Sustainability Reporting Practice and Financial Performance of Deposit Money Banks (DMBs): A Pre-Post Analysis of Integrating ESG Disclosure into Corporate Reporting.

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Abstract

This paper aims to examine the effect of sustainability reporting practices on the financial performance of selected banks listed on the Nigerian Stock Exchange before and after mandatory ESG disclosure. The study used six banks out of the 25 listed on the Nigerian Stock Exchange. The 16 parameters for reporting the score of sustainable performance based on social, environmental, and governance factors were employed. The study covered two time periods: before (2011-2015) and after mandatory ESG reporting requirements for Nigerian listed companies (2016-2021). Techniques such as paired sample testing and comparative analysis were used. Based on the findings of the study, it was concluded that sustainability reporting practice is a significant predictor of financial parameters in the pre-mandatory requirement period and that there is no significant difference in financial performance in the post-mandatory requirement period. Based on the findings, it was recommended that market regulators be given more power and a free hand to prosecute companies involved in ESG non-disclosure and that stiff penalties be imposed for non-compliance.

Keywords: *Deposit Money Banks (DMBs), Financial Performance, Sustainability reporting.*

1. Introduction

All over the world, the banking system plays fundamental roles in the growth and development of an economy, depending on the economic, political and the legal system within which the banks operate. As financial institutions, banks perform intermediation roles generally by mobilizing resources from the surplus units and channeling same to the deficit units for productive activities within an economy. The Deposit Money Banks (DMBs) through their credit policy act as lubricants and promote growth in different sectors of the economy paying attention to the priority sectors of the economy (Aniekan & Matthew, 2014).

Generally, banking sector reforms in Nigeria have been embarked upon to achieve market liberalization in order to promote efficiency in resource allocation; expansion of the savings mobilization base; promotion of investment and growth through market based interest rates; improvement of the regulatory and surveillance framework; fostering healthy competition in the provision of services; and laying the basis for inflation control and economic growth (CBN, 2012; Aniekan & Matthew, 2014).

The overall architectural challenges of Nigeria relating to its social, economic and environmental development necessitated a concerted effort to address (Okotori & Ayunku, 2020). Considering the role of financial institutions in driving development, growth and wealth creation, adopting sustainability practices, as a way of addressing these challenges, was considered important by the financial institutions and the Central Bank of Nigeria (CBN). Therefore in collaboration with the Central Bank of Nigeria, the Bankers' Committee in 2012 approved and adopted a sustainable banking framework for banks, discount houses and development finance institutions in Nigeria (CBN, 2012). The framework was designed to drive sustainable development in Nigeria, as the DMBs and other related institutions through their business activities and operations engage in innovative practices that enhance positive impacts in the communities and environment where they operate and at the same time furthering their competitiveness.

According to Osinubi and el-Rufai (2021), sustainable banking framework is referred to as the Nigerian Sustainable Banking Principles (NSBPs). Although, the adoption of this sustainable banking frameworks and principles were not made mandatary for banks to disclose in their annual reports. The NSBPs comprises of nine principles (see, table 2.1), guidance notes for implementation and guidelines on how financial institutions should sustainably support business activities in three critical sectors of the Nigeria economy- Power, Agriculture and Oil & Gas (Osinubi & el-Rufai 2021). The implementation of these principles have gradually evolved in the recent years.

However, in Nigeria, the challenges of constant scandals and corruption (Ado, 2016), community crises, and organizational wreckage in the country are so alarming that banks' performance and the Nigerian financial market have been greatly destabilized, and economic growth has been stifled

(Teinb, 2020). Many previous studies have overlooked this sector of the economy without acknowledging the contributions and important of the sector. For example, the contributions of the financial sector to funds mobilization and reallocations of resources within the economy cannot be overemphasized. The sector is a critical one that demands more operational transparency and efficient corporate governance.

