The Relationship between Sustainability Reporting and Financial Performance of Selected Universal and Commercial Banks in the Philippines

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Abstract

Banking institutions are pressured by their stakeholders to include sustainable practices as part of their organizational objectives after experiencing prodigal events that almost impaired the credibility and reputation of the industry. Researches have shown that financial performance in a different marketplace, including the banking industry, is influenced by sustainability reporting through improved branding and corporate image. This study aims to investigate the relationship between sustainability reporting and the financial performance of universal and commercial banks in the Philippines for the year 2017. Global Reporting Initiatives (GRI) sustainability reporting guidelines are used to evaluate how extensive the sustainability information reported. In this context, sustainability disclosures include information on good governance, economic, environmental, and social aspects. The financial performance is measured using quantitative indicators, namely: return on equity (ROE), return on assets (ROA), and net interest margin (NIM). This study conducted a correlational research design using Spearman rank-order and multiple regression analysis. The stakeholder theory provided the framework for this research study. The results indicate that significant positive relationships exist only between the extent of disclosure of sustainability reporting, and the financial performance indicator on return on equity of universal and commercial banks in the Philippines. On the other hand, non-significant findings were seen in the correlation between the extent of disclosure of sustainability reporting, and the financial performance indicators on ROA and NIM. On this basis, the results suggested the regulators and the government should implement policies providing a standardized framework, like GRI guidelines, and imposed a penalty to non-conformance of published sustainability reports with this standardized framework. Further research is needed to guide business leaders in decision-making.

Keywords: Sustainability Reporting, Financial Performance, Global Reporting Initiative (GRI) Sustainability Reporting Guidelines, Universal and Commercial Banks, Philippines

Sustainability has become the focus of global attention. In many countries, governments, businesses, and even the banking and stock exchange sectors have taken substantial steps to embed sustainable practices in their operations as a way to further contribute to and make a more significant difference in society. These steps include a clearer focus on green financing, environmental protection, biodiversity conservation, employee rights, promotion of economic sustainability, water efficiency management, and corporate and ethical governance, among others.

It is the desire for high-quality brand reputation and operational longevity that drives businesses to engage in sustainable development which helps commerce demonstrate its active participation in support of programs linked to social change, economic growth, ethical and good governance, and environmental preservation and protection. An organization can always excel, but taking responsibility for society and promoting sustainability will help it perform better financially (Semuel & Colleagues, 2019). Furthermore, its stakeholders consider sustainable information a vital component in making purposive decisions and implementing corporate policies (World flavor, 2018). This being so, the mandatory reporting of sustainability has resulted in widespread improvements in many facets of the operation, along with areas of sustainable business in several countries (Ioannou & Serafeim, 2011). Some countries in southeast Asia recognize the sustainability reporting as means to improve transparency and credibility, and agreed that sustainable development integrates their commercial strategies and considered it a best practice leading to better economic advantage (Loh & Thomas, 2018).

Countries maintain strict regulations on their financial sectors to ensure that the economy is stable and minimize the danger of a financial crisis. Without strict regulations, manipulation of banks and the financial sector can happen such as the one that led to the worldwide economic crisis in 2008 when deregulation of financial sectors played a major role that caused it (Amadeo, 2017). Governments in the Asia-Pacific countries tend to focus its regulatory power with the macroeconomic stability, exerting less effort to achieve the benefits of sustainability such as job creation, social development and environmental protection (Akhtar, 2018). Tight regulatory policies are indeed necessary to lessen the risk of recession in the future. During the 1985 economic crisis, 1997 Asian financial crisis and 2008 global financial crisis, Singapore has shielded its citizen from massive impact of the economic downfalls through enhancing the regulatory and fiscal policies (Jie, 2018). In addition to safeguarding against the financial crisis, the supervision of regulatory authority contributes as well to the profitability, efficiency, and stability of banking institutions of different countries (Kufnerova, 2016).

In the Philippines, the relatively lax regulation and weak internal control in the sector of banking have resulted in several controversies. In 2016, the transfer of $81 million to Rizal Commercial Banking Corporation (RCBC) from the Central Bank of Bangladesh was recorded as the biggest money-laundering scandal (Reuters, 2016). Another controversy involved a corrupt senior management official of Metropolitan Bank and Trust Company (Metrobank) who engineered the fraudulent release of P900 million to a fictitious account. In 2017, Bank of the Philippines Islands (BPI) experienced an unfortunate and upsetting system glitch that resulted in unauthorized transactions in the accounts of its depositors. In the first quarter of 2019, a foreign shipbuilding company declared bankruptcy and made the biggest corporate default. Loan exposure of $412 million to five of the biggest banks (RCBC, Land Bank of the Philippines, Metrobank, BPI, and Banco de Oro Universal Bank) could impair their credit scores due to these weighty exposures (Caraballo, 2019). Banking scandals have seriously affected the credibility of banks and the economic status of the country. One precedent is the money laundering scam and internal fraud which resulted in a huge amount of penalty imposed against RCBC and Metrobank (Lucas, 2018; Schnabel, 2017). Reputations were compromised in the system glitch when account holders chose to deposit their money to other banks (Galolo, 2017). Bankruptcy and loan default do have a substantial influence on the employment rate of the country and financial losses are incurred by the exposed banks and the whole financial sector of the country (Kritz, 2019; Lopez, 2019).

