

# Financial performance, liquidity and sustainability reporting: The Nigerian evidence

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## ABSTRACT

The main objective of this study is to examine the effect of financial performance and liquidity on sustainability reporting of selected quoted manufacturing companies in Nigeria. The study was quantitative and the expo facto research design was used, and data were collected from annual reports and accounts of ten (10) quoted manufacturing companies in Nigeria over a period of five (5) years (2017 – 2021). The study employed the panel regression models in analyzing the data obtained. The findings of the research indicated that financial performance and liquidity have a significant effect on the sustainability reporting of selected quoted manufacturing companies in Nigeria. Based on these findings, the study concluded that financial performance and liquidity play a vital role in the level of sustainability reporting of manufacturing firms. This study recommended that organizations should constantly monitor and measure their financial strength and liquidity level which is a key determinant of robust sustainability reporting.

## Keywords:

Sustainability, Reporting, Liquidity, Financial, Performance,.

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## 1. INTRODUCTION

The management of every corporate organization must constantly strive for better performance. This is because each company's capacity to sustainably improve its performance over time determines its survival in the cutthroat business environment of today. Thus, performance metrics like sales volume are a concern for any management that is charged with making financial judgments about the business environment. As a result, models that can be used to evaluate and forecast how well companies will do in a given environment are appealing to stakeholders as well as shareholders. Over the years, Nigeria's manufacturing sector has indicated poor financial performance and liquidity. For instance, over the course of three years from 2019 to 2021, the manufacturing sector's average contribution to GDP was a pitiful 9% (Kolawole, 2022). Local manufacturing remains hampered and swamped by a weak and feeble performance outlook despite government initiatives, particularly in areas of ease of doing business in the nation (Adekoya, 2020). Poor performance in the manufacturing sector has been attributed to low overall customer demand and rising production costs brought on by unfavourable environmental practices (Okunuga, Amos-Fidelis & Dogo, 2022). Bad adherence to the legal requirements for conducting business in Nigeria, the prevalence of false and inferior materials, and low service are some other factors contributing to the poor performance seen in Nigeria's manufacturing sector (Ayuba & Aliyu, 2018). To allow the manufacturing sector to contribute its fair share to national growth, these long-standing issues must be quickly solved. The manufacturing sector in Nigeria is unarguably facing certain difficult issues that are adversely affecting it. This difficult situation could affect their level of sustainability reporting, which is an important report released by a company on social, economic, and environmental variables that have an impact on everyday activities. The necessity for sustainability reporting has increased as a result of the multi-stakeholder fight against environmental degradation brought on by the organization's production operations, which has implications for the economy and society as a whole (Khan et al., 2020). Sustainability reporting is one of the finest ways to guarantee adherence to the rules of doing business and boost customer support. This is due to the fact that new sustainability reporting rules always affect how businesses operate, and non-compliance can result in penalties and fines as well as harm to your brand's reputation with customers.

Additionally, in the current market, customer preferences are shifting more and more in favour of eco-friendly items (Ansari et al., 2019). Due to the growing worldwide environmental crises, which have caused customers to become more concerned with their health and quality of life and want items that do not harm them or the environment, this is

necessary (Khan et al., 2020; Jain et al., 2021). To make more informed selections and better choices, these environmentally conscious and sensitive consumers require companies to disclose more information (Helfaya & Moussa, 2017). One advantage of sustainability reporting is that it's the greatest approach to ensure businesses disclose this information to fulfil shifting customer tastes and consciousness. Many previous studies have been conducted on the relationship between sustainability reporting and performance, with varying research findings (Asuquo, Dada & Onyeogaziri, 2018; Uwuigbe et al., 2018; Laskar, 2018; Buallay, 2019; Ezeokafor & Amahalu, 2019; Oncioiu et al, 2020; Aifuwa, 2020; Hongming et al, 2020; Herbert et al, 2020; Buallay, 2021; Weerathana et al, 2021; Jadoon et al, 2021; Buallay, 2022). These mixed results imply that there is an avenue for further studies. Moreover, most of these studies did not examine financial performance and liquidity as a determinant of sustainability reporting. Therefore, to fill this gap, this study seeks to examine the effect of financial performance and liquidity on the sustainability reporting of quoted manufacturing companies in Nigeria from 2017 to 2021. Except for the study of Jumita, Taufiq, and Yusnaini (2020), this research is different from the previous research in that it examines how financial performance and liquidity impact sustainability reporting.

