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Sustainability Reporting and Financial Reporting Quality in Listed Multinational Firms in Nigeria

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ABSTRACT

This study examined the sustainability reporting and financial reporting quality in listed multinational firms in Nigeria. Ex-post facto research design was employed as data were extracted from 22 publicly listed multinational companies in Nigeria, obtained from the Nigeria Exchange Group (NGX Group) fact books and the companies' annual financial reports, covering the period of six (6) years from 2018 to 2023. A disclosure checklist was adapted and modified in collecting data for the independent variable (sustainability reporting). The data collected were processed and subjected to series of tests to ascertain their validity and reliability. Multiple regression analysis was used. Findings of the study showed how sustainability reporting and financial reporting quality would assist managers and director of listed multinational firms evaluate the current state of their reporting practices and make necessary changes behavioural and structural that would lead to an improvement in their sustainability reporting. Therefore, the study recommendation was based on the finding which showed that social sustainability reporting had a negative but significant effect on the financial reporting quality.

Keywords: Sustainability reporting, financial reporting quality, social sustainability.

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1 INTRODUCTION

A diverse set of stakeholders (such as employees, customers, suppliers, creditors, advocate groups, public authorities) pursuing different economic, environmental, and social interests determines the success of an organization (Laplume et al., 2008). One of the important channel through which organizations try to meet these demands is sustainability reporting. By disclosing sustainability information, firms try to increase transparency, enhance brand value, reputation and legitimacy, enable benchmarking against competitors, signal competitiveness, motivate employees, and support corporate information and control processes (Herzig and Schaltegger, 2006). Furthermore, sustainability reporting is being increasingly recognized as an important factor contributing to corporate sustainability (Lozano and Huisingh, 2011). Thus, it is not surprising that the topic receives ever growing attention both in business and academia. From a historical perspective, the development and focus of sustainability-related reporting has seen several shifts (Fifka, 2012; Kolk, 2010).

In the 1970s, traditional financial reporting in Western countries was sometimes complemented by additional social reports. In the 1980s, the focus shifted towards environmental issues such as emissions and waste generation often replacing prior social reporting. By the end of the 1990s, reporting research and practice increasingly began to consider the social and the environmental dimension simultaneously in a joint report which is often published alongside traditional financial reports. This trend can be directly linked to the development of voluntary standard-setting by the Global Reporting Initiative (GRI) (Kolk, 2010; Vormedal & Ruud, 2009). Today the GRI is regarded as "the de facto global standard" for sustainability reporting. Despite the multiplicity of definitions, there is a common understanding that to gauge how a corporation is doing with respect to sustainability, it should be measurable (Ozdemir et al., 2011). Stakeholders are increasingly demanding for more disclosures not just on economic performance but also a corporation's environmental and social practices (Waddock, 2003).

Sustainable development reports are public reports by companies to provide internal and external stakeholders with a picture of corporate position and activities on economic, environmental and social dimensions, i.e. attempt to describe the company's contribution toward sustainable development (WBCSD, 2002). The reasons why companies disclose sustainability reports are different. Research has found that companies report to respond to stakeholders' expectations and contribute to the welfare of society, in order to manage their own legitimacy, in order to preserve their reputation, and to achieve profitability in the long run by reducing information asymmetry (Merkl-Davies & Brennan, 2007, Du et al., 2010). Sustainability reporting instills discipline and helps a company think about and define its long-term vision and raises awareness of sustainable practices in the whole organization.

Given that in most countries' sustainability reporting is still voluntary, the companies decide independently what information, when, how and in what context will report. Even when it is mandatory, for example according to the EU Directive 2014/95 which requires companies to describe their business model, and outcomes and risks of adopted mandatory policy issues, it is aimed at aligning with some of the known reporting frameworks, about which companies decide independently (Reynolds & Yuthas, 2008). It is to be expected that the future pressures of different users of sustainability reports will affect the content of the reports, as was the case with financial reporting. Yet, there will be a challenge to balance between what is realistic to expect companies to report on and what stakeholders want to see reported (WBCSD, 2002). One is, however, certain, the quality of sustainability reports will have to be provided for stakeholders because the information that companies provide has to be a reliable foundation for decision making (Reverte, 2009).

Biddle et al. (2009) define financial reporting quality as the precision with which financial reporting conveys information about the firm's operations, in particular its expected cash flows, and that inform equity investors. This definition is consistent with the Financial Accounting Standards Board Statement of Financial Accounting Concepts No. 1 (1978), which states that one objective of financial reporting is to inform present and potential investors in making rational investment decisions and in assessing the expected firm cash flows. The main objective of financial disclosure is to make available high-quality financial information about companies' business activities, mainly financial in nature, expedient for economic decision making. Company with a sound policy of full disclosure of financial information is likely to enjoy superior stock price in conjunction with lower cost of funds because superior disclosure moderates' investors' anxieties about internal information (IASB, 2015).

Disclosure of high-quality financial information is vital as it will positively impact fund providers and other interested parties in making investment, credit, and resource allocation decisions to enhance market efficiency (Uwalowma et al., 2016). Also, the forces that necessitate an increase in demand for information disclosure in the contemporary capital market result from agency conflicts and information asymmetry between the Board and the Stockholders (Lopes & Alencar, 2010). Financial reports provide the foundation for strategic decisions by the investing community and high-quality financial reporting could enhance firm value. However, as firms invest in environmental issues to cover-up their manipulation of returns; this would affect the quality of financial reporting (Martinez-Ferrero et al., 2013).

A multinational company (MNC) can be defined as an enterprise that engages in foreign direct investments (FDI) and which owns or, to a certain extent, controls value-added activities in several countries (Dunning & Lundan, 2008). Multinational Corporation (MNC) is also viewed as a business entity with one or more foreign affiliates in which the parent company holds at least a 10 percent ownership stake (Foley et al., 2021). Multinational companies entail the activities or operation of firms that are located in various countries through foreign direct investment. The idea of multinational companies operating in various countries has benefits in aspects of competitive advantage, cost leadership, market growth and tax benefit advantage. The activities of multinational company (MNC) vary in various countries through subsidiary and joint venture, as well as engage in foreign direct investments (FDI) (KPMG, 2011).

In the literature, the problem identified is the lack of comprehensive sustainability reporting among listed multinational firms in Nigeria, coupled with potential discrepancies in the quality of financial reporting. While some studies have examined either sustainability reporting or financial reporting quality individually, there is limited research that comprehensively evaluates both aspects together within the context of Nigerian multinational firms. The existing work has highlighted the importance of integrating sustainability reporting into financial reporting practices for better transparency and accountability. However, there is a gap in understanding the relationship between sustainability reporting and financial reporting quality specifically among multinational firms in Nigeria. This study aims to fill this gap by conducting a comprehensive analysis that assesses the interplay between sustainability reporting practices and financial reporting quality among listed multinational firms in Nigeria, ultimately providing insights into how these firms can improve their reporting practices for better stakeholder engagement and decision-making.

