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Does Sustainable Development Goals Disclosure Affect Corporate Financial Performance?

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Abstract: This study provides empirical examination of Sustainable Development Goals (SDGs) reporting in Oman. It also examines the impact of SDGs reporting on corporate financial performance. The study adopts content analysis of the narrative sections of the annual reports to measure levels of SDGs reporting. The study examines all financial companies listed on the Muscat Stock Exchange over the period of 2016–2020. Regression models are used to examine the impact of SDGs on corporate financial performance. Our analysis adds to the literature in two crucial respects. First, we provide evidence that financial institutions in Oman have performed poorly in SDGs reporting. Second, we provide evidence that SDGs reporting positively affects corporate financial performance. Our findings offer solid practical implications to regulators, different stakeholders, policymakers, board members, and managers. The study makes an important and novel contribution to corporate disclosure literature. So far as we know, it is the only paper to examine levels of SDGs reporting in financial institutions in a developing country. Moreover, to the best of our knowledge, it is the first paper to show that SDGs reporting is positively associated with corporate financial performance.

Keywords: Sustainable Development Goals (SDGs); financial performance; Oman; business environment; legislation

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1. Introduction

In September 2015, the United Nations (UN) embraced provisions to target more sustainable global development by 2030. Sustainable development is defined as "development which is designed to meet the needs of the present generation without compromising the needs of future generations" [1]. The UN imposes "17 Sustainable Development Goals (SDGs), which are divided into 169 subordinate goals". These goals are calling corporations to respond to global challenges that confront the world including challenges as "poverty, inequality, protecting the planet and ensuring everyone enjoys peace and prosperity". The distinct nature of these goals is that they are connected in a way that responding to one goal will involve tackling another goal. In the same manner, these goals unite the whole society together, which leads to a positive impact on our world and achieves sustainability. All UN members have adopted the SDGs in 2015 as part of the Paris Agreement, as they will draw the path to achieve a sustainable future addressing the global challenges. Climate change is the key to achieve most of the referred SDGs. In a recent paper, Ramos et al. (2022) [2] argue that companies are more likely to engage in SDGs if they add value to the organization. Therefore, the objective of our paper is to examine the impact of SDGs adoption on corporate financial performance in Omani financial companies listed on the Muscat Stock Exchange over the period of 2016–2020. We aim to answer the following research question: Does SDGs disclosure affect corporate financial performance?

Oman is one of the Gulf Cooperation Council (GCC) countries located in the middle east. It has an economic structure similar to the other GCC countries. Oman and the

GCC economies are all highly depending on oil and subsequently exposed to oil price fluctuation. However, Oman is the first among its GCC peers to heavily depend on the oil. Also, Oman's economy is not the most open when compared to other GCC countries, which is due to small size of non-oil activities and similarities in natural resources used in the development. All of the aforementioned facts, call for the urgency in diversifying Oman's economy. This is why Oman's government set its strategy via Oman Vision 2040 which led in Oman joining the UN 2015 summit embracing SDGs among businesses and strategies. Oman has unique natural resources which shall play a critical role in economy diversification such as natural gas, fisheries as well as location when it comes to tourism and logistics. Economic diversification will automatically tackle SDGs in terms of reducing greenhouse gas emissions related activities, positively impacting climate change, and developing sustainable economic growth.

Oman provides a unique country context in which to examine the impact of SDGs disclosure on corporate financial performance. First, Oman has contributed to "The 2019 Voluntary National Review of The High-Level Political Forum on Sustainable Development". Oman is one of the first countries to submit its SDGs report to the UN in May 2021 [3]. Second, Oman is one of the participated member states at the UN Summit in September 2015 to devote all efforts in implementing the SDGs legislation. Therefore, these goals, due to their importance, have been integrated into the Ninth National Five-Year Plan of the Sultanate (2016–2020) and Oman 2040 Vision, "in a way that attests to the rigorous seriousness with which the Government is implementing the SGDs, allocating budgets thereto, and devising programs and policies that ensure the achievement thereof in the medium and long terms" which led to enhancing a win-win relation between corporation and the society. Companies in Oman have realized that focusing only on the economic side of their businesses will not let them survive for long in the competitive changing market. However, these corporations need to well position themselves in terms of sustainable development that balances financial, environmental, and human development [4]. Therefore, Omani companies are more likely to voluntarily report SDGs information in their annual report narratives to signal their success (good performance).