This study focused on the relationship between sustainability reporting and the financial performance of universal and commercial banks in the Philippines. There are research studies in the Philippines that examine the sustainability reporting and practices of publicly listed companies, but none is concentrating in the financial sector. This study fills the research gap by focusing on sustainability reporting of the banking industry in the Philippines and its relationship with financial performance.

In this study, sustainability reports are evaluated based on Global Reporting Initiative (GRI) guidelines. GRI guidelines are considered as the most commonly used standard globally with the objective to standardize and quantify the environmental, social, and governance aspects derived from the operation of the reporting organizations. GRI guidelines also make sustainability reporting, such as the case of financial reports, measurable. The banks' financial performance is measured using the basic quantitative indicators, namely: return on equity, return on assets, and net interest margin. These financial performance indicators are the most commonly used determinants of the over-all performance achieved by banks because of their accessibility, ease of calculation, and simplicity of interpretation. Financial ratios such as return on assets and return on equity are used as indicators of a company's growth, success, and control. Net interest margin is the profitability ratio used by banks to measure the efficiency of decision-making in investment. In the Philippines, return on assets, return on equity, and net interest margin are mandated by the Central Bank to be included in the notes to financial statements.

The banking sector of the Philippines is composed of universal and commercial banks, thrift banks, and rural and cooperative banks. Universal and commercial banks, the largest financial institutions, offer the most extensive financial services in the Philippines. The banking sector ensures the stability in economic and social stability and sustainable growth of the economy by providing banking services to the general public and to business.

The Philippine government mandates publicly-listed companies to report information, particularly on environmental awareness and social responsibility. The interest to conduct this study is based on whether this information is correlated to the banks' financial performance or not. This study will increase awareness of existing policies in mandatory reporting for sustainability.

Literature Review

Sustainability reporting has become the focus of the corporate environment because of the current needs of the stakeholders and business leaders who started to incorporate sustainability into their corporate routine. Applying the shared principle of corporate social responsibility and sustainability, stakeholders are both the main motivators and recipients of these green practices. Stakeholders, such as employees, are more likely to be satisfied if they are working in a company that extends support to environment and community. Satisfied employees are more productive, therefore, benefiting the company and its operation. Customer satisfaction is one of the goals of every company and customer service is essential for sustainable organization. Just like other stakeholders, customers and consumers prefer sustainable companies. Brands that are connected to sustainability increase consumer demands. Thus, meeting these expectations strengthens the market presence of the company. Businesses engage in sustainability reporting either because they volunteered or are required to get involved. The strongest elements that drive businesses to sustainable development are pressure from stakeholders, increase in branding, regulatory requirements, and competitive advantage (Global Reporting Initiative, 2011; Association of Chartered Certified Accountants, 2013).

Sustainability reporting consolidated non-financial information of businesses, their views, and efforts to promote awareness on economic, environmental, and social issues. The commitment to sustainable developments builds a better connection with stakeholders. Sustainable business practices benefit companies in different ways such as company visibility, brand awareness, and reputational advantage (Globe Telecom, Inc., 2016). Corporate collapses and scandals can also be avoided or countered by engaging in sustainability and re-branding. Therefore, having sustainable business perspectives has huge impacts on the company's overall performance, global economic progress, environmental preservation, biodiversity, human rights, equality, and social balance (Amran & Ooi, 2014).

The absence of standard guidelines may lead to selective disclosures in which merely good news will be disclosed and negative issues will be concealed. The uniformity and comparability of sustainability reporting across the industry will not be achieved. Despite the fact that there is still no common framework in preparing sustainability reports in the Philippines, GRI sustainability reporting guidelines are considered as a universally applicable framework. GRI guidelines provide the different aspects that indicate sustainability: the general strategic view as standard disclosure, and the economic, environmental, and social aspects which fall under specific standard disclosures. The GRI guidelines are pertinent to this study and will be referred to in measuring and quantifying the information reported in the sustainability reports.

Table 1.