From the research problem stated above, the following research questions were raised: First, what is the effect of environmental performance on financial reporting quality of listed multinational companies in Nigeria? Second, how does economic performance affect the financial reporting quality of listed multinational firms in Nigeria? And third, to what extent does social performance influence financial reporting quality of listed multinational companies in Nigeria? The study main objective is to examine the effect of sustainability reporting on financial reporting quality of listed multinational companies in Nigeria. The specific objectives of the study are to: first, determine the effect of environmental performance on the financial reporting quality of listed multinational companies in Nigeria; second, identify the influence of economic performance on the financial reporting quality of listed multinational companies in Nigeria; and third, investigate the impact of social performance on financial reporting quality of listed multinational companies in Nigeria.

In line with the research questions and specific objectives of this study, the following null hypotheses were formulated:

H_{01}: Environmental performance does not have significant effect on financial reporting quality of listed multinational companies in Nigeria.

H_{02}: The influence of economic performance on the financial reporting quality of listed multinational companies in Nigeria is not significant.

H_{03}: There is no significant impact of social performance on financial reporting quality of listed multinational companies in Nigeria.

In a country like Nigeria, where environmental and social risks can be particularly pronounced, having a robust sustainability reporting mechanism helps companies navigate these challenges more effectively. While Financial Reporting Quality on the other hand has in high-quality financial reporting is equally critical for multinational firms in Nigeria. Accurate, reliable, and timely financial information is fundamental for building investor confidence. Investors rely on financial statements to make informed decisions, and any discrepancies or inaccuracies can lead to a loss of trust and a subsequent decline in investment. In Nigeria's volatile economic environment, where political and economic uncertainties are common, maintaining investor confidence through high-quality financial reporting is paramount.

The period covered by the study was between 2018 and 2023. The study concentrated on multinational firms operating within Nigeria. It considered variations across different regions within the country to account for regional economic, social, and environmental differences. It also covered various industries, such as oil and gas, banking, telecommunications, and manufacturing, given their significant presence in Nigeria and differing impacts on sustainability and financial reporting practices. This study also considered the impact of Nigerian regulatory requirements on sustainability and financial reporting. This included local laws, guidelines from regulatory bodies like the Nigerian Securities and Exchange Commission (SEC), and adherence to international standards like the IFRS and GRI.

2 LITERATURE REVIEW

2.1 Conceptual Review

The two concepts reviewed by this study were sustainability reporting and financial reporting quality.

2.1.1 Sustainability Reporting

The phrase "triple bottom line" is another name for sustainability, which was coined in 1994 by John, the founder of the British consultancy Sustainability. He made the argument that companies ought to have three separate bottom lines. One of them is the standard indicator of business profit. Account for profit and loss, or the "bottom line." The second is the foundation of a company's "people account," which is a representation of the degree of social responsibility a company has demonstrated throughout its existence in some way. The third is the company's "planet" account bottom line, which shows how ecologically conscious it has been. The triple bottom line, also known as sustainability reporting, is comprised of the three "Ps": profit, people, and planet. Its objective is to monitor the financial, social, and environmental performance of the business entity throughout time (Oncioiu et al., 2020).

The practice of measuring, reporting, and being accountable to internal and external stakeholders in order to accomplish the objectives of sustainable development is known as sustainability reporting, according to GRI (2019). According to Umoren & Ukpong (2022), sustainability accounting is a subfield of accounting that deals with the business's operations, procedures, and systems in order to document, evaluate, and report on the financial impacts of social and environmental factors as well as the ecological and social effects of a specific economic system. It is a process to integrate and enhance an organization's commitment to sustainable development in a form that can be shown to internal and external stakeholders, rather than merely creating reports from data that has been gathered. By providing these disclosures, businesses inform stakeholders about how they are incorporating sustainable development principles into their organizational objectives and day-to-day operations, claim Akpan & Simeon (2021). One possible way to produce data and gauge how well businesses are doing in terms of their contributions to the global sustainable development goals is through sustainability reporting. Additionally, it can assist businesses and organizations in setting goals, assessing their performance in all areas of sustainable development, and facilitating the shift to a green economy that is inclusive and resource-efficient (Ho & Taylor, 2007). It is comparable to triple-bottom-line reporting, which is defined by Effiong et al. (2019) as a comprehensive framework for disclosing a company's three performance characteristics. Many arguments have been made in favor of triple bottom line reporting by businesses. Among these include managers' perceptions that it makes financial sense to support the environment and community from which they obtain financial resources and that the financial gains from disclosures could balance out any expenses related to nondisclosure. The belief that businesses should answer to different stakeholders about how they use the financial, social, and environmental resources that have been entrusted to them is another factor (Effiong et al., 2019). The Nigerian Code of Corporate Governance Principle 26 encourages the board to focus on sustainability concerns in order to portray businesses as ethical corporate citizens. For a firm to be successful, these should cover social, environmental, occupational, and community health and safety issues.

Disclosure of an organization's influence or footprint on society is referred to as social sustainability. In addition to disclosing how risks resulting from interactions with other social institutions are handled and controlled, social performance indicators draw attention to the effects that organizations have on the communities in which they operate. Environmental sustainability disclosure, according to Effiong et al. (2019), entails revealing how an organization affects both living and non-living natural systems. The input-output paradigm of organizational influences on the environment is another area of focus. Resource usage is referred to as input, and waste emissions and the final product are referred to as output. Businesses may try to change how the public views their activities by using environmental communication. "The principal vehicles for company communication on the environment and a fair and credible reflection of the company's environmental activities" are environmental reports, according to the EEA (2008).

Given how important employees are to a company's performance, it is crucial that businesses have policies that support workers' health and safety. This is done in order to assure both health and a safe working environment. All elements of the system's management and design that have an impact on how employees interact with their workplace are considered to be part of the work environment. However, there have been calls for corporate social responsibility to enhance workers' health and well-being (Effiong et al., 2019). Performance is a challenging notion to define and quantify. It has been described as the outcome of action and the suitable metric chosen to evaluate the success of an organization. Performance measures can be divided into two main categories, according to Evangelinos (2020), those that concentrate on the factors that influence the results (inputs like quality, flexibility, resource utilization, and innovation) and those that are related to the results (outputs or outcomes like competitiveness or financial performance). This implies that the ideas of results and determinants can serve as the foundation for frameworks for performance measurement. Return on capital employed is the metric used in this study to assess financial performance.