In this regard, we agree with El-Moslemany and Etab (2017) that sustainability reporting is an effective management tool which offers confidence to stakeholders as the banks are perceived as responsible and trustworthy. As a result of the market inefficiency and inadequate liquidity, some notable deposit money banks have folded. Nigeria has not been left out of the ongoing challenges (Abubakar & Gani, 2013; Okotori & Ayunku, 2020). According to Temitope (2018), these impacted corporations including Intercontinental Bank, Oceanic Bank, Cadbury Plc etc., which adding to the economic downturn in Nigeria and loss of investors' and customers' confidence in banking operations, which has also threaten the long-term viability of banking businesses. Therefore, sustainability initiative has become a key factor in determining banks' survival and sustained economic expansion (Temitope, 2018).

As a consequence, banks have had to redefine their objectives in response to social expectations and integrate sustainability reporting as one of the required documents for their annual reports as members of NSE groups (see; Osinubi & el-Rufai, 2021; Senan et al., 2021; Gadenne et al., 2017; Isaiah Ogungbade & Oluyinka, 2020). Indeed, the changing environment might have made banks consider the convenience to hire professional assurance services to make information on ESG in their annual reports more reliable to reflect stakeholders' expectations. Therefore, lack of transparency in the banking operations and unethical behaviour of directors as regards their activities call for concerns, though there have been significant efforts like the Nigerian Stock Exchange (NSE) sustainability disclosure guideline issued in 2015 (NSE, 2019; Motwani & Pandya, 2016). The increase in the demand for sustainability development across the globe with various challenges mentioned above led the Nigerian Stock Exchange (NSE) to launch a project in 2015 to integrate sustainability reporting as one of the required documents for its listed companies, which resulted in the development of Sustainability Disclosure Guidelines (SDG) to be considered by deposit money banks and other companies when submitting their annual reports to the NSE (NSE, 2019). This was done to encourage banks to submit annual reports and have them evaluated against international standards (SEC Nigeria, 2020; Osinubi & el-Rufai, 2021; Anthony et al., 2018). This development made it mandatary for all DMBs to disclose their ESG information in their annual reports since 2015.

However, the issue of whether there is a positive or negative relationship between ESG disclosure and banks performance has been seriously discussed in research studies. There are more than two decade of previous research (Timothy, 2018; Raucci & Tarquinio, 2020) and there are still inconsistencies in the results. Therefore, since the implementation of ESG in 2015, a lot of studies have been carried out on ESG and its impact on the financial performance of Deposit Money Banks

(DBMs) in Nigeria with disaggregated findings. While studies like Nwobu, Owolabi, and Iyoha (2017), Isaiah and Oluyinka (2020), Mwangi and Wanjira (2019) and Tarkhanova (2018) reported no significant effect of ESG on the profitability of banks using ROA, ROE and other different indicators, studies like Anyanwu, (2010), Scholtens, (2009), Akinyomi and Olutoye (2015), Bătae, Dragomir and Feleagă (2021) and Oyewo and Badejo (2014) reported a significant effect of ESG on the performance and values of banks. These disaggregated findings necessities similar study of this nature. In the same vein, none of these studies have been able to observe the a pre-post effect analysis of this mandatary disclosure of ESG as required by NSE for all listed DMBs and to know whether there has been an improvement in the banks' performance since implementation in Nigeria. This constitutes the uniqueness of this present study. Based on these premises, this study set out to examine the impact of sustainability reporting practice variables such as environmental, social, and governance (ESG) on the financial performance of Deposit Money Banks (DMBs) in Nigeria within the pre- and post-analysis of the introduction of new guidelines for ESG disclosure for listed companies in Nigeria since 2015 by the regulatory body.