Disclosures in GRI Sustainability Guidelines

General standard disclosures	Economic aspect	Environmental aspect		Social aspect
▪ Strategy and analysis ▪ Organizational profile ▪ Identified material aspects and boundaries	▪ Economic performance ▪ Market presence ▪ Indirect economic	▪ Materials ▪ Water ▪ Emissions ▪ Compliance	▪ Energy ▪ Biodiversity ▪ Transport ▪ Overall	▪ Labor practices and decent work ▪ Human rights ▪ Society
▪ Stakeholder engagement ▪ Report profile	impacts ▪ Procurement practices	▪ Products and services ▪ Effluents and waste		▪ Product responsibility
▪ Governance ▪ Ethics and integrity		▪ Supplier environmental assessment ▪ Environmental grievance mechanisms		

In the Philippines, the Securities and Exchange Commission (SEC), in its intention to strive for a sustainable economy, has encouraged the reporting of non-financial information and sustainable issues by companies and financial institutions. The Bangko Sentral ng Pilipinas (BSP), on the other hand, although unable to implement policies strengthening the sustainability reporting across the industry, has encouraged banks to initiate sustainable and green financing as a regulatory body monitoring the Philippine banking system. One of its functions is the monitoring and benchmarking of key performance indicators, such as return on equity, return on assets, and net interest margin which are identified as the basic quantitative financial performance indicators, and are required to be disclosed in financial statements. These financial performance indicators are relevant to the study.

Several studies on the relationship between corporate sustainability and financial performance concluded with different results due to the dissimilarities in their research designs and methodologies, and the measurement of sustainability and performance indicators. Some researches pointed out that the positive relationship is driven by several factors such as the size of firms, banking policy, moderation of sustainability performance, and economic growth. Corporate social responsibility and good governance, as integral components of sustainability, also showed a positive relationship with financial performance. Companies considered sustainability reporting as a beneficial business tool and a venue for social change which support the concept a positive impact on stakeholder as a result of being socially responsible. Since sustainability reporting were concluded to provide a better financial performance, banks with greener operation and engaged in sustainable practices, will not only achieve sound financial return but will also have a positive influence with the economy as well (Stanley, 2011; Bartlett, 2012; Moenna, 2014; Weber, 2017).

However, there are studies indicating that there is no relationship between financial performance and sustainability disclosure because of the voluntary and subjective nature of the measurement of sustainability, incomplete disclosure of actual sustainable practices, and differences in the manner of measuring research variables. Banks do not base the necessity to report sustainability in their financial performance and they may or may not implement sustainable practices regardless of their profitability (Swinkels, 2012; Kusuma & Koesrindartoto, 2014; Wong & Wong, 2015).

The mixed results of studies on the relationship of sustainability reporting and financial performance are due to differences in research designs and methodologies, particularly based on the measurement of sustainability and the indicators of financial performance (Alshehhi, et al., 2018). Mismatching measurement of sustainability reports and financial performance also contributed to the inconsistency in the results of some studies on the relationship between sustainability reporting and financial performance (Fauzi & Idris, 2010).

These studies, like this current one, considered the relationship of corporate social responsibility, corporate governance, and financial performance, as these are integrated with sustainability reporting.

Theoretical Framework

This research was guided by the stakeholder theory considering that corporate social responsibility and sustainability are closely related and linked to financial performance, through stakeholders as a connecting bridge. Stakeholder theory explains how companies would disclose different information in their sustainability report to achieve their main purpose. A socially responsible firm creating a good corporate branding through sustainable reporting can easily attract customers and investors and keep beneficial employees. Sustainability is a corporate responsibility oriented towards all stakeholders and companies' need to create value for customers, suppliers, employees, investors, owners, creditors, society, and government (Freeman & Dmytriyev, 2017).

According to Freeman (1994), the stakeholder theory points out two essential things in business. The first idea defines the organization's main purpose which requires business leaders to create values that will bring its processes and the stakeholders together. This is expected to lead to a better business outcome and generate outstanding performance. The second idea emphasizes the responsibilities of the management to its stakeholders. Business responsibility goes beyond the focus on being profitable and considers with equal priority the well-being of the society and environment in making decisions. As the company's goal is to satisfy their stockholders through good financial performance in terms of profit, in the stakeholder theory, the priority is not only evolving with the stockholders but with the interests of the greater stakeholders.

Stakeholders are the main resources of the company. They can control the stability of the organization as their decisions and behaviors have an impact on corporate reputations, regulatory restrictions, and tax obligations imposed (Matuleviciene & Stravinskiene, 2015). The stakeholders contribute to the firm's value through the efficiency and productivity of its employees, funding from its creditors and investors, and improved profitability through satisfied customers (Nollman, 2013; Confino, 2014).