2.1.2 Financial Reporting Quality

High-quality financial reporting is defined as providing accurate and fair information about a company's financial situation and economic results, as stated by the Financial Accounting Standards Board (FASB), International Accounting Standards Board (IASB), Accounting Standard Board (ASB) in the UK, and the Australian Accounting Standards Board (AASB) (Herath & Albaqi, 2017). The IASB states that the evaluation of financial report quality relies on the precision and clarity of the information presented in a company's financial documentation. Important qualitative characteristics of financial reporting ensure that these reports are beneficial and result in higher-quality outcomes. For reports to qualify as high-quality, they need to be precise, comparable, verifiable, timely, and understandable. Additionally, financial reporting must be transparent and devoid of misleading information, with predictability and accuracy being crucial factors in determining the quality of financial reports (Habib & Bhuiyan, 2016).

Incorporating high standards of financial reporting involves focusing on the relevance, faithful representation, and comparability of information. Financial reporting quality contributes to transparency and helps companies present accurate and reliable financial data, ultimately promoting stakeholder trust and meeting regulatory standards (Herath & Albaqi, 2017). Both the FASB and IASB agree that certain elements are crucial for ensuring top-notch financial reporting, including relevance, accuracy, clarity, comparability, verifiability, and timeliness. The FASB and IASB emphasize the significance of financial reporting in ensuring transparency to provide reliable, high-quality financial statements (Okoye & Nwoye, 2018). Financial reporting involves communicating an organization's financial performance and results to shareholders and the public, ensuring compliance with regulatory, ethical, and conceptual frameworks (Okudo et al., 2022).

The creation of financial statements, accounting disclosures, and corporate governance reports are all included in financial reporting. For firms to provide important information that demonstrates their performance and financial status over time, this procedure is essential. Because it has a direct impact on users' actions, the quality of financial reporting is a major concern in the accounting industry. A meaningful evaluation of the organization's performance and position is made possible by high-quality reports, which offer pertinent, trustworthy, and verifiable information (Okudo et al., 2022). According to Herath and Albaqi (2017), researchers frequently use accounting techniques including accrual accounting, conservatism, and value relevance to assess the caliber of financial statements. One important technique for assessing the caliber of financial reporting is the accrual method, which is well known. Instead of considering when cash is collected or paid, this method takes into account when revenue and expenses are earned or spent. This differentiation guarantees that reported cash flows correspond with the organization's accumulated revenues and expenses (Okudo et al., 2022).

2.2. Theoretical Review

The study was hinged on three theories: Legitimacy theory, Stakeholders theory, and Voluntary disclosure theory.

2.2.1 Legitimacy Theory

According to legitimacy theory, the relationship between sustainability and Financial Reporting Quality (FRQ) provides important information on social and environmental disclosures (Tilling, 2004). A crucial intangible asset for businesses is legitimacy, which denotes management's compliance with rules and laws that protect the company's image. According to Dewiyanti (2021), stakeholders who are aware of an entity's environmental impact shape its legitimacy as a psychological state. Management's efforts to make sure that the company's fundamental operations don't negatively impact the company's reputation both internally and internationally are what provide an organization its legitimacy (Jao et al., 2020). According to Adepoju (2019), organizations are required to provide sustainability-related information in order to maintain their validity. This is often accomplished through annual reports.

Dewiyanti (2021) illustrated the relationship between political economy theory, stakeholder theory, and legitimacy theory. These ideas highlight the connection between legitimacy and the opinions of stakeholders in a political-economic setting. Stakeholder theory, in particular underlines the separation between ownership and management, requiring management to represent stakeholders based on their power and interest. Conversely, legitimacy theory describes how a company's operations and earnings relate to the society in which it operates. It requires management to give its several stakeholders clear information on the company's social, economic, and environmental elements (Uwuigbe et al., 2018). It is based on the social contract theory and argues that an organization must interact with its surroundings to survive, no matter how complicated it is (Dare et al., 2021).

Companies voluntarily reveal pertinent information in their annual reports to engage important stakeholders and ensure ethical practices in order to manage legitimacy as a resource successfully. Burlea and Popa (2013) contended that legitimacy theory ought to connect reporting obligations to moral principles in light of the management's legacy. Following ethical guidelines, such as avoiding conflicts of interest and upholding reporting integrity, is necessary in order to carry out legitimate actions. A legitimacy gap may result if companies' financial reporting do not accurately reflect their legitimacy efforts, endangering their ethical standards. When management ignores the societal effects of the company's actions and community expectations for profit generation, a legitimacy gap usually results. By addressing social and environmental duties and striking a balance between business operations and the expectations of the society in which production takes place, this gap can be closed (Dewiyanti, 2021).

According to Martinez-Ferrero et al. (2015), the reporting of sustainability information pertaining to social and environmental issues has been supported by the application of legitimacy theory. Sustainability reporting, according to the GRI Foundation, is the process of making economic, environmental, and social data publicly available with the goal of accomplishing the Sustainable Development Goals (SDGs) (GRI 2016). Esinga (2017) pointed out that although businesses disclose their sustainability performance, questions about the veracity of this data persist, in addition to worries about financial performance. He pointed out that managers have the freedom to manipulate financial statistics to suit their own interests or those of shareholders, eroding stakeholder trust. Additionally, Martinez-Ferrero et al. (2015) noted that disclosing sustainability data may lower the caliber of financial reporting.

2.2.2 Stakeholder Theory

Organizations are accountable to a variety of stakeholders, such as workers, clients, communities, and the environment, in addition to shareholders, according to Freeman's (1984) Stakeholder Theory. In order to foster long-term sustainability and produce enduring value, this theory emphasizes how crucial it is to take into account the requirements and worries of all stakeholders during decision-making processes (Freeman, 1984). Stakeholder theory is a useful framework for examining how businesses engage with stakeholders and how these interactions impact performance in the context of sustainability reporting. Companies can communicate their social, environmental, and economic consequences to stakeholders by using sustainability reporting (Gray et al., 1996). Businesses show their dedication to resolving the concerns of multiple stakeholders, including environmental preservation, corporate social responsibility, and ethical governance, when they disclose their sustainability initiatives in an open and honest way (Elkington, 1997).

This theory also contends that businesses can improve their trustworthiness, public image, and loyalty by interacting with stakeholders and fulfilling their demands, all of which contribute to long-term viability (Freeman, 2010). For example, companies are more likely to retain competent staff, cultivate goodwill in their communities, and establish excellent customer relationships if they prioritize stakeholder involvement and take stakeholder opinion into account in their sustainability reporting (Mitchell et al., 1997). Additionally, research shows that businesses with effective stakeholder engagement strategies beat their rivals in terms of market valuation and financial performance (Harrison & Wicks, 2013). These results point to a direct correlation between enhanced company performance and stakeholder engagement, which is bolstered by sustainability reporting. A helpful foundation for comprehending how sustainability reporting impacts stakeholder relationships and improves company efficiency is provided by stakeholder theory. By reacting to stakeholder concerns through candid and intelligent reporting, organizations can enhance their long-term viability while producing benefits to all stakeholders.

