

**SUSTAINABILITY REPORTING AND FINANCIAL
PERFORMANCE FOR LISTED COMMERCIAL BANKS ON
NAIROBI SECURITIES EXCHANGE, KENYA.**

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**A PROJECT STUDY PRESENTED TO KENYATTA
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TOURISM IN PART FULFILLMENT OF THE CRITERIA FOR
THE AWARD OF THE DEGREE OF MASTER OF BUSINESS
ADMINISTRATION**

JUNE 2024

DECLARATION

I confirm that this research project is solely my work, and no other institution has considered it for a degree or any other recognition.

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DEDICATION

I would like to express my sincere gratitude to my parents, Mr. and Mrs. David Gitau, for their continuous support and encouragement throughout my academic journey. They have always been there to motivate me and help me reach my goals. I am also extremely grateful to my wife, Tess, and my children, Sheena and Mattana, for their unwavering encouragement during both difficult times in my education and personal life. Despite being physically apart at times, I am grateful for their undying support and faith in me.

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OPERATIONAL DEFINITION OF TERMS

Economic aspect of Sustainability:	It focuses on how the organization's actions and policies affect the business of its partners and all business levels.
Environmental aspect of Sustainability:	It focuses on the effect of a business's actions on non-living and living natural systems.
Financial Performance:	An essential metric that assesses a company's capacity to generate revenue and gauges its sustained fiscal soundness.
Social aspect of Sustainability:	It is dedicated primarily to alleviating poverty and creating safe and supportive communities. It also aims to improve social infrastructure and provide information on how to achieve the goals.
Sustainability reporting:	This refers to the process of conveying and showcasing an organization's social, governance, and environmental goals, as well as its accomplishments in attaining these goals. .

ABBREVIATION AND ACRONYMS

CDSB	Climate Disclosures Standards Board
EAC	East African Community
EBITDA	Earnings Before Interest, Taxes, Depreciation, and Amortisation
ECN	Economic Disclosures
ENV	Environmental disclosures
EPS	Earning per Share
ESG	Environmental, Social, and Governance
ESX	Egyptian Securities Exchange
EU	European Union
FSB	Financial Stability Board
GHS	Green House Gases
GRI	Global Reporting Initiative
IFRS	International Financial Reporting Standards
IIRC	International Integrated Reporting Council
ISO	International Organization for Standardization
KCIC	Kenya Climate Innovation Centre
KCIC	Kenya Climate Innovation Centre
KPMG	Klynveld Peat Main Goerdeler
NPL	Non-Performing Loans
NSE	Nairobi Securities Exchange
OECD	Organisation for Economic Co-operation and Development
ROA	Return on Assets
ROE	Return on Equity
SASB	Sustainability Accounting Standards Board
SEC	Security Exchange Commission
SOC	Social Disclosures
SPSS	Statistical Package for Social Sciences
TCFD	Task Force on Climate- Related Financial Disclosures
UNEP FI	United Nations Environment Programme Finance Initiative
WEC	World Economic Forum

ABSTRACT

The growing demand for transparency in environmental, social, and economic aspects has led global businesses to adopt sustainability reporting as a vital tool for measuring and improving their performance towards sustainable development. However, the impact of sustainability reporting on financial returns varies significantly among companies, with some experiencing positive outcomes while others show no discernible effect. Despite its importance, there is a noticeable gap in research specifically examining how sustainability reporting influences the financial performance of banks listed on the Nairobi Securities Exchange (NSE). This study aimed to investigate the influence of sustainability reporting on the financial performance of 11 commercial banks listed on the NSE as of December 2022. The specific objectives included assessing the impact of sustainability reporting on the environmental, social, and economic dimensions of financial performance, guided by the theoretical frameworks of agency theory, stakeholder theory, positive accounting theory and signalling theory. A descriptive exploratory research design was employed, focusing on the 11 NSE-listed banks with a total of 23,534 employees. The population was categorized into secretarial, clerical, supervisory, and management strata using stratified random sampling. Primary data was collected through structured questionnaires, complemented by secondary data gathered through data collection instruments. The collected data underwent rigorous coding, entry, cleaning, and analysis using SPSS version 28. Descriptive statistics, such as mean, percentages, and frequencies, provided a summary of the sample data, while inferential techniques like correlation and regression were used for deeper analysis beyond the sample. To ensure construct validity, the questionnaire was evaluated against the study's conceptual framework, including factor analysis. Reliability was assessed using Cronbach's alpha, given the interval scale of most questionnaire items. Ethical considerations were prioritized throughout the study, with measures taken to protect the confidentiality and integrity of collected data from unauthorized access and misuse. The findings revealed that sustainability reporting has a significant influence on the financial performance of NSE-listed banks, with environmental responsibility emerging as the most influential factor, followed by social and economic responsibilities. Banks that prioritize sustainable practices are well-positioned to achieve improved financial outcomes. These results provide valuable insights for policymakers, bank executives, and investors, highlighting the importance of integrating comprehensive sustainability strategies to enhance economic performance. This study contributes to academic discourse by advancing our understanding of the relationship between sustainability reporting and financial performance in the banking sector. It highlights the critical role of sustainable practices and recommends future research to expand this understanding across diverse banks and economic sectors, thereby fostering comprehensive insights into sustainable development efforts.

CHAPTER ONE

INTRODUCTION

1.1 Background of the study

In accordance with Gray (2000), sustainability reporting is a sub-discipline of financial accounting, encompassing all non-financial accounts. Idowu, Filho, and Walter (2009) state that the concept of sustainability reporting dates back to the 1970s. It involves analysing a company's performance and communicating its non-financial information to external stakeholders. Based on Perrini & Tencati (2006), accounting for sustainability benefits businesses by allowing them to increase their profitability. Additionally, businesses become more sustainable by recognising the importance of sustainability and by ensuring transparency in their reporting. Apart from this, sustainability also plays a crucial part of a company's strategy to enhance its long-term viability.

In 1987, the word sustainability became widely used following the UN's report on sustainable development (Barragán, Ape, & Telch, 2017). The notion of sustainability entails an ongoing endeavour to fulfil the essential requirements of both current and forthcoming generations without compromising their ability to fulfil those needs (WCED,1987). Following the report's publication, the GRI launched a campaign to encourage businesses to disclose their efforts in sustainability. Sustainability reporting aims to provide a comprehensive and accurate depiction of an organisation's environmental, social, and economic impacts (World Bank, 2021). A sustainability report provides an overview of the various factors that affect a company's operations and shareholders' decisions.

Aside from improving their financial performance, sustainability reporting strategies can also provide organisations with a better understanding of their risks and opportunities. Based on the above, this helps the organisation to align their strategies and actions with their corporate objectives (Ecovadis, 2021). ESG reporting aids organisations to prevent or minimise environmental, social, and economic challenges. Additionally, it can also help a company compare itself against other companies in the same industry (Sonal, 2013).

Several international organisations guide on how to develop and implement sustainable reporting. These include the OECD, the UN Global Compact, and the ISO. Businesses and organisations can develop and implement sustainable reporting standards through this group. They can also share their experiences and knowledge with other businesses. The GRI guideline is perhaps the most extensively used global benchmark for assessing and reporting on social, governance, and environmental issues (KPMG, 2020).

Sustainability reporting seeks to improve the reliability of the evidence provided by companies to their customers and the public (GRI, 2020). The IIRC defines materiality as the capacity of an organisation's data to affect its ability to generate value over its lifetime. According to the IIRC, materiality is the amount of data that an organisation can use to generate value over its lifetime. The EU corporate sustainability reporting directive requires firms to disclose all relevant information to investors and other societal stakeholders while the SEC is based on a single premise that requires disclosures on investor related financial and governance materiality (Lashitew, 2022).

The primary motivation for corporations to advance their sustainability reporting is to meet their employees' expectations. Doing so can help them reduce waste and improve their company's reputation (Ecovadis, 2021). Numerous regulations and laws have been enacted over time to encourage businesses to improve their sustainability reporting (KPMG, 2020).

Before an organisation can start preparing a sustainability report, it first needs to establish rules that to govern its reporting structure. Without legislation, Ngatia (2014) asserts that countries lack an incentive to report on their sustainability performance. According to GRI, by 2025, almost all of the world's top companies will have produced annual sustainability reports (GRI, 2020). KPMG (2020) states that most of the world's top companies are already preparing sustainability reports, with North American companies leading the pack.

Diverse institutions have communicated their sustainability efforts in a number of ways. UNEP FI (2015) established a committee in 2015 to assess financial risks associated with climate change exposures. The committee was tasked with developing a set of regulations that would allow companies to report their climate-related risks effectively. This would enable the committee to make informed decisions and improve its financial reports. The Working Group on Climate Disclosures (2015) highlighted the critical nature of climate risk disclosures.

The number of businesses producing sustainability reports has increased in complexity over the last few years. Various institutions such as the World Economic Forum have provided businesses with tools that they can now use to improve their reporting (WEF, 2020). Additionally, the European Union has also established

requirements for companies to report on their sustainability efforts and has set the implementation dates for the sustainability requirements to be October 2022 (Union euro penne, 2020). Other Institutions such as Deloitte (2020) note that various international organisations such as CDP, SASB, IIRC, and GRI have joined forces to develop regulations to help companies disclose their sustainability performance. In addition, the IFRS Foundation published a discussion paper to develop global standards for sustainability reporting in 2020. This paper enabled the foundation to get comments from various stakeholders to help it develop and implement its sustainability reporting standards (IFRS Foundation, 2020).

Despite the difficulties associated with implementing voluntary disclosure frameworks in Sub-Saharan Africa, they assist in reducing disparities in sustainability. Mumbi, Berndt, & Romero (2020) confirm that South Africa is the only country that requires all companies to report on sustainability. All companies listed on the JSE must submit an integrated report. According to The Conversation (2016), integrated reports must include both the financial and the non-financial data. Mahadeo & Soobaroyen (2013) also state that businesses in South Africa must adhere to stricter reporting requirements.

The Egyptian stock exchange does not necessitate companies to provide extensive sustainability efforts. Nevertheless, a strong corporate code of professional conduct is required to ensure that companies are transparent and accountable. It is also possible to strengthen the stock exchange regulation by granting it more powers. This would allow it to implement effective and efficient measures (Egyptian Securities Exchange, 2020).

Songi & Dias (2019) note that, even though sustainability reporting is broad and extensive, it's indeed voluntary in Botswana. The King report requirements assist companies in meeting the Botswana Code of Conduct requirements. In Equatorial Guinea, reporting on sustainability is entirely voluntary, and it is supported by global standards such as the GRI. Numerous studies have demonstrated that self-regulation is unlikely to be effective in securing robust sustainability and long-term viability.

In Kenya, there are three main methods for sustainability reporting. These include applying or explaining, complying or otherwise, and compliance or explaining (Ngatia, 2014). Kenya is required to provide comprehensive information on its sustainability efforts as part of its membership in the Eastern African Community (EAC, 2014). According to Injeni, McFie, Mudida, and Mangena (2019), Kenya's transition to an integrated reporting system is one of the country's most important developmental achievements. While the focus is on CSR, other business areas are not as well covered in Kenya (Business Daily, 2019). According to the data released by the Nairobi Securities Exchange, about 86% of companies listed on its platform reported their social responsibility performance in 2006(NSE, 2006). According to a study conducted by the Kenya Climate Innovation Centre (2020), workers significantly impact companies adopting sustainable practices. Sixty per cent of Kenyans prefer to purchase products from businesses that engage in environmentally friendly practices. By 2022, Kenyans will desire to favour businesses committed to enhancing their sustainability performance (Mungai, 2020).

1.1.1 Sustainability reporting

The goal of sustainability reporting is aimed at educating and motivating various stakeholders in order to achieve sustainable development goals (Altensis, 2020). In addition to serving as valuable records, sustainability reports also serve as a means of communication and transparency (Guardian, 2020). This concept typically focuses on analysing a company's non-financial performance (GRI, 2020).

The concept of sustainability encompasses a set of principles that consider the impact of corporations on society and the environment (GRI, 2020). Focus on Africa (2021) emphasizes that the social aspect of sustainability reporting is the least quantifiable component among the three sustainability measures. Social sustainability seeks to protect the human capital accumulated over time and aims to improve the quality of life for all (RMIT University, 2017). It also recognizes the role that organisations play in shaping the world. The first six principles of the UN Global Compact focus on the human rights of individuals and communities (UN Global Compact, 2021). These measures include employee engagement, diversity and inclusion, community impact, and human rights practices, which are often identified as factors that can help organisations increase their revenue (SP Global, 2019). Employees and businesses need to collaborate to achieve sustainable progress (Stanikienė & Stankevičiūtė, 2018). These measures have been selected based on their ability to provide quantifiable data on the social impact of businesses, thus aiding in establishing a correlation between social practices and financial performance. Importantly, employee engagement and diversity are directly linked to productivity and innovation, both of which can contribute to financial success (Stanikienė & Stankevičiūtė, 2018).

Economic sustainability pertains to the utilization of resources in a manner that generates long-term value (University of Mary Washington, 2020). The economic dimension encompasses a broad range of qualitative and quantitative information concerning the various externalities impacting firms. Businesses, when evaluating their operations, generally recognize the importance of economic sustainability as a critical factor. The ramifications of economic sustainability extend to the financial prospects and opportunities of all stakeholders involved (ISO, 2014). The four primary aspects of economic sustainability are economic performance, market presence, the financial consequences of climate change, and indirect economic impacts (GRI, 2020). Indicators such as the financial consequences of climate change, direct economic value, indirect economic consequences, and local entrepreneurship serve as crucial measures for assessing economic performance (Cappuyns, Vandenbulcke, & Ceulemans, 2015). These measures play a vital role in providing a comprehensive evaluation of an organisation's financial well-being and its ability to sustain long-term economic value. Additionally, they aid in understanding how sustainability initiatives can lead to cost reduction and the development of new revenue streams, thereby enhancing financial performance (ISO, 2014).

