

Sustainability Reporting Practices and Financial Outcomes of Listed Oil and Gas Companies in Niger Delta Region

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ABSTRACT

This research investigated how sustainability reporting influences the financial performance of quoted oil and gas firms operating in Nigeria's Niger Delta region. The study specifically focused on community development disclosures and employee welfare disclosures as the main sustainability reporting components, while net profit margin served as the proxy for financial performance. An ex-post facto research design was adopted, using secondary data extracted from the annual reports of four listed oil and gas companies spanning 2015 to 2024. Data analysis was carried out using descriptive statistics, the Lagrange multiplier test, and panel regression techniques to evaluate the relationships among the variables. Findings from the analysis indicated that community development reporting exerts a statistically significant negative effect on net profit margin, implying that increased spending on community-related initiatives may temporarily reduce profitability due to higher associated costs. In contrast, employee welfare reporting was found to have a significant positive influence on net profit margin, suggesting that improved staff welfare contributes to higher productivity and better financial outcomes. The study therefore concludes that although community development obligations may reduce short-term profits, investment in employee welfare enhances overall financial performance. It is recommended that oil and gas companies adopt a balanced sustainability approach that aligns social responsibility commitments with cost efficiency in order to achieve long-term profitability and stakeholder satisfaction.

Keywords: Sustainability Reporting, Community Development, Employee Welfare, Net Profit Margin

INTRODUCTION

In recent years, the global corporate landscape has experienced major shifts driven by heightened attention to environmental, social, and governance (ESG) issues and their influence on organizational outcomes. Companies are now assessed not only through traditional financial indicators but also based on how well they integrate sustainability principles and maintain transparency in their operations. This change has been propelled by increasing demands from key stakeholders such as investors, regulatory bodies, and the wider public, all of whom expect firms to be accountable for their economic, environmental, and social performance. Consequently, sustainability reporting has become an essential tool used by organizations to disclose their long-term value creation strategies and demonstrate their continued viability (Abeysekera, 2022; Wagenhofer, 2024). Over time, sustainability reporting has progressed from optional disclosure practices to more formalized and standardized systems designed to improve consistency, transparency, and comparability across firms. Organizations now rely on established reporting frameworks to communicate information about their environmental impact, social initiatives, and governance practices. These disclosures help reduce information gaps between firms and stakeholders, thereby shaping investor confidence and corporate reputation. Prior empirical evidence suggests that firms that actively engage in sustainability reporting often achieve better financial performance, largely due to increased stakeholder trust and improved efficiency in operations (Oncioiu et al., 2020; Suhatmi et al., 2024).

Although sustainability reporting is theoretically expected to enhance corporate value, the empirical relationship between such disclosures and financial performance is not straightforward and often yields mixed results. Some researchers maintain that sustainability-oriented activities can generate benefits such as reduced operational risks, improved efficiency, and higher profitability, while others argue that these initiatives may impose significant costs that can negatively affect short-term financial outcomes (Alshehhi et al., 2018; Gold & Taib,

2020). These differing perspectives suggest that the effects of sustainability reporting are likely to depend on contextual factors, including industry characteristics, regulatory strength, and stakeholder pressures, which vary across regions. In developing countries, the effectiveness of sustainability reporting is further complicated by institutional limitations, weak enforcement mechanisms, and uneven stakeholder awareness. As a result, the implementation and quality of such reporting practices may differ widely, influencing their actual impact on corporate performance. Evidence from emerging economies also indicates that some firms may disclose sustainability information primarily for appearance rather than genuine commitment, raising concerns about the reliability and meaningfulness of these reports (Rahman & Chowdhury, 2019; Pham et al., 2021).

Nigeria provides a particularly relevant context for examining these issues, given its status as a leading oil-producing country in Africa. The oil and gas industry contributes substantially to national income but is also linked to serious environmental and social challenges, especially in the Niger Delta region. Problems such as gas flaring, environmental pollution, and frequent community conflicts have increased demands for stronger corporate transparency and accountability in sustainability practices (Agutu & Githira, 2023; Ershadi et al., 2024). The Niger Delta, in particular, has become a focal point in sustainability discussions due to the long-standing environmental degradation associated with oil exploration activities. Host communities continue to raise concerns about ecosystem damage, declining livelihoods, and insufficient corporate social responsibility responses. In reaction to these pressures, oil and gas companies operating in the region have expanded their sustainability reporting efforts to demonstrate environmental responsibility and social commitment. Nevertheless, it remains unclear whether these disclosures consistently translate into measurable improvements in financial performance.