Research Hypotheses

H$_{O1}$: There is no relationship between ESG and return on equity (ROE) before and after the mandatory requirements of ESG disclosure in Nigeria

H$_{O2}$: There is no relationship between ESG and earnings per share (EPS) before and after the mandatory requirements of ESG disclosure in Nigeria

H$_{O3}$: There is no relationship between ESG and Tobin's Q (QR) before and after the mandatory requirements of ESG disclosure in Nigeria

H$_{O4}$: There is no relationship between ESG and Profit after Tax (PAT) before and after the mandatory requirements of ESG disclosure in Nigeria

2. Literature Review

2.1 Conceptual Review

Sustainability disclosure also refers to as sustainability reporting which was first explained in 1994 by John, the founder of a British Consultancy called Sustain-Ability (as cited in Serafeim & Grewal, 2017). The sustainability disclosure is non-financial communication obtained especially in relation to sustainability and corporate social responsibility (CSR) disclosure (Al Abri et al., 2016). This development was supported by a growing conviction that traditional financial reporting provides both financial and non-financial stakeholders with only an incomplete set of information (Senan et al., 2021). Therefore, traditional financial reporting system is based only on historical economic performances, which could be insufficient to assess the real risks underlying a company's business. The author further examines the connection between such reporting practices and corporate performance from a stakeholder perspective (Ekwueme et al., 2013). Similarly, according to (Manurung & Rachmat, 2019) ESG disclosure can be considered as synonymous with the terms non-financial reporting; sustainability disclosure, triple bottom line reporting, corporate social responsibility (CSR) reporting and a recent development that combines the analysis of financial and non-financial performance (Mahmood et al., 2021). In emerging market economies, voluntary guidelines and mandatory guidelines driven by regulation have been developed to help financial institutions better appreciate sustainable banking. Some of these include: Green Credit Guidelines (2012) and KPIs (2014) in China; Nigerian Sustainable Banking Principles (2012) in Nigeria; Principles on E & S Risk Management (2014) in South Africa; and the Sustainable Finance Protocol (2016) in Ecuador etcetera. It is expected that these will drive increased regulation and improved banking operations in lines with sustainability frameworks (Isaiah & Oluyinka, 2020).

Table 1. The Nigerian sustainable Banking Principles (NSBP)

Item	Description	Rationale
NSBP 1	Our Business Activities: Environmental and Social Risk Management	The principle mandates financial institutions to evaluate E & S risks associated with their clients when making lending decisions. This principle indirectly enables financial institutions to hold their clients accountable like regulators for the impacts generated by their business activities and operations.
NSBP 2	Our Business Operations: Environmental and Social Footprint	The principle mandates financial institutions to be conversant with the impacts generated by their business operations. This enables the organizations to measure such impacts with a view to developing appropriate mitigating solutions where necessary.
NSBP 3	Human Right	The principle mandates financial institutions to be conversant with the impacts generated by their business operations. This enables the organizations to measure such impacts with a view to developing appropriate mitigating solutions where necessary.
NSBP 4	Women's Economic Empowerment	The principle promotes gender inclusiveness and diversity in the workplace bordering on issues such as leadership development, leave schemes, among others, based on fairness and equity. It specifically mandates financial institutions to ensure a minimum women representation of 40% at Board and Management level. This principle also promotes the development of economically viable products and services specifically targeted towards women empowerment and access to finance.
NSBP 5	Financial Inclusion	The principle promotes the development of innovative and affordable financial products and services for the unserved, underserved and MSMEs in the economy for the purpose of financial access leading to economic empowerment.
NSBP 6	E & S Governance	The principle mandates financial institutions to develop/implement a holistic E & S Governance framework that integrates sustainability into every aspect of the business. In implementing this principle, financial institutions are expected to develop an automated E & S Management System for E & S risk assessment and internal sustainability measurement based on indicators such as human rights issues, gender issues, work life balance issues, waste management issues, energy consumption issues, carbon emission issues, economic issues, and so on.
NSBP 7	Capacity Building	The principle promotes the development of employees by enhancing their capacity, through trainings and continuous engagement with the knowledge required for the implementation of the NSBPs.
NSBP 8	Collaborative Partnerships	The principle promotes effective industry collaboration and partnership by aligning NSBPs implementation with international standards and best practices for the enhancement of sustainability in the industry.
NSBP 9	Reporting	The principle promotes the development of metrics, setting of achievable targets and performance indicators by each organization to enhance the monitoring, measuring and reporting of NSBPs implementation progress

Source: Author compilation (2022).