2.2.3 Voluntary Disclosure Theory

Brammer and Pavelin (2008) expanded on the voluntary disclosure theory, which was based on agency theory. Voluntary disclosures assist narrow informational gaps between corporations and both external and primary agents within the financial community. The degree to which businesses reveal information is explained by voluntary disclosure theory, which has its roots in agency theory. This hypothesis states that businesses with excellent environmental performance are more likely to be open and honest about how their operations affect the environment and to be willing to share information about their environmental initiatives with stakeholders. According to Brammer and Pavelin (2008), voluntary disclosure is expected to reduce the data risk for both present and upcoming investors.

Since voluntary disclosure emphasizes environmental programs and the effects of operations on the national environment, it can give an advantage over competitors. Along with positive news, the corporation also shares bad news with its stakeholders. Investing in environmental initiatives or management is expensive and won't increase returns in the near future. According to Clarkson et al. (2008), stakeholders will believe that the firms' existing environmental policy is subpar if transparency is either nonexistent or inadequate. Stronger environmental performers are more honest about environmental affairs, and their disclosures are of a higher caliber than those of weaker performers. Superior companies don't worry about the response of any stakeholder because they think their strengths will exceed their deficiencies (Clarkson et al., 2008).

2.3 Empirical Review

Ibrahim et al. (2021) looked at how listed Nigerian oil and gas companies' financial performance was affected by sustainability reporting. Using a census sampling technique with particular filtering criteria, the study's population consisted of 12 listed oil and gas companies in Nigeria. Financial performance was measured using return on assets (ROA), and pertinent information was sourced from secondary sources. According to regression analysis, social sustainability had an insignificant impact on ROA, economic sustainability had a favorable but negligible effect, and environmental sustainability had a significantly beneficial impact.

The effect of sustainability reporting on the performance of LQ45 businesses listed on the Indonesian Stock Exchange (IDX) was examined by Adnyana et al. in 2021. Using GRI-G4 standards and 91 indicators, the study focused on 45 LQ45 enterprises. Through purposive sampling, 19 companies were chosen, for a total sample of 57 companies from 2016 to 2018. Documentation techniques were used to gather data, and the substance of LQ45 sustainability reports and financial statements was examined. According to multiple regression analysis, firm performance was positively impacted by disclosures on the economic, environmental, and social elements of performance, particularly in supply chain management.

Examining the impact of sustainability reporting on the performance of Nigerian listed industrial goods companies is the goal of Alhassan et al. (2021) for the ten-year span of 2011–2020. Time-series and cross-sectional analyses of a subset of industrial products companies listed on the Nigerian Stock Exchange were employed in this study. In this study, ex-post facto research was employed. Information was obtained from secondary sources, including fact books and Nigerian corporations' financial accounts. Multiple regression analysis and the Pearson correlation coefficient were used to statistically examine the data using E-View 9.0 statistical software. The results showed that sustainability reporting significantly improves return on equity, return on assets, and earnings per share as determined by economic, environmental, and social performance indexes.

Igbekoyi et al. (2021) examined the connection between environmental accounting disclosure and financial performance of listed multinational companies in Nigeria. Secondary data obtained from the published annual reports of the companies from 2011 to 2020 were employed. The study used data such as environmental disclosure index, return on asset, and earnings per share which were analysed using descriptive statistics and panel regression analysis. It was found that in determining compliance level, out of the three sectors assessed, oil and gas was the least compliant. Also, findings revealed that environmental accounting disclosure had a significant and positive effect on earnings per share, but a negative and insignificant effect on return on asset.

Attah-Botchwey et al. (2022) investigated the connection between bank performance in Africa and sustainability reporting. The study employed quantitative content analysis to evaluate sustainability content in 20 banks from Ghana, Nigeria, and South Africa using secondary data from audited financial reports of African banks from 2010 to 2020. The Global Reporting Initiative framework, which classifies the scope of reporting on economic, governance, social, and environmental aspects, served as the basis for this. The findings indicated that Tobin's Q and Return on Assets (ROA) were significantly positively correlated with reporting on the economic, social, and governance facets of sustainability. Tobin's Q was unaffected by environmental sustainability reporting, which only had a substantial impact on ROA.

Akintoye and Kassim (2022) used the annual reports of sixteen listed manufacturing companies on the Nigerian Stock Exchange Market from 2011 to 2020 to investigate sustainability reporting and financial reporting quality from the standpoint of legitimacy theory. The Environmental Disclosure and Social Disclosure indices were used as stand-ins for sustainability indices, while the Jones (1991) Model was used to gauge the caliber of financial reporting. The study used the fixed effect estimator to analyze the data using a panel regression analysis. The study found that financial reports' quality is unaffected by environmental disclosures. The study also discovered that a manufacturing company's profitability performance has a significant risk of compromising the caliber of financial reports.

Purposive sampling was used by Tangke et al. (2022) to examine the impact of sustainability reporting on economic, environmental, and social aspects of corporate value, as mediated by earnings persistence and timeliness. For each period, 16 companies were selected from the total population of non-financial companies listed on the Indonesia Stock Exchange between 2016 and 2019. Path analysis was the data analysis technique employed, and the Sobel test was utilized to examine the mediation hypothesis. The findings indicated that while environmental factors had an adverse and tangible relationship with earnings persistence, social factors had a beneficial and important connection, and economic sustainability reporting had an unfavorable but not substantial connection. This research reveals that profits persistence and earnings timeliness do not mediate the influence of sustainability reporting

The financial performance and sustainability reporting procedures of Nigerian listed industrial goods companies were examined by Akinadewo et al. (2023) Using secondary data from the annual reports and accounts of the studied organizations, the study used an ex-post facto research design. Descriptive statistics and panel data analysis were employed in the study to determine the association between the variables. The findings indicated that economic sustainability practices had a strong positive link with changes in stock price and a positive but negligible relationship with changes in total assets. While community engagement sustainability practices have a positive but negligible association with financial performance, environmental sustainability practices have a positive and large impact on financial performance as measured by changes in total assets and stock price.

Turuianu (Nechita) (2023) sought to assess how non-financial reporting and sustainability affected businesses' participation in earnings management strategies. Using multiple linear regression models, the study examined three earnings management metrics for a sample of 31 BSE-listed companies. Compared to the pre-implementation era of the EU directive on mandatory non-financial information disclosure (2015-2016), the study found that enterprises' revenue smoothing techniques decreased during the post-2017-2019 adoption period. Earnings management methods were found to be less common among companies with more transparent sustainability reporting.

The impact of sustainability reporting on the financial performance of particular cement companies in Nigeria was investigated by Udomah and Emenyi (2023). Ten cement companies were included in the study, which employed an ex-post facto research approach and covered the years 2016–2020. The study's conclusions were as follows: economic reporting has a positive impact on the financial performance of cement companies in Nigeria, social reporting will lower the financial performance of the chosen companies, and there is a negative and negligible relationship between environmental reporting and the performance of cement companies in Nigeria. The financial performance of the cement companies separately is not substantially impacted by the sustainability reporting components. It was suggested that the government's policymakers mandate that cement companies' yearly reports include sustainability reports.