Prior research has focused on the determinates of SDGs disclosure. For instance, Rosati and Faria (2019) [5] find that commitment to sustainability frameworks, share of female directors, directors' age, firm size and external assurance have a significant association with SDGs disclosure, while Al-Shaer et al. (2022) [6] corporate governance and reporting behavior affect levels of SDGs disclosure. To date, limited empirical research that examines the economic consequences of SDGs adoption on corporate financial performance by considering all the 17 SDGs, especially in developing countries, as the SDGs topic is under-researched [1]. The closest paper to ours is Ramos et al. (2022) [2] who find that SDGs have not impact on corporate performance. However, their study was limited to a small number of firms for one year. The analysis by Ramos et al. (2022) [2] was limited to one year and only 21 firms from different countries.

Our paper contributes to the literature in several ways. First, it is among the first paper, to the best of our knowledge, to provide empirical evidence on the impact of SDGs adoption on corporate financial performance in Omani financial firms. Therefore, our study is responding to research calls by Muhmad and Muhamad (2021) [1] and Hummel and Szekely (2021) [7] to conduct further research on SDGs disclosure in developing countries. Prior literature recommends scholars and academics to tackle this topic from accounting perspective and provide solid practical implications for regulators, policymakers and managers. Most studies in the literature focus on one dimension of sustainability, however, very rare studies (including this one) focus on all three dimensions of sustainability, environmental, economic, and social. Second, we integrate multiple theories, stakeholder, resource-based view, and trade-off, to explain such relationship. Third, we use a dataset from Omani financial listed companies on the Muscat Stock Exchange (MSX) from 2016–2020 analyzing the post period of the SDGs adoption. These companies appear to have a significant impact on the SDGs adoption, as they represent the largest portion of the MSX.

Following Hummel and Szekely (2021) [7], we use two measures of SDGs disclosure. Our measurements of SDGs disclosure are derived from United Nations (2015) [8,9] and GRI and UN Global Compact (2018) [10]. We use computerized textual analysis to measure SDGs disclosure in the narrative sections of corporate annual reports. We focus on these narratives as recent studies (e.g., Albitar, et al., 2022; Elmarzouky, et al., 2022; Hussainey et al., 2022) [11–13] argue that these sections have has become longer and more sophisticated over the recent decade and this allows companies to overcome information asymmetries by presenting more detailed information and explanation, thereby increasing their strategic choices usefulness. Our analysis shows variations of SDGs disclosure over years and between different sub-sectors.

The reminder of the paper is structured as follows. Section 2 discusses the Omani context. Section 3 reviews prior research and develops the research hypothesis. Section 4 discussed the data and methods. Section 5 reports and discusses the main findings. Section 6 reports additional analysis. Section 7 concludes.

2. The Omani Context

The adoption of SDGs in Oman will unleash the resources and capacities of cities where the development takes place. It will help to unlock and empower human, economic, and societal shifts. The big issue, which will face the government, is to plan and service new areas embed and integrate sustainable environmental, social, and economic conditions by 2040. Therefore, SDGs will have a big impact on society only if the government has the competence, resources, and capacity to meet its obligations.

Oman has determined targets for achieving SDGs by the year 2040, embedded within Oman Vision 2040, that aim to lead to a resource-efficient and more competitive economy. Oman has already provided their implementations in some of SDGs' goals "(Goal 3: Good Health and Well Being, Goal 4: Quality Education, Goal 6: Clean Water and Sanitation, and Goal 8: Good Jobs and Economic Growth)" with providing detailed achievements, procedures, and reports.