Furthermore, the financial outcomes associated with sustainability reporting in the oil and gas industry are shaped by several interrelated factors, such as regulatory requirements, investor demands, and the efficiency of operational processes. Existing research presents differing conclusions, with some studies identifying a positive link between sustainability disclosures and financial performance, while others observe weak or inconclusive relationships. This suggests that the advantages of sustainability reporting may not be consistent across all firms or contexts (Lee et al., 2023; Khamis et al., 2025). This inconsistency underscores the need for empirical studies that consider industry-specific and regional nuances. Another critical concern lies in the quality and credibility of sustainability reports produced by firms. The mere act of reporting does not guarantee meaningful disclosure or improved performance. Poor-quality reports, characterized by selective disclosure or lack of standardization, may undermine stakeholder trust and fail to deliver the anticipated financial benefits. Consequently, understanding not just the presence but the effectiveness of sustainability reporting practices is essential for assessing their true impact on corporate outcomes (Chang et al., 2019; Celik, 2023).

Given these complexities, there is a growing need to critically examine the relationship between sustainability reporting practices and financial outcomes within the specific context of listed oil and gas companies in the Niger Delta region. While existing literature provides valuable insights, it often lacks a focused analysis that captures the unique environmental, social, and economic challenges of this region. This raises an important question: to what extent do sustainability reporting practices actually influence the financial outcomes of listed oil and gas companies operating in the Niger Delta region?

LITERATURE REVIEW

Sustainability Reporting Practices

Sustainability reporting refers to the structured disclosure of information by organizations concerning their environmental, social, and governance (ESG) activities in addition to conventional financial statements. Its importance has grown significantly as various stakeholders increasingly expect firms to be transparent about how they manage environmental impacts, social obligations, and governance systems. Beyond financial reporting, it captures non-financial aspects that reflect long-term sustainability, ethical behavior, and value creation within organizations (Abeysekera, 2022; Wagenhofer, 2024). In this regard, sustainability reporting functions as a key communication mechanism that reduces information asymmetry between organizations and their stakeholders, thereby strengthening accountability and trust. Over time, it has shifted from being a voluntary practice to a more formalized system guided by globally recognized standards such as the Global Reporting

Initiative (GRI) and other ESG reporting frameworks. These standards enhance consistency, reliability, and comparability in reporting practices, enabling stakeholders to better assess corporate performance beyond purely financial indicators (Christensen et al., 2021; Suhatmi et al., 2024). As a result, sustainability reporting has become embedded within corporate reporting structures across both developed and developing economies.

Typically, sustainability reporting is built around three main pillars: environmental, social, and governance disclosures. Environmental reporting focuses on issues such as emissions control, resource consumption, waste handling, and ecological protection efforts. Social reporting captures areas including employee welfare, occupational safety, community relations, and human rights considerations. Governance reporting, on the other hand, addresses corporate leadership structures, audit mechanisms, executive pay systems, and ethical compliance. Together, these components offer a comprehensive assessment of an organization's sustainability performance and its commitment to responsible business conduct (Oncioiu et al., 2020; Al-Wattar et al., 2019). The effectiveness of sustainability reporting largely depends on its quality, which is reflected in the extent of transparency, completeness, relevance, and reliability of disclosed information. High-quality reports provide clear and verifiable data that stakeholders can use for informed decision-making and risk evaluation. Conversely, poor-quality disclosures may involve incomplete reporting, lack of comparability, or misleading practices such as greenwashing, where firms exaggerate their environmental or social responsibility efforts without meaningful action (Chang et al., 2019; Lee et al., 2023). Therefore, the credibility of sustainability reporting is crucial in shaping stakeholder confidence and influencing organizational outcomes.

