DOES CORPORATE SUSTAINABILITY PRACTICES OF BANKS IN GHANA INFLUENCE THEIR PERFORMANCE?

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ABSTRACT

The aim of the study was to examine the influence of corporate sustainability practices by banks in Ghana on their performance. The study was focused on all the 23 banks operating in Ghana with data gathered from a sample of 302 key and senior management personnel of the banks using the purposive sampling technique. Data were obtained through the administration of structured questionnaire to key and senior management personnel of the banks. Partial Least Square Structural Equation Modelling (PLS- SEM) was used to analyze the data gathered. The empirical results of the study revealed bank sustainability has significant and positive relationship with bank performance. Theoretically, the study enhances the literature on the signaling theory and empirically, contributes significantly to the ongoing debate on corporate sustainability and corporate performance nexus from the Ghanaian context, the banking sector as well as the post banking crisis perspectives. The study provides insight for the Bank of Ghana and other policy makers to come out with comprehensive policies on economic, social and environmental sustainability policies and improved enforcement of existing policies. It further provides the framework for management to promote sustainability practices and disclosures through seminars, trainings and conferences. The study was limited to the Ghanaian banking sector, it is therefore recommended that, future studies should consider other sectors aside the banking sector and also explore the perspectives of other emerging economies.

Key words: Corporate sustainability, Corporate performance, Banks, Ghana.

INTRODUCTION

Globally, the escalating climate crisis in recent times has become a canker and has necessitated a collaborative global efforts to curb the numerous associated environmental and social challenges. In the wake of these challenges, sustainability has dominated most global and national discourses and prioritized in the development agenda and strategies of both emerging and developed economies. In the corporate world, corporate sustainability has evolved rapidly and heightened the interest of various stakeholders. Such stakeholders' interests has contributed to the increasing demand for eco-friendly products and services by consumers and emphasis on sustainable business by other stakeholders, which compel businesses to adopt sustainable practices to stay relevant customers' demand and competitive in the market. Since global awareness of environmental, social, and governance (ESG) issues has gained so much recognition among firms across various sectors of the economy in recent times. In addition to the awareness, the development of the IFRS S1 and S2 enhance

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accountability and disclosure of sustainability practices hence promoting sustainability among firms. In the midst of the increasing advocacy, financial institutions have also come under severe pressure to adopt sustainable business practices to meet stakeholders' expectations as well as regulatory requirement.

In the context of the Ghanaian banking sector, sustainability is critical since the banks are currently navigating the aftermath of the recent banking crisis. The collapse of several banks and subsequent consolidation efforts and reforms during the crisis, has underscored the critical need for robust risk management, sustainability and governance frameworks to restore trust among customers and investors. Therefore, employing sustainability strategies to ensure a stable and robust banking sector to facilitate rapid economic growth. Also, the sector plays significant role in the economic development of countries especially emerging economies like Ghana hence the need to emphasize corporate sustainability. The vulnerabilities of the sector which the crisis drew attention to and the adverse consequences of the crisis has highlighted the relevance of promoting sustainability and has further necessitated a probe into the influence of these sustainability practices and disclosures on the performance of the banks.

Most prior studies have focused on developed economies, solely explored specific dimensions of corporate sustainability and corporate performance. Though several of these studies concentrated on various industries, some others have explored the banking industry. Earlier empirical studies including (Elmghaamez, Nwachukwu & Ntim, 2023) explored the moderating effect of board standing committees on the relationship between ESG disclosure and financial performance of multinational enterprises. It was concluded that there is positive relationship between ESG disclosure and accounting performance indicators for large-sized MNEs and also suggested the association between market-based performance outcomes and ESG disclosure. The study was carried out on top 500 largest multinational enterprises from 40 different countries and also explored 13 industries for the period 2009 to 2019. Since the study does not focus on Ghana and specifically the banking sector, this study becomes necessary to address such gaps.