Based on empirical research, Akhor and Oroboh (2023) examined the relationship between sustainability reporting and firm value in Nigeria. The population for the study was made up of listed consumer goods companies in the Nigerian Exchange Group (NGX). In order to test the hypotheses, a robust regression technique was employed, and the results showed that social sustainability reporting had an adverse and tangible impact on firm value, environmental sustainability reporting had a favourable and tangible impact on firm value at a 1% level of significance, and economic sustainability reporting had a favourable and tangible impact on firm value.

The impact of sustainable business practices on the survival of Nigerian listed manufacturing companies was examined by Boluwaji et al. (2024), who concentrated on community involvement, dynamic workplaces, and stakeholder inclusivity. Using data from 60 consumer and industrial products manufacturing companies listed on the Nigerian exchange group as of December 31, 2021, the search employed an ex-post facto research design. The results indicated that community involvement, a dynamic workplace, and stakeholder inclusivity had a good and significant impact on these listed manufacturing companies' net asset per share.

The impact of sustainability reporting on the caliber of financial reporting for Nigerian consumer goods companies that are listed was investigated by Adegbayibi et al. in 2024. Data for the study came from the annual reports of the selected companies for the years 2012–2022, using an ex post facto research design. Census sampling was used to choose a sample of all 21 consumer products companies listed on the Nigerian Exchange Group. The Jones (1991) model was used to quantify the quality of financial reporting, while environmental, social, and economic factors served as proxies for sustainability reporting. Panel regression and descriptive statistics were used to analyze the data. The results showed that the sampled firms' financial reporting quality was impacted by environmental, social, and economic sustainability reporting, respectively, in positive and negligible, negative and negligible, and negative but significant ways.

Faria et al. (2024) look into whether the biggest Portuguese companies' financial performance is impacted by the caliber of sustainability reporting. By analyzing the substance of 2021 sustainability reports, the study assesses the caliber of sustainability reporting. The study developed a Sustainability Reporting Quality Index based on the disclosure requirements of GRI Standards 502, which is determined by dividing the total requirements by the number of revealed items. The sustainability index was the independent variable and ROE for 2022 was the dependent variable in a multiple linear regression analysis. According to the findings, Portuguese businesses typically comply with 20% of the disclosure standards set forth by the GRI Standards, which suggests that their reporting is of a low caliber. The results also show that the financial performance of Portuguese businesses is positively and marginally impacted by the quality of sustainability reporting.

The effect of sustainability reporting on the value creation of Nigerian listed manufacturing companies was examined by Lawal et al. in 2024. With a population of 45 quoted manufacturing companies on the Nigeria Exchange Group as of May 30, 2023, their study used a longitudinal research design. All 45 firms were utilized as the sample size employing a specified sampling strategy. From 2012 to 2021, information was gathered from the annual reports of a few chosen manufacturing companies. The impact of sustainability reporting variables on company value generation was investigated using multivariate regression analysis. The study discovered that the earnings per share of the listed manufacturing companies in Nigeria under investigation were positively and significantly impacted by social sustainability disclosure.

In their 2024 study, Dagunduro et al. investigated the relationship between non-financial transparency and 21 businesses in the consumer goods manufacturing sector were chosen through a thorough census sample method for a study on the performance of companies listed in Nigeria. The study, which took place between 2013 and 2022, used the FGLS regression model to look at how different factors related to one another. The results showed that while governance disclosures had a detrimental influence on business performance, environmental and social disclosures had a significant favorable impact. This suggests that businesses with robust non-financial transparency policies typically have superior overall results.

Using an ex post facto research approach, Umar and Dahiru (2025) investigated the effects of economic, environmental, and social performance disclosure on the share value of Nigeria's listed oil and gas businesses. Purposive sampling was used to choose twelve oil and gas companies that were listed on the Nigerian stock exchange floor. Information was gathered from the sampled firms' financial statements. The study's time frame was nine years, from 2012 to 2020. The linear multiple regression technique was used to evaluate the hypothesis. According to the study, the share price of listed Nigerian oil and gas companies is significantly and favorably impacted by economic, environmental, and social performance.

Ferreira et al. (2025) examine three topics: (1) the evolution of sustainability reporting between 2010 and 2021; (2) the disclosure of the Sustainable Development Goals (SDGs) by the UN; and (3) whether sustainability reporting has a positive correlation with the quality of accounting information (earnings persistence). Analyzing how social and environmental factors affect earnings persistence on an individual basis is another objective. In order to achieve this, we integrate the literature review with content analysis to calculate SDG reporting indices and panel data regression analysis to examine the relationship between sustainability reporting and earnings persistence for Portuguese-listed companies. The findings indicate that businesses record more environmental activities than social ones. SDGs 3, 13, 14, and 7 are the most revealed in the former. In the latter case, SDGs 4, 5, 8, and 10 are involved.

Using a meta-analysis (MA) methodology, Nguyen et al. (2025) methodically and objectively evaluate the relationship between corporate financial performance (CFP) and sustainability reporting (SR). The analysis, which uses 115 effect sizes from 30 research, shows a substantial and favorable overall connection between SR and CFP, supporting the notion that SR improves financial performance. The study also investigates the causal relationship between SR and CFP, bolstering a number of related hypotheses. The MA also shows that some of the variation in the relationship between corporate social responsibility (CSR) and CFP can be explained by the different ways that SR and CFP are measured. Lastly, the research explores how the environmental context effects the SR-CFP association, showing that the relationship is stronger for enterprises in emerging nations compared to those in developed ones.

The relationship between sustainability reporting and lower equity capital costs is empirically supported by Hamidah and Naimah (2025) which also modifies the influence of Big Four accounting firms and sustainability assurance. Ordinary Least Square (OLS) regression with robust standard errors will be used in this study to test the hypotheses, using data from the database of listed companies on the Indonesia Stock Exchange. The results show a substantial inverse association between the cost of equity capital and sustainability reporting, with Big Four company involvement and sustainability assurance enhancing this relationship. The Global Reporting Initiative (GRI) G4 standard has just recently been adopted, and the study's sample size is rather small, thus conclusions should not be made based on this data.

From 2009 to 2023, Yahaya (2025) examines how the board of directors affects the sustainability reporting quality (SRQ) of publicly traded companies in Nigeria. The goal of the study is to determine how board attributes like size, independence, and gender diversity affect the caliber of sustainability disclosures. This study, which uses a longitudinal research approach, makes use of panel data gathered from the sustainability declarations and annual reports of 17 companies in a range of industries. A fixed effects regression model is used in the data analysis to take temporal fluctuations and firm-specific heterogeneity into account. Results show that SRQ is much improved by board size, independence, and gender diversity in sustainability-related fields. The extensive dataset, which spans more than ten years, improves the findings' generalizability and offers subtle insights into how these impacts rely on context.