Omani companies by implementing SDGs goals can redesign the shape of their business strategies to stimulate the economy by boosting production, pursuing on development plan focusing on diversifications, industrialization, and privatization, to reduce the dependence on the oil sector's contribution to GDP. Adopting SDGs goals will open new areas of the government's diversification strategy such as tourism, agriculture, mining, and logistics and so on. This will remarkably create more opportunities for Omani jobs in the marketplace, which is directly achieving sustainable development goal number 8: *Good Jobs and Economic Growth.*

Fulfilling SDGs has played a massive role in improving the growth of the economy. A detailed report provided by the National Center for Statistics and Information has emphasized 6 targets the country has put big efforts in fulfilling the SDG number 8 "boosting the economic growth". The six targets are as following:

(1) Maintaining the economic growth of each individual according to the national conditions, especially on the growth of GDP.
(2) Achieving higher levels of economic productivity through diversification and upgrading technology and innovation, by focusing on sectors with high added value and Labor-intensive sectors.
(3) Achieving full and productive employment and decent work for all women and men, including young people and persons with disabilities, and provide equal pay for work of equal value, by 2030.
(4) Significantly reducing the proportion of young people not enrolled in employment, education, or training by 2020.
(5) Develop and implement policies aimed at promoting sustainable tourism that provides jobs and promotes local culture and products by 2030.
(6) Strengthening the ability of local financial institutions to foster access to services such as banking, insurance and financial to everyone, and expanding their scope.

(Source: National Centre for Statistics and Information, 2021) [14]

Therefore, SDGs consider the more powerful guide for actions to assure a more sustainable planet [15]. They enhance financial performance in several ways: adoption of specific systems that could enhance the decision-making, provide more efficient resources that could reduce costs, more investor satisfaction, better long-term results, and development of more innovative friendly value-adding products that could easily reach to customers [16] (Abdel-Meguid et al., 2021).

3. Literature Review and Hypothesis Development

Due to the novelty of SDGs in the annual reports, little research attention has been given to this topic. The literature is very unique regarding the relationship between SDGs adoption and corporate financial performance. Most of the studies consider one dimension of sustainability, either economic, social, or environmental, and assess its impact on financial performance. However, very rarely have studies examined all of the refereed three dimensions together, which cover all of the 17 SDGs in annual reports [17]. Also, the literature shows mixed results regarding the effect of the adoption of some SDGs on financial performance. The literature asserts the difficulty of generalizing and presuming indirect relationships within all organizations among different contexts [18], therefore more research is needed in this field to improve the understanding of such relationships and have solid practical implications to regulators. Several theories are used to explain the relationship between SDGs adoption and financial performance. These theories are utilized to determine the sign of the relationship (positive, negative, or insignificant) [17].

One stream of studies finds a positive impact of SDGs adoption on financial performance. The resource-based view (RBV) and stakeholder theories state a positive relationship due to the reduction in the firm risk resulted from the adoption of the SDGs Goals. These firms possess unique resources that by utilizing them effectively, in responding to the challenges imposed by the natural environment, will lead them to achieve competitive advantages guiding to better financial performance. In addition, based on stakeholder theory, responding to the environment and social requirements of stakeholders massively contributes to financial performance [19]. "Through successful stakeholder management and the satisfaction of stakeholder demands, firms may acquire several sources of competitive advantage, such as reputation, long-term relationships with suppliers and customers, or increased efficiency in its adaptation to external demands in general" [20] (p. 738). Getting pressures from a wide range of stakeholders led companies to implement much more friendly environmental practices [21,22]. These implementations have led to better corporate financial performance [19]. Recently, Izzo et al. (2020) [23] find that most of highly traded, liquid, and highly-capitalized firms in Italy have introduced SDGs in their disclosure practices. In addition, Khaled et al. (2021) [24] find that companies with high ESG performance score are adopting variety of SDGs activities because they are being monitored by their different stakeholders. In their systematic review (comprising of 56 articles), Muhmad and Muhamad (2021) [1] highlight the relationship between SDGs adoption and financial performance and find that about 96% of the articles report a positive relationship. Emma and Jennifer (2021) [25] provide evidence that SDGs disclosure affect corporate performance in controversial sectors as well as in environmentally sensitive industries. Several studies have emphasized the positive long-term effect received from the adoption of SDGs [26–28].