2.2 Theoretical Framework

Investigating the relationship between non-financial reporting (i.e., environmental, social and governance -ESG) and financial performance of deposit money banks is commonly motivated by three theories, according to Alsahlawi et al. (2021), namely the stakeholders' theory, the agency theory, and the legitimacy theory. Lu (2019) suggests that corporations conduct sustainability to meet the stakeholder's expectation by being ethical and socially supportive. Stakeholder theory predicts that managers conduct sustainability to fulfill their moral, ethical, and social and environmental duties for their stakeholders and strategically achieve corporate goals for their shareholders (Al-Dhaimesh & Al Zobi, 2019). In terms of the agency theory, the information asymmetry provides the opportunities for managers to serve their personal interest, which might trigger some negative consequences. Thus, managers will be inclined to compensate these actions by increasing the quality and quantity of non-financial information disclosure. Lastly, based on the legitimacy theory, companies' engagement in sustainability practices might be associated to reporting a better financial performance, as a strategy to improve stakeholders' perception on the companies' image (Teinb, 2020).

These three theories provided an important theoretical framework for the relationship between ESG disclosure and banks' performance and are used to explain the motivation for this study (Bătae, Voicu & Feleagă (2021). The underlying assumptions of the study is that provision of sustainability related information is critical to a bank's ability to reduce information asymmetry between agent and principal (agency), accommodate information needs of variety of stakeholders with sometimes conflicting demands (stakeholders), operate within the bounds and norms of the society (legitimacy) to obtain acceptance while simultaneously (Odoemelam & Okafor, 2018; Teinb, 2020).

2.3 Empirical Review

2.3.1 Sustainability Disclosure and Corporate Financial Performance

Banks operate in a complex institutional environment, which relies on strong state regulation, sector self-regulation, non- governmental monitoring, and academic oversight (Carnevale and Mazzuca, 2014). In this respect, the ESG strategies of banks are a means of guaranteeing trust in relations with stakeholders and have become a key aspect of public opinion regarding banking institutions, in the past years (De la Cuesta-Gonz?alez et al., 2006; Whetman, 2018; Osinubi & el-Rufai, 2021). One example in this respect is the launch of the Nigerian sustainable Banking Principles in 2012. Out of the necessity to determine, assess, and manage environmental and social risks in major infrastructure projects, the Nigerian sustainable Banking Principles have proposed a risk management framework endorsed by all financial institutions. The principles seek to prevent negative impacts on ecosystems, communities, and climate and provide a process for lenders to focus on environmental and social responsibility related to major industrial projects (Aras et al., 2018; Isaiah & Oluyinka, 2020).

The work of (Al-Dhaimesh & Al Zobi, 2019) results revealed that the disclosure of the economic and social dimensions had a positive effect on return on equity (ROE). While the environmental dimension did not affect the return on equity (ROE). In addition, the results of the study revealed that the disclosure of sustainability dimensions (economic, social and environment) had a combined effect on the return on assets (ROA). Muat and Prayogo (2018) investigate the influence of CSR disclosure on financial performance. In relation to the measurement of financial performance, the study takes into account three indicators: Return on Equity (ROE), Earning per Share (EPS), and Net Profit Margin (NPM). In their results they discovered that the disclosure of CSR has a significant positive effect on ROE. The CSR disclosure also has a significant positive effect on EPS. In contrast, the disclosure of CSR has no effect on NPM. When taking State Owned Enterprises into consideration, the research demonstrates that there is positive relationship between CSR disclosure and financial performance (Hardiningsih et al., 2020).

In another dimension, Taliento et al. (2019) carried out a study on the financial materiality of the E-S-G (environmental, social and governance) information of primary companies listed on major European indices in Belgium, France, Germany, Italy and Spain (BEL, CAC, DAX, FTSE-MIB, IBEX). Within the Stakeholder Theory and the Corporate Social Responsibility (CSR)-Corporate Social Performance (CSP) framework, research found that, despite the absolute level of the individual ESG scores not being impactful, but the ESG performance as a whole is positively relevant. Social, environmental and governance responsibility (to all stakeholders) appear to be important as a competitive factor of the modern firm (Gadenne et al., 2017; Kozáková, 2018).