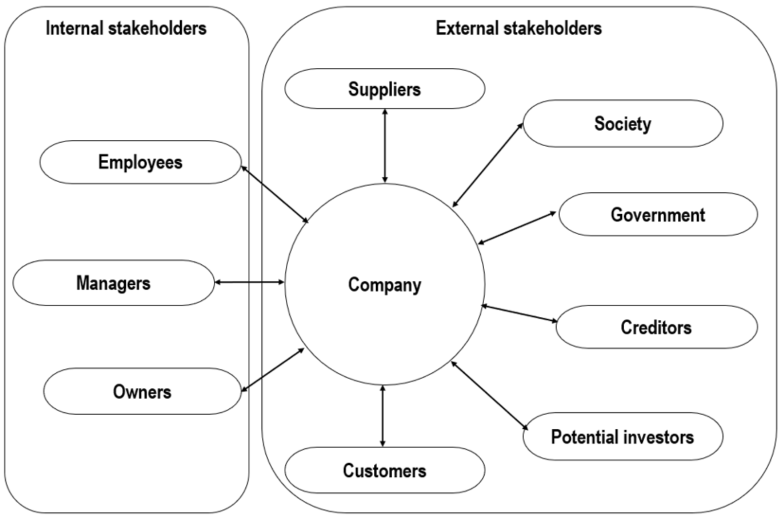

Figure 1. The stakeholder's theory illustration which shows the stakeholders related to the company. Internal stakeholders are composed of employees, managers and owners. External stakeholders are suppliers, society, government, creditors, investors, and customers (Bracken, 2012).

Stakeholders are commonly grouped into two: internal and external. Internal stakeholders, represented by individuals and parties within the organization, primarily influence the company's profitability, performance, and decision-making (Surbhi, 2015). External stakeholders include customers, suppliers, creditors, potential investors, government, and society (Hawrysz & Maj, 2017).

Financial Performance Measurement

Financial performance is determined through financial statements analysis. Ratio analysis is a technique used in gaining insight into a company's performance, such as profitability, liquidity, and operational efficiency by examining the information included in its financial statements. Financial ratios can identify potential opportunities and problems in a company's financial environment (Kenton, 2019). In this study, universal and commercial banks are required by the *Banko Sentral ng Pilipinas* or BSP (Central Bank of the Philippines) to include in the audited financial statements the return on equity, return on assets, and net interest margin as banks' basic quantitative financial performance indicators.

Return on Equity (ROE), Return on equity is one of the important parameters for measuring the profitability of the banks. Return on equity measures profit as a percentage of equity capital of banks. The profitability is measured by how much profit is generated with the investments of the shareholders.

Return on Assets (ROA), Return on asset ratio is the net income or loss after tax generated by the bank on its average total assets. The higher the proportion of average earnings assets, the better would be the resulting returns on total assets. Return on assets is also one of the important parameters for measuring profitability of the banks. This ratio indicates the return as a percentage of total assets.

Net Interest Margin (NIM), Net interest margin refers to the ratio of annualized net interest income to average earning assets. Annualized net interest income is the difference between the interest income and interest expense during the year. Interest earning assets include investment securities, loans, and leases (Kumar, 2014).

At the end of the year 2017, the Philippine banking system's return on equity stabilized at around 10%, return on assets at above 1%, and net interest margin at above 3% (Bangko Sentral ng Pilipinas, n.d.).

This study is anchored on the variables of sustainability reporting and financial performance of universal and commercial banks in the Philippines. Sustainability reporting is measured by the extent of disclosures on general governance, economic, environmental, and social aspects based on GRI guidelines while financial performance is based on the basic quantitative indicators: return on equity, return on assets, and net interest margin.