On the other hand, several studies find a negative relationship between SDGs implementation and financial performance. The trade-off theory expects a negative relationship due to that firms which engage in social and environmental responsibility concentrate more on a pleasingly wide range of stakeholders at the expense of corporations' shareholders. Engaging in environmental activities will lead to withdrawing many resources outside the firm, which will result in incurring more social costs and weakening the firms' financial performance [20]. Li and Wu (2017) [29] report a negative impact on companies' financial performance after the adoption of the environmental management system (EMS), which considers one of the sustainable supply chain practices. They explained the results by reasoning that the implementation of EMS involves "specific requests and substantial investments in environmentally friendly manufacturing systems that cause the loss of operational efficiency and flexibility during the implementation process" (p. 9). Moreover, Ionascu et al. (2018) [30] examine one indicator of the SDGs, which is goal number 5 "Gender Equality", and find that increasing the number of women present on boards has no significant impact on financial performance. This is in line with Veltri et al. (2021) [31] who find the same effect of female involvement on board of directors on corporate social performance. This could be the case in well-governed firms; however, adding women to weak corporate governance boards could have a massive improvement on firms' financial performance [1]. In addition, Provasi and Harasheh (2021) [32] find a negative significant impact of the female involvement on the corporation's board on the financial performance indicators. They argue that this could be due to the maintenance of women representation close to the minimum level stated by the regulation. However, they find a positive impact of female directorships on the sustainable performance. This indicates that women are more oriented towards sustainability, corporate social responsibility, and corporate ethical behaviors.

Based on the brief findings of the previous literature review and the theoretical framework used in the study, we set our hypothesis as follows:

Hypothesis 1 (H1). *There is a relationship between SDGs disclosure and corporate financial performance.*

4. Research Methodology

4.1. Sample Selection

Our sample consists of Omani listed financial companies on Muscat Stock Exchange (MSX) for the period of 2016–2020. Omani financial sector includes several sub-sectors. They are: banks, financial services companies, insurance firms, investment and real estate companies. We gather our data from Omani financial listed companies' annual reports. We select this period to assess the post-phase of the SDGs adoption, which is implemented in 2015. We stopped at the year 2020 as it is the most recent year at the time of execution the analysis. Annual reports consider the most informative channel to disseminate information to the public and get wide attention from stakeholders [33]. Also, they are considered a platform to integrate both financial and non-financial information such as SDGs adoption. This is fueled by the growing responsibility of the companies towards voluntary integrated reporting. Our sample comprises 34 financial companies over 5 years totaling 170 firm-year observations. This sample has attracted recent studies in the Omani context such as Al Lawati and Hussainey (2020) [34], Al Lawati and Hussainey (2021) [35], and Al Lawati et al. (2021) [33].

We have focused on Omani financial institutions as they are heavily regulated by Central Bank of Oman and Capital Market Authority and they need to accommodate the required changes and updates especially after the Sultanate involvement in UN summit in 2015. Therefore, after conducting a pilot study, we have seen that these financial institutions are keen in disclosing high level of voluntary disclosures among their annual reports and one type of it was SDGs topics. Their aim is to be aligned with government's activities and also to satisfy stakeholders' interests in order to survive for a long period of time and to attract foreign investors.

A textual analysis method is used to examine the SDG variables. Textual analysis in general refers to "the notion of parsing text for patterns" [36] (p. 1187). This method has been used before in the Omani context by Al Lawati and Hussainey (2020) [34] and Al Lawati et al. (2021) [33]. We select the financial sector to conduct our analysis on, due to the significance of this sector in the context of Oman. Financial sector is regulated by two governmental bodies, Central Market of Authority (CMA) and Central Bank of Oman (CBO). It is also considered the primary pillar that the whole economy of Oman depends on.