Focusing on the energy sector and banking sector, Tawfik et al. (2021) indicated that the dimensions of sustainability do not have a significant and positive effect on the financial performance of the commercial banks. Though the overall results of the study displayed a moderately positive relationship between all sustainability dimensions and the banks' financial performance. In another study, it was revealed that there were no differences between sustainable companies and the others when they were evaluated by the accounting variables such as ROA, ROE, asset turnover, and net margin (Weber & Chowdury, 2020; Rahiminezhad Galankashi & Mokhatab Rafiei, 2021).

In the same vein, Nobanee & Ellili (2017b) revealed that sustainability disclosures as well as economic, environmental and social disclosures have no significant effects on the banking performance of UAE banks. Michelon and Parbonetti (2016) in their study examined the relationship of board composition, leadership and structure on sustainability disclosure. The results show that in order to explain the effect of board composition on sustainability disclosure, there is need to go beyond the narrow and traditional distinction between insider and independent directors, focusing on the specific characteristics of each director.

Bătae, Voicu & Feleagă (2021) observed a growing interest in assessing environmental performance, social responsibility, and corporate governance (ESG) in the banking sector. Data was collected from the Refinitiv database for 39 European banks, for the period 2010–2019. The results showed a positive relationship between emission reductions and financial performance. Moreover, an increase in the quality of a bank's corporate governance system was found to negatively affect company financial performance. Their results have multiple theoretical implications. The predictions related to stakeholder theory and the resource-based view were confirmed, as banks showed interest in resource efficiency, environment-aware products and services, and process digitization. On the other hand, the prediction of stakeholder theory regarding the positive relationship between corporate social responsibility and financial performance was rejected. Also, corporate governance quality has a negative contribution to accounting performance and market valuation, going against the hypotheses of agency theory. Similarly, Hussain et al. (2018) analyzed the sustainability reports of the 100 best-performing US firms, with reference to sustainable disclosure indexes. Their works revealed that there was no disclosure parameter significantly related to financial performance.

In another dimension, Ng and Rezaee (2015) investigated whether and how economic environmental, social and governance (ECON- (ESG) sustainability interactively affect cost of equity capital. Using a sample of more than 3000 firms rather than banking sector between 1990 to 2013, the authors discovered that ECON (ESG) is negatively associated with cost of equity, but only environmental and governance sustainability performance dimensions contribute to this relationship, while social sustainability performance is only marginally, related to cost of equity. It was further revealed also that ECON and ESG sustainability performance interactively affect cost of equity. Generally, the relationship between ECON (ESG) and cost of capital is strengthened when ESG (ECON) performance is strong. It is pointed out by Nnenna and Carol (2016) that corporate social responsibility has positive and significant impact on net profit of firms in Nigeria.

The aforementioned studies have produced contradictory results but none of these researchers has been able to compare the previous banks' performance with the current performance since the new ESG guidelines in 2015.

Methodology

This study was based on a positivism research philosophy which is defined as deductive approach based on quantitative data. This study used ex-post facto research as it was being utilized already in the existing studies and it is more reliable for future prediction (Oraka, 2021). The population of this study consisted of all the Deposit Money Banks listed on the Nigerian Stock Exchange (NSE) as at 31st December, 2021, while the Purposive sampling technique was used to select all the 6 Systematically Important Banks (SIB) as sample side. The choice of these banks that covered United Bank for Africa Plc First Bank of Nigeria, Zenith Bank Plc, Access Bank Plc, Guaranty Trust Bank Plc, and Diamond Bank was predicted on their significant role in the Nigeria financial system and their capacity to prevent a systemic collapse of the entire economy based on their capital. a *paired t-test* was employed to assess the before- and after-the-merger comparative position of long term profitability. The paired t-test is considered as important to check the comparative positive and used by various researchers in the past, for example Harrison et al. (1991). The variable wise hypotheses for performing the paired t-test are listed as below. Here, the period before requirement of ESG disclosure in all the listed and selected banks in Nigeria and the period after adoption of the ESG disclosure are characterized as BD & AD, respectively. Two different sets of analyses are used in the study. 1) Banks' performance before and after ESG disclosure is obligatory for all listed firms on the exchange. 2) Comparative Analysis. Each variable here is compared on the basis of the average value of five years before and six years after. As earlier stated on ESG indicators of sustainability and four matrices of bank performance, such as Return on Equity (ROE), Earnings per Share (EPS), Tobin's Q and Profit after Tax (PAT) for the period of 11 years divided into Pre-ESG (2011–2015) and Post-ESG (2016–2021). The results of all five banks are depicted below using a paired sample t-test.