Empirical literature on the relationship between sustainability reporting and financial performance presents varied findings. Some studies argue that firms with strong sustainability disclosure practices benefit from improved reputation, stronger investor trust, and more effective risk management, which can enhance financial outcomes (Ameer & Othman, 2012; Pham et al., 2021). In contrast, others suggest that the costs associated with implementing sustainability initiatives and reporting systems may negatively affect short-term profitability, particularly in capital-intensive sectors such as oil and gas (Alshehhi et al., 2018; Gold & Taib, 2020). This divergence in findings implies that the impact of sustainability reporting is context-dependent, influenced by factors such as industry structure and regulatory conditions. In developing economies, additional constraints such as weak enforcement mechanisms, limited stakeholder pressure, and underdeveloped reporting standards further complicate sustainability disclosure practices. Nonetheless, with increasing globalization and pressure from international investors, many firms in emerging markets are gradually aligning their reporting systems with global best practices. Evidence also suggests that companies adopting comprehensive sustainability reporting frameworks are more likely to attract foreign investment and achieve greater long-term financial stability (Khamis et al., 2025; Ershadi et al., 2024).

Financial Outcomes

Financial outcomes refer to the measurable results of a firm's economic activities, typically reflected in its ability to generate profits, create shareholder value, and maintain financial stability over time. These outcomes are often assessed using key financial performance indicators such as return on assets (ROA), return on equity (ROE), profit margins, earnings per share, and overall firm value. Financial outcomes provide a clear indication of how efficiently a company utilizes its resources to generate returns and sustain growth. As such, they are central to assessing the success and sustainability of corporate operations in both the short and long term (Ameer & Othman, 2012; Pham et al., 2021). In corporate finance literature, financial outcomes are widely used as indicators of managerial efficiency and organizational effectiveness. Strong financial outcomes suggest that a firm is effectively managing its assets, controlling costs, and maximizing revenues, while weak outcomes may indicate inefficiencies or underlying operational challenges. Investors and stakeholders rely heavily on financial outcomes to make informed decisions regarding investment, credit, and partnership opportunities. Consequently, firms are under constant pressure to improve their financial performance in order to remain competitive in the market (Lee et al., 2023; Khamis et al., 2025).

Financial outcomes are influenced by a wide range of internal and external factors, including capital structure, operational efficiency, market conditions, regulatory environment, and corporate governance practices. Internal factors such as management efficiency, resource allocation, and innovation capability play a critical role in determining how well a firm performs financially. External factors, on the other hand, include macroeconomic

conditions, industry competition, and government policies, all of which can significantly affect corporate profitability and sustainability (Celik, 2023; Ershadi et al., 2024). This multifaceted nature of financial outcomes makes them a complex but essential construct in financial analysis. In recent years, growing scholarly attention has been directed toward understanding how sustainability practices influence financial performance. Many researchers contend that organizations incorporating environmental, social, and governance (ESG) principles into their operations are better positioned to achieve improved financial results. This is often attributed to stronger risk mitigation, enhanced corporate image, and deeper engagement with stakeholders. In addition, sustainability-oriented initiatives may generate operational benefits such as lower energy usage and more efficient waste management systems, which can positively affect profitability (Oncioiu et al., 2020; Suhatmi et al., 2024). From this viewpoint, sustainability efforts and profitability are seen as complementary rather than conflicting objectives.

Nevertheless, the connection between sustainability practices and financial outcomes remains complex and not always consistent. Empirical findings in the literature are divided, with some studies reporting weak or inconclusive results, indicating that the advantages of sustainability initiatives do not necessarily lead to immediate improvements in financial performance. In certain cases, the initial costs of implementing sustainability initiatives, such as investments in technology, compliance, and reporting systems, may negatively impact short-term profitability. This has led to ongoing debates among scholars regarding whether sustainability efforts enhance or hinder financial outcomes (Gold & Taib, 2020; Alshehhi et al., 2018).