Also, prior study by (Munir et al., 2019) examined the relationship between corporate governance, corporate sustainability and financial performance using a sample of 425 firms listed on Australian Securities Exchange (ASX). The study also concluded that corporate sustainability performance leads to improved financial performance. However, the study focused on a developed economy hence the need to explore the context of a developing economy. Similar to the empirical work by (Munir et al., 2019), other previous empirical studies (Buallay, 2019; Yu, Ting, & Wu, 2009; Lu & Taylor, 2016; Tomšič et al., 2015; Charlo et al., 2017; Shen et al., 2016; Wu & Shen, 2013) explored the corporate sustainability and corporate performance nexus in developed economies, hence the dire need to explore the context of emerging economies such as Ghana. Previous empirical study conducted by (Yu, Ting, & Wu, 2009) on 51 European companies from 14 industries across 15 countries to investigate the possible relationship between environmental performance and financial performance revealed that there is no positive association. While (Lee et al., 2015) on the contrary, argue that sustainability practices of firms that are related to reduction in carbon emission and energy consumption results in financial gains. Also, some earlier studies which examined the association between environmental sustainability and firm performance revealed a significant positive association between environmental sustainability and firm performance (Chang, 2015 & Tan et al., 2017).

Notwithstanding these earlier empirical studies which explore the corporate sustainability and corporate performance nexus, there is limited empirical evidence on how these sustainability initiatives impact bank performance in the context of Ghana's unique

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economic and regulatory landscape. (Paltrinieri et al, 2020) affirms that studies in relation to the effect of ESG on banks' performance have been widely studied, but banks in developing countries are overlooked. Therefore, there is a dire need to address the gaps in existing literature. Since banks are pivotal in emerging economies, a critical review of sustainability which has emerged in the banking sector to rebuild trust, ensure growth and sustain the sector after the recent banking crisis is necessary.

In addition to addressing the gaps in literature, the study significantly contributes and enhances empirical literature and has implication for policies and strategies of the banking sector. With comprehensive and empirically based policies and strategies on sustainability practices and disclosures promoting a sustainable and competitive Ghanaian banking sector hence economic advancement.

REVIEW OF LITERATURE

THEORETICAL REVIEW

Signaling Theory

Information is critical in the decisions of individuals in households, businesses, and governments. Therefore, the availability of such information is relevant in enhancing the quality of decisions made. These information may be available to the public or private hence with limited access which has the tendency to result in information asymmetry. Meanwhile in the market, formal economic models of decision-making processes were based on the assumption of perfect information, where such information asymmetries are ignored (Stiglitz, 2002). Therefore, the Signaling theory which is fundamentally concerned with reducing information asymmetry between two parties (Spence, 2002) was developed. With firms, the inadequacy and unavailability of information to stakeholders, will hinder their economic decisions with several implications for the firm's performance in the short-term and long-term. In view of that, management strategically addresses the potential challenge of information asymmetry through corporate sustainability practices and disclosures. Signaling theory underpins this study and emphasize the theory's argument that, positive signals are conveyed to stakeholders which eventually increase the interest of customers and shareholders' in the firms brand and subsequently yielding economic gains to the firm. Literature affirms the position of the signaling theory that, management signal stakeholders using annual report, sustainability or corporate social responsibilities(CSR) reports to emphasize the firm's commitment and sustainability in the long-term (Ching & Gerab, 2017; Taj, 2016 & Connelly et al., 2011).

In recent times, there has been several discourse on corporate sustainability with increasing demands for sustainability practices and disclosures by stakeholders. In Ghana, banks have increasingly adopted sustainability practices which is largely influenced by Ghana Sustainable Banking Principles by Bank of Ghana. It seeks to encourage banks to align their operations with environmental, social and governance (ESG) to their operations and ensure they are profitable, socially responsible and good stewards of the environment. With reference to the signaling theory, as banks implement these practices, they signal their commitment to sustainable development to stakeholders such as customers, investors and regulatory bodies. Management addresses these demands and convey positive signals of their

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corporate brands through sustainability practices and reports to stakeholders both locally and internationally. Such positive signals enriches the corporate image, attract potential investors, increase their market share and enhance the performance of the firm.