When it comes to an organisation's environmental sustainability, efforts are made to reduce its carbon footprint and improve the air quality within its facilities ((Joumard, 2009). These activities aim to enhance air quality and minimize greenhouse gas emissions (Huttmannov, 2017). Assessing an organisation's environmental performance is often lacking due to a lack of understanding of the contributing factors of environmental degradation (Kienberger & Zeil, 2014). It is crucial to consider the environmental dimension of an organisation's sustainability program as it provides

insights into long-term changes and their impact on the environment. Cappuyns, Vandenbulcke, & Ceulemans (2015) identify energy consumption, waste management, water usage, and greenhouse gas emissions as key factors influencing an organisation's environmental sustainability. These measures are selected based on their significant influence on the environment and their ability to measure improvements. For instance, reducing energy consumption and emissions not only contributes to environmental preservation but also leads to cost reduction, thereby enhancing financial performance (Huttmannov, 2017).

1.1.2 Financial Performance

Kenton, Scott, & Courage (2021) define a company's fiscal performance as the amount of cash it has made after all of its resources have been used. A company's financial performance is a key metric to assess an organisation's overall success. According to the Central Bank of Kenya (2016), the three measures used to calculate bank performance are net interest margins, return on assets, and equity. In 2018, IFRS 9 became effective, forcing the banking sector to include non-performing debt provisions in their financial disclosures (IFRS, 2018). A bank must consider the various risks associated with its operations before preparing a financial statement (IFRS Foundation, 2021).

The return on assets is a measure used to assess a firm's financial performance. It shows how quickly and effectively it can generate profits from its assets. A company with a low Return on assets tends to have fewer assets in generating returns. On the other hand, a company with a high Return on assets tends to have more assets in generating returns. A company with a low return on assets might appear inefficient

compared to its more profitable competitors. It depicts how the company's assets have changed over the year. One primary reason why ROA is an appropriate and valuable metric for assessing financial performance is that it directly measures the efficiency of asset utilization. By evaluating how well a bank uses its resources to produce earnings, ROA enables banks to optimize their operational strategies to enhance profitability. Additionally, ROA facilitates comparative analysis between banks of different sizes. As it is expressed as a percentage, ROA normalizes performance across institutions with varying asset bases. This normalization allows stakeholders to compare efficiency and profitability without being skewed by the scale of the bank's operations. Consequently, ROA serves as a valuable tool for benchmarking performance within the banking industry (Central Bank of Kenya, 2016). ROA also holds significant regulatory relevance. Regulatory bodies, such as the Central Bank of Kenya, utilize ROA to assess the health and stability of financial institutions. By incorporating ROA into regulatory frameworks, these bodies ensure that banks operate efficiently and maintain solvency. This regulatory scrutiny underscores the importance of ROA in maintaining a robust and resilient banking sector. Furthermore, ROA provides comprehensive insights into a bank's profitability by considering total assets rather than just equity. This holistic approach ensures that all aspects of a bank's resources are accounted for in the performance analysis, offering a more complete picture of the bank's financial health and operational success (Investopedia, 2021).

One of the most significant drawbacks of using Return on Assets is that it does not apply to all industries, as it cannot be used to manage risks in the technology industry. Furthermore, according to some analysts, the fundamental Return on Assets (ROA)

formula is also too wide and more applicable to commercial banks (Investopedia, 2021).

In addition to the Return on Assets (ROA), various other indicators are employed to assess the financial performance of a bank. These encompass the Return on Equity (ROE), Net Interest Margin (NIM), Earnings Per Share (EPS), and the Non-Performing Loan (NPL) ratio. Return on equity (ROE) is a metric of a firm's financial health. It shows how well it manages its funds (Investopedia,2019). It is an important metric for evaluating a company's financial health based on the shareholder's interest. To compute the ROE, divide a firm's annual profits by its total assets. Investopedia (2021) notes that a higher return on equity is crucial for investors because it demonstrates that the companies are effectively managing their resources.

The net interest margin refers to the gap between the interest rates that commercial banks and other financial institutions charge on deposits and loans (Kumar R., 2014). The bank's investing operations are inefficient if the net interest margin is negative. A positive net interest margin, on the other hand, indicates that the bank is efficiently utilising its resources (BLOOMENTHAL, 2021). The net interest income margin rises in direct proportion to the interest rate.

A bank's earnings per share (EPS) is a good predictor of its profitability and by dividing the company's profit by the number of outstanding shares. Venture capitalists are willing to offer a higher premium for a firm's shares if the company demonstrates higher earnings per share. Various factors, such as the rate of economic growth and consumer demand, exert influence on the fluctuations in stock prices (Khan, Islam,

amp, & Choudhury; Adnan, 2014). EPS is widely regarded as a valuable metric for predicting a firm's future stock price (Kumar, 2017).

The NPL ratio is a measure used to determine the extent of non-performing loans in a specific portfolio. Banks utilize the ratio to determine how profitable they are. It displays the difference between the total amount of loans and the number of loans that have become delinquent. All the commercial banks operating in Kenya must submit a report on their delinquent loans to CBK on a quarterly or yearly basis (CBK, 2016). Delinquent loans are loans that have low chances of them being repaid and they are in default for more than 90 days (IMF, 2019). Banks frequently take action to settle non-performing loans because their recovery rate is so low. A large number of these loans could harm the bank's profitability. Kenya's central bank regularly inspects commercial banks' performance to ensure the safety of their clients' funds (Central Bank of Kenya, 2021). Messai & Jouini (2013) note that unemployment and return on assets are two factors that lead to increased non-performing loans.

An analysis of the core earnings per share (EPS) of the NSE listed banks show that they have had a consistent pattern of underperformance since 2017. The earning per share index fell from -14% in the first quarter of 2017 to -34% in 2020 and then increased to +136% in 2021. Net interest margins also declined from 8% in 2017 to 7% in 2019. As a percentage of total operating income, non-funded revenue decreased from 74% in 2017 to 35% in 2020 (Cytonn, 2021). The ratio of loans to deposits has fallen steadily since 2017. Return on equity has also decreased from 20% in 2017 to 15% in 2020 and then increased marginally to 17% in 2021.

Table 1.1:Key Performance Indicators for Nairobi Securities Exchange (NSE) listed Banks

NSE Listed Banks Weighted Average (First Quarter))	Earnings Per Share Growth (%)	The margin of net interest (%)	Total Operating Income as a Percentage of Non-Funded Revenue (%)	Ratio of Loan to Deposit (%)	Average Return on Equity (ROE)(%)
2017	-0.14	0.08	0.74	0.78	0.20
2018	0.19	0.08	0.74	0.74	0.20
2019	0.09	0.08	0.74	0.74	0.19
2020	-0.34	0.07	0.35	0.72	0.15
2021	1.36	0.07	0.36	0.69	0.17
Average	0.23	0.08	0.58	0.73	0.18

Sources: NSE reports from 2017 to 2021 for Kenyan Listed Banks

1.1.3 Listed Banks on the Nairobi Securities Exchange

The Kenyan ‘Banking’ sector comprises one mortgage financing company, thirty-eight commercial banks, sixty-seven foreign exchange bureaus, and two credit reference bureaus as of March 31 2021(CBK, 2021). The CBK licenses all commercial banks, including the eleven listed banks (NSE, 2022).

To be recognized as a primary market participant on the Nairobi Securities Exchange, a bank have an obligation to satisfy strict conditions (Nairobi Securities Exchange,

2021). For the institution to operate as a bank, it is crucial that it be formally established as a limited liability company, following the regulations outlined in the Companies Act. Additionally, the bank must have a minimum of \$50 million in paid-up capital, issued capital, and authorized capital. Before going public, the bank's assets must have exceeded KES 100 million. Besides, the bank must provide financial statements for the previous five years. The directors of the bank must also be competent individuals. Additionally, before listing, a commercial bank must have reported positive earnings after taxes over the last five years. The operating capital of the bank must also be enough, financially sound and have a comfort certificate issued by the Central Bank of Kenya

1.2 Statement of the Problem

The performance of companies with respect to environmental, social, and governance (ESG) factors holds significant importance for the overall well-being of the economy (Kenton & Scott, 2020). Particularly for banks, understanding and managing ESG-related risks is imperative in making well-informed decisions that support sustainable national development. However, in Kenya, the full implementation of ESG performance measures faces several challenges. A major obstacle is the absence of a comprehensive policy framework for ESG, which hampers the ability of banks to formulate clear strategies and prioritize areas of performance. Moreover, the lack of a clear legal framework further complicates the implementation of performance management systems, which could provide the banks with crucial decision-making information.

According to KPMG (2021), around 40% of Chief Executive Officers in East Africa are hesitant to account for their ESG performance due to concerns that it may have a negative impact on their company's financial performance. Additionally, the CEO of the Kenya Bankers Association has emphasized that banks face higher financial risks as a result of their failure to implement ESG programs. Failing to address the diverse risks associated with climate change, companies will encounter difficulties in adjusting to changes in financial commitments (The East African, 2022).

While the significance of ESG performance is widely acknowledged, there is limited clarity on how these dimensions directly affect financial performance, particularly within the banking sector. Studies conducted by Al Zobi and Al-Dhaimes (2019) and Ong, The, and Kasbun (2017) have demonstrated that disclosing sustainability information in the social, economic, and environmental domains can have a substantial impact on financial returns, particularly in the context of Jordanian and Malaysian banks. However, there is insufficient evidence regarding how these disclosures influence banks in Kenya. This research gap leads to a conceptual shortfall, as the specific impacts of ESG disclosures on financial performance within the Kenyan banking sector remain relatively unexplored. Many studies have not employed comprehensive approaches to assess the impact of environmental, social, and governance (ESG) factors on financial performance. Specifically, Buallay (2020) noted that disclosing governance issues did not significantly influence stock market performance in developing countries. However, studies often lack a robust set of indicators to comprehensively measure financial performance and frequently, they rely on single metrics like stock market performance, disregarding other critical measures such as Return on Assets (ROA), Return on Equity (ROE), and Net Interest

Margin (NIM). This methodological limitation underscores the need for research that utilizes a more holistic approach to evaluate the financial impact of ESG performance, incorporating multiple financial performance metrics.

There is a significant gap in empirical research specifically focused on Kenyan banks within the academic literature. Although international studies offer some insights, the distinctive regulatory, economic, and social environment in Kenya may result in a different influence of the relationship between ESG performance and financial outcomes. The absence of localized studies implies that Kenyan banks may lack access to pertinent data and analysis necessary for effective guidance in their ESG strategies. Furthermore, the adoption and impact of International Financial Reporting Standards 9 (IFRS 9), which necessitates the inclusion of non-performing loan provisions in financial disclosures, may have distinct implications for the financial performance of Kenyan banks, an aspect that has not been comprehensively examined.

Empirical evidence, particularly statistical evidence concerning the Return on Assets (ROA) of Kenyan banks, highlights the necessity for this study. As reported by the Central Bank of Kenya (2021), the average ROA for Kenyan banks in 2021 was 2.3%, indicating a moderate level of profitability. However, these average obscures considerable variability among different banks, with certain institutions experiencing ROAs as low as 0.5% and others achieving ROAs exceeding 4.0%. This variability accentuates the significance of comprehending the factors that drive financial performance, including ESG practices, in order to enhance overall efficiency and profitability within the sector.

The primary purpose of this study is to address the conceptual, methodological, and contextual gaps identified in the existing literature. By concentrating on the impact of ESG performance on the financial performance of Nairobi Securities Exchange (NSE)-listed banks in Nairobi, Kenya, the study endeavours to provide comprehensive insights that can contribute to policymaking and inform strategic decision-making processes. The utilization of ROA as the primary measure of financial performance offers a comprehensive perspective on how ESG factors influence both bank profitability and stability.

1.3 Research Objectives

1.3.1 General Objective

The aim of this study is to investigate the connection between corporate sustainability reporting and financial performance of commercial banks listed on the Nairobi Securities Exchange (NSE) in Kenya.

1.3.2 Specific Objectives

- i. To assess the influence of environmental reporting on the Return on Assets of commercial banks listed on the Nairobi Securities Exchange (NSE) in Kenya.
- ii. To assess the influence of social reporting on the Return on Assets of commercial banks listed on the Nairobi Securities Exchange (NSE) in Kenya.
- iii. To assess the influence of economic reporting on the Return on Assets of commercial banks listed on the Nairobi Securities Exchange (NSE) in Kenya.

1.4 Research Hypotheses

- i. H₁: Environmental reporting has no significant effect on the Return on Assets on Nairobi Securities Exchange (NSE) listed banks.

- ii. H₂: Social reporting has no significant effect on the Return on Assets on Nairobi Securities Exchange (NSE) listed banks.
- iii. H₃: Economic reporting has no significant effect on the Return on Assets on Nairobi Securities Exchange (NSE) listed banks.

1.5 Scope of the Study

This study centred its attention on eleven banks that are officially listed on the Nairobi Securities Exchange. The researcher conducted an analysis of the fiscal performance of said institutions within a five-year timeframe, spanning from 2017 to 2021, encompassing both years. This study focused on analysing the practices of sustainability reporting of the aforementioned banks, as documented in their sustainability reports and financial statements.

1.6 Significance of the Study

This study aimed to conduct a comprehensive investigation into the impact of sustainability reporting on the financial performance of banks listed on the NSE. Furthermore, our research aims to inform investors about the significance of sustainability reporting to a bank's performance. This study also seeks to examine the substantial contribution of commercial banks to the overall national economy and their role in the sustainable development of the nation. By considering various ESG factors, the findings of this study will assist policymakers in making well-informed decisions when establishing the framework for sustainability reporting.

Moreover, this study will have implications for various stakeholders, including financial managers, who will gain insights into the best practices for integrating sustainability into financial management. Regulatory bodies will benefit from

understanding the consequences of sustainability reporting on bank performance, enabling them to develop more effective regulations. The results of this study will also contribute to financial theory by providing empirical evidence regarding the relationship between sustainability practices and financial performance. Additionally, this study will serve as a foundation for future research in the field, encouraging further exploration into the effects of sustainability reporting on different sectors and economies.