**H<sub>01</sub>:** Financial performance does not have a significant effect on the sustainability reporting of quoted manufacturing companies in Nigeria.

**H<sub>02</sub>:** Liquidity does not have a significant effect on the sustainability reporting of quoted manufacturing companies in Nigeria.

## 2. CONCEPTUAL REVIEW

### 2.1 Sustainability reporting

Environmental, social, and economic sustainability reporting has become crucial strategic consideration for businesses in almost every industry (Buallay, 2020). A means to internalize and strengthen an organization's commitment to sustainable development in a form that can be proved to both internal and external stakeholders, sustainability reporting is more than merely a report prepared from data collected (Ezeokafor & Amahalu, 2019). A company's reporting on its economic, environmental, and social performance is generally referred to as sustainability reporting. A company can profit in a number of ways by disclosing its sustainability efforts (Uwuigbe et al., 2018). Fostering investor confidence, trust, and staff devotion to the company are just a few of these advantages. As a result, any business that is not engaged in sustainability reporting may be thought to be pursuing unsustainable development. Due to differences in reporting procedures among the companies, some may not profit from sustainability reporting due to the

absence of a set of mandatory sustainability reporting regulations and standards (Silva, 2019). According to Hongming et al. (2020), the lack of interest in sustainability reporting issues in some countries is caused by the particular political and socio-economic structure of the nation, weak and unstable government structures, reliance on outside aid, a lack of enforcement capabilities, and a lack of education, among other factors. This paper defines sustainability reporting as the process of informing internal and external stakeholders of an organization's economic, environmental, and social results.

## 2.2 Liquidity

The liquidity ratio gauges the business's capacity to meet its immediate obligations. The ability of a company to pay off all short-term financial obligations as they become due is shown by its liquidity (Nasution, Erlina & Tamizi, 2018). The liquidity ratio measures how easily a corporate organization can satisfy both its anticipated and unanticipated commitments at an affordable price (Olatunde, 2015). It also represents a company's capacity to finance a targeted asset increase without suffering detrimental losses that would force it into bankruptcy (Igbekoyi, Ogungbade & Olaleye, 2021). The better it is for businesses, the higher the liquidity ratio. Despite the value that sustainability reporting adds to long-term value creation and corporate success, organizations' disclosure procedures for sustainability reporting differ from corporation to corporation and industry to industry (Ikpore et al., 2022). Liquidity as a cause of such variations appears to not have been given adequate attention in the banking sector. This indicates that a liquid corporation can exercise environmental responsibility through which they might convey a message that the company is doing well because a firm in a strong financial condition tends to divulge more information.

## 2.3 Financial performance

Due to its complex connotations, the idea of performance is a contentious one in accounting (Murat & Opusunju, 2019). Performance measurements are means to classify and define performance that can be quantitative or qualitative. They give businesses a tool to manage progress towards a predetermined goal (Tuyishime, Memba & Mbera, 2015). The components of good performance must be identified using performance indicators to assess the financial success of a corporation (Sidhu, 2018). A performance indicator must be important, vital to the organization's performance, quantifiable, topical, and important, and its value must not be outweighed by the expense of gathering the data (Karunanithy et al., 2018). There are numerous ways to gauge a company's performance. Prior studies have used a variety of indicators to evaluate this perspective, including Return on Equity (ROE), Earnings per Share (EPS), net operational income, and profit margin (Ameen et al., 2020). Tobin's Q and market book value ratio are the two most used market-based metrics (Maina & Mungai, 2019; Buallay, 2019). Accounting is criticized in comparison to market-based metrics. Accounting-based metrics are challenging to interpret across industries and are easily manipulated by management through adjustments to accruals or accounting processes. They reflect a more retrospective focus on past success and are historical. The governance literature frequently uses ROA as a performance indicator for accounting-based measurements (Aifuwa, 2020). It is a metric that evaluates the effectiveness of the resources used (Oncioiu et al., 2020). A statistic called ROA enables users to evaluate how effectively a company's corporate governance system is securing and encouraging management effectiveness (Buallay, 2021). Financial performance could be a major determinant of the level of firms' sustainability reporting since firms' disclosure rates for sustainability reporting differ from corporation to corporation and industry to industry (Ikpore et al., 2022). This argument was confirmed by Romdhon et al. (2021) who reported that profitability has a positive effect on sustainability disclosure. In the context of the relationship between environmental reporting and financial performance, it is asserted that managers of financially strong firms are more likely to include more voluntary environmental disclosure in their annual reports to maintain their current position and increase the amount of their current and future compensation (Igbekoyi et al., 2021).