Critics argue that, the theory's primary attention is on the deliberate communication of positive information in an effort to convey positive organizational attributes or signals, without focusing on the possibility of negative information or signals of the firm conveyed by an insider to stakeholders for personal interest or gain.

EMPIRICAL REVIEW

Corporate Sustainability and Corporate Performance

According to (Wagner, 2010), the interactions between wider sustainability performance aspects and economic performance have also received considerable attention in the literature. Several of such studies have explored the association between corporate sustainability and firm performance in developed economies (Adu et al., 2024; Bătae, Dragomir & Feleagă, 2021; Matuszewska-Pierzynka, 2021; Jha & Rangarajan, 2020; Gupta & Gupta, 2020; Weber, 2008; Lee, Pati & Roh , 2011; Nizam et al., 2019; Cornett et al., 2016; Wagner, 2010; Von Wallis & Klein, 2015; Cantele & Zardini, 2018; Shakil et al., 2019). In developing economies, corporate sustainability has rapidly emerged hence the need for an in depth investigation to comprehensively explore the corporate sustainability and corporate performance nexus. Also (Goyal et al., 2013) argued that further empirical research to explore the corporate sustainability performance and firm performance nexus is required in developing countries.

Meanwhile existing empirical literature suggest that, a firm's performance on sustainability dimensions improves its financial performance in the long run. It further revealed that environmental sustainability contributes to this positive relation more compared to social sustainability (Lu & Taylor, 2015). Stakeholders have become very conscious of environmental issues due the increasing global concern and discourse on climate change and several other environmental issues. Therefore, corporate bodies are becoming more environmentally responsible in response to demands from stakeholders and compliance of regulatory provisions which promote environmental sustainability. Based on this development, environmental sustainability are considered in corporate strategies and subsequently providing a disclosure in corporate reports. The positive relation between environmental sustainability and financial performance suggested in literature, can be attributed to the fact that, stakeholders have become more sensitive and aware of environmental sustainability. Hence, firms that invest in environmental sustainability practices project corporate image which is appealing to both local and international market thereby enhancing their financial performance in the long-run. This is affirmed by empirical literature which suggest that positive association exist between environmental disclosure and firm performance (Tan, Habibullah, Tan & Choon, 2017; Tomsic, Bojnec, & Simcic, 2015 & Chang, 2015). It is further suggested by (Laskar & Gopal Maji, 2018) in their study in Asia that, disclosure of corporate sustainability are crucial for enhancing firm value for both the

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developed and developing countries.

In the context of developed countries, (Eccles, Ioannou & Serafeim, 2014) investigated the effect of corporate sustainability on organizational processes and performance among 180 high sustainability firms in the United States of America (U.S). The study revealed that high sustainability companies significantly outperform their counterparts over the long term, both in terms of stock market and accounting performance. This also suggest that there is a possible positive relationship between corporate sustainability and corporate performance and affirms the position held in literature. Again, in the U.S., (Wagner, 2010) examined the association between corporate sustainability performance and economic performance as expressed by Tobin's q from the period 1992 to 2003. Data on environmental, (Wang et al., 2016) social and financial performance were gathered from the largest U.S. companies from the years 1992–2003. Using an estimated random effects panel model, the study presented evidence that, the corporate environmental and social performance has a significant positive effect on Tobin's q which is consistent with some empirical literature. These empirical literature limited the context of their studies to developed economies such as the U.S. and again their study sample constituted large firms from various industries irrespective of the variations that exist in the various sectors. With respect to these existing gaps, this study unlike the earlier studies, addresses the gaps by specifically exploring financial companies with focus on banking firms and also exploring the Ghanaian context.