1.7 Limitations of the study

This study encountered several limitations that needed to be addressed. Firstly, the research focused only on NSE-listed banks in Kenya, excluding other commercial banks. This limited the generalizability of the findings to the entire banking sector in the country. To address this, the study clearly defined its scope and rationale for focusing solely on NSE-listed banks, which are subject to specific regulatory and reporting requirements.

Secondly, the study did not include various factors that can impact a bank's profitability, such as the bank's age, number of branches, and capitalization. These factors could potentially complicate the relationship between sustainability reporting and financial performance. To mitigate this limitation, the study focused narrowly on sustainability reporting practices and their direct impact on financial metrics, ensuring a more precise analysis of the research objectives.

Lastly, the study period coincided with significant changes in the banking industry, including mergers, acquisitions, and the COVID-19 pandemic, which greatly affected

banks' profitability in 2020. These external events could introduce variables that may influence the study's findings. To address this, the study acknowledged these contextual factors in its analysis and interpretation of results, providing a clearer context for understanding the observed relationships.

In conclusion, while this study offers valuable insights into the relationship between sustainability reporting and financial performance among NSE-listed banks, researchers should consider these limitations when interpreting and applying the findings. Future research could build on these insights by including a broader sample of banks and considering additional contextual factors that may influence the outcomes of interest.

1.8 Organization of the Study

The first section of this study is dedicated to the research topic. The first chapter provided an overview of the study scope, the research problem, the significance of the study, objectives of the study and its limitations. The second chapter of this study captured the literature review on sustainability reporting and the aspect of financial performance in banks. It then discussed the various aspects of this field before developing a conceptual framework to address the gaps in the current literature. The third chapter reviewed the various aspects of the research process, including the research design, sampling procedure and target population. It also provided an overview of the ethical considerations involved in conducting the study. The fourth chapter of this study analysed and presented the findings. This involved a detailed review of the data collected and interpreted within the context of the research

questions. The last chapter of this study is a concise summary of the following findings, conclusions, and areas of further research.

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

This section offers a brief summary of the different theoretical and conceptual frameworks that have been used in the examination of sustainability reporting and business performance. This chapter includes the various identified research gaps in the existing literature on sustainability reporting and fiscal performance. To tackle this issue, the researcher has formulated a conceptual framework with the aim of deepening the comprehension of the interrelationship between the dependent and independent variables used in this research focussing on the connection between fiscal performance and sustainability reporting.

2.2 Theoretical Literature Review

In this section, the theoretical literature review explores the association between sustainability reporting and financial performance for banks listed on the Nairobi Securities Exchange (NSE). The theoretical frameworks utilized to investigate this association comprise Signalling Theory, Stakeholder Theory, Positive Accounting Theory and Agency Theory.

Stakeholder Theory suggests that organizations, including banks, bear responsibility towards a broad spectrum of stakeholders beyond just shareholders. These stakeholders, such as customers, employees, communities, and government entities, hold an interest in the bank's environmental and social impacts. Through sustainability reporting, NSE-listed banks can exhibit their dedication to addressing

stakeholder interests and expectations, cultivating trust, and enhancing their reputational capital (Freeman, 1984; Donaldson & Preston, 1995).

Agency Theory centres on the principal-agent relationship within corporations, wherein managers (agents) act on behalf of shareholders (principals). This theory posits that sustainability reporting can align the interests of managers and shareholders by providing transparency and accountability in corporate governance. Effective sustainability practices reported by NSE-listed banks can mitigate agency costs, bolster managerial discipline, and ultimately enhance financial performance by reducing risks associated with environmental, social, and governance (ESG) factors (Jensen & Meckling, 1976; Fama & Jensen, 1983).

Signalling Theory posits that companies employ sustainability reporting as a means to communicate information about their commitment to sustainable practices to external stakeholders, including investors and regulatory bodies. Through voluntary disclosure of sustainability information, NSE-listed banks can convey their ethical values, transparency, and long-term viability, thereby influencing perceptions of their financial stability and attracting socially responsible investors (Verrecchia, 1983; Clarkson et al., 2011).

Positive Accounting Theory (PAT) is a theoretical framework that seeks to explain and predict actual accounting practices by considering economic and social factors, rather than prescribing how accounting should be conducted. Developed by Watts and Zimmerman in the late 20th century, PAT highlights the influence of agency theory, market conditions, regulatory environments, and managerial incentives on accounting

choices. In the context of sustainability reporting, PAT suggests that managers may adopt such practices to enhance their utility, often aligning these choices with shareholders' interests to improve financial performance and firm value. PAT offers practical insights into corporate behaviour, the impact of sustainability reporting and other accounting policies on financial performance, and the relationship between accounting standards and managerial decision-making (Watts & Zimmerman, 1986).

2.2.1 Agency Theory

Ross (1973) introduced agency theory, which explains that managers are appointed by owners to act on their behalf and fulfil their responsibilities. He also noted that there are often conflicts between the goals of the owner and the agent when it comes to business strategy. For instance, managers tend to focus on short-term goals, while proprietors are more focused on the firm's objectives in the long run. The proprietors and the managers have a principal-agent relationship. This concept gained widespread attention due to the scandals that occurred in the US, such as the Enron case (Pai & Tolleson, 2015). When a company's management has a conflict of interest due to their exceptional knowledge of the business, the conflict is reduced through the sharing of sustainability reports.

Within agency theory, Leepsa and Panda presented two models in 2017: the positivist model and the principal-agent model, which highlight key distinction. Unlike risk-averse agents, principal agents are focused on making a profit. The implementation of ESRP standards has helped resolve and analyse environmental decisions due to the increasing importance of environmental issues for businesses (Cortese, Abeysekera,

& Lu, 2015). According to a survey, most large business owners would rather evaluate their management's performance than the environment.

Critics argue that agency theory oversimplifies the complexities of managerial decision-making and overlooks the broader societal impacts of corporate actions. It assumes rational behaviour by both principals and agents, which may not always be the case in practice. In the context of sustainability reporting in NSE-listed banks, agency theory suggests that transparent disclosures can alleviate agency conflicts by aligning managerial incentives with the long-term interests of shareholders. By reporting on Environmental, Social, and Governance (ESG) metrics, banks can enhance accountability and reduce the risk of opportunistic behavior among managers. Key supported variables include managerial incentives, transparency in reporting, and shareholder value.

2.2.2 Stakeholder theory

In 1984, Edward Freeman formulated a theoretical framework that centres on the process by which organizations identify their stakeholders. Stakeholder analysis serves as an instrumental tool in discerning an organization's interests, as delineated by authoritative scholars in this domain (Freeman, 2018). The capacity of an organization to generate value and effectively engage relevant stakeholder groups holds paramount significance for its overall well-being. As posited by Freeman, Harrison, Colle, and Parmar (2010), "stakeholder analysis" entails comprehending the diverse expectations harboured among various constituents within the organization. This analysis is facilitated by their active involvement in a particular project or program. Stakeholder analysis proves invaluable in examining the interests of diverse

groups within an organization while simultaneously taking into account the interests of all parties impacted by a decision.

Parmar, Freeman, Harrison, & Colle (2010) state that a company can have two groups of stakeholder groups: primary and secondary. A primary stakeholder is someone who directly benefits from a business or organisation. The other stakeholder group comprises individuals or groups that can have major control over a firm's decisions.

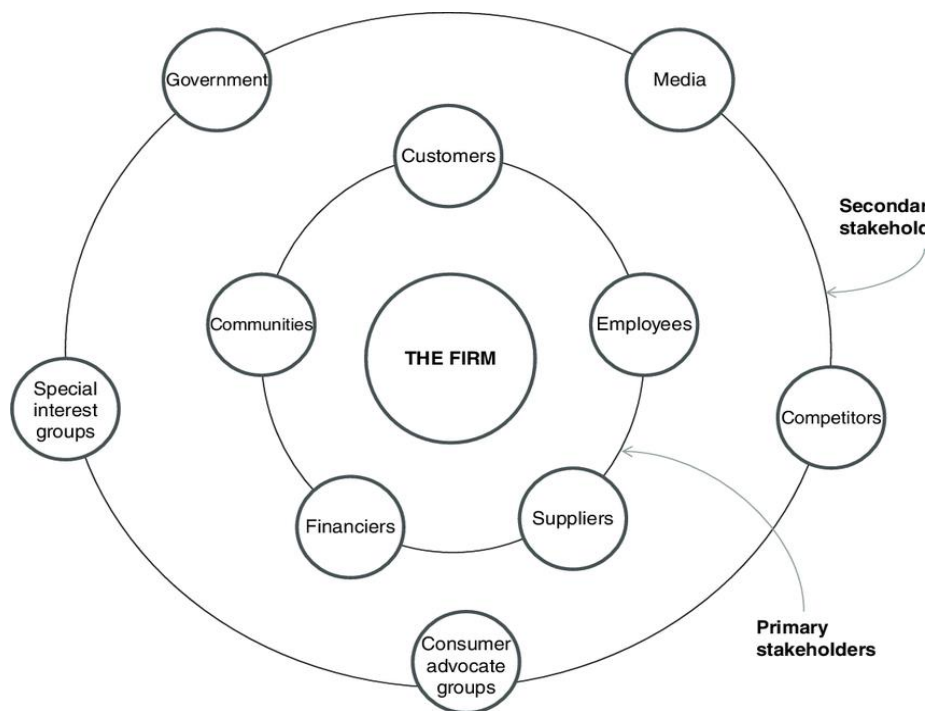


Figure 2.1. Depicts a basic dual interested party map.

Source: a basic dual interested party map: Adapted from Freeman et al. (2007).

According to Freeman, Harrison, & Wicks (2007), the primary stakeholder is in the circle's inner ring, while the secondary stakeholder is in the outer ring. Managers (Terms Compared, 2019) acknowledge the importance of primary and secondary stakeholder groups to an organization's survival. All stakeholders need to be satisfied due to the roles they play in the organisation.

The company's actions impact its stakeholders, which can be either positive or negative. Taghian et al., D'Souza, and Polonsky (2015) state that companies must disclose their social and environmental impacts in addition to disclosing their financial performance. The various stakeholder analysis models used to identify groups affected by a company's activities include the Salience Stakeholder Analysis Model and Mendelow's Matrix Model (Terms Compared, 2019). A stakeholder's influence on a company's actions is based on its interest and power. This theory recommends that management implement the following four strategies when dealing with their stakeholders.



Figure 2.2: Stakeholder Analysis

Source: Adapted from Mendelow, A.L. (1981). 'Environmental Scanning - The Impact of the Stakeholder Concept,' ICIS 1981 Proceedings, 20.

The various stakeholder groups are categorised into apathetic, defenders, latents, and promoters. Apathetic individuals are stakeholders with little or no interest in the organisation's operations; hence, they should only be monitored. Defenders are individuals with limited influence but who have a strong claim on the organization, and they should be kept informed. Latent individuals are critical stakeholders with a low level of interest but significantly influence the organization, and they should be

managed closely. Individuals with high interest and high power are referred to as promoters; hence, they should be managed closely. As part of stakeholder analysis, an organization should create an engagement plan. An engagement plan is intended to ensure that the appropriate individuals receive the information at the correct time. To meet the requirements of the various stakeholder groups, an organization must identify the groups that are highly focal to them (Mitchell, Agle, and Wood, 1997).

According to this theory, having a well-defined and organized stakeholder base is beneficial for businesses. It can help them maintain and improve their relationships with their customers and other key stakeholders (Revista Brasileira, 2015). A well-defined and organized stakeholder management strategy is also important for a company, as it can help them manage their various stakeholder groups. This process involves conducting stakeholder assessments and creating strategies for stakeholder participation while also developing value-generation tactics (Wicks, Harrison, & Freeman, 2007).

Studies on sustainability reporting and fiscal performance have frequently drawn on this theory. In Sweden, this theory was used to determine the correlation between performance in financial terms and sustainability reporting (Bäckström & Karlsson, 2015). Asuquo, Temitayo, and Onyeogazari (2018) conducted a study in Nigeria spanning from 2012 to 2016, using the theory to explore the correlation between "sustainability reporting and financial performance" in publicly traded brewing companies within the country. The concept of sustainability asserts that a business's success is contingent upon the value added to its stakeholders (Maher & Andersson, 2015). Asuquo, Temitayo, & Onyeogazari (2018) also noted that this theory explains

that strong ties between shareholders and other stakeholders help a business achieve greater financial success.

Critics argue that stakeholder theory can be challenging to implement in practice, as it may prioritize stakeholder interests over shareholder value, potentially leading to conflicting priorities. The theory assumes that organizations can effectively balance diverse stakeholder interests. Stakeholder theory supports this study by highlighting the significance of sustainability reporting in managing stakeholder relationships. By disclosing ESG performance, NSE-listed banks can enhance stakeholder trust and legitimacy, which are crucial for long-term business success. Supported variables include stakeholder engagement, ESG disclosures, and organizational legitimacy.

2.2.3 Signalling theory.

According to Karaman, Kilic, and Uyah (2020), organizations frequently emit signals that enhance communication quality and minimize knowledge asymmetry among stakeholders and employees. Information asymmetry, on the other hand, refers to administration's attempt to gain and publish knowledge to acquire control over the marketplace and its components. The signalling concept considers various components of a communication system, including the signaler, the receiver, and the feedback. The decisions made by the sender and receiver regarding the data and signals transmitted are crucial when receiving and interpreting the information. Executives, managers, and employees typically receive these signals and have exclusive access to the organization's data (Taj, 2016).

According to the signalling concept, entities are willing to pay a premium to obtain specific information. Therefore, signalling is a process that organizations use to communicate their goals and actions. There are three types of signalling that organizations can employ: signals that indicate future actions and requirements, and signals that conceal potential liability issues (Connelly, Certo, Ireland, & Reutzel, 2010). Signaling principles are utilized in various managerial disciplines such as finance, marketing, and human resource management to communicate goals and actions. The concept of signalling has gained widespread acceptance in environmental practices due to its ability to detect business signals, which have become increasingly important in managerial communication.