Table 2: Variables and Measurement

Variable	**Null Hypothesis**	**Alternative Hypothesis**
Return on Equity (ROE)	$ROE_{BD} = ROE_{AD}$	$ROE_{BD} \neq ROE_{AD}$
Earnings per Share (EPS)	$EPS_{BD} = EPS_{AD}$	$EPS_{BD} \neq EPS_{AD}$
Tobin's Q (QR)	$QR_{BD} = QR_{AD}$	$QR_{BD} \neq QR_{AD}$
Profit after Tax (PAT)	$PAT_{BD} = PAT_{AD}$	$PAT_{BD} \neq PAT_{AD}$

Source: Author's creation (2022).

4. Results and Discussion

Analysis from table 3 shows the comparative profitability situation of the selected Deposit Money Bank in Nigeria. The mean of Return on Equity (ROE) before the mandatory disclosure of ESG has a value of 15.81 which decreased to 14.10 after the disclosure of ESG indicators. It implies that the Return on Equity (ROE) of the sampled Deposit Money Banks (DMBs) after the implementation of ESG guidelines was 14.10 lower than ROE reported before the implementation of ESG. The t-statistics and p-value reported to be 1.15 and 0.317 respectively implies that there is a positive insignificant difference between post and pre ROE of the sampled Deposit Money Banks (DMBs) in Nigeria. more so, Put differently, ESG exerts a positive insignificant impact on the Return on Equity (ROE) of the sampled Deposit Money Banks (DMBs) in Nigeria for the period covered by this study.

Table 3. Pre-post analysis of return on equity (ROE) of systematically important banks

Paired Samples Test								
	Paired Differences							
	Mean	Std. Deviation	Std. Error Mean	95% Confidence Interval of the Difference		T-test	Df	Prob.
				Lower	Upper			
POST-ROE- PRE- ROE	14.10 15.81	2.69 4.64	1.034 2.426	-0.6379	1.3942	1.15	2	0.317

Source: Author computation (2022).

The outcome in Table 4 revealed a mean value of EPS before disclosure of ESG as 1.3544 and a standard deviation of 14.97499. Based on the analysis, the mean and standard deviation Earnings per Share (EPS) of the sampled Deposit Money Banks (DMBs) after the mandatory requirements for ESG disclosure in the company annual reports of selected listed banks were 34.90 and 16.15 respectively higher than EPS reported before the implementation of ESG. The t-statistics and p-value reported to be -3.72 and 0.020 respectively implies that there is a negative insignificant difference between post and pre EPS of the sampled Deposit Money Banks (DMBs) in Nigeria. Put differently, ESG exerts a negative insignificant impact on the EPS of the sampled Deposit Money Banks (DMBs) in Nigeria for the period covered by the study.

Table 4. Pre-post analysis of return on assets (EPS) of systematically important banks

Paired Sample Test									
		Paired Differences							
		Mean	Std. Deviation	Std. Error Mean	95% Confidence Interval of the Difference		T-test	Df.	Prob.
					Lower	Upper			
Pair1	POST-EPS PRE- EPS	34.90 20.84	16.15 9.06	7.397 3.1761	-2.5175	1.9534	-3.72	2	0.020

Source: Author computation (2022).