4.2. Regression Model

We apply Ordinary Least Squares (OLS) regression to examine our research hypothesis. The following regression model is employed:

$$\text{Financial Performance} = \alpha + \beta 1\ \text{SDGs} + \beta 2\ \text{ACInd} + \beta 3\ \text{ACSize} + \beta 4\ \text{Total Asset} + \beta 5\ \text{LEV} + \beta 6\ \text{Big4} + \text{Industry fixed effect} + \text{Year fixed effect} + e \quad (1)$$

where: ***Financial Performance*** refers to firm Profitability; ***SDGs*** refers to the measure of SDGs adoption information in a firm's annual report; ***ACInd*** refers to the percentage of independent directors on AC; ***ACSize*** refers to the number of AC members; ***Total Asset*** refers to the firm size; ***LEV*** refers to the leverage of the firm; ***Big4*** takes the value of 1 if the company's financial statements are audited by one of the Big4 external auditors, zero otherwise. Table 1 illustrates the variables' measurements and abbreviations.

Table 1. Variables' Definitions and Measurements.

Variables	Abbreviations	Measurement
Dependent Variable		
Corporate Financial Performance	ROE	Pre-tax income to yearly average equity
Independent Variable		
SDG Adoption	SDGs	"Overall SDG" is a binary variable to indicate whether the firm refers to the SDGs in its annual report or not. "Total SDGs" is a quantitative measure. It is examined the occurrence of different 17 topics of SDGs among the annual reports.
Control Variables		
AC Independent Directors	ACInd	Percentage of independent directors on audit committee
AC Size	ACSize	Number of audit committee directors in the firm
Firm Size	Total Asset	Natural logarithm of total assets
Firm Leverage	LEV	Dividing total debts on total assets
Audit Quality	Big4	Dummy variable which takes the value of 1 for the company whose financial statements are audited by one of the Big 4 firms (PwC, Deloitte, EY & KPMG), otherwise zero

5. Variable Measurement and Definitions

5.1. Dependent Variable: Corporate Financial Performance

Our dependent variable is corporate financial profitability (ROE), which is measured by pre-tax income to yearly average equity [35].

5.2. Independent Variable: Measurement of SDGs Adoption

To examine the prevalence of SDGs information in companies' annual reports, two types of SDGs adoption variables are used. The first measure, "Overall SDGs", is a binary variable to indicate whether the firm refers to the SDGs in its annual report or not [7]. We will use specific words of "SDG", "SDGs", or "global goal" or the occurrence of "sustainable" and "development" and "goal" within a window of five words to measure the existence of any reference to SDGs in the annual reports. The second measure, "Total SDGs", is the quantitative measure of SDGs. This measure is used to examine the occurrence of different topics of SDGs among the annual reports. We will be using a bag of words following (Hummel & Szekely, 2021) [7], and for each of the 17 SDGs, a score of 1 will be given to any goal for its existence, 0 otherwise. This could end up by having a maximum total of 17 scores depending on each company's engagement to SDGs. We will request these search terms in the annual reports and retrieve ten-word windows around the prevalence to construct a variation of themes through all annual reports for each SDG topic. Python software (Python 3.9, Python Software Foundation, Dover, DE, USA) is utilized for the textual analysis.

5.3. Control Variables

We follow prior research (e.g., Hussain et al., 2018; Albitar et al., 2020; Harun et al., 2020; Elmarzouky et al., 2021; Lassala et al., 2021) [37–41] and include set of control variables that have a significant impact on corporate financial performance. We control for firm size, which is measured by the natural logarithm of total assets, and firm leverage, which is measured by dividing total debts on total assets. We also control for AC size and independent AC directors as the literature finds a significant effect of these variables on corporate financial performance [42]. Moreover, audit quality is controlled in our study due to its responsibility in maximization or minimization companies' profit [43]. Audit quality is measured by creating a dummy variable which takes the value of 1 for the company whose financial statements are audited by one of the Big 4 firms, otherwise zero following Al Lawati and Hussainey (2021) [35]. In addition, we control for year and industry dummies following Chijoke-Mgbame et al. (2020) [42].