Critics argue that signalling theory may oversimplify the complexity of communication dynamics and the interpretation of signals by stakeholders. It assumes that stakeholders correctly interpret signals and make decisions accordingly. Signalling theory suggests that sustainability reporting in NSE-listed banks can function as a signal of their commitment to sustainable practices. By communicating their ESG performance through credible disclosures, banks can enhance their reputation and competitiveness in the marketplace. Key variables include the credibility of signals, stakeholder perception, and financial performance outcomes.

2.2.4 Positive Accounting Theory (PAT)

Positive Accounting Theory (PAT), developed by Watts and Zimmerman in 1986, is a theory aimed at predicting and explaining the accounting choices made by. It operates under the assumption that individuals, including managers and accountants, act in their own self-interest This theory asserts that accounting decisions are influenced by

economic factors, such as tax considerations, regulatory requirements, and the impact on financial statements that are important to investors and other stakeholders (Watts & Zimmerman, 1986).

The central premise of PAT is that individuals within an organization make accounting decisions based on their self-interest, with the goal of maximizing their own utility (Watts & Zimmerman, 1986). These self-interest motivations often align with economic incentives, causing firms to adopt accounting policies that improve their financial position or meet regulatory obligations (Watts & Zimmerman, 1986). For example, managers may select accounting practices that enhance reported earnings in order to attract investors or comply with regulatory standards, which can directly impact their compensation or job security (Watts & Zimmerman, 1986).

Nevertheless, PAT has faced criticism for its limited focus on self-interest and economic consequences, neglecting other important factors such as ethics and regulatory influences (Watts & Zimmerman, 1986). Critics argue that this perspective is overly cynical and fails to adequately consider the role of ethical considerations, corporate social responsibility, and the broader regulatory environment in shaping accounting choices (Watts & Zimmerman, 1986).

The relevance of PAT to the current study examining the impact of sustainability reporting on the financial performance of banks listed on the Nairobi Securities Exchange (NSE) cannot be overstated. This theory provides insights into how banks may make decisions regarding their sustainability reporting practices based on perceived economic consequences and incentives. Applying Positive Accounting

Theory (PAT) to this study enables an analysis of how banks on the NSE may be motivated by economic incentives, including regulatory compliance, investor expectations, and potential financial advantages, when making decisions about their sustainability reporting practices (Cho and Patten, 2007). For instance, banks may enhance their environmental and social disclosures to attract socially responsible investors or meet specific regulatory requirements that can positively impact their financial performance. Furthermore, the potential benefits of improved reputation and customer loyalty resulting from enhanced sustainability reporting can also be viewed as economic incentives that align with the self-interest of managers and firms.

Several studies have employed PAT to investigate the relationship between sustainability reporting and financial performance. For example, Cho and Patten (2007) utilized PAT to examine the environmental disclosures of firms in the United States and their subsequent financial performance. Their findings indicated that firms with higher levels of environmental disclosure experienced better financial performance, supporting PAT's assertion that firms make accounting choices based on economic benefits and investor expectations.

Similarly, Clarkson et al. (2008) examined the voluntary environmental disclosures of Australian firms and their impact on firm value. Using PAT as the conceptual framework, they discovered that firms with more comprehensive environmental disclosures were valued more highly by the market, suggesting that such disclosures were viewed as beneficial by investors.

Prado-Lorenzo and Garcia-Sanchez (2010) conducted another study to analyse the influence of corporate governance on sustainability reporting among European firms. Through the application of PAT, they argued that firms with stronger governance structures are more likely to engage in extensive sustainability reporting in order to attract investment and enhance their market value. Their results provided support for the idea that better governance leads to more robust sustainability practices and improved financial performance.

The use of PAT in this study offers insights into the reasons behind the sustainability reporting practices of NSE-listed banks and their impact on financial performance. Understanding these motivations is essential for policymakers, investors, and other stakeholders interested in promoting sustainable development and enhancing transparency and accountability within financial institutions. Furthermore, the findings from this study can help bridge the existing research gap regarding the influence of sustainability reporting on the financial performance of banks in the Kenyan context.

2.3 Empirical Review

The purpose of this study is to carefully evaluate various aspects of fiscal performance and sustainability reporting. Its objective is to pinpoint research gaps and suggest a framework to address them.

2.3.1 Economic Reporting and Financial Performance

Olaf (2017) conducted a study entitled "Corporate Sustainability and Fiscal Performance of Chinese Banks" in China. The study aimed to examine variations in

sustainability reporting across different provinces and establish a connection between sustainability reporting and financial performance within the banking sector. The findings showed a positive correlation, indicating that banks that prioritize sustainability are more likely to achieve favourable fiscal outcomes. However, Olaf suggested that future research should explore specific environmental and economic variables that influence this relationship. Additionally, it was recommended to investigate the impact of investments in green economy initiatives on financial transactions.

In Indonesia, Gunarsih, Setiyono, and Novak (2020) conducted a study on the association between profitability and sustainability reporting within financial institutions. Their research used multiple regression analyses to compare sustainability reporting practices between banks and non-banking financial entities. In contrast to Olaf's findings, their study revealed a negative relationship between profitability and sustainability reporting. They proposed that future research should include developing countries and consider contextual factors that shape the relationship between sustainability reporting and financial performance.

Recent research has continued to explore the intricate dynamics between sustainability reporting and financial performance (Chen & Liu, 2021; Alvarez, Del Río, & Ortiz, 2023). Chen and Liu's (2021) study, "Environmental Disclosure and Financial Performance: Evidence from Listed Banks in China," focused on the impact of environmental disclosures on the financial performance of Chinese banks listed on the Shanghai Stock Exchange. Utilizing panel data analysis, the researchers found a positive and significant relationship between the extent of environmental disclosures

and financial metrics such as Return on Assets (ROA) and Return on Equity (ROE). The study emphasized the importance of transparent environmental reporting in enhancing financial outcomes within the banking sector, while also highlighting challenges related to the quality and comparability of such disclosures.

Alvarez, Del Río, and Ortiz (2023) conducted a research study entitled "Sustainability Reporting and Financial Performance: Evidence from Latin American Banks," which investigated the impact of sustainability reporting practices on the financial performance of banks in various Latin American countries. The researchers employed a mixed-methods approach, combining quantitative analysis with qualitative interviews, to examine the levels of sustainability reporting among banks. The results of the study demonstrated positive correlations between comprehensive sustainability reporting and financial indicators such as profitability and market valuation. The study also emphasized the influence of regulatory frameworks and contextual factors in shaping these relationships, particularly in emerging market contexts.

Despite offering valuable insights, the existing literature has several gaps and areas for improvement. First, future research should consider regional and sectoral variations in sustainability reporting practices and their implications for financial performance, taking into account regulatory environments, market conditions, and cultural factors. Second, while regression analyses and panel data techniques provide robust statistical insights, incorporating qualitative methods could offer a deeper understanding of the underlying mechanisms driving the sustainability-performance relationships. By adopting diverse methodological approaches, researchers can enrich understanding and provide nuanced perspectives. Lastly, there is a need for

longitudinal studies that track the effects of sustainability initiatives over extended periods, capturing dynamic changes in reporting practices and financial outcomes and shedding light on the long-term sustainability-performance nexus.

Addressing these gaps through future research endeavours will advance the knowledge of how sustainability reporting influences financial performance across diverse organizational contexts and geographical settings (Alvarez, Del Río, and Ortiz,2023).

2.3.2 Social Reporting and Financial Performance

Dromir, Felaega, and Batae (2021) conducted a comprehensive study that examined the relationship between sustainability indicators and financial performance in European banks. The aim of their research was to validate the impact of environmental, social, and governance (ESG) factors on bank performance following the 2008 financial crisis. Over a period of ten years, from 2009 to 2019, the study analyzed data from 39 European banks, with a specific focus on their ESG performance metrics. The findings indicated a significant correlation between the financial performance of these banks and their social sustainability practices, suggesting a noteworthy negative association with financial outcomes.

Similarly, Shakil, Mahmood, and Tansia (2019) conducted a study that investigated bank performance in emerging markets. They utilized a generalized method of moments (GMM) to address data dynamics and endogeneity issues. Their research encompassed 93 banks operating in various emerging markets, evaluating both financial and environmental sustainability metrics. By utilizing data from Refinitiv

DataStream and Asset 4 ESG databases, the study identified a positive correlation between the social aspects of sustainability reporting and financial performance among these banks.

A critical review of these studies reveals several gaps in current empirical research. While Dromir et al. (2021) and Shakil et al. (2019) provide valuable insights into the relationship between sustainability reporting and financial performance, further exploration is needed in the following areas: Both studies provide snapshots of a defined period, but longitudinal studies could reveal trends and fluctuations in the relationship between sustainability indicators and financial outcomes over time. Research often focuses broadly on regions (Europe in Dromir et al., 2021) or emerging markets (Shakil et al., 2019), but deeper analysis into sector-specific impacts within these regions could uncover nuances in sustainability practices and financial performance. While Shakil et al. (2019) employed advanced econometric techniques, such as GMM, further studies could explore alternative methodologies to validate findings and address potential biases inherent in financial and ESG data.

2.3.3 Environmental Reporting and Financial Performance

Osman, Ikbal, and Hashim (2021) conducted a study to investigate the impact of sustainable reporting on financial performance in three Arab countries: Oman, Jordan, and the UAE. The research aimed to establish connections between various sustainability metrics and financial outcomes within the banking sector. The study utilized fiscal reports and sustainability disclosures from banks in these countries. The findings indicated a positive relationship between social and environmental factors and financial performance, particularly in Oman. However, the study also highlighted

a negative correlation between sustainability reporting and financial performance in Jordan, suggesting that environmental issues adversely affected the fiscal performance of Jordanian banks. This research underscores the varying impacts of sustainability factors on financial performance across different national contexts.

Zyadat (2016) focused on examining the financial performance of Jordanian Islamic banks in relation to sustainability reporting standards. The study analyzed financial data from Jordan's Islamic banks between 2008 and 2014, incorporating metrics such as return on capital, return on assets, and earnings per share (EPS). The researcher discovered a negative relationship between ecological sustainability practices and financial performance in Islamic banks. This implies that, despite the increasing adoption of sustainability reporting, its impact on financial performance within the Jordanian Islamic banking sector has been detrimental. Zyadat recommended further exploration of additional factors that influence sustainability reporting and advocated for enhanced training programs for banking personnel to improve sustainability reporting practices.

In a related study, Gupta and Hasan (2020) examined the relationship between sustainability reporting and financial performance in Indian banks. Their research encompassed a comprehensive analysis of sustainability disclosures and financial metrics across major Indian banks. The findings revealed a mixed impact of sustainability reporting on financial performance, with some banks demonstrating positive outcomes, while others showed negligible or negative effects. The study identified regulatory frameworks and market conditions as significant influencers on the relationship between sustainability and financial performance in the Indian banking context. Critically, the research suggested that, although sustainability

reporting is becoming more prevalent, its integration into financial performance metrics necessitates careful consideration of contextual factors and regulatory environments.

Furthermore, Lee and Lee (2019) conducted an investigation into the impacts of corporate social responsibility (CSR) and sustainability practices on the financial performance of South Korean banks. Their research employed a longitudinal design spanning multiple years, analyzing CSR activities and financial metrics such as profitability and market valuation. The findings revealed a positive correlation between comprehensive CSR practices and financial performance among South Korean banks, highlighting the strategic significance of CSR in enhancing competitive advantage and long-term financial sustainability. However, the study also emphasized the need for clearer standards and benchmarks in sustainability reporting to facilitate more robust comparisons and assessments across different banks.

While Osman et al. (2021) and Zyadat (2016) provide insightful perspectives on the relation between sustainability reporting and financial performance in Arab countries and Jordanian Islamic banks, respectively, there are notable gaps in the existing literature. Firstly, these studies mainly concentrate on specific regional contexts and the Islamic banking sector, thereby limiting the generalizability of their findings to a broader scope of international banking practices. Secondly, both studies emphasize the necessity for further research into additional factors that influence sustainability reporting beyond environmental considerations, such as social and governance dimensions.

Moreover, Gupta and Hasan (2020) underscore the significance of regulatory frameworks in shaping the impact of sustainability reporting on financial performance. Nevertheless, additional research is required to explore these regulatory dynamics across diverse global banking environments. Additionally, Lee and Lee (2019) highlight the positive outcomes of CSR practices on financial metrics in South Korean banks, suggesting opportunities for comparative studies across different cultural and regulatory contexts to enhance comprehension and benchmarking of sustainability impacts.

Overall, while the existing empirical research offers fundamental insights, future studies should aim to fill these gaps by employing comparative approaches across varied banking sectors and regulatory environments. This will contribute to a more comprehensive understanding of how sustainability reporting influences financial performance globally, providing practical recommendations for policymakers, bank executives, and stakeholders to advance sustainability practices within the banking industry.

2.4 Summary of Literature Review and Gaps

The literature evaluation focused on various aspects of financial and sustainability reporting. It revealed several deficiencies in the existing research on these topics. The data on financial and sustainability reporting is heavily biased towards developed countries. This study has presented limited evidence regarding emerging markets. The main weaknesses identified include the requirement for more thorough reporting and analysis, as well as the need to utilize statistical techniques more effectively. When

preparing sustainability reports, it is also crucial to consider other dimensions of sustainability.

Table 2.1: Summary of Major Research Gaps

	Resear cher	Study area	Focus	Outcomes	Knowledge Gaps:	The focus of the study
1	Ali Abdelf attah Hamda n Zyadat 2017 (Jordan)	The research investiga ted the implications of sustainability results on the financial performance of Jordanian Islamic Commercial Banks.		Sustainability reporting positively affects financial performance as measured by ROA but has no discernible effect on profitability as measured by ROE.	The research focused exclusively on Islamic banks and excluded conventional banks regulated differently.	The research focused exclusively on Islamic banks and excluded conventional banks regulated differently. This study considers conventional banks to have distinct practices from Islamic banks, which may result in disparate findings.