(Matuszewska-Pierzynka, 2021) also explored the relationship between corporate sustainability performance and corporate financial performance of the largest non-financial U.S. companies which were listed in the Fortune 500 ranking in the first hundred positions in each year of the period 2016–2020. The results of study indicate that, the improvement of corporate sustainability performance in environmental, social and governance dimensions does not lead to an increase in TR of a company. Therefore, the positive relationship between corporate sustainability performance and corporate financial performance suggested in empirical literature is not confirmed. The focus of this study was in the U.S. which is a developed economy and also limited to non-financial companies. This gap in the existing literature, has necessitated this study which explores Ghana, a developing economy and also focuses on banks which are financial companies.

Again, (Tenuta & Cambrea, 2022) probed the impact of Corporate Sustainability, measured through ESG rates, on Corporate Financial Performance in family and nonfamily Italian companies listed on FTSE-MIB for the period 2015 to 2019. It was however, concluded that, corporate sustainability rates do not affect the financial performance of Italian FTSE-MIB companies. While the study focused on the Italian context which is a developed economy, it also concentrated on family and non-family firms. This study however, introduces the perspective of the banking industry in Ghana, a developing economy.

Also, in the context of developing economies, (Adu et al., 2024) examined the interrelationships among corporate governance disclosure index, bank sustainability characteristics, bank-based climate change initiatives and financial performance of banks in 16 Sub-Saharan Africa countries which includes Ghana, Botswana, Gambia, Kenya, Lesotho, Liberia, Malawi, Mauritius, Namibia, Nigeria, Sierra Leone, South Africa, Tanzania, Uganda,

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Zambia, and Zimbabwe between the period 2007 and 2022. The outcome of the study provides evidence that bank sustainability committee is positively related to financial performance and bank climate change initiatives disclosure has positive impact on financial performance. In India, (Jha & Rangarajan, 2020) evaluated bidirectional causality and intensity of the relationship between corporate sustainability performance (CSP) at the aggregate and disaggregate levels and corporate financial performance (CFP), as expressed by market and accounting measures for top 500 Indian corporations in the years 2008–2018. The results suggest that the environmental, social and governance (ESG) score and the environmental dimension score have negative relationship. The scope of the study limited corporate performance to financial performance, this limitation in literature is addressed by this study. Therefore, the current study also explores the link between corporate sustainability and corporate performance, but broadens the scope of corporate performance to include financial, operational and market performance.

(Gupta & Gupta, 2020) investigated the impact of environmental sustainability on multiple dimensions of a firm's performance among Indian business organizations. The study presented evidence that environmental sustainability has a significant and positive impact on firm performance. The study was limited to environmental sustainability, however, this study bridges the gap by exploring economic and social sustainability in addition to environmental sustainability.

From the perspective of social sustainability (Weber, 2008) attest that there is a positive relationship between the corporate social responsibility (CSR) engagement of an organization and its financial success. Again, (Awaysheh Amrou, et al., 2020) conducted a study on the relation between corporate social responsibility(CSR) and financial Performance and also found out that the best-in-class firms in terms of CSR outperform their industry peers in terms of operating performance and have higher relative market valuations (Tobin's Q). The study utilized Fama-French 48 industry classifications (FFI48) and limited to social sustainability. However, the present study bridges this gap in literature by specifically studying firms in the banking industry who have similar operations. It further explores economic and environmental sustainability in addition to social sustainability. In contrast (Aras, Aybars & Kutlu., 2010) examined the relationship between corporate social responsibility and financial performance on a sample of 40 companies listed on the Istanbul Stock Exchange (ISE) 100 for the four consecutive years until 31 December 2006 but excluding companies in the financial sector and two companies in the automobile sector. The results of the study reveal that no significant relationship exist between corporate social responsibility and financial performance/profitability. While the study excluded companies in the financial sector, this study focuses on banking firms which are companies within the financial sector.

In recent times, financial institutions such as banks have enhanced their commitment to sustainability practices and disclosures. (Scholtens, 2009) opined that the integration of environmental and sustainability issues into financial sector products and services has been increasing over time. This is affirmed by (Weber, 2017) who attest that environmental and social performance of Chinese banks increased significantly between 2009 and 2013. The study further established a bi-directional causality between financial performance and

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sustainability performance of Chinese banks exist.