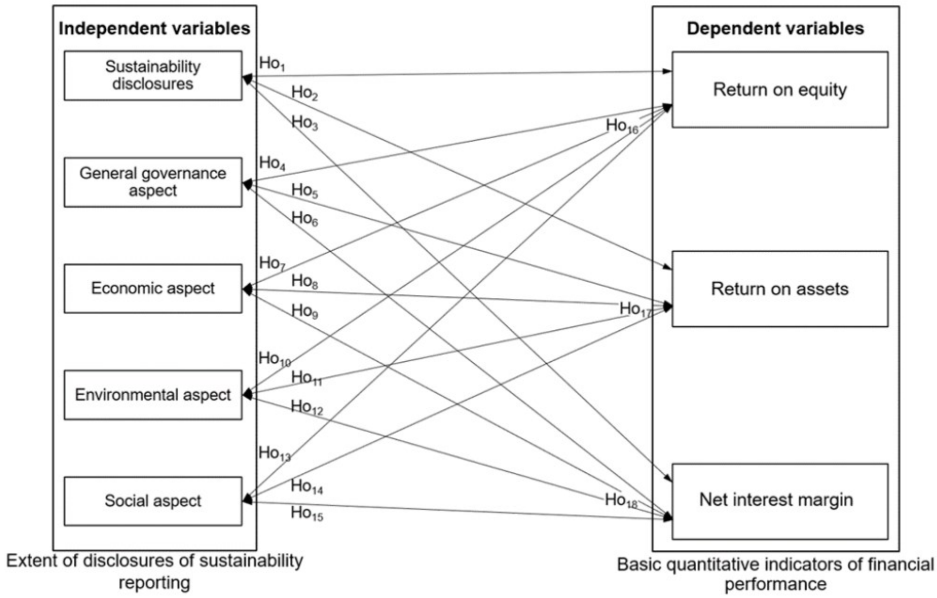

Figure 2. The illustration is based on the information stated in the hypotheses. This shows that the extent of disclosures on sustainability report based on GRI guidelines is related to financial performance. Return on equity, return on asset, and net interest margin are the indicators of financial performance.

Statement of the Problem

The current study tests the predictive relationship between sustainability reporting and the financial performance of universal and commercial banks in the Philippines. Specifically, this study addresses the following research questions:

1. What are the extents of disclosure of overall sustainability reporting, general governance aspect, economic aspect, environmental aspect, and social aspect of the universal and commercial banks in the Philippines based on the GRI guidelines?

2. What are the return on equity (ROE), return on assets (ROA), and net interest margin (NIM) of the universal and commercial banks in the Philippines?
3. Are there significant relationships between sustainability reports on the extents of disclosure of overall sustainability reporting, general governance aspect, economic aspect, environmental aspect and social aspect and the following financial performance indicators:
   a) Return on equity
   b) Return on assets
   c) Net interest margin
4. Do sustainability reports on the extents of disclosure of general governance aspect, economic aspect, environmental aspect and social aspect significantly predict the following outcomes:
   a) Return on equity
   b) Return on assets
   c) Net interest margin

Hypotheses

The following null hypotheses were tested in this correlation study and multiple regression model:

1) There is no positive relationship between the extent of disclosure of overall sustainability reporting and ROE of universal and commercial banks in the Philippines.
2) There is no positive relationship between the extent of disclosure of the general governance aspect and ROE of universal and commercial banks in the Philippines.
3) There is no positive relationship between the extent of disclosure of the economic aspect and ROE of universal and commercial banks in the Philippines.
4) There is no positive relationship between the extent of disclosure of the environmental aspect and ROE of universal and commercial banks in the Philippines.
5) There is no positive relationship between the extent of disclosure of the social aspect and ROE of universal and commercial banks in the Philippines.
6) There is no positive relationship between the extent of disclosure of overall sustainability reporting and ROA of universal and commercial banks in the Philippines.

7) There is no positive relationship between the extent of disclosure of the general governance aspect and ROA of universal and commercial banks in the Philippines.
8) There is no positive relationship between the extent of disclosure of the economic aspect and ROA of universal and commercial banks in the Philippines.
9) There is no positive relationship between the extent of disclosure of the environmental aspect and ROA of universal and commercial banks in the Philippines.
10) There is no positive relationship between the extent of disclosure of the social aspect and ROA of universal and commercial banks in the Philippines.
11) There is no positive relationship between the extent of disclosure of overall sustainability reporting and NIM of universal and commercial banks in the Philippines.
12) There is no positive relationship between the extent of disclosure of the general governance aspect and NIM of universal and commercial banks in the Philippines.
13) There is no positive relationship between the extent of disclosure of the economic aspect and NIM of universal and commercial banks in the Philippines.
14) There is no positive relationship between the extent of disclosure of the environmental aspect and NIM of universal and commercial banks in the Philippines.
15) There is no positive relationship between the extent of disclosure of the social aspect and NIM of universal and commercial banks in the Philippines.
16) There is no relationship between the extents of disclosure of general governance aspect, economic aspect, environmental aspect, and social aspect and ROE of universal and commercial banks in the Philippines.
17) There is no relationship between the extents of disclosure of general governance aspect, economic aspect, environmental aspect, and social aspect and ROA of universal and commercial banks in the Philippines.
18) There is no relationship between the extents of disclosure of general governance aspect, economic aspect, environmental aspect, and social aspect and NIM of universal and commercial banks in the Philippines.