2	Annisa Hayatu n N. Burhan Wiwini Rahma nti (2018) Indone sia	The Effects of Sustainability Reporting on firm Performance	Sustainability reporting and business performance are inextricably linked.	Contextual gaps occur because of the requirement to conduct locally focused research on the subject. Additionally, updated research is required due to the possibility that the environment has improved.	The research will use current data and concentrate on Commercial Banks listed on the NSE, as they are critical players in the country's economy.
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3	Bualla y, Fadel, Saudagaran, & Alajmi, 2020)	The study looked at the relationship between sustainable reporting and bank financial performance in different countries following the 2008 fiscal crunch.	In developed countries, ESG improves bank accounting and market performance, and it has an opposite effect in developing countries.	The researchers looked at the performance of banks in different countries following the global financial crisis.	The research focus is on Kenya, an emerging economy.
4	Geoffrey C. Kipng'etich and Dr. James Gatawa(2022)	Investigated the relationship between environmental sustainability reporting and financial performance for NSE-listed firms	Sustainable energy use reporting, sustainable innovation reporting, and sustainable energy use reporting significantly influence financial performance	The study specifically focused on one element of sustainability i.e environmental aspect.	The study focused on the three elements of sustainability report (Economic, Social and environmental)

			among NSE-listed companies. When applied effectively, environmental sustainability reporting may enhance financial performance		
5	Jesee N. Mbuthi a and Dr. James M. Gatau wa(2024)	Corporate Sustainability Practices and Financial Performance of Firms Listed in the Nairobi Securities Exchange, Kenya:	The study found that adoption of sustainability practices (including social, economic, environmental, technological, and empowerment aspects) can positively influence	The study specifically included technology and empowermentts. Additionally, the study did not focus on one subsector of the NSE	The study focused on the three elements of sustainability report (Economic, Social and environmental). The study also focused on a specific area i.e sustainability reporting.

			financial performance trends.		
6	Joel Agutu	Sustainability reporting and financial performance of listed financial firms in Kenya	The study revealed significant effects of social, economic, and environmental sustainability on performance outcomes. Corporate sustainability practices play a crucial role in financial performance.	The study involved 23 listed companies across the various sectors.	The study specific focus is on the 11 listed banks hence working with one sector only.

7	(Nwobu, 2015)	The research project investigated the relationship between Nigerian banks' corporate sustainability reporting, profitability, and shareholder wealth.	Although reporting on sustainability is important, it does not have a significant impact on the financial performance of a company, apart from its Shareholders Fund and profit after tax.	The research measured financial performance using shareholder funds and profit after tax (PAT), but not return on assets.	This research will investigate the impact of sustainability reporting on the ROA for NSE-listed banks.
8	Priyanka Aggarwal (2013) India	Sustainability's Effect on the Financial Performance of Indian Publicly Traded Companies	Organizational sustainability, in aggregate, has no tangible effect on a company's financial results.	The research examined the effect of sustainability measures on various companies in a variety of industries, with an exception for	This research focuses specifically on the Kenyan context, specifically on the commercial banks listed on the NSE in Kenya, rather than the Indian

				banks.	context.
9	Silva, P. De (2019)	A Study of the Sri Lankan Financial Sector's Sustainability Reporting and Its Impact on Financial Performance	Reporting on sustainability has no discernible effect on financial results.	The study examined the extent to which banks disclose information and the consequence of disclosures on financial results.	The current study examines the impact of disclosure on the financial results of banks listed on the National Stock Exchange (NSE).
10	Uwuigbo et al (2018), Nigeria	The research explored the relationship between sustainability reporting and company performance in Nigeria's commercial banks that accept deposits.	Banks' practices regarding sustainability reporting have a sizable effect on the fiscal performance of Nigerian deposit-taking commercial banks.	Explicit factors affecting financial performance, such as market presence and procurement practices were omitted.	The current study will consider the market presence and procurement practices highlighted in economic disclosure.

Source: (Author 2024)

2.5 Conceptual Framework

The conceptual framework employed in this study elucidates the interplay between different variables, classifying them as either dependent or independent and emphasizing their interconnections. In the examination of sustainability reporting and financial performance, several salient components come to the fore.

In this framework, the dependent variable is financial performance, which is specifically quantified by the revenue generated from assets. This serves as a crucial indicator of a firm's economic success and efficiency. The independent variable evaluates the sustainability aspect of the study, encompassing diverse facets pertaining to the environmental, social, and economic dimensions. Sustainability indicators may include Environmental factors such as carbon emissions, energy efficiency, waste management, and natural resource utilization; Social factors such as employee well-being, community engagement, diversity, and human rights; and Economic factors such as long-term profitability, ethical financial practices, and stakeholder value.

The conceptual framework acknowledges that sustainability practices exert an influence on financial performance, with positive correlations between sustainable actions and economic outcomes. For instance, enhanced environmental practices, such as energy efficiency, can lead to cost reduction and increased profitability. Strong social responsibility, as evidenced by employee satisfaction, can result in heightened productivity and customer loyalty. Ethical economic practices contribute to long-term financial stability.

Various researchers have explored these relationships in diverse contexts, yielding empirical evidence that supports the framework. For instance, Aggarwal (2013) scrutinized the impact of sustainability on financial performance among publicly traded companies in India. Although the Indian context may differ, the framework employed in that study aligns with our conceptual model.

By amalgamating these constituent elements, the conceptual framework offers a comprehensive perspective on how sustainability practices can drive financial performance, thereby providing a valuable analytical tool for examining these dynamics within the context of NSE-listed banks.

INDEPENDENT VARIABLES

DEPENDENT VARIABLE

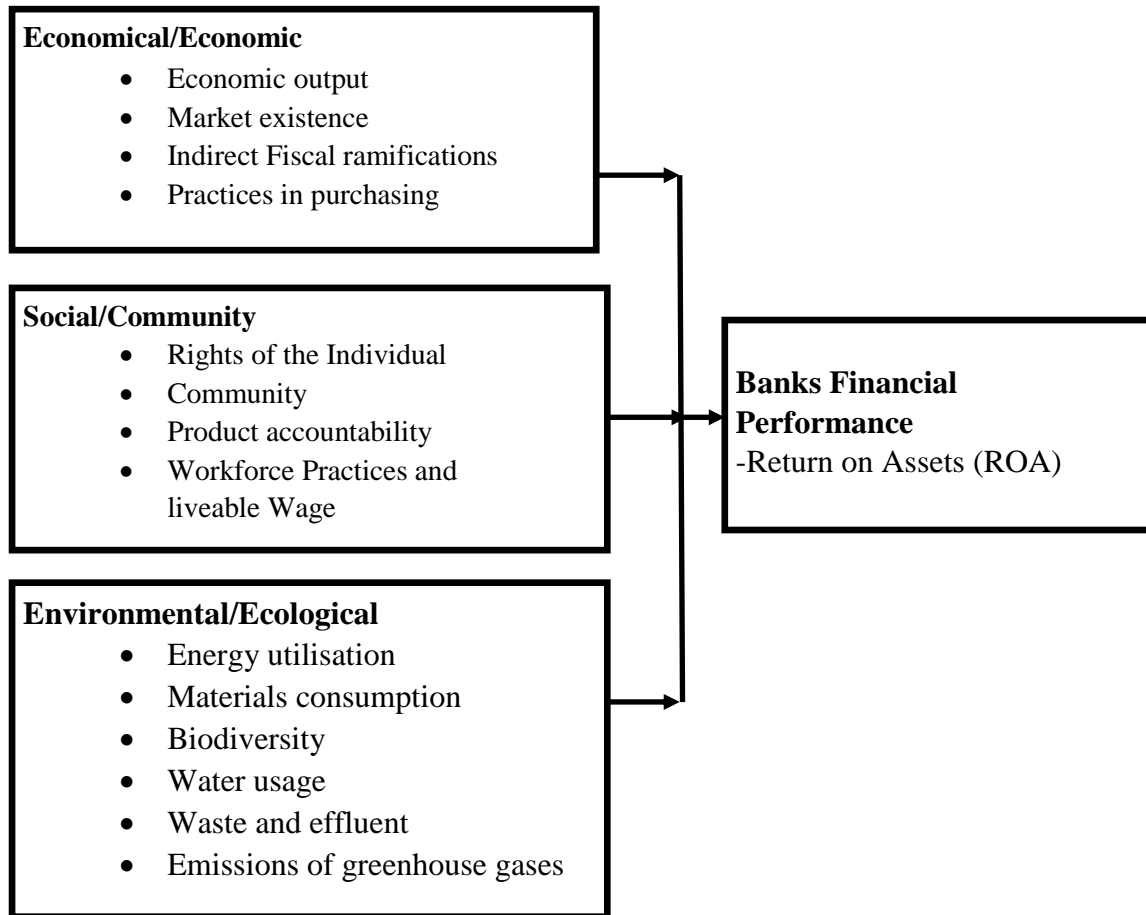


Figure 2.3 Conceptual framework.

Source: (Author 2024)

CHAPTER THREE

RESEARCH METHODOLOGY

This part presents a complete overview of the procedures and methods used in the research to ensure congruence between the study findings and the study's aims and objectives. It focuses on various elements of a study, such as the study population, sample design, and data analysis tools. This process allowed the researcher to gather and analyse data effectively.

3.1 Research Design

A research design refers to a term that describes the methodology employed in integrating diverse components of a research effort consistently and logically (Leavy, 2017). Descriptive research design was used as it aims to collect and describe data without manipulating variables. In this case, it allowed the researcher to gather information on sustainability reporting practices and financial outcomes without imposing any experimental conditions. Secondly, descriptive research design goes beyond mere data collection. It enabled the researcher to explore relationships among variables.

In this study, the researcher analysed the relationship between sustainability practices (independent variable) and financial performance (dependent variable) within the NSE-listed banks. The descriptive research designed allowed the researcher to examine multiple attributes at the same time. It enabled the researcher to explore various dimensions of sustainability (environmental, social, economic) and their impact on financial performance. This approach facilitated an understanding of the main characteristics of sustainability reporting in NSE banks. Finally, by focusing on data description, the researcher was able to provide a comprehensive overview of the

current state of sustainability reporting in NSE banks. The descriptive research design is regularly utilized to analyse the prevailing features for each population and is capable of giving information about what is happening in the current population (Sedgwick, 2014).

3.2 Target Population

The population of study, as defined by Schindler and Cooper (2014), refers to any collection of elements that a scholar intends to explore. In this research, the attention was on banks listed on the NSE. According to NSE (2022), as of December 31, 2022, there were a total of 11 banks listed in the Nairobi Securities Exchange, and these banks constituted the unit of study. Nevertheless, the unit of observation for this study were the employees employed in the banks listed in the Nairobi Securities Exchange (NSE). The target population, for this study consisted of 23,734 employees in the banking sector, as reported by the Central Bank of Kenya (2023).

Table 3.1: Target Population

Bank	Number of staff
Equity Group Holdings	1460
KCB Group Ltd	952
Co-operative Bank of Kenya	910
Bank of Kigali PLC	716
I&M Holdings Ltd	590
Housing Finance Ltd	550
Absa Bank Kenya PLC	483
Standard Chartered Bank Ltd	477
NCBA group PLC	330
Diamond Trust Bank Kenya Ltd	362
Stanbic Holdings PLC	242
Total	7073

The study used Yamane (1967) formula at 95% confidence level to determine study sample size. The formula is as follows.

$$n = \frac{N}{1 + Ne^2}$$

Where.

n = is the desired sample size

N = is the population size (23534)

e = is the margin of error (at 95% confidence level)

Therefore, the sample size will be.

$$n = \frac{7073}{1 + 7073 * 0.05^2} = 378$$

This particular time period was selected due to the fact that the companies have made their sustainability disclosures accessible within their reports.

3.3 Sampling design

The study used Yamane (1967) formula at 95% confidence level to determine study sample size.

The formula is as follows.

$$n = \frac{N}{1 + Ne^2}$$

Where.

n = is the desired sample size

N = is the population size (23734)

e = is the margin of error (at 95% confidence level) \

Therefore, the sample size will be.

$$n = \frac{7073}{1 + 7073 * 0.05^2} = 378$$

In this research, the sample was selected utilizing a stratified random sampling technique from the 11 listed banks at the NSE namely Equity Group Holdings, KCB Group Ltd, Co-operative Bank of Kenya, Bank of Kigali PLC, I&M Holdings Ltd, Housing Finance Ltd, Absa Bank Kenya PLC, Standard Chartered Bank PLC and CFC Stanbic Holdings Ltd. We bracketed the population into four strata: Management staff, Supervisory staff, Clerical staff, and Secretarial staff. Stratification is a technique that aids in minimizing the standard error by effectively controlling the variance and guaranteeing equal representation of each group within the population. We also implemented a simple random sampling method to select the sample from every section. The use of simple random sampling poses an advantage of reducing sampling error, thereby improving the accuracy of the estimation techniques being employed (Cooper & Schindler, 2017).