Theoretical Review

This study is grounded in Stakeholder Theory, which offers a useful lens for explaining how sustainability reporting practices relate to financial performance. The theory maintains that organizations are responsible to a wide network of stakeholders rather than solely to shareholders. These stakeholders include employees, customers, suppliers, regulators, investors, and host communities. Initially developed and widely advanced by Freeman, the theory has become a central framework in discussions of corporate governance and sustainability. It suggests that firms that effectively recognize and respond to stakeholder expectations are better positioned to achieve sustainable growth and improved organizational outcomes (Freeman, 1984; Abeysekera, 2022). A key assumption of Stakeholder Theory is that long-term corporate success depends on balancing the often competing interests of different stakeholder groups in a way that preserves legitimacy and competitive advantage. In contrast to traditional approaches that prioritize shareholder wealth alone, this theory promotes the creation of value for all stakeholder groups as a foundation for improved performance. This broader view aligns closely with sustainability reporting practices, which require firms to disclose information related to environmental impact, social responsibility, and governance structures. By doing so, organizations reduce information gaps, strengthen transparency, and build trust-based relationships that can positively influence financial outcomes (Christensen et al., 2021; Wagenhofer, 2024). Within this framework, sustainability reporting is seen as an important communication mechanism through which firms demonstrate responsiveness to stakeholder concerns, especially in environmentally sensitive industries such as oil and gas. Such disclosures often cover issues related to environmental protection, community engagement, and ethical governance, all of which are critical to maintaining legitimacy in society. From a stakeholder perspective, transparent reporting helps firms secure continued acceptance and support from relevant groups. Empirical studies further indicate that organizations that actively engage in stakeholder-focused reporting tend to benefit from improved reputation, stronger investor confidence, and enhanced financial performance (Oncioiu et al., 2020; Suhatmi et al., 2024).

Furthermore, Stakeholder Theory suggests that meeting stakeholder expectations can lead to enhanced organizational performance through reduced conflicts, improved operational efficiency, and access to valuable resources. For instance, positive relationships with local communities can reduce the likelihood of disruptions such as protests or vandalism, which are common in oil-producing regions like the Niger Delta. Similarly, transparent reporting can attract socially responsible investors who prioritize firms with strong ESG practices. These benefits, in turn, can enhance profitability and firm value, supporting the argument that stakeholder engagement through sustainability reporting is financially beneficial (Igbekoyi et al., 2021; Pham et al., 2021). However, Stakeholder Theory also acknowledges that balancing stakeholder interests can be complex and resource-intensive. Firms may incur additional costs in implementing sustainability initiatives and producing detailed sustainability reports, which could negatively affect short-term financial outcomes. Despite this, the

theory maintains that the long-term benefits of maintaining strong stakeholder relationships outweigh the short-term costs.

Empirical Review and Hypotheses Formulation

Empirical research has widely explored how sustainability reporting relates to corporate financial performance, with increasing coverage in both developed and emerging economies. Earlier studies, including Reddy and Gordon (2010), suggest that organizations that disclose sustainability-related information often achieve better financial outcomes, largely because such transparency enhances investor confidence and improves overall credibility. In a similar vein, Oncioiu et al. (2020) reported that sustainability disclosures can improve profitability by strengthening stakeholder relationships and enhancing corporate reputation. Supporting this view, Suhatmi et al. (2024) demonstrated through a cross-country analysis that firms with consistent environmental and social reporting tend to record stronger financial performance. Further research also indicates that sustainability reporting can contribute to efficiency gains and long-term value creation within firms. For example, Pham et al. (2021), based on evidence from Sweden, found that sustainability-oriented practices are positively associated with financial performance, mainly due to better resource management and increased stakeholder engagement. Comparable conclusions were drawn by Kasbun et al. (2016) and Thayaraj and Karunarathne (2021), who observed that firms with more developed sustainability reporting systems generally exhibit higher profitability levels. Nonetheless, some scholars argue that the financial benefits of sustainability reporting are not always immediate, as implementation may involve significant costs that temporarily reduce profitability (Gold & Taib, 2020; Rahman & Chowdhury, 2019). These mixed findings indicate that the relationship between sustainability reporting and financial outcomes is not uniform and may vary depending on contextual factors.

More recent studies have taken broader approaches to integrate existing evidence. Khamis et al. (2025), using meta-analytical techniques, concluded that sustainability practices generally have a positive but inconsistent effect on financial performance, depending on sectoral and regional differences. Likewise, Ershadi et al. (2024) and Celik (2023) found that sustainability reporting contributes positively to financial outcomes, although the strength of this relationship varies across firms. Lee et al. (2023) further emphasized that the quality of sustainability disclosures significantly determines their financial impact, with more detailed and credible reporting producing stronger effects. Despite these advancements, there is still limited empirical focus on breaking sustainability reporting into specific components such as community development and employee welfare, creating a gap that warrants further academic investigation.