## 2.4 Theoretical Framework

Signaling theory served as the theoretical foundation for this research. Management intention and attitude concerning sustainability report initiatives are explained by the signaling theory (Bae et al. 2018). Potential conflicts resulting from information asymmetry between shareholders and management worsen reputational issues in the market. Therefore, the disclosure of sustainability reports sends encouraging signals to the markets, which minimizes the likelihood of disputes.

According to this theory, the stakeholders are unaware of the firm's chosen level of sustainability practices (Bagnoli & Watts, 2017). Therefore, signaling theory essentially describes the strategies an organization employs to make up for the informational imbalance between two sides. The sustainability report's goal is to give stakeholders more details about the company's operations and a way to send signals to them. In this scenario, a business will send a signal to the stakeholders by releasing a sustainability report to aid in their decision-making (Wardhani, 2019).

## 2.5 Empirical Review

Romdhon et al. (2021) used panel data, ordinary least squares regression, and observations for businesses in developing nations based on the Asia sustainability ranking report in the database from 2017 to 2018 to investigate the effect of financial success on sustainability reporting. The results of this study demonstrated a favourable relationship between profitability and business value, financial statement disclosure, and sustainability reporting. Using panel data regression on 12 mining companies listed on the Indonesia Stock Exchange that actively disseminated sustainability reports and annual reports from 2014 to 2018, Haris and Negoro (2022) explored the impact of liquidity on sustainability disclosure. Regression on panel data is used in this study. According to the study's findings, the sustainability report is unaffected by liquidity. Buallay (2021) investigated the effect of sustainability reporting on the performance of agricultural businesses. An independent variable derived from the ESG score is regressed against dependent manufacture performance indicator variables return on assets, ROE, and Tobin's Q. using data culled from 1426 observations from 31 different countries for ten years (2008-2017). The conclusions drawn from the empirical studies demonstrated that there is no significant effect of ESG and operational performance, financial performance or market performance. In Ahmad et al. (2021)'s study, the government rules were used as a moderator variable to control the relationship between liquidity and sustainability reporting on financial performance. The samples for this study were forty-five mining and industrial companies listed on Indonesia and Thailand stock exchanges between the years 2013 to 2017. The findings demonstrated that sustainability disclosure is not significantly affected by liquidity. The financial performance was significantly and favourably impacted by sustainability reporting. The findings also demonstrated that government laws had little impact on the rate at which sustainability reporting affected financial results.

The impact of financial success on the environmental sustainability reporting practices of listed manufacturing enterprises in Nigeria was studied by Igbekoyi, Ogungbade, and Olaleye (2021). Using the proportional sampling technique, a total of 23 companies were chosen from the 67 manufacturing companies quoted as of the end of the financial year in December 2018. Analysis of the data was done using a regression model. The liquidity ratio result indicates a weak and unimportant correlation with environmental sustainability reporting. The effect of sustainability reporting quality on the value relevance of business sustainability performance is examined by Jadoon et al. (2021). It used panel data from 247 companies between the years 2012 and 2016 for the top 30 green capital markets as determined by the Global Green Economy Index. The findings showed that investors place a high value on company sustainability performance (achieved through only corporate governance, social, and economic dimensions) as well as the calibre of sustainability reporting. Weeraratna et al. (2021) investigated how sustainability reporting (SR) affected Sri Lankan listed firms' financial performance (FP). Information was gathered from annual reports of publicly traded corporations that follow the Global Reporting Initiative (GRI) methodology for disclosing sustainability. Data pertinent to the full population of 289 companies registered on the Colombo Stock Exchange, which represents 20 distinct market sectors, was gathered quantitatively. Results showed a negligible negative correlation between financial success and sustainability reporting.