3.5 Operationalisation of Variables

Operationalization encompasses the process of delineating the measurement and quantification of abstract concepts, namely sustainability reporting and financial performance, within a study. In the context of this research, which concentrates on NSE-listed banks, the variables are operationalized in the subsequent manner

Table 3.2 Operationalisation of Variables

Variable	Indicator	Definition	Measurement	Data Source
Financial Performance (Dependent Variable)	Return on Assets	Measures profitability relative to total assets	ROA=Net Income /Total Assets	Annual financial statements of NSE-listed banks
Sustainability (Independent Variable)				
Environmental	Levels of CO ₂ emissions	Measures of carbon emissions	Reported levels in sustainability reports	Sustainability reports, environmental disclosures
	Energy consumption and initiatives to reduce it	Measures of energy efficiency	Reported energy usage and efficiency metrics	Sustainability reports, annual reports
	Strategies and results in managing and reducing waste	Measures of waste management efforts	Reported waste management strategies	Sustainability reports, annual reports
	Efforts to sustainably use natural resources	Measures of natural resource utilization	Reported resource utilization metrics	Sustainability reports, annual reports
Social	Programs and metrics related to employee health, safety, and satisfaction	Measures of employee well-being	Reported employee well-being initiatives and metrics	Sustainability reports, CSR reports
	Initiatives and investments in community development	Measures of community engagement	Reported community engagement initiatives	Sustainability reports, CSR reports
	Representation of different genders, races, and ethnicities within the	Measures of workforce diversity	Reported diversity metrics	Sustainability reports, CSR reports

	workforce			
	Policies and practices regarding human rights within operations and supply chains	Measures of human rights policies and practices	Reported human rights policies	Sustainability reports, CSR reports
Economic	Trends in profitability over a multi-year period	Measures of long-term profitability	Reported long-term profitability trends	Financial statements, sustainability reports
	Adherence to ethical standards in financial operations	Measures of ethical financial practices	Reported adherence to ethical standards	Financial statements, governance disclosures
	Measures of value provided to stakeholders, including shareholders, customers, and employees	Measures of stakeholder value	Reported stakeholder value metrics	Financial statements, sustainability reports

Source: (Author 2024)

3.5 Data Collection Instruments

According to Creswell (2017), data collection entails acquiring information for a research study from chosen subjects of investigation. To gather data, researchers must design suitable instruments. In this study, a combination of primary and secondary data collection instruments was utilized. Questionnaires were employed to collect primary data, whereas data collection sheets were used to gather secondary data. The questionnaire was sectioned into five sections (A-E): section A on background information, section B on environmental reporting, section C on social reporting, section D on economic reporting, and section E on financial performance. The survey

utilized a five-point Likert scale in order to collect participants' perspectives on the constructs. The five-point Likert scale was used because it is much easier to analyze the data in this form and for the people who were interviewed to stay focused on the questionnaire and answer the questions with more honesty and criteria. Questionnaires offer several advantages, including the ease of data analysis. They are particularly convenient for administering to large groups of respondents and provide a cost-effective method in terms of both time and financial resources.

Secondary data is qualitative and quantitative information derived from a range of sources (Sileyew, 2019). It delivers a more precise and comprehensive picture of the market. The financial and sustainability reports of the banks were utilized to gather secondary data. The research used panel data from four years, from 2017 to 2021. This period was chosen due to the firms' availability of sustainability disclosures in their reports. Data was collected on net assets, profits, ROE, and ROA.

3.6 Data Collection Procedure

The researcher received an introductory letter from the university, which was subsequently distributed to each respondent to obtain their consent for data collection. Furthermore, the researcher applied for a research permit from the National Commission for Science, Technology, and Innovation (NACOSTI). A visit was conducted to the selected banks to formally request permission to gather data from their staff. Trained research assistants assisted in collecting the data. The drop-and-pick method was used to distribute questionnaires, giving respondents enough time to give well-considered answers. Secondary data on financial and sustainability performance was acquired from the company's financial statements, integrated

reports, and sustainability disclosure reports, as well as from the NSE and the banks' websites.

3.7 Pilot Study

Pilot testing entails the examination of research questions within a distinct study population that shares comparable characteristics with the intended population of study (Bell, Bryman, & Harley, 2018). The researcher conducted a pilot study to evaluate the validity and reliability of the data obtained from the questionnaire. As proposed by Hill (2018), selecting a sample size ranging from 1% to 10% of the overall study sample size is deemed adequate for the pilot test. Therefore, the pilot study/analysis was performed with a total of 38 bank staff members.

3.7.1 Validity of the Data Collection Instrument

The degree to which the empirical measure or measures accurately reflect the concept being measured is known as instrument validity (Orodho, 2009). This study employed content and construct validity. Examining questionnaires from earlier studies allowed for the achievement of content validity, which improved the validity of the research tool. In addition, the supervisor examined the questionnaires to determine if the questions sufficiently addressed the topics and ideas being studied. Inappropriate statements were reviewed or removed based on suggestions from experts, and these revisions were incorporated into the questionnaire prior to its use in the actual study.

The questionnaire was evaluated to see if it fit the conceptual framework to guarantee construct validity. This evaluation involved conducting a factor analysis. Construct validity was measured using the Average Variance Explained (AVE), with a cut-off

value of 0.5, as recommended by Sallis, Gripsrud, Olsson, and Silkoset (2021). Confirmatory factor analysis (CFA), which is widely accepted as a structural equation model for examining construct validity, was also employed (Kline, 2016).

3.7.2 Reliability of the Data Collection Instruments

The degree to which a research tool consistently produces consistent results or data after multiple trials is known as the instrument's reliability (Mugenda & Mugenda, 2019). Since Cronbach's alpha only requires one administration of the data collection tool, it was used to assess reliability. Interval scale questions are best suited for Cronbach's alpha because it offers a quantitative indicator of a scale's internal consistency (Cooper & Schindler, 2012). Given that most questions in the structured questionnaire were on an interval scale, Cronbach's alpha served as the most appropriate measure for assessing reliability. A threshold of 0.7 was employed for the Cronbach's Alpha Coefficient, following Cooper and Schindler's (2012) recommendation. Any items with a value below 0.7 were considered weak and either adjusted or eliminated from the final questionnaire.

3.8 Data Analysis

Based on the study conducted by Berglund, Heeringa, and West (2017), data analysis can be defined as a methodical procedure of describing, highlighting, and evaluating data. The initial step involves the identification of both dependent and independent variables. The completed questionnaires were coded, entered version 28 of the SPSS software, and then thoroughly examined and manipulated to ensure accuracy. Both descriptive and inferential statistics were used to analyse the data in SPSS. Descriptive analysis encompassed techniques such as frequencies, means, and

percentages, whereas conclusions about the study population were drawn using inferential statistics in light of the sample data. The inferential statistics utilized in this study consisted of correlation and regression. The regression model is as follows:

$$Y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \mu_1$$

Where.

Y = Bank Financial performance

X₁ = Environmental reporting of a firm

X₂ = Social reporting of a firm

X₃ = Economic reporting of a firm

β_0 = Constant

$\beta_1 - \beta_3$ = Coefficients of regression

μ_1 = Error term

Microsoft Excel was used to analyse and draw conclusions about the secondary data gathered. The results were displayed in tables.

3.8.1 Diagnostic Test

In this study, the researchers employed Analysis of Variance (ANOVA) as a diagnostic test to examine the impact of environmental sustainability reporting practices on the financial performance of banks listed on the Nairobi Securities Exchange (NSE) (Kipngetich & Gatawa, 2024). ANOVA is a robust statistical method that allows for the comparison of means across multiple groups to determine whether there are statistically significant differences among them.

ANOVA was particularly advantageous in this study for comparing financial performance metrics, including Return on Assets (ROA), across various categories of sustainability reporting practices. These categories encompassed Climate Action Reporting, which focuses on initiatives and metrics related to climate change mitigation and adaptation; Sustainable Innovation Reporting, which highlights efforts and investments in innovative practices that promote sustainability; and General Sustainability Reporting, which comprises comprehensive reports covering a broad range of environmental, social, and governance (ESG) factors. The use of ANOVA in this context is justified as it allows for an understanding of whether variations in sustainability reporting practices have a measurable impact on financial performance. By identifying significant differences, ANOVA provides insights into which sustainability practices are most effective in enhancing financial performance (Kipngetich & Gatauwa, 2024).

3.9 Ethical Considerations

Various strategies and methods for gathering information from individuals have posed ethical challenges (Kothari, 2004). The researcher took all necessary precautions to safeguard the collected information from unauthorized access and misuse. The data was obtained from individuals who had legal permission to participate in the research. To prevent plagiarism, the researcher relied on multiple sources. The findings will be presented in an unbiased and objective manner.

CHAPTER FOUR

RESEARCH FINDINGS AND DISCUSSION

4.1 Introduction

This research aimed to investigate the effect of sustainability reporting on the financial performance of NSE-listed commercial banks in Kenya. The data were analysed based on the study's specific objectives, which included the impact of environmental, social, and economic responsibility on the financial performance of NSE-listed commercial banks in Kenya. The data were analysed, interpreted, and presented accordingly.

4.2 Reliability Results

The study used Cronbach's Alpha coefficient to test reliability. A Cronbach's Alpha coefficient value of 0.7 was used as the cut-off point, as stated by Cooper and Schindler (2012). Any items with a value lower than 0.7 were considered weak and were either adjusted or left out of the final questionnaire. The reliability results are presented in Table 4.1

Table 4.1: Summary of Reliability Statistics

Variables	Cronbach's alpha	Items
Environmental reporting	0.844	9
Social reporting	0.816	10
Economic reporting	0.824	9
Financial performance	0.854	3
Scale Combination	0.823	31

Source: (Author 2024)

Table 4.1 shows that environmental, social, and economic responsibility had alpha values of 0.844, 0.816, and 0.824, respectively. Financial performance had an alpha value of 0.854, and the scale combination was 0.823, which is a good reliable measure.

4.3 Response Rate

The study sampled 378 staff in the banking sector, out of which 38 were used for sampling purposes. We administered questionnaires to 340 staff, and 243 staff members returned the answered questionnaires, resulting in a 71.5% response rate. The high response rate was attained through meticulous adherence to the data collection procedure and sustained communication with the participants encompassed within the sample. In addition, we adequately briefed the human resource managers on the study's purpose and provided the respondents with adequate time to answer the questionnaires.

4.4 Background Information

The respondents' background information concentrated on their job category, period of working, and education qualification. Results are displayed in Tables 4.2–4.4, in that order. .

Table 4.2 Category of work

Job Category	Frequency (F)	Percentage (%)
Management	22	9.1
Supervisory	54	22.2
Clerical	67	27.6
Secretarial and other Staff	100	41.2
Total	243	100.0

Source: (Author 2024)

The findings show that 41.2% of the respondents were secretarial and other bank staff, 27.6% were clerical staff, 22.2% were supervisors, and 9.1% were managers. These findings imply that the study respondents included both management and junior staff, resulting in diverse views from the bank staff. The findings were not discriminatory based on the rank of the staff, as all staff were given the opportunity to participate in the study.

Table 4.3 Work experience

Period of working	Frequency (F)	Percentage (%)
Less than five years	25	10.3
5-10 years	171	70.4
More than 10 years	47	19.3
Total	243	100.0

Source: (Author 2024)

The findings show that 70.4% of the respondents have been working in the banks for 5-10 years, 19.3% for more than 10 years, and 10.3% of the respondents have been working in the bank for less than five years. These findings indicate that the staff have been working for a considerable number of years in the bank. As a result, the staff were knowledgeable about the operations of the bank, including sustainability reporting and financial performance.

Table 4.4 Education level

Level of education	Frequency (F)	Percentage (%)
Diploma	58	23.8
Undergraduate degree	101	41.6
Masters' degree	73	30.0
Doctorate degree	11	4.6
Total	260	100.0

Source: (Author 2024)

Findings show that 41.6% of the respondents have attained an undergraduate degree, 30% a master's degree, 23.8% a diploma, and 4.6% have attained a doctorate. Results show that all the staff have attained higher education. This indicates that the staff are qualified to work in commercial banks. Therefore, the staff can understand the concept of the study.

4.5 Environmental Reporting

This study's primary goal was to determine how environmental reporting affected Kenyan commercial banks' financial performance, particularly those that were listed on the Nairobi Securities Exchange (NSE). Participants were requested to express their degree of agreement regarding statements pertaining to environmental reporting. The corresponding results are shown in Table 4.5.

Table 4.5 Environmental Reporting

Key: 1- strongly disagree (**SD**), 2-disagree (**D**), 3-Neutral (**N**), 4-agree (**A**), 5-strongly agree (**SA**)

Statements	SD		D		N		A		SA		M
	F	%	F	%	F	%	F	%	F	%	
The materials used in the production of various products are made from recycled materials.	8	3.3	51	21.0	10	4.0	37	15.2	13	56.4	4.07
Energy usage from a single primary source.	135	55.6	43	17.7	18	7.4	28	11.5	19	7.8	1.98
Energy saved as a direct consequence of conservation programs and efficiency enhancements.	35	14.4	8	3.3	26	10.7	83	34.2	91	37.4	3.77
Initiatives aimed to provide energy-efficient products and services and reduce the energy requirements of their users.	27	11.1	27	11.1	20	8.2	61	25.1	10	44.4	2.00
Various initiatives are carried out to reduce energy consumption.	26	10.7	17	7.0	9	3.7	91	37.4	10	41.2	3.91
Water withdrawals totalled by source.	8	3.3	20	8.0	26	10.7	10	37.4	88	36.2	3.59
Various initiatives that aim to reduce greenhouse gas emissions.	17	7.0	17	7.0	18	7.4	37	15.2	15	63.4	4.21
Efforts to mitigate the ecological consequences of a variety of products.	18	7.4	8	3.3	8	3.3	83	34.2	12	51.9	4.20
There is high number of products sold and made from recycled materials.	109	44.9	64	26.3	26	10.7	8	3.3	36	14.8	1.43

N=243

Source: (Author 2024)

The majority of the staff strongly agree (m=4.21) that there are several initiatives in place to reduce greenhouse gas emissions. The staff also agree that efforts are being made to mitigate the ecological consequences of a variety of products (m=4.20) and that the materials used in the production of various products are made from recycled materials (m=4.07). Various initiatives are also carried out to reduce energy consumption (m=3.91), and energy is saved as a direct consequence of conservation programs and efficiency enhancements (m=3.77). Water withdrawals are totalled by source (m=3.59). However, the staff disagrees that initiatives are aimed at providing energy-efficient products and services and reducing the energy requirements of their users (m=2.00), as well as energy usage from a single primary source (m=1.98). Some staff strongly disagree that there is a high number of products sold and made from reclaimed materials (m=1.43).

Findings imply that the banks observe environmental responsibility. This is achieved through the implementation of various initiatives to reduce greenhouse emissions, mitigate the ecological consequences of products, use products made from recycled materials, and initiatives to reduce energy consumption. However, these initiatives are not enough, as the banks are not yet able to reduce the energy requirements of their users. The banks also use energy from different sources, meaning that they have not fully implemented environmentally friendly energy sources. Even though the banks have made efforts to use reusable materials, a high number of products are not yet made from reclaimed materials.

4.6 Social Reporting

This study's second goal was to investigate how social reporting affected the financial results of Kenyan commercial banks listed on the NSE. Participants were asked to rate

how much they agreed with the statements pertaining to social reporting. The results are outlined in Table 4.6.