H₀₁: Community development reporting has no significant effect on the net profit margin of listed oil and gas companies.

Focusing on the community-related disclosures, existing studies suggest that firms engaging in community development initiatives often experience improved corporate image and stakeholder support. Ameer and Othman (2012) found that companies investing in social responsibility activities, including community development, outperform others financially due to increased customer loyalty and enhanced brand value. Similarly, Agutu and Githira (2023) reported that sustainability reporting, especially in the social domain, positively influences financial performance in listed firms. These findings imply that community development reporting may serve as a strategic tool for enhancing profitability. Further empirical evidence indicates that community engagement fosters long-term sustainability and risk reduction. Studies such as Igbekoyi et al. (2021) and Okon et al. (2023) demonstrate that firms actively reporting social and environmental initiatives tend to achieve better financial outcomes due to improved relationships with host communities and reduced operational disruptions. Additionally, Al-Wattar et al. (2019) emphasized that integrating sustainability reporting into organizational systems enhances financial performance by aligning corporate activities with stakeholder expectations. However, some scholars argue that the financial benefits of community development initiatives may be indirect and may not immediately translate into profitability, thereby creating mixed empirical outcomes.

Moreover, theoretical and empirical debates persist regarding the extent to which community-focused reporting directly influences financial performance metrics such as net profit margin. While studies like Burhan and Rahmanti (2012) and Abbas et al. (2023) report a positive association, others suggest that the costs of community

investments may offset short-term gains (Alshehhi et al., 2018; Christensen et al., 2021). This inconsistency in findings highlights the need for more focused empirical investigation, particularly within the oil and gas sector where community relations are critical. Consequently, this study proposes to empirically test the following hypothesis:

H₀₂: Employee welfare reporting has no significant effect on the net profit margin of listed oil and gas companies.

METHODOLOGY

This research employed an ex-post facto design and relied on secondary data extracted from the annual reports of four publicly listed oil and gas firms, covering a ten-year period from 2015 to 2024. The population of the study comprises all four selected firms, hence a census sampling technique is employed. Data on sustainability reporting practices proxied by community development reporting and employee welfare reporting alongside financial performance measured by net profit margin, are extracted and analyzed. This study applied panel data regression techniques to evaluate the influence of the independent variables on the dependent variable, while descriptive statistical methods were used to summarize and explore the dataset prior to inferential analysis. All statistical tests were carried out at a 5% significance level using relevant analytical software. The functional and econometric specification of the model is presented as follows:

Functional Model:

$$NPM = f(CDR, EWR)$$

Where:

NPM = Net Profit Margin

CDR = Community Development Reporting

EWR = Employee Welfare Reporting

Econometric Model:

$$NPM = \beta_0 + \beta_1 CDR + \beta_2 EWR + \mu$$

Where:

NPM = Net Profit Margin of firm

β_0 = Intercept (constant term)

β_1, β_2 = Coefficients of the independent variables

CDR = Community Development Reporting of firm

EWR = Employee Welfare Reporting of firm

μ = Error term

FINDINGS, CONCLUSION AND RECOMMENDATIONS

Descriptive Statistic Result

	NPM	CDR	EWR
Mean	7.855000	6.475000	7.067500

Median	8.000000	6.500000	7.000000
Maximum	15.50000	9.500000	9.500000
Minimum	-2.500000	3.500000	4.500000
Std. Dev.	4.634705	1.572806	1.369332
Skewness	-0.418781	0.000576	0.020655
Kurtosis	2.485415	2.223256	2.069018
Jarque-Bera	1.610513	1.005553	1.447390
Probability	0.446973	0.604849	0.484957
Sum	314.2000	259.0000	282.7000
Sum Sq. Dev.	837.7390	96.47500	73.12775
Observations	40	40	40

The descriptive statistics reveal important insights into the behavior of the study variables over the period. The average net profit margin (NPM) of 7.86% indicates that, on the whole, the sampled oil and gas companies were moderately profitable, although the wide range between the minimum value of -2.50% and maximum of 15.50% suggests substantial variability in firm performance. This is further confirmed by a relatively high standard deviation of 4.63, indicating fluctuations in profitability across firms and years. In contrast, community development reporting (CDR) and employee welfare reporting (EWR) exhibit more stability, with mean values of 6.48 and 7.07 respectively, and lower standard deviations of 1.57 and 1.37. This implies that sustainability reporting practices are more consistent across the firms compared to financial performance. The gradual spread between minimum and maximum values for CDR (3.50–9.50) and EWR (4.50–9.50) also reflects steady improvements in sustainability disclosures over time.