Van et al. (2025) explore the impact of sustainability reporting quality on firm value in the ASEAN+3 context. The study also explores the moderating role of environmental, social, and governance (ESG) practices, board gender diversity, board size, and the number of board meetings on the "sustainability reporting quality—firm value nexus." Data collected from Thomson Reuters Asset4 with a sample size of 923 firms during the period 2019–2023 (4615 firm-year observations). The study used pooled ordinary least squares, fixed effects, and random effects models. The findings revealed that first, sustainability reporting quality has a positive impact on firm value. Second, ESG practices negatively moderate the "sustainability reporting quality—firm value nexus." Third, the higher number of board members reduces the "sustainability reporting quality—firm value nexus".

Most of the prior studies (Van et al., 2025; Nguyen et al., 2025; Lawal et al., 2024) examined the effect of sustainability reporting on either firm value, corporate financial performance, or value creation, and not on financial reporting quality as does the current study. The few prior studies (Adegbayibi et al., 2024; Akintoye & Kassim, 2022) that investigated the effect of sustainability reporting on financial reporting quality like the current study either domiciled their studies in the listed consumer goods firms (and not in listed multinational companies as does the current study) or viewed it from the perspective of legitimacy theory.

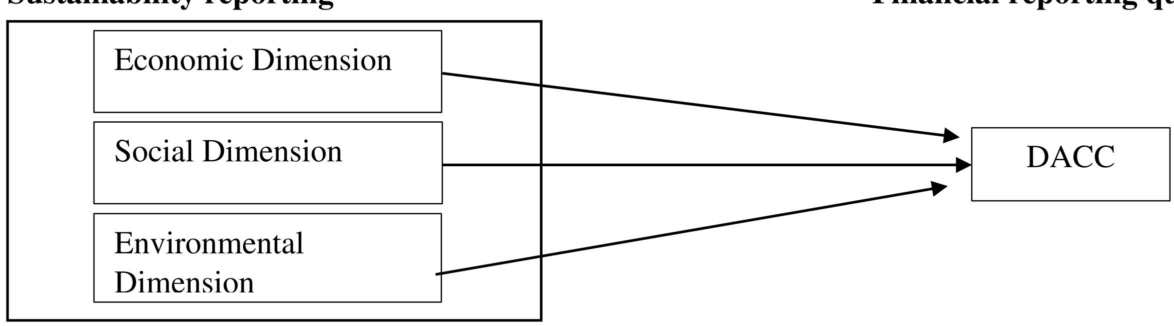
2.4. Conceptual Framework

This showed the causal effect links between the sustainability reporting proxies and the financial reporting quality proxy. The sustainability reporting proxies, which were the independent variables, included economic, social and environmental dimensions. The dependent variable, being financial reporting quality, was proxied by Jones discretionary accrual score (DACC). These causal effect links were configured as follows:

Figure 2.1. Conceptual Framework of Sustainability Reporting and Financial Reporting Quality

INDEPENDENT VARIABLES **DEPENDENT VARIABLE**

Sustainability reporting **Financial reporting quality**



Source: Author's Conceptualization (2025)

3 METHODOLOGY

An ex-post facto research design was chosen for this study, as it allowed for the gathering of information from a selected sample over a specified period to observe current conditions that cannot be influenced or manipulated. The expost-facto research design is also adopted in this study because it is suitable in ascertaining the relationship and degree of sustainability reporting's impact on the financial reporting quality of multinational firms in Nigeria.

This research primarily relied on secondary data. This study relied on data from secondary source in examining the impact and relationship sustainability reporting has on financial reporting quality of listed multinational firms on the Nigerian Stock Exchange. The study used corporate annual reports and stand-alone sustainability reports published by multinational firms for the period.

The population comprised all sixty publicly listed multinational corporations in Nigeria that were active on the Nigeria Exchange Group (NGX Group) between 2018 and 2023. A judgmental sampling technique was used to select 10 multinational firms from the total number of publicly listed multinational companies on the Nigeria Exchange Group (NGX Group) during the period 2018-2023. Sustainability reporting (the independent variable) was measured using sustainability reporting index based on Global Reporting Initiative (GRI) standards.

The model of Nnamani et al. (2017) was adapted. The initial model was

$FRQ_{it} = f(SR)$………3.1.

However, the study functional model was therefore stated as: $FRQ_{it} = f(ESR, SSR, ECSR)$………3.2.

$FRQ_{it} = \beta_0 + \beta_1 ESR_{it} + \beta_2 SSR_{it} + \beta_3 ECSR_{it} + \mathcal{E}_{it}$…………3.3

Where FRQ_{it} = Financial reporting quality of firm (i) at time (t),

ESR_{it} = Environmental sustainability reporting of firm (i) at time (t),

SSR_{it} = Social sustainability reporting of firm (i) at time (t),

$ECSR_{it}$ = Economic sustainability reporting of firm (i) at time (t).

β_0 = The intercept of the equation, β_1, β_2, β_3 which are the coefficient of the independent variables,

$\mathcal{E}_{it}$ was the error term of firm (i) at time (t).

The a-priori expectation was that $\beta_1 > 0$, $\beta_2 > 0$, and $\beta_3 > 0$. This implied that sustainability reporting would have a positive effect on financial reporting quality of multinational firms in Nigeria. The techniques of data analysis used in this study were descriptive statistics, correlation analysis and the hypotheses which were tested using panel regression model.

4 DATA ANALYSIS AND DISCUSSION OF FINDINGS

4.1 Descriptive Statistics

Descriptive statistics were presented in table 4.1, it showed the mean, standard deviation, minimum and maximum value, Skewness, and Kurtosis statistics for both the variable being studied and the variables used to predict it.

4.1.1 Summary of Descriptive Statistics

From Table 4.1, the summary of the descriptive statistics reveals that Environmental Sustainability Reporting (ESR), measured by waste management practices (calculated as total waste recycled divided by total waste generated, multiplied by 100), had a minimum value of 0 and a maximum value of 5.4. The average value was 0.26333, indicating a low occurrence of waste being recycled relative to waste generated. The mean was accompanied by a standard deviation of 1.06691, suggesting significant variation in waste management practices across the firms. The kurtosis value of 18.10466, being much greater than 3, indicates that the distribution is leptokurtic, with a high likelihood of extreme values. Additionally, the skewness value of 4.07763 suggests that the distribution is positively skewed, meaning it is heavily skewed to the right, with a few firms achieving significantly higher waste management results.

Economic Sustainability Reporting (ECSR), measured by Return on Assets (ROA) (calculated as net income divided by total assets), reveals a minimum value of -13.7 and a maximum value of 32.5, with an average value of 8.26333. The mean was accompanied by a standard deviation of 10.06080, indicating a wide range in profitability across the firms. The kurtosis value of 2.81749, being close to 3, indicates that the distribution is mesokurtic (similar to a normal distribution), while the skewness value of 0.48523 suggests that the distribution is moderately positively skewed, meaning there are more firms with lower ROA and fewer with higher ROA.