With profitability serving as a mediating variable, Sonia and Khafid (2020) investigated the effect of liquidity and leverage on sustainability report disclosure. The population of this study consisted of 465 non-financial companies that were listed on the Indonesia Stock Exchange (IDX) between 2015 and 2017. A sample of 25 businesses with 75 units of analysis was obtained using the purposive sampling technique. The findings indicate that liquidity and leverage significantly and negatively affect sustainability disclosure. Profitability, however, has failed to balance the indirect impact of the audit committee on the disclosure of sustainability reports. In Pakistan, Hongming et al. (2020) investigated the impact of sustainability on corporate performance. For the years 2013 to

2017, information was gathered from the sustainability reports and annual reports of 50 non-financial public limited firms listed on the Pakistan Stock Exchange. Three subindices: environmental, health and safety, and social—form the basis of the index. The findings support the favourable effects on firm performance of each of the three separate indicators as well as the composite form of the sustainability reporting index. Buallay (2019) investigated how ESG reporting affected operational, financial, and market performance. The study is quantitative and is based on a pooled data analysis of 530 banks and 932 manufacturers listed in 80 countries over ten years from 2008 to 2017 resulting in 11,705 observations. On the one hand, the conclusions drawn from the empirical studies showed that ESG had a beneficial impact on the operational, financial, and market performance in the manufacturing sector. On the other hand, the banking industry's operational, financial, and market performance are adversely impacted by ESG.

The impact of sustainability reporting on the corporate performance of listed oil and gas corporations in Nigeria was explored by Ezeakafor and Amahalu (2019). For a period of seven years, from 2011 to 2017, this study used a time-series and cross-sectional analysis of a few oil and gas companies listed on the Nigerian Stock Exchange as of December 31, 2017. The Ex-Post Facto research design was used for this investigation. The findings of this study showed that ROE, net profit margin and earnings per share are significantly positively impacted by sustainability reporting. The impact of sustainability reporting on the corporate performance of a few listed brewery enterprises in Nigeria was studied by Asquor, Dada, and Onyeogaziri (2018). Information was gathered over five years from the three brewery companies' audited financial accounts (2012-2016). To determine whether there is any discernible difference between developed and developing countries of Asia concerning the impact of such reporting on firm performance, Laskar (2018) examined the impact of corporate sustainability reporting on firm performance in four Asian countries: Japan, South Korea, Indonesia, and India. Based on 36 publicly traded nonfinancial enterprises from Japan, 28 from India, 26 from South Korea, and 21 from Indonesia between 2009 and 2014, the study. The findings of the regression show a strong correlation between sustainability reporting and firm performance. The study also reveals that developed countries in Asia have a greater proportional impact on company performance than emerging nations do. The impact of sustainability reporting on company performance in listed Deposit Money Banks (DMBs) in Nigeria is investigated by Uwuigbe et al. (2018). The annual reports and standalone sustainability reports of the chosen banks were examined for the years 2014 to 2016 using content analysis, and the results were coded to produce the sustainability disclosure index. The data were analyzed using the panel regression method. The empirical results indicate a bidirectional association between sustainability reporting and the corporate performance of listed Deposit Money Banks (DMBs) in Nigeria.

### 3. METHODOLOGY

An Ex-post Facto research design was used in the study, and secondary data from the annual reports and accounts of sampled companies were used. Using the purposive sampling technique, a total of 5 companies were chosen from the 67 manufacturing firms listed on the Nigerian stock exchange as of the year 2017. These manufacturing firms were chosen due to the environmental impact of their production process, which includes energy, waste, and other materials. Dangote Sugar Refinery Plc, Nestle Nigeria Plc, Flour Mills Nig. Plc, Nig. Flour Mills Plc, Nigerian Brew Plc, Golden Guinea Brew Plc, Guinness Nig Plc, Unilever Nigeria Plc, Cadbury Nigeria Plc, and Honeywell Flour Mill Plc are the ten (10) manufacturing firms mentioned above. For the years 2017 through 2021, secondary data are gathered from annual reports and sustainability reports. Panel data regression was employed in this study to analyze the data. Two independent variables and one dependent variable are related in this study. The financial performance which is the dependent variable was measured in terms of ROE. The independent variables are financial performance and liquidity. As shown in Table 1, these two variables and the associated measurement. This study adopts content analysis to develop a measurement for each sustainability dimension of environmental, social and economic, by quantifying the information obtained from the audited financial reports of the banks for each year based on the number of times it occurs and their nature. See Table 2 for the checklist for measuring sustainability dimensions.