Method

Research Design

The research design combined both qualitative and quantitative methods - content analysis procedure and correlational research analysis. Data were gathered through secondary literature and content were analyzed and evaluated using Global Reporting Initiatives guidelines. The selection of samples is based on the availability of 2017 secondary source literature such as published annual reports, sustainability reports, audited financial statements, and corporates social responsibility reports. Out of the 46 listed banks as of March 4, 2019 (Bangko Sentral ng Pilipinas, 2019), 30 banks were selected, of which had made their 2017 annual reports, sustainability reports, audited financial statements, and corporate social responsibility reports, published in their websites and made available to the public.

A two-part scoring sheet was developed. Part I lists the disclosures in the GRI guidelines, representing the independent variables. Part II records the values of basic quantitative indicators of financial performance: return on equity, return on assets, and net interest margin gathered from the published financial reports, representing the dependent variables.

Through content analysis, the disclosures as defined in the GRI guidelines: the general (governance), economic, environmental, and social aspects of the annual reports, corporate social responsibility reports and sustainability reports, were assessed. With a binary coding technique, each information presented was assigned "1" or scored "0" when no disclosure was presented. The researcher created two levels to calculate the scores. In the lower level, the list of 53 information based on GRI guidelines was calculated using the arithmetic mean for each aspect. In using the arithmetic mean, each aspect had the same weight. In the upper level, the score in each aspect was aggregated and calculated using the arithmetic mean (Ching, Gerab, & Toste, 2013). Basic quantitative indicators of financial performance (return on equity, return on assets and net interest margin) disclosed in the financial statements were written in part II of the instrument.

A descriptive analysis was used to summarize the data collected. To examine the relationship, this study took a correlational approach - Spearman's rank-order correlation where the general governance aspect, economic aspect, environmental aspect, social aspect, and sustainability report level – which is the total of general governance aspect, economic aspect, environmental aspect, and social aspect – were each correlated to ROE, ROA and NIM (Ho_1 to Ho_{15}). Sustainability disclosures were separated into each aspect to better understand the relationship of each component with each financial performance indicator.

Aside from being correlational, this study also examined the relationship between the general governance aspect, economic aspect, environmental aspect, and social aspect and each financial performance indicator through the multiple regression model (Ho_{16} to Ho_{18}).

Ethical Consideration

The study does not involve human participants. The research data and the basis for testing rely on secondary data available in the public domain. By using secondary data, ethical issues regarding data collection are eliminated, as the information comes from published annual reports, sustainability reports, audited financial statements, and banks' websites, and these are available to all users.

Results and Discussion

Descriptive Analysis

The descriptive statistics presented in Table 3 and 4 describe the extent of disclosures of sustainability reporting for each aspect (overall sustainability reporting, good governance aspect, economic aspect, environment aspect, and social aspect) and the financial performance of universal and commercial banks in the Philippines for the year 2017.

Table 3

Extent of Disclosures of Sustainability Reporting

Variables	Minimum	Maximum	Mean	Std D
Overall sustainability reporting	43.69%	89.17%	64.09%	14.57%
Good governance aspect	71.43%	100.00%	90.95%	12.15%
Economic aspect	50.00%	100.00%	81.67%	13.02%
Environment aspect	0.00%	83.33%	33.61%	24.90%
Social aspect	16.67%	93.33%	50.11%	20.33%

Results showed that among the aspects of sustainability reporting, universal and commercial banks in the Philippines give lower priority to reporting the environmental and social aspects of sustainability among the aspects and exert outstanding effort in reporting good governance and economical information. The voluntary nature of sustainability reporting in the banking system of the Philippines resulted in a low number of universal and commercial banks that are engaged in sustainability reporting. The policies implemented by the SEC mandate the publication of sustainability reports of only the publicly-listed banks, and not the entire banking system. BSP, as the chief monetary authority, has not implemented regulations parallel to the objectives of SEC. Philippine banks are encouraged to engage in sustainable practices but are not mandated to publish sustainability reports. Therefore, only the publicly-listed universal and commercial banks are required to produce sustainability reports, while the privately-held banks may opt to voluntarily disclose sustainability or not publish at all.

Table 4

Financial Performance

Variables	Minimum	Maximum	Mean	Std D
Return on equity	2.56%	22.60%	9.72%	4.23%
Return on assets	0.34%	1.75%	1.02%	0.36%
Net interest margin	1.21%	7.89%	3.30%	1.57%

Results showed that all the performances of universal and commercial banks in the Philippines based on computed mean of return on equity (9.72% deviating 4.23%), return on assets (1.02% deviating 0.36%), and net interest margin (3.30% deviating 1.57%) are all within the range of the 2017 overall performance of the Philippine banking system return on equity at around 10%, return on assets at above 1%, and net interest margin at above 3%.