In the banking sector, some empirical studies have been conducted to explore the relationship between corporate sustainability and performance (Adu et al., 2024; Buallay et al.,2021; Nizam et al., 2019; Cornett et al., 2016; Shakil et al., 2019; Platonova et al., 2018; Paltrinieri et al., 2020). Some of these studies revealed significantly positive impact of social responsibility disclosure, corporate governance and environmental friendliness on financial performance of the banks (Nizam et al., 2019; Platonova et al., 2018; Shakil et al., 2019; Simpson & Kohers, 2002; Aebi et al., 2012; Cornett et al., 2016; Jo et al., 2015).

From the context of developed and developing countries, (Buallay et al., 2021) examined 882 banks from developed and developing countries for a period of 11 years in the post 2008 financial crisis period. The empirical results demonstrate that ESG improves banks' accounting and market-based performance in developed countries but ESG weakens banks' performance in developed and developing countries. Though the study considered a number developing economies in the study, this study specific explores the Ghana and its banking sector. Similar to the study by (Buallay et al., 2021), which studied the post 2008 financial crisis period, this study also explores a post banking crisis era which specifically relates to the Ghanaian banking. Therefore, the study fills in the gap by providing a contextualized study in Ghana, banking sector and the post banking crisis era.

From the European perspective (Bătae, Dragomir & Feleagă, 2021) analyzed the relationships between environmental, social, and governance and bank financial performance, for the decade after the 2008 financial crisis. Data was collected from the Refinitiv database for 39 European banks, for the period 2010–2019 and analyzed. The results revealed a positive relationship between emission reductions and financial performance. The study though in the banking sector, focused on Europe, therefore the need for this study to mitigate the gap in existing literature.

(Cornett et al., 2016) also examined the relation between corporate social responsibility and the financial performance of U.S. commercial banks around the financial crisis drawing data from from MSCI ESG STATS database using Environmental, Social, and Governance (ESG) ratings data. The study concluded that there is positive association between social commitment and bank performance. This finding is consistent with the empirical evidence presented by (Wu & Shen, 2013) that CSR is positively associated with financial performance in terms of return on assets, return on equity, net interest income, and noninterest income based on the study conducted on 162 banks from 22 countries from 2003 to 2009. Since these studies focused on the U.S. and other countries, the current seeks to contextualize and comprehensively explore the Ghanaian context.

While exploring the impact of social and environmental sustainability on financial performance of the global banking sector, (Nizam et al., 2019) report that banks who consider environmental risk in their lending decisions have a significant impact on their financial performance. This indicates that, the environmental sustainability practices of the banks enhance their financial performance. Narrowing it down to emerging economies, (Shakil et al., 2019) explored the effects of environmental, social and governance performance of banks on their financial performance, in the context of emerging markets. The study which was conducted among 93 emerging market banks from 2015 to 2018 provided empirical evidence

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which suggest a positive relationship between environmental and social performance and banks' profitability Figure 1.

Based on the principles presented by the signaling theory, gaps in existing literature, evidence emanating from empirical literature and the inconclusiveness of the findings of prior empirical studies serve as the basis for the hypothesis below:

Hypothesis*: Banks sustainability has no significant positive effect on bank performance*