6. Empirical Findings

6.1. Diagnostics Tests

6.1.1. Reliability and Validity of SDGs Disclosure

The reliability and validity of the content analysis approach, that has been used to measure SDGs disclosure, is carefully assessed by independent researchers. Also, a Cronbach's Alpha test has been utilised to assure the reliability of SDGs disclosure items and the percentage was greater than 0.85, which indicates acceptability of the data [44].

6.1.2. Regression Diagnostics Tests

We have checked for the readiness of our data by applying some regression diagnostics tests. The normality assumption has been tested by applying a skewness statistics test and the findings revealed that the sample data is normally distributed. Moreover, we conducted a Durbin-Watson (DW) statistic test to check for autocorrelation assumption and the results returned with values ranging from 1 to 3, which confirms the absence of autocorrelation in the sample. Furthermore, to check for homoscedasticity assumption, we ran Breusch-Pagan test, and the findings confirm the homoscedasticity of the models, according to Field (2013) [45].

6.2. Descriptive Statistics

Table 2 reports the descriptive analysis. For the independent variable, "Total SDGs" has a mean value of 4.02 with a minimum of 0 and maximum of 15. The dependent variable, ROE, has a mean of 5.17 and a range of −41.58 to 22.

With respect to control variables, AC independence has a mean of 75% with a maximum of 100% and minimum of 0. AC size is ranging from 5 to 3 members. The mean value of Omani financial institutions' size and leverage are 2.13 and 17.3 respectively. 91% is the mean value of Omani financial firms who have been audited by Big 4 audit firms.

Table 2. Descriptive Analysis.

Variable	Mean	Std. Dev.	Min	Max
TotalSDGs	4.02	4.53	0.00	15.00
OverallSDGs	0.06	0.24	0.00	1.00
ACInd	0.75	0.19	0.00	1.00
ACSize	3.38	0.56	3.00	5.00
LogAsset	2.13	0.89	0.48	4.09
LEV	17.26	22.78	0.00	69.58
Big4	0.91	0.28	0.00	1.00
ROE	5.17	10.53	−41.58	22.00

TotalSDGs is a binary variable to indicate whether the firm refers to the SDGs in its annual report or not. *OverallSDGs refers to* the quantity of SDGs disclosure. *ACInd* refers to the percentage of independent directors on AC; *ACSize* refers to the number of AC members; *LogAsset* refers to the firm size; *LEV* refers to the leverage of the firm; *Big4* takes the value of 1 if the company's financial statements are audited by one of the Big4 external auditors, zero otherwise. *ROE is* firm Profitability.

6.3. Correlation Analysis

The correlation matrix analysis is presented in Table 3. A positive correlation has found between firm performance and total SDGs disclosure at the confidence level of 95%. With regards to control variables, ROE shows a positive correlation with AC size and firm size at the confidence level of 90% and 95% respectively. To assure the data is free form multicollinearity problem, a variance inflation factors (VIFs) test has been conducted for all variables and models and the returned results are less than 10 (not tabulated), which indicates that there is no multicollinearity problem [46]. In addition, the coefficients of the study variables in Table 3 are lower than 0.8, which confirms the non-existence of the multicollinearity problem.

Table 3. Correlation Analysis.

	Variables	1	2	3	4	5	6	7
1	ROE	1						
2	TotalSDGs	0.2808 **	1					
3	ACInd	−0.0074	0.017	1				
4	ACSize	0.1451 *	0.1503 *	−0.040	1			
5	LogAsset	0.1718 **	0.7148 **	−0.071	0.034	1		
6	LEV	−0.1139	0.003	−0.029	−0.026	0.124	1	
7	Big4	0.0972	0.2494 **	−0.2024 **	0.028	0.3230 **	0.2021 **	1

* Correlation is significant at the 0.10 level (2-tailed). ** Correlation is significant at the 0.05 level (2-tailed). See Table 1 for the variables' definitions.

