandatory. Comparatively, larger firm sizes are positively associated with increased sustainability disclosures. It is believed that large firms have the necessary financial resources to absorb the cost of sustainability disclosures.

Besides, larger firms may have the resources to employ skilled personnel who can adequately measure and report sustainability. To sum everything up, the study results suggest that disclosing sustainability practices has implications on firm performance; however, such effects may not be felt in the short-run but the long term. Accordingly, the study concludes that market-based performance measures are more responsive to sustainability disclosures than accounting-based performance measures.

Generally, firms that disclose more sustainability information are likely to enjoy increased performance over time. Customers and other stakeholders are increasingly becoming interested in firms that are more sustainability-conscious than otherwise. Hence the study recommends that banks pay attention to all the dimensions of sustainability, not only those mandated by law. Banks should not consider themselves less environmentally sensitive and disclose less environmental information.Secondly, the 21st century has witnessed technological innovations that have widened the mediums of corporate communications.

The study recommends that firms go beyond the traditional means of disclosing sustainability information through annual reports. Firms can post their sustainability information on Facebook, Twitter, Instagram, and YouTube using social media platforms. The uniqueness of these social media platforms lies in their ability to facilitate real-time engagement with stakeholders and almost no cost. Besides, a wider audience can be reached when information is disclosed on social media platforms. The disclosures can be organised into several media types: video, audio, 3D animations, etc. These enhance the richness of communicated information.

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