CONCEPTUAL FRAMEWORK

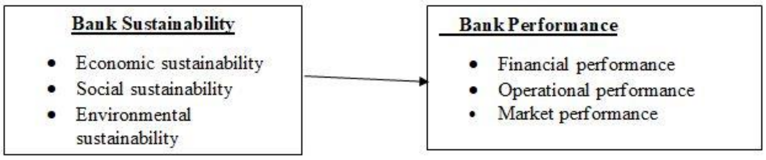

FIGURE 1
CONCEPTUAL FRAMEWORK

Source: Researcher's Construct, 2023

METHODOLOGY

Employing the quantitative research study approach, the study focused on all the 23 banks that exist and operates in the Ghanaian banking sector after the 2017 crisis. Data was obtained from primary data source through the administration of questionnaires to 302 key and senior management personnel from all the 23 banks to constitute the sample. The structured questionnaire gathered data on the study constructs using appropriate measures or indicators: bank's corporate governance, sustainability and performance. They key and senior management of the banks were purposively sampled using the purposively sampling technique since they are privy to the bank's strategies and practices of corporate governance, corporate sustainability and performance. In analyzing the data obtained, Partial Least Square Structural Equation Modelling (PLS- SEM) was employed due its predictive orientation using SMART- PLS software.

Estimation Model

$$\text{Bperf} = \beta + \beta 1\text{CBSus} + \varepsilon.$$

The model presents bank performance as a function of bank sustainability where Bperf is bank performance; CBSus is composite bank sustainability; β is the constant term; $\beta 1$ is coefficient and ε is the error term Table 1.

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Table 1 OPERATIONAL DEFINITION AND MEASUREMENT OF RESEARCH VARIABLES BANK SUSTAINABILITY (INDEPENDENT VARIABLE)	
Economic Sustainability	Market development, economic value distribution, financial inclusion and literacy
Social Sustainability	Corporate social responsibility, employment, employee rights, development and safety
Environmental Sustainability	Investment in environmental protection, energy, waste and sanitation management
Bank Performance (Dependent Variable)	
Financial Performance	Growth of bank profit and growth of bank revenue
Operating Performance	Increased resources, infrastructure and operational capacity
Market Performance	Share appreciation and competitiveness

Source: Researcher's Construct, 2023

EMPIRICAL RESULTS AND DISCUSSION OF FINDINGS

Assessment of Measurement Model

Confirmatory factor analysis (CFA) validates the measurement model by testing the items' reliability and validity measurements. Internal consistency reliability, which guarantees consistency in the measurement of the reflective components, are validated in order to obtain reliability. Convergent and discriminant validity for the items are also tested.

Internal Consistency Reliability

The reliability of the study constructs, bank sustainability and bank performance, is established when reflective items measuring the constructs consistently or repeatedly evaluate the intended outcome. In establishing the internal consistency of the measurement model, Composite reliability (CR) and Cronbach's alpha coefficients are used. (Hulland, 1999) asserts that the standardised factor loadings must be greater than 0.7, which indicates that the variable can account for more than 50 percent of the variance. According to (Ramayah et al., 2018), CR should be in the range of 0.70 and 0.90. According to Hair et al. (2017), the Cronbach's alpha value, which must be more than 0.70, is used to measure the item's inter-item consistency. Table 1 presents factor loadings, Composite Reliability and Cronbach alpha above 0.70 and below 0.90 which confirms the internal consistency and reliability of the measurement model of the study.

Convergent validity

According to (Urbach & Ahleman, 2010), convergent validity is a measure of how well individual indicators reflect a construct and converge with those of other constructs. Average Variance Extracted (AVE) is used to measure convergent validity. Hair et al. (2017), suggest AVE greater than 0.50 which indicates significant degree of convergent validity. Table 1 present AVE of 0.732 and 0.783 which exceed 0.50 and confirms the convergent validity of the measurement model.

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Table 2
RESULTS OF CONVERGENT VALIDITY FOR THE MEASUREMENT MODEL

Convergent Validity						
Constructs	**Items**	**Factor Loading**	**Cronbach Alpha**	**Composite Reliability**	**AVE**	**VIF**
	ECOS	0.86				1.761
	ENVSP	0.838	0.817	0.891	0.732	1.757
Bank	SOSP	0.867				1.963
	FP	0.88				2.178
	MP	0.86	0.861	0.915	0.783	2.022
Bank	OPP	0.913				2.603

Source: Field work, 2023

Discriminant Validity

Discriminant validity is a type of construct validity which indicates how well a test measures whether constructs that are theoretically unrelated to each other are actually distinct from each other. In assessing and obtaining the discriminant validity of the study constructs, all the constructs in the diagonal, the square root of AVE values should be greater than the squared correlation with the other constructs in the off-diagonal (Fornell & Larcker, 1981). Table 2 displays the (Fornell & Larcker, 1981) criterion where the investigated constructs bank performance and bank sustainability revealed 0.885 and 0.855 respectively which all have square roots of AVEs that are higher than the correlation with other constructs in off-diagonal space, demonstrating the discriminant validity of the measures.