Furthermore, the distributional properties of the variables indicate near-normal behavior. The skewness values for all variables are close to zero (NPM = -0.42, CDR = 0.00, EWR = 0.02), suggesting that the data are fairly symmetrically distributed, although NPM shows a slight left skew due to occasional low or negative profit values. The kurtosis values for all variables are below 3, indicating a platykurtic distribution, meaning the data are relatively flatter with fewer extreme outliers. This is supported by the Jarque-Bera statistics, where the probability values for NPM (0.447), CDR (0.605), and EWR (0.485) are all greater than 0.05.

Lagrange Multiplier Tests

	Test Hypothesis		
	Cross-section	Time	Both
Breusch-Pagan	80.58226	1.277842	81.86011
	(0.0000)	(0.2583)	(0.0000)
Honda	8.976762	-1.130417	5.548204
	(0.0000)	--	(0.0000)
King-Wu	8.976762	-1.130417	7.208896

	(0.0000)	--	(0.0000)
Standardized Honda	12.75727	-0.823125	4.165900
	(0.0000)	--	(0.0000)
Standardized King-Wu	12.75727	-0.823125	7.034374
	(0.0000)	--	(0.0000)
Gourierioux, et al.*	--	--	80.58226
*Mixed chi-square asymptotic critical values:			
1%	7.289		
5%	4.321		
10%	2.952		

The Lagrange Multiplier (LM) test results provide evidence on whether a random effects model is more appropriate than a pooled ordinary least squares (OLS) model. The Breusch–Pagan LM statistic for cross-sectional effects is 80.582 with a probability value of 0.0000, which is statistically significant at the 5% level. This indicates the rejection of the null hypothesis of no random effects across cross-sections, suggesting that there are significant differences among the firms that must be accounted for. Similarly, the “Both” effect (cross-section and time combined) is also significant (statistic = 81.860, p-value = 0.0000), reinforcing the presence of panel effects. However, the time effect alone is not significant (p-value = 0.2583), implying that variations across time are not strong enough to independently influence the model. Further supporting this conclusion, the Honda, King-Wu, Standardized Honda, and Standardized King-Wu tests all show significant results for cross-sectional and combined effects (p-values = 0.0000), while the time dimension remains insignificant or weak. The Gourierioux et al. test also confirms the joint significance of random effects with a probability less than 0.01.

Regression Result

Variable	Coefficient	Std. Error	t-Statistic	Prob.
CDR	-4.597128	1.410797	-3.258533	0.0024
EWR	7.827140	1.620432	4.830281	0.0000
C	-17.69691	3.052924	-5.796708	0.0000
R-squared	0.696516	Mean dependent var		7.855000
Adjusted R-squared	0.680112	S.D. dependent var		4.634705
S.E. of regression	2.621326	Akaike info criterion		4.837276
Sum squared resid	254.2400	Schwarz criterion		4.963942
Log likelihood	-93.74553	Hannan-Quinn criter.		4.883075
F-statistic	42.45883	Durbin-Watson stat		0.284274
Prob(F-statistic)	0.000000			

The regression analysis shows that sustainability reporting practices significantly influence the net profit margin of listed oil and gas firms. Specifically, community development reporting (CDR) records a negative and statistically significant coefficient of -4.597 ($t = -3.259$, $p = 0.0024$), indicating that increases in CDR are associated with a decline in net profit margin. This suggests that greater emphasis on community development activities or disclosures may raise operational expenses, thereby exerting short-term pressure on profitability. In contrast, employee welfare reporting (EWR) exhibits a positive and highly significant coefficient of 7.827 ($t = 4.830$, $p = 0.0000$), implying that stronger reporting in this area corresponds with improved net profit margin. This result suggests that investments in employee welfare may enhance productivity, efficiency, and workforce motivation, ultimately contributing to better financial outcomes. The model demonstrates strong explanatory capacity, with an R-squared value of 0.6965 and an adjusted R-squared of 0.6801, meaning that approximately 68% of the variation in net profit margin is accounted for by community development reporting and employee welfare reporting. The overall regression is also statistically significant, as reflected in the F-statistic value of 42.46 and a p-value of 0.0000, confirming that the explanatory variables jointly have a meaningful impact on profitability.