Social Sustainability Reporting (SSR), measured by employee training and development (represented by the total number of training hours), reveals a minimum value of 0 hours and a maximum value of 313,192 hours, with an average of 57,003.88 hours. The mean was accompanied by a standard deviation of 55,471.46 hours, indicating substantial variability in the time spent on employee training across firms. The kurtosis value of 8.76876, being significantly greater than 3, suggests a leptokurtic distribution with heavy tails, indicating a higher likelihood of extreme values. Additionally, the skewness value of 1.69361 suggests that the distribution is positively skewed, with a few firms offering significantly more training hours, while most provide fewer hours of training.

From Table 4.1 financial reporting quality, measured by discretional accrual (DACC) had a mean value of -0.11099 with a standard deviation of .14210 signifying that financial reporting quality across the sampled firms highly varies from one another as the standard deviation value is far from mean. The coefficient of variation of 12.80 percent and the DACC ranges between a minimum of -0.43456 to a maximum of 0.27442. The total sum of DACC for the listed consumer goods is -25.63757 and the skewedness is positive and normal kurtosis value for discretional accrual (DACC) showing .1974467 and 2.98073 respectively and indicating that the variable is not normally distributed.

Table 4.1: Summary of Descriptive Statistics

	DACC	ESR	ECSR	SSR
Mean	-0.11099	0.26333	8.26333	57003.88
Maximum	0.27442	5.40000	32.50000	313192.0
Minimum	-0.43456	0.00000	-13.70000	0.000000
Std. Dev.	0.14210	1.06691	10.06080	55471.46
Skewness	0.19745	4.07763	0.48523	1.69361
Kurtosis	2.98073	18.10466	2.81749	8.76877
Sum	-25.63757	15.80000	495.80000	3420233.
Observations	60	60	60	60

Source: Author's Computation (2025)

4.1.2 Diagnostic Tests

4.1.2.1 Heteroscedasticity Test

The heteroscedasticity test aimed to assess whether the assumption of homoscedasticity, which refers to consistent or uniform variation among error terms, holds true in the regression model. This assumption is crucial for regression analysis. The absence of homoscedasticity violates the assumption and may lead to wrong inference.

The results in the table above indicate that there is no heteroskedasticity in the model, as the probability value of 0.7411 is higher than the 5% significance level. Therefore, the null hypothesis of homoscedasticity is accepted. This implies that the dataset is suitable for regression analysis, and no adjustments are required to address heteroskedasticity.

Table 4.2: Heteroskedasticity Test: Breusch-Pagan-Godfrey

F-statistic	0.397031	Prob. F(3,56)	0.7556
Obs*R-squared	1.249593	Prob. Chi-Square(3)	0.7411
Scaled explained SS	3.787262	Prob. Chi-Square(3)	0.2854

Source: Author's Computation (2025)

The results in the table above indicate that there is no heteroskedasticity in the model, as the probability value of 0.7411 is higher than the 5% significance level. Therefore, the null hypothesis of homoscedasticity is accepted. This implies that the dataset is suitable for regression analysis, and no adjustments are required to address heteroskedasticity.

4.1.2.2 Serial Correlation Test

Serial correlation, also known as autocorrelation, is used to detect the presence of correlation between consecutive observations or residuals in time series data or regression models. When serial correlation exists, the ordinary least squares (OLS) estimators no longer qualify as Best Linear Unbiased Estimators (BLUE). This test is essential to determine whether the assumption of independent observations or errors has been violated. Additionally, if the regression model includes lagged dependent variables as predictors, the OLS estimators become biased and unreliable. Therefore, performing a serial correlation test is crucial. The rule is to reject the null hypothesis of no autocorrelation if the probability values (either Prob. F or Chi-Square) fall below the 0.05 significance level.

Table 4.3: Serial Correlation Test
Breusch-Godfrey Serial Correlation LM Test:
Null hypothesis: No serial correlation at up to 2 lags

F-statistic	4.789224	Prob. F(2,54)	0.0122
Obs*R-squared	9.039334	Prob. Chi-Square(2)	0.0109

Source: Author's Computation (2025)

The result above indicates the presence of serial correlation, as the probability value of 0.0109 is lower than the significance level of 0.05. This suggests that the model is inappropriate and requires adjustments to address the serial correlation.

4.1.2.3 Autocorrelation Correction

Due to the presence of serial autocorrelation in the previous serial correlation test, this study introduces a one-period lag of the dependent variable to correct the issue. After incorporating the lagged dependent variable, the updated serial autocorrelation test results are presented below. The findings show that there is no longer autocorrelation in the model, as indicated by the probability values of 0.4916 and 0.4517, both of which are higher than the significance level of 0.05.

Table 4.4: Breusch-Godfrey Serial Correlation LM Test

F-statistic	0.719814	Prob.F(2.52)	0.4916
Obs*R-squared	1.589420	Prob.Chi-Square(2)	0.4517

Source: Author’s Computation (2025)

4.1.2.4 Hausman Test

The Hausman Test is used to determine the most suitable model between the fixed effect and random effect models for the study. It compares the estimates from both models, with the null hypothesis favoring the random effect model and the alternative hypothesis supporting the fixed effect model. If the test's p-value is greater than the 0.05 significance level, the random effect model is preferred; however, if the p-value is less than 0.05, the fixed effect model is considered more appropriate for the analysis.

Table 4.5: Correlated Random Effects-Hausman Test
Test cross-section random effect

Test Summary	Chi-Sq. Statistic	Chi-Sq.d.f.	Prob.
Cross-section random	0.84387	3	0.8389

Source: Author's Computation (2025)

The result of the Hausman test presented in Table 4.5 indicates that the random effect model is more appropriate than the fixed effect model for all four models formulated in this study. With a chi-square statistic of 0.84387 and a probability value of 0.8389, the null hypothesis of the random effect model cannot be rejected at any level of significance. Therefore, the random effect model is deemed the most suitable for the analysis.

4.1.2.5 Correlation Analysis

Table 4.6: Correlation Matrix

Variable	DACC	ESR	ECSR	SSR
DACC	1.00000			
ESR	0.02491	1.00000		
ECSR	0.19281	0.15414	1.00000	
SSR	0.04742	0.63857	0.13853	1.00000

Source: Author's Computation (2025)

From the Table 4.6 above, there is no indication of multicollinearity, as the correlation coefficients are moderate and all below the 80% threshold that signals multicollinearity among independent variables. DACC is moderately related to ESR, ECSR, and SSR. The correlation coefficient, which measures the strength of the relationship between DACC and ESR, is 0.02491; between DACC and ECSR, it is -0.19281; and between DACC and SSR, it is 0.04742. These correlation coefficients are relatively low, ruling out the possibility of a collinearity issue. Additionally, the collinearity between the independent variables remains low, with the highest coefficient being 0.04742, indicating no significant relationship between DACC and the other variables.