Testing the Research Hypotheses

Spearman's Rank-order Correlation. Spearman's rank-order correlation was used to test hypotheses 1 to 15. The results of hypotheses 1 to 15 are illustrated in Table 5.

Table 5

The relationship of financial performance and extents of disclosure

Financial Performance	Extents of Disclosure	*r*	*p*	Interpretation
Return on Equity	Overall sustainability reporting	0.502	.002**	Significant
	Good governance	0.284	.064	Not significant
	Economic	0.419	.011*	Significant
	Environment	0.557	.001**	Significant
	Social	0.322	.041*	Significant
Return on Assets	Overall sustainability reporting	0.091	.315	Not Significant
	Good governance	-0.078	.341	Not Significant
	Economic	0.097	.304	Not Significant
	Environment	0.115	.272	Not Significant
	Social	-0.033	.431	Not Significant
Net Interest Margin	Overall sustainability reporting	-0.347	.030***	Significant
	Good governance	-0.228	.113	Not Significant
	Economic	-0.273	.072	Not significant
	Environment	-0.379	.019***	Significant
	Social	-0.386	.018***	Significant

**p = .05*
*** p = .01*
**** Significant but does not support the study's hypothesis*

The results of Spearman's rank-order correlation in Table 5 show that there is a positive significant relationship between the overall sustainability reporting, economic aspect, environmental aspect, and social aspect, and the financial performance presented by return on equity. On the other hand, there is no positive significant relationship between the good governance aspect and return on equity. Therefore, $Ho_{2\ \mathrm{is}}$ accepted and Ho_1, Ho_3, Ho_4, and Ho_5 are rejected.

Moreover, there is no positive significant relationship between the extent of disclosure of sustainability reporting and the financial performance presented by return on assets, and net interest margin. Therefore, Ho_6 to Ho_{15} accepted. Since most of the results showed that there is no positive nor significant relationship between the extent of disclosures of sustainability reporting and financial performance, the results cannot be used to encourage universal and commercial banks in the Philippines to engage in sustainability reporting.

Multiple Regression Model. The multiple regression model was used to test hypotheses Ho_{16} to Ho_{18}. Hypotheses Ho_{16} to Ho_{18} investigate the relationship between the independent variables, that is, good governance aspect, economic aspect, environmental aspect, and social aspect; and each of the dependent variables, namely, return on equity, return on assets, and net interest margin.

Table 6

Model Summary - Sustainability Reporting and Financial Performance

Model	R	R square	Adjusted R Square	Std Error of the Estimate	Durbin-Watson
Sustainability Reporting and					
Return on Equity	0.491	0.241	0.119	3.96890%	1.780
Return on Assets	0.285	0.081	-0.066	0.37050%	1.870
Net Interest Margin	0.469	0.220	0.095	1.49326%	1.324

Predictors: (Constant), social aspect, general governance, economic, environmental

Durbin-Watson in Table 6 includes the number of tests in order to detect the errors from a statistical analysis where R is used to measure the relationship between the observed value and predicted value of dependent variables while R square processes the amounts of variance in dependent variables that are accounted by independent variables. R-squares of 0.241, 0.081 and 0.220 mean 24.10%, 8.10% and 22% of total variance of return on equity, return on assets and net interest margin are explained by the total independent variables. On the other hand, Durbin-Watson are 1.780, 1.870 and 1.324, values that are between the cut-off threshold of 1 to 3 which indicate that there is no autocorrelation among the residuals.

Table 7

ANOVA - Sustainability Reporting and Financial Performance

Financial Performance	Sum of Squares	DF	Mean Square	F	*p* values	Interpretation
Return on Equity	124.803	4	31.201	1.981	0.128	No relationship
Return on Assets	0.303	4	0.76	0.551	0.700	No relationship
Net Interest Margin	15.696	4	3.924	1.760	0.169	No relationship

Predictors: (Constant), social aspect, general governance, economic, environmental

Presented in Table 7 is the output of analysis of variance (ANOVA). The ANOVA table shows the significant value arrived at from the data analysis which should be equal or less than 0.05 (p-value = 0.05) to mean that the model is fit to use. However, since the significant values of the regression are 0.128, 0.700 and 0.169 (p-value = 0.128, 0.700 and 0.169), these indicate that there is no relationship between the independent variables and the dependent variables (return on equity, return on assets and net interest margin). Therefore, Ho_{16} to Ho_{18} are accepted.

In view of the absence of a positive and significant relationship between the extent of disclosures of sustainability reporting and financial performance, the results do not imply that universal and commercial banks should not continue their sustainable practices and reporting to promote sustainable initiatives. Since the mandatory publication of sustainability reports in the Philippines is in the early stage of implementation, the results are purely indicative that majority of the universal and commercial banks are still in the process of adopting comprehensive and applicable sustainability reporting frameworks, such as GRI guidelines.