Table 4.6 Social Reporting

Key: 1- strongly disagree (**SD**), 2-disagree (**D**), 3-Neutral (**N**), 4-agree (**A**), 5-strongly agree (**SA**)

Statements	SD		D		N		A		SA		M
	F	%	F	%	F	%	F	%	F	%	
Labour force segmented according to contract type and gender.	36	14.8	8	3.3	26	10.7	64	26.3	109	44.9	3.83
Full time employee benefits not provided to part time or casual employees.	23	9.4	10	41.1	8	3.3	62	25.5	140	57.6	3.86
Retention rates and return to work for staff after parental leave classified by gender.	15	6.2	35	14.4	16	6.6	73	30.0	104	42.8	3.51
The minimum notice time on major changes in operations including whether they are in collective agreements	36	14.8	8	3.3	17	7.0	27	11.1	155	63.8	4.06
Programs for counselling, prevention, education, training, and risk management are in place to support employees.	36	14.8	20	8.2	25	10.3	55	22.6	107	44.0	3.73
Agreements with trade union contains clauses on health and safety.	17	7.0	36	14.8	8	3.3	27	11.1	155	63.8	3.90
The number of hours spent on employee training by category of the employee and their gender.	138	56.8	8	3.3	8	3.3	63	25.9	26	10.7	2.40
Skill management programs for lifelong learning, to support employee employability and assist staff in career management or endings.	154	63.4	37	15.2	18	7.4	17	7.0	17	7.0	2.21
High number of workers receiving regular performance information and reviews on information on career development, broken down by gender	186	76.5	28	11.5	7	2.9	13	5.3	9	3.7	1.48
The ratio of salaries (basic) of women and men at various locations of significant operations.	18	7.4	21	8.6	8	3.3	35	14.4	161	66.3	4.23

N=243

Source: (Author 2024)

The findings indicate that the majority of staff strongly agreed on a range of factors, including the salary ratio between men and women at different locations (m=4.23). They also agreed on the minimum notice time for major operational changes and whether these changes are included in collective agreements (m=4.06), the inclusion of agreements with health and safety provisions with trade unions (m=3.90), the lack of full-time employee benefits for part-time or casual employees (m=3.86), the segmentation of the workforce based on contract type and gender (m=3.83), the existence of training, risk control, prevention, education, and counselling programs for staff (m=3.73), and the classification of retention rates and return to work after parental leave by gender (m=3.51).

However, the staff disagreed on the number of hours spent on employee training by employee category and gender (m=2.40) and the effectiveness of skill management programs for lifelong learning and career management or endings (m=2.21). Furthermore, the staff strongly disagreed that a large number of workers receive regular performance information and reviews on career development broken down by gender (m=1.48).

The results show that the banks have made significant efforts to improve social reporting. Gender parity in payment is ensured, as staff are paid based on their ranks and departments, regardless of gender. Parental leave is classified by gender, with females receiving longer leave than males. The management of the banks also effectively communicates changes in operations to staff, allowing them to adequately prepare and maintain productivity. Agreements with trade unions are in place to ensure the health and safety of staff, creating a safe and productive working

environment. However, there is a disparity in employee benefits based on employment terms, as part-time and temporary staff are not eligible to full-time benefits. While staff training exists, employees feel that the skill management programs for lifelong learning do not support their career management, possibly due to a lack of training needs surveys to identify individual staff's training needs.

4.7 Economic Reporting

Examining how economic reporting affects the financial performance of commercial banks listed on the Kenyan Stock Exchange (NSE) was the third goal of this research. Participants had to express their level of agreement with statements about economic reporting. The results are presented in Table 4.7.

Table 4.7 Economic Reporting

Key: 1- strongly disagree (**SD**), 2-disagree (**D**), 3-Neutral (**N**), 4-agree (**A**), 5-strongly agree (**SA**)

Statements	SD		D		N		A		SA		M
	F	%	F	%	F	%	F	%	F	%	
Direct economic value of the projects and initiatives is derived from their revenues and other investments.	36	14.8	11	4.5	16	6.6	45	18.5	13	55.6	3.95
Climate change causes financial consequences, threats, and prospects.	41	16.9	26	10.7	9	3.7	46	18.9	12	49.8	3.74
Obligations relating to the company pension plan of the company are covered.	36	14.8	19	7.8	8	3.3	90	37.0	90	37.0	3.74
Significant economic support from the state.	145	59.7	45	18.5	9	3.7	26	10.7	18	7.4	2.12
The wages of entry-level workers are compared to the local minimum wage in different operating locations	9	3.7	19	7.8	8	3.3	35	14.4	17	70.8	4.41
Policies and practices are related to the procurement of local products and services at major processes	26	10.7	8	3.3	17	7.0	55	22.6	13	56.4	4.11
Policies in place to aid firms hire from the local communities' members of the senior management.	163	67.1	35	14.4	8	3.3	19	7.8	18	7.4	1.74
Effect of developed infrastructure and services to the public in pro-bono, either in kind or in commercial basis.	21	8.6	17	7.0	17	7.0	88	36.2	10	41.2	3.66
Understanding the various fiscal effects of allow the bank to make informed decisions	18	7.4	33	13.6	8	3.3	53	21.8	13	53.9	4.01

N=243

Source: (Author 2024)

Findings show that the majority of staff strongly agree that the wages of entry-level workers are compared to the local minimum wage in different operating locations (m=4.41). The staff also agree that policies and practices related to the procurement of local products and services at major processes (m=4.11). Understanding the various fiscal effects allows the bank to make informed decisions (m=4.01). The direct economic value of projects and initiatives is derived from their revenues and other investments (m=3.95). Climate change causes financial consequences, threats, and prospects (m=3.74). Obligations relating to the company pension plan are covered (m=3.74). The effect of developed infrastructure and services to the public in pro-bono, either in kind or on a commercial basis (m=3.66). The staff disagree on significant economic support from the state (m=2.12) and policies in place to aid firms in hiring senior management from the local community members (m=1.74).

These results point to a positive relationship between economic reporting and bank financial performance. To determine the appropriate salary rates for their staff, banks engage in market rate comparisons and strictly adhere to procurement policies and practices. This helps ensure that procurement ethics are observed, resulting in a transparent procurement system. The banks also make efforts to purchase locally produced products and services, promoting economic development. Management also ensures that the staff understands the various fiscal effects that guide decision-making. The banks' projects and initiatives have significant economic value, contributing positively to GDP. Economic changes pose a great threat to the banking sector, and banks ensure that retired staff are well compensated. Infrastructure development has enabled the banks to diversify their operations in terms of products and services offered. However, there is no significant support from the government,

and adequate policies are not in place to guide the hiring of senior management from local communities.

4.8 Financial Performance

Staff were requested to rate the degree of improvement in profits, assets, and market share in order to evaluate the banks' financial performance. The results are shown in Table 4.8.

Table 4.8 Financial Performance

Statements	Very high		High		Fair		Low		Very low		M
	F	%	F	%	F	%	F	%	F	%	
Profits	149	61.3	8	3.3	26	10.7	36	14.8	24	9.9	2.24
Assets	35	14.4	34	14.0	30	12.3	64	26.3	80	32.9	4.00
Market share	155	63.8	27	11.1	16	6.6	19	7.8	26	10.7	3.75

N=243

Source: (Author 2024)

According to the study's findings, the majority of the employees reported a slight increase in profits (mean = 2.24), a statistically significant improvement in assets (mean = 4.00), and a substantial enhancement in market share (mean = 3.75). These findings suggest that although banks have been successful in augmenting their assets and expanding their market presence, they continue to face difficulties in improving their profit margins.

To obtain a more comprehensive understanding of the financial performance of the banks, the researcher meticulously scrutinized their annual financial reports, gathering

longitudinal panel data covering the period from 2017 to 2021. Profits and return on assets (ROA) were all included in the dataset. The results of the research were combined and are shown in Table 4.9

Table 4.9 Financial Performance Statistics

Descriptive Statistics					
	N	Minimum	Maximum	Mean	Std. Deviation
Total Net Assets	11	2610.0	555630.0	100068.550	132935.6049
Profit / Loss Before TAX	11	1576.0	27472.0	3329.850	6473.0547
ROA	11	-1.3265	.3729	.0175	.3021
Valid N (list wise)	11				

Source: (Author 2024)

The average total assets owned by the banks during the study period were Ksh. 100,068.550 billion, with a standard deviation of Ksh. 132,935.60 billion. The significant difference in assets explains the substantial difference in profits earned by listed commercial banks over the study period. The bank profits varied, with a maximum of Ksh. 27,472 billion and a minimum of Ksh. 1,567 billion. The mean value of 3,329.85 implies that, on average, banks in Kenya made a profit of 3.3 billion during the study period.

The profitability of a company's assets after all costs and taxes are deducted is measured by return on assets, or ROA. For a chosen group of banks between 2017 and 2021, it was computed as Net Profit after Tax divided by Total Assets. The results show a considerable level of variability in the behavioural pattern of the data, with a -1.3265 minimum value and a 0.3729 maximum value, indicating that some selected

banks had negative returns on assets. The mean value of 0.0175 shows that, on average, a bank generates returns of about 1% per asset.

4.9 Correlation Analysis

The study used Pearson Correlation to evaluate the association between financial performance of Kenyan commercial banks listed on the NSE and sustainability reporting. Table 4.10 presents the correlation analysis's results.

Table 4.10 Correlation Coefficients

Variables		Financial Performance	Environmental	Social	Economic
Financial Performance	Pearson Correlation	1			
	Sig. (2-tailed)				
Environmental	Pearson Correlation	.605**	1		
	Sig. (2-tailed)	.000			
Social	Pearson Correlation	.416**	.683	1	
	Sig. (2-tailed)	.000	.026		
Economic	Pearson Correlation	.360**	.381	.214	1
	Sig. (2-tailed)	.000	.000	.080	

** . Correlation is significant at the 0.05 level (2-tailed)

Source: (Author 2024)

There is a strong and significant correlation ($r = 0.605$, $p\text{-value} = 0.000$) between environmental reporting and financial performance, according to the results shown in Table 4.10. As a result, the study rejects the null hypothesis because statistical evidence suggests that environmental reporting has a key effect on NSE listed banks' performance. This result runs counter to Zyadat (2016) findings, who found a negative connection between environmental sustainability and financial performance in banks.

Moreover, the findings show that social reporting and financial performance have a moderately significant correlation ($r = 0.416$, $p\text{-value} = 0.000$). Thus, given that social reporting significantly affects the performance of NSE listed banks and there is statistical evidence to support this claim, the study rejects the null hypothesis. These results are consistent with the study conducted by Shakil, Mahmood, and Tansia (2019), who found a positive connection between the social/community dimension of sustainability reporting and financial performance.

Additionally, the findings reveal a moderately significant correlation between economic reporting and financial performance ($r = 0.360$, $p\text{-value} = 0.000$). Therefore, as a result, the research rejects the null hypothesis as it stands, as there is statistical evidence to suggest that economic reporting significantly affects the performance of NSE listed banks. These findings support the findings of Olaf (2017), who demonstrated a positive association between business performance and sustainability reporting.

4.10 Regression Analysis

The effect of sustainability reporting programs on the financial performance of commercial banks listed on the Nairobi Securities Exchange in Kenya was explored using regression analysis. Table 4.11–4.13 presents the findings analyses.

Table 4.11 Model Summary

Model	R	R Square	Adjusted R ²	Std. Error of the Estimate		
1	0.851	0.724	0.712	.751		
a Predictors: (constant) environmental, social, and economic responsibility.						

Source: (Author 2024)

The findings indicate that sustainability reporting contributes to 72.4% of the financial performance of commercial banks listed on the NSE in Kenya, as evidenced by the R2 value of 0.724. This implies that the undisclosed factors of sustainability reporting explored in this study account for 27.6% of the fluctuations in the financial performance of NSE-listed commercial banks in Kenya.

Table 4.12 Analysis of Variance

ANOVA ^b						
Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	343.089	3	34.309	60.776	.000 ^b
	Residual	130.968	239	.565		
	Total	474.058	242			
a Predictors: (constant) environmental, social, and economic responsibility.						
b Dependent variable: financial performance						

Source: (Author 2024)

The results suggest that the regression model demonstrated a high level of significance (p-value = 0.000) at the significance level of 0.05. This suggests that there is a noticeable linear correlation between sustainability reporting and financial performance in the banking industry. Furthermore, the F-value of 60.776 further validates the appropriateness of the model in examining the connection between sustainability reporting efforts and the capacity to forecast fluctuations in financial performance.

Table 4.13 Regression Coefficients

Model	Unstandardized Coefficients		Standardized Coefficients	T	Sig.
	B	Std. Error	Beta		
Constant/Y Intercept	1.41 2	.340		4.155	.000
Environmental	1.195	.101	1.110	11.829	.000
Social	.649	.068	.638	9.501	.000
Economic	.340	.074	.319	4.576	.000

Source: (Author 2024)

Based on the results in Table 4.13, the equation

$$Y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \varepsilon$$

Changes to.

$$\text{Financial Performance} = 1.412 + 1.195(\text{environmental responsibility}) + 0.649(\text{social responsibility}) + 0.340(\text{economic responsibility})$$

The findings suggest that the projected financial performance of the commercial banks listed on the Nairobi Securities Exchange (NSE) in Kenya is estimated to be 1.412, assuming that all variables remain constant and are set at zero. An increase of one unit in environmental responsibility is associated with a substantial increase in financial performance, amounting to 1.195. The significance level (p-value = 0.000) confirms that this relationship is statistically significant. Similarly, a one-unit increase in social responsibility leads to a significant increase in financial performance of 0.649, while a one-unit increase in economic responsibility results in a noteworthy increase of 0.340. The significance level (p-value = 0.000) confirms that these relationships are statistically significant. Based on the T statistics, it is evident that

environmental responsibility has the strongest impact on employee performance (11.829), followed by social responsibility (9.501). Conversely, economic responsibility has the least influence on the performance of independent regulatory bodies (4.567).