The Heterotrait - Monorait ratio (HTMT), or the ratio of correlations within the constructs to correlations between the components, is another approach used in assessing the discriminant validity. To confirm the discriminant validity of the constructs, an HTMT ratio of correlation threshold of 0.9 is acceptable (Henseler et al. 2015). The HTMT value shown in Table 3, for the study constructs is 0.900 which meet the recommended threshold.

Table 3
RESULTS OF CONSISTENCY RELIABILITY AND CONVERGENT VALIDITY FOR THE MEASUREMENT MODEL

	Bank Performance	**Bank Sustainability**
Bank Performance	0.885	
Bank Sustainability	0.823	0.855

Note: *Values in Italic represent square root of AVE*

Table 4
RESULT FOR DISCRIMINANT VALIDITY (HTMT) FOR MEASUREMENT MODEL

	Bank Performance	**Bank Sustainability**
Bank Performance		
Bank Sustainability	0.900	

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Source: Field work, 2023

ASSESSMENT OF STRUCTURAL MODEL

Indicator Multicollinearity

(Ramayah et al., 2018; Sarstedt, et al., 2021) highlighted that it is crucial to examine the constructs' lateral collinearity. Lateral collinearity is also assessed using the Variance Inflation Factor (VIF). According to strict standards established by (Diamantopoulos & Winklhofer, 2001), a VIF value of 3.3 or greater indicates collinearity problems. There is no lateral collinearity problem in the current study since the VIF for all of the indicators presented in table 1 are less than 3.3.

The goodness of fit (model's predictive)

The amount of variance in the endogenous construct that is described by the exogenous constructs is shown by the coefficient of determination (R2). Table 4 presents R2 value of 0.407 which indicates that 40.7% variation in bank performance is accounted for by bank sustainability. (Chin, 1998) recommended criteria for R2 value of 0.67, 0.33 and 0.19 represent substantial, moderate, and weak levels of predictive accuracy. While (Cohen, 1988) suggests R2 value of 0.02 is weak, 0.13 indicates moderate and 0.26 denotes substantial. This results affirms the signaling theory which suggest that sustainability practices and disclosures by the banks convey positive signals ….the corporate image and brand to stakeholders and yield good returns in terms of performance for the banks both in the short and long term. In addition to the theoretical basis of the outcome of this study, the study's conclusion that sustainability influences the performance of banks in Ghana is also consistent with evidence from earlier empirical works by (Gupta & Gupta, 2020; Eccles, Ioannou & Serafeim, 2014) but contradicts the findings of (Tenuta & Cambrea, 2022).

Table 5
RESULT FOR DISCRIMINANT VALIDITY (HTMT) FOR MEASUREMENT MODEL

	R Square	R Square Adjusted
Bank Performance	0.407	0.405

Source: Field work, 2023

HYPOTHESIS TESTING

H_0: Banks Sustainability has no Significant Positive Effect on Bank Performance

The hypothesis seeks to evaluate whether bank sustainability has on significant positive relationship with the bank performance. Table 5 presents the results ($\beta = 0.764$, $t = 14.317$, $p = 0.000$) which suggest that the hypothesis, bank sustainability has no significant positive effect on bank performance is not accepted. The finding therefore reveals that bank sustainability has significant and positive relationship with bank performance. This suggest that since corporate sustainability has dominated international discourse and gained so much recognition in