Research Limitations

The limitations of this study are as follows:

1. The recent introduction of sustainability reporting in the Philippines as part of regulatory compliance is one of the limitations pertaining to the statistical findings of this study.
2. In the study, the sample size was reduced due to the unavailability of some secondary information from published banks' websites and data stream. The findings may not precisely depict the sample of universal and commercial banks in the Philippines that report on sustainability. These limitations will provide strong incentives for future research that can expand this study.

Recommendations

The insignificant relationship between sustainability reporting and financial performance did not lend enough validation to recommend business leaders to take action on sustainability reporting. However, sustainability reporting may still be valid practice since it generates awareness on economy, environmental issues and social welfare. Based on the results and conclusions drawn, the following recommendations are proposed:

1. The full disclosure on sustainability reporting can be achieved by making sustainability reporting a mandatory practice in the banking industry through the BSP. A sustainability framework like the GRI guidelines can provide a comprehensive, flexible, and adaptable framework for the banks in the Philippines of any size to report on their governance, economic, environmental, and social impacts.
2. BSP could issue a standardized framework similar to the GRI guidelines prescribing the contents of a comprehensive sustainability report. Since a sustainability framework would likely increase the costs of reporting, the BSP may re-

quire universal and commercial banks to prepare sustainability reports with reduced requirements to mitigate the cost burden. When this standard or framework is issued, banks will be required to prepare sustainability reports with information and disclosures only pertinent and applicable to the banking industry. The disclosures in these reports will be more uniform, measurable, and comparable. The BSP should implement policies requiring published sustainability reports that conform with the standard framework and a penalty may be imposed to ensure compliance.

3. The BSP and non-governmental banking organizations and associations should also motivate banks to adequate disclosure of sustainability by holding a corporate sustainability reporting award. This recognition could encourage banks to be more transparent and implement a more comprehensive sustainability reporting.
4. Sustainability reports, like financial statements, could undergo external attestation and be graded as to the completeness, relevance, and conformity to the adopted sustainability reporting framework.

The results obtained in this study suggest the conduct of further research on the relationship between sustainability reporting and financial performance to provide guidance for business leaders in decision-making. While this study did not provide evidence for the significance of the relationship between sustainability reporting and financial performance using the 2017 published data for universal and commercial banks in the Philippines, this research suggests examining the same relationship over the next period upon implementation of legislation about mandatory sustainability reporting. Future researchers may consider the extent of sustainability disclosures based on the rules and regulations which the regulators may implement to achieve uniformity and standardized measurement of variables. Further research may also obtain data across multiple years to evaluate the long-term effect of sustainability reporting on a firm's financial performance and not just a short-term assessment.

Conclusions

The relationship between sustainability reporting and financial performance is very pertinent today's events that sustainable information is considered as vital components of decision-making and implementing corporate strategies. The purpose of this study was to investigate the extent of disclosures of sustainability reporting relative to the financial performance of universal and commercial banks in the Philippines and to examine the relationship between sustainability reporting using the GRI sustainability reporting guidelines and the financial performance for the year 2017. Based on the study, the finding concluded that:

1. The Philippine banks have not fully implemented a comprehensive reporting on sustainability, such as the GRI guidelines. The voluntary nature of sustainability reporting resulted in a low number of universal and commercial banks engaged in sustainability reporting and merely a few that are actively involved in the environmental and social awareness activities.
2. The financial performance of the selected universal and commercial banks in terms of return on equity, return on assets, and net interest margin is within the level of the overall performance of Philippine banking system.
3. The results of the study revealed that only a few aspects of sustainability reporting based on the GRI guidelines have a significant positive relationship with the financial performance of universal and commercial banks in the Philippines. The absence of standard sustainability reporting framework, such as the GRI guidelines in the marketplace, has made the sustainability measurement a difficult procedure, with banks unable to produce a more comprehensive report. Thus, other sustainability reporting elements have not been included.

The results of this study do not imply that the banking sector should not continue their sustainable practices and reporting to promote sustainable initiatives. The value of sustainability reporting is that it ensures that banks consider their responsibility when it comes to sustainability issues and enables them to be transparent about the risks and opportunities they encounter. Banks are creating values through sustainability, improving return on capital by introducing better technological innovation in the banking activities. Sustainability and transparency can help banks to build and maintain consumer trusts, just like ethical financial reporting does. Banks should still pursue the sustainability reporting because the interests of today's investors and customers do not focus only on finances but also on responsible investments.

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