CHAPTER FIVE

SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

5.1 Introduction

Key findings, conclusions, suggestions for additional research, and recommendations are summarized in this chapter.

5.2 Summary of Findings

The first objective of this study was to evaluate the impact of environmental reporting on the Return on Assets (ROA) of commercial banks listed on the Nairobi Securities Exchange (NSE) in Kenya. Consistent with the first objective, there exists a robust and statistically significant association between the disclosure of environmental information and an organization's financial performance. The findings further demonstrate the implementation of various initiatives aimed at reducing greenhouse gas emissions, mitigating ecological impacts caused by products, utilizing recycled materials in manufacturing processes, reducing energy consumption, achieving energy savings through conservation programs, and monitoring water withdrawals. Additionally, efforts are being made to promote energy-efficient products and services while minimizing energy requirements for end users. It is important to note that energy consumption is not reliant on a sole primary source and that the utilization of reclaimed materials in product manufacturing remains relatively low.

The second objective of this study was to assess the impact of social reporting on the Return on Assets (ROA) of commercial banks listed on the Nairobi Securities Exchange (NSE) in Kenya. The findings on Objective 2 indicate a moderately significant association between social reporting and financial performance. For

instance, gender-based wage disparities are measured across different locations, and particular attention is devoted to promptly notifying stakeholders of operational changes, including those subject to collective agreements and trade unions. While full-time employee benefits are not extended to part-time or casual employees, the workforce is categorized according to contract type and gender. Comprehensive programs are in place to support staff members through training, education, prevention, risk control, and counselling. Rates of employee retention and return to work following parental leave are analyzed by gender. However, there is a lack of gender-based categorization for employee training hours, limited management programs that promote lifelong learning, and inadequate provision of regular performance feedback and career development information without gender breakdown.

The third objective of this study was to evaluate the impact of economic reporting on the Return on Assets (ROA) of commercial banks listed on the Nairobi Securities Exchange (NSE) in Kenya. The findings on this objective demonstrate a moderately significant correlation between economic reporting and financial performance. This can be observed through the comparison of entry-level workers' wages with the local minimum wage across different operating locations. Policies and practices related to procuring local products and services during significant processes and understanding the various fiscal impacts enable the bank to make informed decisions. The bank also takes into account the financial consequences, threats, and prospects posed by climate change. Adequate attention is given to addressing company pension plan obligations. However, there is minimal to no significant economic support provided by the state,

and there is a lack of policies to facilitate the recruitment of individuals from local communities for senior management positions.

5.3 Conclusion

The findings indicate that sustainability reporting exerts a significant influence on the financial performance of banks listed on the NSE. Notably, environmental responsibility emerges as the most influential factor, followed by social and economic responsibilities. Banks that prioritize sustainable practices are poised to witness improved financial performance. These results yield valuable insights for policymakers, bank executives, and investors, underscoring the imperative of integrating holistic sustainability strategies to attain superior economic outcomes.

5.4 Recommendations

To enhance their performance, banks should consider implementing the following recommendations. On the environmental aspect of sustainability reporting, banks should implement comprehensive energy management systems. Investing in energy-efficient technologies, such as LED lighting and energy-saving HVAC systems, can lead to significant cost savings and a reduced carbon footprint. Conducting regular energy audits will help identify areas for improvement and track energy consumption patterns. Additionally, banks should adopt green building standards. Constructing new branches and retrofitting existing buildings to meet green building certifications, like LEED, will significantly reduce their environmental impact. Incorporating renewable energy sources, such as solar panels, can further enhance sustainability.

Moreover, banks should promote sustainable finance products. Developing and marketing financial products that support environmental projects, such as green bonds

and eco-friendly loans, can attract environmentally conscious clients. Offering favourable terms for loans tied to environmental initiatives will encourage clients to adopt sustainable practices.

To enhance social responsibility, banks should focus on employee well-being programs. Implementing comprehensive health and wellness programs, including mental health support and work-life balance initiatives, will foster a positive and productive work environment. Regularly conducting employee satisfaction surveys can help identify and address concerns.

Banks should also engage in community development projects. Actively participating in community outreach programs and supporting local development initiatives will strengthen community ties. Partnering with non-governmental organizations (NGOs) to address social issues such as education, healthcare, and poverty alleviation will further enhance the bank's social impact. Promoting diversity and inclusion is another critical aspect. Banks should implement policies that ensure equal opportunities for all employees, providing training and development programs focused on cultural competence and anti-discrimination.

In terms of economic responsibility, banks should adopt ethical financial practices. Ensuring transparency in financial reporting and adhering to stringent ethical standards will maintain stakeholder trust. Regular internal audits and compliance checks are essential to prevent unethical practices and fraud. Focusing on long-term profitability is crucial. Developing strategic plans that prioritize long-term growth and stability over short-term gains will help ensure sustainable success. Investing in

technology and innovation can improve operational efficiency and maintain competitiveness in the market.

Enhancing stakeholder engagement is also vital. Banks should regularly communicate with stakeholders, including investors, customers, and regulators, about their sustainability initiatives and financial performance. Using feedback from stakeholders to continuously improve sustainability practices and financial strategies will foster stronger relationships and build trust.

By implementing these recommendations, banks can leverage the positive impact of sustainability reporting on financial performance. Prioritizing environmental, social, and economic responsibilities will not only enhance financial performance but also build a strong reputation, attract socially conscious investors, and ensure long-term success in a competitive market. These strategies contribute to sustainable development and position banks as leaders in corporate responsibility.

5.5 Areas for Further Study

Based on the findings of this study, several noteworthy areas for further research arise, offering deeper insights into the association between sustainability reporting and financial performance, specifically for banks listed on the Nairobi Securities Exchange (NSE). Primarily, future research could delve into the individual effects of various environmental initiatives on financial performance. This encompasses investigating specific actions such as reducing greenhouse gas emissions, implementing energy savings programs, and utilizing recycled materials. Identifying which particular initiatives significantly impact financial performance could assist banks in prioritizing their environmental endeavours.

Additionally, conducting longitudinal studies to evaluate the long-term consequences of environmental reporting on financial performance would be beneficial. Such research could provide insights into how sustained environmental practices influence financial outcomes over an extended period, highlighting trends and long-term benefits that may not be immediately apparent.

A sectoral analysis of environmental reporting could also yield valuable information. Examining how environmental reporting affects financial performance across different sectors within the banking industry, such as retail versus investment banks, could reveal whether certain types of banks profit more from environmental sustainability practices than others.

Further research could develop and test more comprehensive social reporting metrics. This encompasses incorporating gender-based categorization of training hours, management programs for lifelong learning, and regular performance feedback mechanisms. Understanding the impact of these detailed social responsibility practices on financial performance would provide a clearer understanding of how social responsibility contributes to a bank's financial success.

Exploring the link between social reporting practices and employee morale, retention, and productivity is another significant area of study. This research could offer insights into how social responsibility influences the internal dynamics of banks and their overall performance, shedding light on the human resources aspect of sustainability.

Investigating the effectiveness of policies aimed at recruiting individuals from local communities for senior management positions and their impact on financial performance could highlight the importance of local community engagement in economic reporting. Such research could inform banks on how to better integrate community-focused practices into their operations.

Examining the specific financial consequences, threats, and opportunities posed by climate change as reported by banks could also be insightful. Research could assess how effectively economic reporting on climate change influences financial stability and performance, providing valuable data for banks to navigate environmental risks more effectively. Analyzing the role of government economic support in enhancing financial performance through sustainability practices is a subject of substantial academic interest. A potential avenue for research involves identifying the specific types and levels of government support that yield the greatest benefits for banks, thus guiding how best to leverage public assistance in a meaningful manner.

Conducting comparative studies between banks listed on the NSE and those operating in different markets would afford a more comprehensive understanding of how various regulatory environments and market conditions influence the relationship between sustainability reporting and financial performance. Such a comparative analysis could elucidate best practices and establish benchmarks for improvement.

Further exploration into the role of digital transformation and technologies, such as blockchain and artificial intelligence, in bolstering the accuracy and transparency of sustainability reporting offers considerable potential. This line of inquiry may result in

the availability of more dependable data and, conceivably, improved financial performance, thereby illustrating the impact of technological advancements on sustainability endeavours.

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APPENDICES

Appendix I: Listed Banks at NSE

Listed Banks at NSE
Absa Bank Kenya PLC
Co-operative Bank of Kenya
Diamond Trust Bank Kenya Ltd
Bank of Kigali PLC
Equity Group Holdings
Housing Finance Ltd
I&M Holdings Ltd
KCB Group Ltd
NCBA group PLC
Standard Chartered Bank Ltd
Stanbic Holdings PLC

Source (NSE, 2021)

Appendix II: Questionnaire

Section A : Background Information

1. What is your job category?

Management ()

Supervisory ()

Clerical ()

Secretarial and other Staff ()

2. How many years have you been employed at this bank??

Less than five years ()

5-10 years ()

More than 10 years ()

3. What is the highest level of education you have attained?

College Diploma ()

Undergraduate degree ()

Postgraduate ()

Section B: Environmental reporting

4. The following items relate to **environmental reporting**. Please tick the extent to which you agree with listed statements.

Key: 1-Strongly disagree, 2-Disagree, 3-Not sure, 4-Agree, 5-Strongly agree.

No.	Statements	1	2	3	4	5
i.	The materials used in the production of various products are made from recycled materials.					
ii.	Energy usage from a single primary source.					
iii.	Energy saved as a direct consequence of conservation programs and efficiency enhancements.					
iv.	Initiatives aimed to provide energy-efficient products and					

	services and reduce the energy requirements of their users.					
v.	Various initiatives are carried out to reduce energy consumption.					
vi.	Water withdrawals totalled by source.					
vii.	Various initiatives that aim to reduce greenhouse gas emissions.					
viii.	Efforts to mitigate the ecological consequences of a variety of products.					
ix.	There is high number of products sold and made from reclaimed materials.					

Section C: Social reporting

5. The following items relate to **social reporting**. Please tick the extent to which you agree with listed statements.

Key: 1-Strongly disagree, 2-Disagree, 3-Not sure, 4-Agree, 5-Strongly agree.

No.	Statements	1	2	3	4	5
i.	Labour force segmented according to contract type and gender.					
ii.	Full time employee benefits not provided to part time or casual employees.					
iii.	Retention rates and return to work for staff after parental leave classified by gender.					
iv.	The minimum notice time on major changes in operations including whether they are in collective agreements					

v.	Programs implemented to support staff members such as training, education, prevention, risk control, and counselling initiatives.					
vi.	Agreements with trade union contains clauses on health and safety.					
vii.	The number of hours spent on employee training by category of the employee and their gender.					
viii.	Skill management programs for lifelong learning, to support employee employability and assist staff in career management or endings.					
ix.	High number of workers receiving regular performance information and reviews on information on career development, broken down by gender					
x.	The ratio of salaries (basic) of women and men at various locations of significant operations.					

Section B: Economic reporting

6. The following items relate to **economic reporting**. Please tick the extent to which you agree with listed statements.

Key: 1-Strongly disagree, 2-Disagree, 3-Not sure, 4-Agree, 5-Strongly agree.

No.	Statements	1	2	3	4	5
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i.	Direct economic value of the projects and initiatives is derived from their revenues and other investments					
ii.	Climate change financial consequences, threats, and prospects.					
iii.	Obligations relating to the company pension plan of the company are covered.					
iv.	Significant economic support from the state.					
v.	The wages of entry-level workers are compared to the local minimum wage in different operating locations					
vi.	Policies and practices are related to the procurement of local products and services at major processes					
vii.	Policies in place to aid firms hire from the local communities' members of the senior management.					
viii.	Effect of developed infrastructure and services to the public in pro-bono, either in kind or in commercial basis.					
ix.	Understanding the various fiscal effects of allow the bank to make informed decisions					

Section F: Financial Performance


8. Kindly tick on level at which profits, assets, and market share has been improving

No.	Statements	Very high	High	Fair	Low	Very low
i.	Profits					

ii.	Assets					
iii.	Market share					

Thank you for your cooperation.

Appendix III: Research Authorization


**KENYATTA UNIVERSITY
GRADUATE SCHOOL**

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Internal Memo

FROM: Executive Dean, Graduate School DATE: 19th January, 2024
TO: Gitau Gathukia Reuben REF: D53/OL/CTY/27311/2018
C/o Environmental Sciences & Education Dept.

SUBJECT: APPROVAL OF RESEARCH PROJECT PROPOSAL.


This is to inform you that Graduate School Board at its meeting of 17th January, 2024 approved your Research Project Proposal for the M.Env. Degree Entitled, "Sustainability Reporting and Financial Performance for Listed Commercial Banks on Nairobi Securities Exchange, Kenya."

You may now proceed with your Data Collection, Subject to Clearance with Director General, National Commission for Science, Technology and Innovation.

As you embark on your data collection, please note that you will be required to submit to Graduate School completed Supervision Tracking Forms per semester. The form has been developed to replace the Progress Report Forms. The Supervision Tracking Forms are available at the University's Website under Graduate School webpage downloads.

Also, please ensure that you publish article(s) from your project before submitting it to Graduate School for examination as per the Commission for University Education and Kenyatta University guidelines.

Thank you.


JOHN ODONGI
FOR: EXECUTIVE DEAN, GRADUATE SCHOOL

c.c. Chairman, Environmental Sciences & Education Department.

Supervisors:

I. Dr. Fredrick Waweru
C/o Department of Environmental Sciences & Education
Kenyatta University

JO/ma

Appendix IV: Research Permit



NATIONAL COMMISSION FOR SCIENCE, TECHNOLOGY & INNOVATION

Date of Issuance: 06/February/2024

RESEARCH LICENSE



This is to Certify that Mr. Mumbwa Galobika Gitau of Kenyatta University, has been licensed to conduct research as per the provision of the Science, Technology and Innovation Act, 2013 (Rev.2014) in Nairobi on the topic: Sustainability Reporting and Financial Performance for NML Limited Bank, Kenya for the period ending: 06/February/2025.

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