6.4. Regression Analysis

Our findings are presented in two Tables 4 and 5. Table 4 represents the first measure of our SDGs disclosure (overall SDGs equals to binary variable to indicate whether the firm refers to the SDGs in its annual report or not), while the Table 5 indicates the second quantity measure of the SDGs adoption (Total SGDs which examine the occurrence of different 17 topics of SDGs among the annual reports.). We find in both tables that SDGs adoption has a significant and positive effect on the corporate financial performance in Omani financial companies at the significant level of 0.1 in Table 4 and 0.01 in Table 5. Therefore, we accept our hypothesis. Our findings are based on resource-based view and stakeholder theories and consistent with prior studies (e.g., Zhang & Chen 2017; Lu et al., 2018; Emma and Jennifer, 2021; Muhmad & Muhamad, 2021) [1,25,27,28] who report that adopting sustainable goals will lead firms to achieve their competitive advantages and enhance their reputation in the stock market, which in turn steers them to higher financial performance. Responding positively to wide range of stakeholders' interests and needs, will build a strong relationship between them and the company and consequently will improve corporations' financial performance as it is the vital goal of the firm.

Table 4. Regression Analyses.

Overall SDGs Disclosure		
Variables	**Coefficients**	**Significance**
OverallSDGs	0.148 *	0.065
ACInd	−2.653	0.49
ACSize	−0.058	0.965
LogAsset	1.857	0.271
LEVTDTA	−0.275 ***	0
Big4	2.028	0.459
_cons	21.742	0.009
Industry Effect	Yes	
Years Effect	Yes	
No. of Obs	170	
Prob > F	0.0000	
R-squared	0.31	

* Correlation is significant at the 0.10 level (2-tailed). *** Correlation is significant at the 0.01 level (2-tailed). See Table 1 for the variables' definitions.

Table 5. Regression Analyses.

Total SDGs Disclosure		
Variables	**Coefficients**	**Significance**
TotalSDGs	0.647 ***	0.010
ACInd	−3.174	0.394
ACSize	−0.631	0.632
LogAsset	0.058	0.974
LEVTDTA	−0.210 ***	0.004
Big4	1.057	0.697
_cons	22.137	0.006
Industry Effect	Yes	
Years Effect	Yes	
No. of Obs	170	
Prob > F	0.0000	
R-squared	0.33	

*** Correlation is significant at the 0.01 level (2-tailed). See Table 1 for the variables' definitions.

Great importance has been attached to social and ethical responsible values among financial markets. Integrating SDGs in companies' strategies would generate better strategic benefits, which would create long-term shareholder value and enhance the corporations' competitive advantages among their peers. As companies are facing great pressure from their stakeholders and government to be more transparent and to disclose more about social and environment practices, they have included processes and procedures in their business strategies in order to shape the whole system of social responsibility among the organization. The implementation of the UN SDGs has been considered as a measure of corporation's sustainable behaviour [41], which will lead to the survival of the businesses and society and improve corporation's reputation among their stakeholders.

Based on stakeholder theory, large adoption of SDGs within businesses practices and by meeting various stakeholders needs and interests, would help in enhancing firm's reputation and consequently lead to a lower firm's risk premium and a higher firm's financial performance. Moreover, increasing the disclosure of SDGs compliance will reduce the information asymmetries and enhance the confidence and trust among the investors, which will improve their decision making. It is highly recommended that corporations continue in developing business strategies that are involving SDGs practices as these practices can ensure the needs of the present and also the future generation to come.

Our results offer important practical implications to regulators, policymakers, managers and board of directors to highly recommend companies to adopt SDGs in their business operations and respond favorably to all of their stakeholders, which would enhance their reputation in the market and among other firms in the same industry. This is because stakeholders perceive such implementation as complying with government regulations and eventually will improve firm' financial performance.

With respect to control variables, the findings show that there is a negative relationship between corporate financial performance and firms' leverage in Tables 4 and 5 at the significant level of 0.01. The result is consistent with previous studies [44].

6.5. Additional Analyses

The Effect of SDGs Disclosure on Corporate Financial Performance Using Different Regression Model

We further examine the impact of SDGs adoption on corporate financial performance in Omani financial firms using fixed and random effect to check the validity and robustness of our main findings. The purpose of these regression models is to control for unobservable firm heterogeneities that could occur over time. The findings are presented in Tables 6 and 7. The results reveal that the impact of SDGs adoption on firms' performance remains unchanged and has a positive and significant impact in both regression models, random and fixed effect at the significant level of 0.1 and 0.05, respectively.