4.2 Hypotheses Testing

Table 4.7 below presents the results of the determinants of Financial Reporting Quality (FRQ) in selected listed multinational firms in Nigeria, focusing on the variables Environmental Sustainability Reporting (ESR), Economic Sustainability Reporting (ECSR), and Social Sustainability Reporting (SSR). The model demonstrates a reasonable fit, with an R-squared value of 0.40993, indicating that about 40.9% of the variation in financial reporting quality is explained by the independent variables used in the model. Furthermore, the Durbin-Watson statistic of 1.53405 suggests no serious issue of serial autocorrelation, as it falls within the acceptable range of 1.5 to 2.0.

The F-statistic of 7.81568 is highly significant at the 1% level, confirming that the model is statistically sound and a good fit. The p-value associated with the F-statistic is 0.000072, indicating that the independent variables collectively have a significant impact on financial reporting quality at a 1% level of significance. The constant term coefficient suggests that other variables not included in the model have minimal effects on financial reporting quality.

Regarding the individual variables, the table shows the following results:

Environmental Sustainability Reporting (ESR) exhibits a positive and significant effect on financial reporting quality, with a coefficient of 0.24278 and a p-value of 0.0414. Since the p-value is less than 0.05, this variable is statistically significant at a 5% level, indicating that better environmental sustainability reporting is associated with improved financial reporting quality.

Economic Sustainability Reporting (ECSR) also has a positive and significant effect on financial reporting quality, with a coefficient of 0.44897 and a p-value of 0.0144. As the p-value is below 0.05, this variable is statistically significant, suggesting that firms with stronger economic sustainability reporting tend to have higher financial reporting quality.

Social Sustainability Reporting (SSR), on the other hand, shows a negative coefficient of -2.05988, indicating a potential negative effect on financial reporting quality. However, the p-value of 0.8999 is much greater than 0.05, indicating that this effect is not statistically significant.

In summary, this study confirms that both Environmental Sustainability Reporting (ESR) and Economic Sustainability Reporting (ECSR) have a statistically significant relationship with Financial Reporting Quality in Nigerian listed multinational firms. However, Social Sustainability Reporting (SSR) does not have a significant effect. Collectively, ESR, ECSR, and SSR have a significant joint impact on financial reporting quality, as reflected by the F-statistic of 7.81568 and the overall p-value of 0.000072.

Table 4.7: Random Effect Least Estimates

Independent Variables	FRQ (DACC)	Prob. Value
C	33.68432	0.00000
ESR	0.24278	0.0414
ECSR	0.44897	0.0144
SSR	-2.05988	0.8999
Vital Statistics		
R^2	0.40993	
Adjusted R-squared	0.35748	
Durbin-Watson Stat	1.53405	
F-stat	7.81568	

Source: Author's Computation ((2025)

4.3 Discussions of Findings

4.3.1 The Effect of Environmental Sustainability Reporting on Financial Reporting Quality

Environmental Sustainability Reporting (ESR), measured by waste management practices (Total Waste Recycled / Total Waste Generated), exhibits a coefficient of 0.24278 and a p-value of 0.0414. Since the p-value is lower than 0.05, this result is significant at the 5% level. This indicates that better environmental sustainability reporting is positively associated with improved Financial Reporting Quality (FRQ) in listed multinational firms. The significant relationship suggests that companies with stronger waste management practices tend to produce higher-quality financial reports. This study finding contradicts Akintoye and Kassim (2022) who reveal that financial reporting quality is unaffected by environmental disclosure.

4.3.2 The Effect of Economic Sustainability Reporting on Financial Reporting Quality

Economic Sustainability Reporting (ECSR), measured by Return on Assets (ROA), shows a coefficient of 0.448970 and a p-value of 0.0144. Since the p-value is below 0.05, this result is statistically significant at the 5% level. This implies that better economic sustainability reporting, as reflected in a higher ROA, is positively correlated with enhanced Financial Reporting Quality (FRQ). Firms with stronger economic sustainability reporting tend to generate more reliable and accurate financial reports. This study findings disagreed with the findings of Adegbayibi et al. (2024) which revealed that economic sustainability reporting effect on financial reporting quality was negative but tangible.

4.3.3 The Effect of Social Sustainability Reporting on Financial Reporting Quality

Social Sustainability Reporting (SSR), measured by employee training and development (total training hours), has a coefficient of -2.059876 and a p-value of 0.8999. Since the p-value is significantly higher than 0.05, this result is not statistically significant. This suggests that there is no strong or consistent relationship between social sustainability reporting and Financial Reporting Quality (FRQ) in listed multinational firms, and changes in employee training hours do not appear to have a significant impact on the quality of financial reports. The findings of Adegbayibi et al. (2024) agreed with the findings of this study in this regard.

In summary, the analysis demonstrates that Environmental Sustainability Reporting (ESR) and Economic Sustainability Reporting (ECSR) are significant predictors of Financial Reporting Quality (FRQ) in listed multinational firms in Nigeria, while Social Sustainability Reporting (SSR) does not have a significant impact.

5 SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.1 Summary

In summary, this study confirms that both Environmental Sustainability Reporting (ESR) and Economic Sustainability Reporting (ECSR) have a statistically significant relationship with Financial Reporting Quality in Nigerian listed multinational firms. However, Social Sustainability Reporting (SSR) does not have a significant effect. Collectively, ESR, ECSR, and SSR have a significant joint impact on financial reporting quality, as reflected by the F-statistic of 7.81568 and the overall p-value of 0.000072.

5.2 Conclusion

The research findings regarding the impact of sustainability reporting on financial reporting quality (FRQ) in multinational firms listed on the Nigerian Stock Exchange present significant insights. The study identified noteworthy positive relationships between Environmental Sustainability Reporting (ESR), Economic Sustainability Reporting (ECSR), and financial reporting quality, while the relationship with Social Sustainability Reporting (SSR) was not statistically significant. These nuanced results suggest that specific dimensions of sustainability reporting, such as environmental and economic factors, play vital roles in enhancing the quality of financial reports. However, the non-significant impact of social sustainability reporting indicates a more intricate dynamic that warrants further investigation.

5.3 Recommendations

Based on the findings of this study, the study made the following recommendations:

i. Multinational firms should prioritize initiatives that improve their environmental and economic sustainability reporting. Investments in sustainable practices and energy-efficient technologies can enhance financial reporting quality and attract greater investor confidence.

ii. Companies should reinforce their governance frameworks by ensuring that audit committees are composed of independent and skilled members capable of providing objective oversight. This includes training and resources to effectively monitor sustainability initiatives and their impact on financial reporting.

iii. Firms should adopt a comprehensive approach that integrates sustainability reporting with financial reporting. Disclosing how environmental and economic sustainability metrics directly affect financial outcomes can provide stakeholders with a holistic view of the company's performance.

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