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regulatory frameworks, banks that devise effective economic, social and sustainability policies, practices and disclosures enhance their brand both locally and internationally. Such practices and disclosures project the banks as socially and environmentally responsible corporate entity which interest customers, shareholders, regulators and other stakeholders. Banks that are inclined to sustainability practices are considered as responsive to social and environmental issues hence attract prospective customers and investors. It further markets the bank and provide them the competitive advantage in the industry to enhance their operational, market and financial performance. For policy implication of the outcome of this study, Bank of Ghana, regulator of the banking sector and other policy makers will be informed on the need to come out with comprehensive policies on economic, social and environmental sustainability policies. It also emphasizes the need to improve upon existing policies and ensure their enforcement. From the practical perspective, regulators and management of the banks will be guided by this study to promote sustainability practices and disclosures through seminars, trainings and conferences. It will also influence regulators and management of the banks to consider regular trainings and workshops to equip employees and shareholders on issues of sustainability especially sustainability reporting which is emerging issue in the corporate world. Again, it provides insight for management in devising sustainability strategies to enhance the performance of the banks. While the findings of the study affirms the position of the signaling theory, it is also in line with the empirical evidence presented by (Adu et al., 2024; Buallay et al., 2021; Bătae, Dragomir & Feleagă, 2021; Cornett et al., 2016; Nizam et al., 2019; Wagner, 2020; Shakil et al., 2019) that significant positive relationship exist between corporate sustainability and performance. On the contrary, (Matuszewska-Pierzynka, 2021; Aras, Aybars & Kutlu, 2010) argue that corporate sustainability and corporate performance are not positively associated Table 6.

Table 6
DIRECT RELATIONSHIP RESULT

	Beta Coefficient	Standard Deviation	T Statistics	P Values
Bank Sustainability -> Bank Performance	0.764	0.053	14.317	0

SUMMARY AND CONCLUSION

Globally, corporate sustainability has rapidly emerged in the corporate world with companies increasingly recognizing that sustainable practices can drive innovation, enhance brand loyalty, and create new market opportunities. The banking industry is therefore undergoing a significant transformation as sustainability emerges as a core component of its operational and strategic frameworks to enhance performance. Though several empirical works have explored the corporate sustainability and corporate performance nexus, such studies mostly focused on developed economies, different sectors while excluding financial institutions and limited dimensions of corporate sustainability and corporate performance. Therefore, this necessitated the current study which explored the influence of corporate sustainability practices of banks on their performance. Based on a sample 302 key and senior management personnel from all the 23 banks that existing after the 2017 banking crisis, data was obtained on bank sustainability explored economic, social and environmental sustainability while operational, financial and market performance dimensions were explored for bank performance. The findings of the study suggest that bank sustainability has significant positive relationship with bank performance.

The study provides theoretical and empirical significance. Theoretically, the study

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contributes and enhances the literature on the signaling theory. It also contributes significantly to the ongoing debate on corporate sustainability and corporate performance nexus by presenting the Ghanaian context, the banking sector as well as the post banking crisis perspectives. These new perspectives enriches the existing literature and broadens the scope of the ongoing debate.

For policy implication, Bank of Ghana, regulator of the banking sector and other policy makers will be informed on the need to come out with comprehensive policies on economic, social and environmental sustainability policies and improved enforcement of existing policies. Practically, regulators and management of the banks will be influenced to promote sustainability practices and disclosures through seminars, trainings and conferences and insights in devising sustainability strategies to enhance the performance of the banks. It is therefore, recommended that policy makers should emphasize sustainability policies in banking operations, regular training and workshops related to sustainability practices and reporting in the sector.

The study is limited to the banking sector while excluding other sectors such as the manufacturing and mining sectors where sustainability has also emerged strongly. The focus of the study on only the Ghanaian context will hinder the generalization of the findings to developing economies or the banking industry. In view of these limitations, it is recommended that, future studies should consider other sectors such as manufacturing and mining. Such studies should collectively explore other developing economies in addition to Ghana to ensure the generalizations of the findings to emerging economies.

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