The outcome in Table 5 revealed the mean values and the standard deviations of the pre and post values of Tobin's Q. The means Tobin's Q decreased from 27.88% to 22.26%. It implies that the Tobin's Q of the sampled Deposit Money Banks (DMBs) after the mandatory disclosure of ESG in their annual reports was lower than Tobin's Q reported before the mandatory requirement. The t-statistics and p-value reported to be 0.21 and 0.008 respectively implies that there is a positive significant difference between post and pre Tobin's Q of the sampled Deposit Money Banks (DMBs) in Nigeria.

Table 5. Pre-post analysis of Tobin's Q (Q Ratio) of systematically important banks

Paired Sample Test									
		Paired Differences							
		Mean	Std. Deviation	Std. Error Mean	95% Confidence Interval of the Difference		T-test	Df.	Prob.
					Lower	Upper			
Pair1	POST-Q Ratio PRE-Q Ratio	22.26 27.88	32.12 51.62	18.12 32.171	-2.5175	1.9534	3.8243	2	0.074

Source: Author computation (2022).

The outcome in Table 6 revealed that mean value of post PAT was higher than pre PAT value. This implies that the Profit after Tax increased significantly from 19.98 to 11.10 which was supported by t-value (-9.27) and significance value (0.0054). PAT of the sampled Deposit Money Banks (DMBs) after the implementation of ESG guidelines for mandatory disclosure was 19.98 higher than PAT reported before the disclosure of ESG in their annual reports. Put differently, ESG exerts a positive significant impact on the PAT of the sampled Deposit Money Banks (DMBs) in Nigeria for the period covered by this study. After the disclosure of sustainability in the annual reports, the banks' profit after tax increased due to the optimum disclosure of ESG frameworks.

Table 6. Pre-post analysis of Profit after Tax (PAT) of systematically important banks

Paired Sample Test									
		Paired Differences							
		Mean	Std. Deviation	Std. Error Mean	95% Confidence Interval of the Difference		T-test	Df.	Prob.
					Lower	Upper			
Pair1	POST- PAT PRE- PAT	19.98 11.10	4.20 4.37	2.12 2.171	-2.5175	1.9534	2.8243	2	0.0054

Source: Author computation (2022).

Discussion of Findings

This study has revealed the effect of the ESG on the financial performance of Deposit Money Banks (DMBs) in Nigeria with a special interest in Systematically Important Banks (SIB). It was discovered through the analysis carried out via paired sampled t-test showed that ESG exerts a positive insignificant impact on all the indicators of profitability covered by this study. The reason for this might not be attributed to the effort of the banks to refocus on the conventional way of reporting which required disclosure of ESG framework. This reason might also be that the operations or services of the sector are not environmentally sensitivity. The original purposes for which they were set up are to collect depositors' funds, keep them safe; engage in intermediation to create wealth and jobs for the economy and in the process earn a profit for themselves. This outcome gave credence to the findings of Mwangi & Wanjira (2019), Nobanee & Ellili (2017), Mwangi and Wanjira (2019) and Tarkhanova (2018). They discovered that there was no significant difference in the performance of DMBs in Nigeria after the mandatory disclosure of ESG in the annual reports of all listed companies in the exchange. However, the outcome of this study failed to corroborate the discovery made by Anyanwu, (2010), Scholtens, (2009), Akinyomi and Olutoye (2015), Bătae, Dragomir and Feleagă (2021) and Oyewo and Badejo (2014), that there was a significant difference in the performance of DMBs in Nigeria after the mandatory disclosure of ESG dimensions.

5. Conclusion and Recommendation

Based on the findings of the study, it was concluded that sustainability reporting practice is a significant predictor of financial parameters in the pre-mandatory requirement period and that there is no significant difference in financial performance in the post-mandatory requirement period. Based on the findings, it was recommended that market regulators be given more power and a free hand to prosecute companies involved in ESG non-disclosure and that stiff penalties be imposed for non-compliance.

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