**Table 1: Variables Measurement**

Variables	Name	Measurement	Source
Financial performance	FP	$ROE = \frac{Net\ Income}{Shareholder\ Equity}$	Fuadah, Safitri and Yuliani (2019)
Liquidity	LQT	$\frac{Current\ Asset}{Current\ Liability}$	Sonia and Khafid (2020)
Sustainability reporting	SR	The indicator was allocated a score between 0 and 4 points as follows: when it is not specified, 0 points; a brief or generic statement receives 1 point; more detailed coverage gets 2 points; broad coverage receives 3 points and the full coverage receives 4 points.	Fuadah, Safitri and Yuliani (2019)

Source: Researchers' Compilation from Literature (2023)

**Table 2: Sustainability Reporting Check**

Environmental	Social	Economic
Energy	Community involvement	Economic performance
Water	Anti-corruption behaviour	Market presence
Carbon emissions	Human rights	Indirect economic impact
Waste management	Employee's health & safety	Value & supply chain
Compliance	Labor and industrial relation	Risk management
Product & service stewardship	Training and Education	
Biodiversity	Philanthropy	
Transportation	Diversity & equal opportunity	

Source: Adopted from Fatai et al (2021)

This study adopted the following panel estimation regression model to predict the effect of financial performance and liquidity on sustainability reporting of quoted manufacturing companies in Nigeria.

$$Y = \alpha_0 + \beta_1 X_1 + \beta_2 X_2 + \xi$$

Where;

Y = Sustainability reporting

X<sub>1</sub> = Financial performance

X<sub>2</sub> = Liquidity

α<sub>0</sub> = Constant (Value of Y when all independent variables are zero)

β<sub>1</sub> – β<sub>2</sub> = Intercepts of Independent Variables

ξ = Standard Error term

### 4. DATA ANALYSIS AND DISCUSSION

#### 4.1 Descriptive statistics

The summary statistics on the data collected on liquidity (LQT), sustainability reporting (SR), and financial performance (FP) for the periods of five years (2017 - 2021) are presented in Table 3. The average financial performance attributable to the chosen manufacturing enterprises in Nigeria is N6.26k, according to Table 3. According to the standard deviation of 3.493, there was no appreciable difference in the financial performance of the sampled enterprises throughout the study. With a minimum value of 0.602k and a maximum value of N14.11k, the financial performance indicates that certain enterprises during the research period recorded low ROE. Even more so, the sample firms varied financial performance is the cause of the discrepancy between the financial performance's minimum value (0.602k) and maximum value of N14.11k.

**Table 3: Descriptive statistics**

	FP	LQT	SR
Mean	6.26	6.24	2.72
Maximum	14.111	10.881	4
Minimum	0.602	1.204	1
Std. Dev.	3.493	2.839	1.126
Skewness	0.23	-0.298	-0.3
Kurtosis	1.958	1.938	1.729
Observations	50	50	50

Source: Researchers' Computation (2023) using E-views 9.0

The average liquidity of the sampled manufacturing companies in Nigeria over five years is 6.24, indicating that the liquidity of the chosen firm may be valuable. Liquidity is a measure of a firm's capacity to pay its liabilities when they are due. The data points are spread out over a wide range of values, as indicated by the standard deviation of 2.839, which is the difference between the minimum and maximum values of 1.204 and 10.881. The average level of reporting for the three sustainability reporting dimensions is 2.72 per cent on a scale from one to four, according to the average sustainability reporting of the manufacturing enterprises that were sampled during five years. Additionally, it demonstrates that the chosen companies' degree of sustainability reporting is low. According to the standard deviation of 1.126, there are no appreciable differences in the degree of sustainability reporting among the sampled companies. The least value is 1, and the highest value is 4. The mean of the sustainability reporting of the sampled manufacturing companies for the five years is 2.72, meaning that the percentage average of the level of reporting of the three dimensions of sustainability reporting is 2.72% on a maximum scale of 4. It further reveals that the sustainability reporting level of the selected firms is low. The standard deviation of 1.126 indicates that there is no significant deviation among the sampled companies concerning the level of sustainability reporting. The minimum value is 1 while the maximum of 4. The financial performance (FP) positive values of skewness indicate that the linked variables were correctly skewed away from zero, suggesting that there were proportionally more high values in the data set than low values. However, the negative skewness values for liquidity (LQT) and sustainability reporting (SR) suggest that the linked variables were skewed away from zero and to the left, suggesting that there were more low values than high values in the data set. Kurtosis values for all variables are fewer than three, indicating a mesokurtic distribution.