These results are consistent with and extend prior empirical findings, which present mixed evidence on the financial implications of community development reporting. Some studies, including Ameer and Othman (2012), Agutu and Githira (2023), and Oncioiu et al. (2020), report a positive association, suggesting that community engagement strengthens corporate reputation and stakeholder confidence, thereby improving financial performance. Similarly, Igbekoyi et al. (2021) and Okon et al. (2023) argue that firms involved in community-oriented initiatives benefit from improved relations with host communities and reduced operational disruptions. However, the negative relationship observed in this study aligns with Gold and Taib (2020) and Rahman and Chowdhury (2019), who contend that sustainability-related expenditures can create short-term financial burdens, particularly in capital-intensive sectors such as oil and gas.

Conversely, the positive impact of employee welfare reporting supports existing literature highlighting the financial benefits of internal sustainability practices. Studies by Suhatmi et al. (2024) and Pham et al. (2021) show that employee-focused initiatives enhance efficiency, productivity, and overall firm performance. Likewise, Kasbun et al. (2016) and Thayaraj and Karunarathne (2021) report that organizations with strong employee welfare commitments tend to achieve higher profitability. These findings are further reinforced by Lee et al. (2023), who emphasize that the quality and consistency of sustainability disclosures play a crucial role in improving firm performance, thereby underscoring the importance of employee welfare reporting in driving financial success.

Test of hypotheses

H₀₁: Community development reporting has no significant effect on the net profit margin of listed oil and gas companies.

The coefficient of community development reporting (CDR) is -4.597128, with a t-statistic of -3.258533 and a probability value (p-value) of 0.0024. At a 5% level of significance ($\alpha = 0.05$), the decision rule is to reject the null hypothesis if the p-value is less than 0.05. Since $0.0024 < 0.05$, the result is statistically significant. Community development reporting has a significant negative effect on the net profit margin of listed oil and gas companies. This implies that increased community development reporting is associated with a reduction in profitability, likely due to the cost implications of such initiatives.

H₀₂: Employee welfare reporting has no significant effect on the net profit margin of listed oil and gas companies.

The coefficient of EWR is 7.827140, with a t-statistic of 4.830281 and a p-value of 0.0000. At a 5% level of significance ($\alpha = 0.05$), the decision rule is to reject the null hypothesis if the p-value is less than 0.05. Since $0.0000 < 0.05$, the result is statistically significant. Employee welfare reporting has a significant positive effect on the net profit margin of listed oil and gas companies. This implies that improvements in employee welfare reporting contribute to higher profitability, likely through enhanced employee productivity, motivation, and organizational efficiency.

Conclusion

In conclusion, the study established that sustainability reporting practices significantly influence the financial performance of listed oil and gas companies, as measured by net profit margin. Specifically, community development reporting has a significant negative effect on profitability, suggesting that increased investment in community-related activities may raise operational costs and reduce short-term financial gains, while employee welfare reporting has a significant positive effect, indicating that better attention to employees enhances productivity and contributes to improved profitability. The results also show that sustainability reporting variables jointly explain a substantial portion of variations in net profit margin, confirming their relevance to firm performance.

Recommendations

The following recommendations were made for the study;

1. Adopt a balanced approach to sustainability reporting by carefully managing expenditures on community development activities to minimize short-term negative impacts on profitability while maintaining strong community engagement.
2. Enhance and prioritize employee welfare programs to improve productivity, motivation, operational efficiency, and ultimately net profit margin.
3. Integrate sustainability reporting into overall strategic planning and budgeting processes to ensure cost-effective implementation that supports both social responsibility and financial performance.

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