**4.2 Diagnostic tests**

The following diagnostic tests are conducted to enrich the analysis of data.

**4.2.1 Augmented Dickey-Fuller (ADF) Test**

Using the Augmented Dickey-Fuller Test, or ADF, this study determined if the variables were stationary. This aids in testing for unit root which is present in the panel sample. For the ten (10) mentioned manufacturing businesses in Nigeria, Table 4 shows the results of the ADF test statistics for the levels and the first differences of the panel series data for the period of 2017–2021.

**Table 4:** Augmented Dickey-Fuller (ADF) test statistics

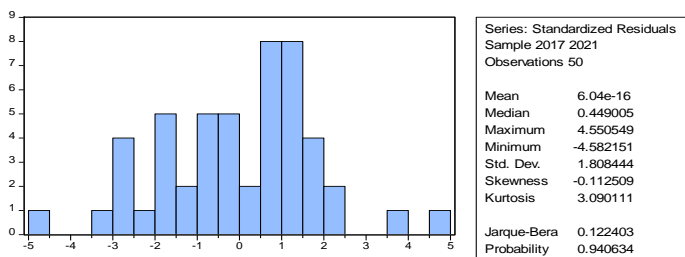
Variables	ADF - Fisher Chi-square		Order of Integration	Remark
	Statistics	Probability		
Financial performance	39.7537	0.0054	1(0)	Reject Ho
Liquidity	34.9460	0.0204	1(0)	Reject Ho
Sustainability reporting	35.3413	0.0086	1(0)	Reject Ho

Source: Researchers' Computation (2023) using E-views 9.0

The result indicates that the null hypothesis of the common unit root is rejected as the p-value of the test is less than 0.05. This in turn implies that the data set is stationary.

**4.2.2 Normality Test**

The calculated model's residuals were examined for normality using the Jarque-Bera test. The alternative hypothesis contends that the residuals of the variables are not normally distributed, contrary to the null hypothesis that they are normally distributed. The Jarque Bera statistics test result for the model showed a P-value greater than 5%, indicating that the residuals have a normal distribution.



**Figure 1:** Normality Test Results

Source: Researchers' Computation (2023) using E-views 9.0

**4.2.3 Heteroscedasticity Test**

Since this study cannot rely on the results of panel regression in the presence of heteroscedasticity, the heteroscedasticity test is crucial to confirm the robustness of the output.

**Table 5:** Heteroskedasticity LR test for both Panel cross-sections

Null hypothesis: Residuals are homoscedastic

Equation: UNTITLED

Specification: FP LQT SR C

	Value	df	Probability
Likelihood ratio	17.07460	10	0.0727

LR test summary:	Value	df
Restricted LogL	-100.0652	47
Unrestricted LogL	-91.52791	47

Source: Researchers' Computation (2023) using E-views 9.0

As shown in Table 5 below, the panel cross-section heteroskedasticity LR Assess was used to test the heteroskedasticity assumption. The p-value is 0.0727, which is higher than the 5 per cent critical value (0.05). Because we are unable to rule out the null hypothesis, we conclude that homoscedasticity exists and that panel regression is resilient as a result.

**4.3 Correlation Analysis**

**4.4 Table 6 shows the relationship between Liquidity (LQT), Sustainability Reporting (SR), and Financial Performance (FP). Table 6 revealed that liquidity is observed to correlate positively with financial performance (r= 0.713). Similarly, sustainability reporting appears to correlate positively with financial performance (r= 0.839). Also, Table 6 further substantiates the evidence of no problem of multi-collinearity in the explanatory variables with all the correlation coefficients of (independent variables) liquidity and sustainability reporting all less than 0.8 as recommended by Lewis-Beck (1993), suggesting that there is no problem of multi-collinearity in the explanatory variables.**

**Table 6:** Correlation Test

Variable	FP	LQT	SR
Financial Performance (FP)	1		
Liquidity (LQT)	0.713	1	
Sustainability Reporting (SR)	0.839	0.709	1

Source: Researchers' Computation (2023) using E-views 9.0

**4.4.1 Regression Analysis**

A multiple linear regression analysis was performed to test the effect of the independent variables (financial performance and liquidity) on the dependent variable (sustainability reporting). Results in Table 7 indicate that the adjusted R<sup>2</sup> was 0.717663, indicating that financial performance and liquidity explained 71.77% of the variation in (sustainability reporting of selected quoted manufacturing companies in Nigeria, holding all other factors constant. Moreover, the F-statistic measures the statistical significance of the model; the F-value is 63.27585 (p < 0.05); therefore, the model is statistically significant. The result also shows that a unit increase in financial performance and liquidity results in a positive effect of sustainability reporting by 0.2185 and 0.0895 respectively. Therefore, all the null hypotheses are rejected.

**Table 7:** Regression model

Total panel (balanced) observations: 50

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	0.793277	0.207895	3.815759	0.0004
LQT	0.089545	0.042907	2.086959	0.0423

FP	0.218541	0.034870	6.267242	0.0000
R-squared	0.729187	Mean dependent var		2.720000
Adjusted R-squared	0.717663	S.D. dependent var		1.125584
F-statistic	63.27585			
Prob(F-statistic)	0.000000	Durbin-Watson stat		1.555536

Source: Researchers' Computation (2023) using E-views 9.0

## 5. DISCUSSION

The main objective of this study was to examine the effect of financial performance and liquidity on the sustainability reporting of selected quoted manufacturing companies in Nigeria. The result showed that financial performance and liquidity have a positive and significant effect on the sustainability reporting of selected quoted manufacturing companies in Nigeria. This result implies that when financial performance and liquidity are high, firms are more likely to include more voluntary sustainability disclosure in their annual reports in order to maintain their current position and increase the rate of their prospects. One advantage of sustainability reporting is that it is the best approach to ensure businesses disclose this information to fulfil shifting customer tastes and consciousness. It may also be a means to solve issues that are adversely affecting Nigeria's manufacturing sector. Better sustainability reporting could convey a message that the company is doing well because a firm in a strong financial condition tends to divulge more information. This is because a company that is in strong financial and liquid condition can uphold environmental responsibility, which could serve as a signal that the company is doing well since businesses that are in good financial health prefer to divulge more information. The findings of this study are in line with that of Romdhon et al (2021) who examined the impact of financial performance on sustainability reporting using panel data and ordinary least squares regression and showed that profitability positively impacted financial statements disclosure, sustainability reporting, and also supports on firm value. However, the study does not support that of Although Buallay (2021) and Haris and Negoro (2022) confirmed that liquidity had no impact on the sustainability report, the outcomes do not concur with their conclusions. The study by Weerarathna et al (2021) also found an insignificant impact of financial performance on sustainability reporting. Liquidity and leverage have a negative and considerable impact on the disclosure of sustainability reports, according to Sonia and Khafid's (2020) study. Ahmad et al. (2021) and Igbekoyi, Ogungbade, and Olaleye (2021) discovered a weak and unimportant correlation between the liquidity ratio and environmental sustainability reporting. The result of this study is also consistent with the signalling theory. According to this theory, the stakeholders are unaware of the firm's chosen level of sustainability practices (Bagnoli & Watts, 2017).

### 5.1 Conclusion

This study discovered that the sustainability reporting of a few listed industrial companies in Nigeria is significantly impacted by financial performance and liquidity. Based on these results, the study concludes that manufacturing companies would perform better in their sustainability reporting when they were able to increase their financial performance and liquidity level.

### 5.2 Recommendations

This study recommends that organisations should constantly monitor and measure their financial and liquidity level which is a key part of robust sustainability reporting, and wherever possible this should be quantified. In addition, firms should use the Sustainable Development Goals (SDGs) to assess how their business can contribute to a better world of business.

### 5.3 Suggestions for Further Studies

There are other factors apart from financial performance and liquidity that affect the sustainability reporting of selected quoted manufacturing companies in Nigeria. Further studies could consider other factors such as systematic risk. The relationship between systematic risk and sustainability reporting can be empirically justified.

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