Table 6. Random Effect.

Total SDGs Disclosure		
Variables	**Coefficients**	**Significance**
TotalSDGs	0.422 *	0.100
ACInd	2.226	0.600
ACSize	1.891	0.303
LogAsset	0.740	0.634
LEV	−0.119 *	0.080
Big4	3.305	0.573
_cons	−7.131	0.460
Industry Effect	Yes	
Years Effect	Yes	
No. of Obs	170	
Prob > F	0.0000	
R-squared	0.12	

* Correlation is significant at the 0.10 level (2-tailed). See Table 1 for the variables' definitions.

Table 7. Fixed Effect.

Total SDGs Disclosure		
Variables	**Coefficients**	**Significance**
TotalSDGs	0.493 **	0.025
ACInd	0.874	0.852
ACSize	1.820	0.428
LogAsset	0.491	0.803
LEV	−0.734 ***	0.002
Big4	0.000	0.600
_cons	7.259	0.529
Industry Effect	Yes	
Years Effect	Yes	
No. of Obs	170	
Prob > F	0.0000	
R-squared	0.13	

** Correlation is significant at the 0.05 level (2-tailed). *** Correlation is significant at the 0.01 level (2-tailed). See Table 1 for the variables' definitions.

To solve the problem of any possible endogeneity issues such as omitted variables or causality, we have run a two-step system generalized method of moments (GMM) approach in order to tackle those issues. This approach is used to investigate the dynamic relationship between SDGs adoption and financial performance as it provides consistent findings after controlling for omitted variables bias. Table 8 reports the results, and it has been shown that the disclosure of SDGs is significantly and positively enhancing the level of corporations' financial performance at the significant level of 0.01, which confirms the main findings of the paper. Arellano-Bond test for AR (1) and Sargan test of overidentifying the restriction regarding the system GMM approach have been reported in the Table 8. The findings confirm the rejection of the null hypothesis of no first-order (AR (1)) auto-correlation and over-identified model, which in turn validate the utilizing of the system GMM approach and ensure that our results are free from endogeneity issues.

Table 8. Two Step GMM Analysis.

Two Step GMM Analysis				
ROE				
Variables	**Coefficients**	**Significance**	**Std. Err.**	**z**
TotalSDG	1.230 ***	0.000	0.100	12.340
ACInd	9.716 ***	0.000	2.360	4.120
ACSize	−0.137	0.874	0.865	−0.160
LogAsset	2.791 ***	0.000	0.234	11.940
LEVTDTA	−0.152 ***	0.000	0.037	−4.140
Big4	−27.176 ***	0.000	3.815	−7.120
_cons	15.029 ***	0.003	5.001	3.000
Industry Effect	Yes			
Years Effect	Yes			
No. of Obs	170			
Prob > F	0.000			
Arellano-Bond test AR (1) (*p*-value)	0.090			
Sargan test (*p*-value)	0.00			

*** Correlation is significant at the 0.01 level (2-tailed). See Table 1 for the variables' definitions.

7. Conclusions

Nowadays, businesses are adopting SDGs as they are the best guide for the corporations to continue surviving in the long run by considering about the environment and the fate of future generations. However, implementing SDGs aspects include costs that could affect on corporations' financial performance. This concern has led to grow research interests in this area, especially on how corporations could maintain their performance level while implementing the SDGs measures. Therefore, in this study we aim to examine the impact of adopting the SDGs measures on corporations' financial performance in the context of Oman. In our paper, we have focused on the entire sustainability practices rather than on the single dimension of sustainability practice to capture the whole measures of SDGs (17 indicators) that have been recommended by UN in 2015. Omani Government with collaboration with UN has put a great focus and encourages businesses to pursue extensive sustainability practices within their activities.

The findings of the paper show that the adoption of SDGs in Omani financial institutions has a positive and significant impact on corporations' performance. The results indicate that firms have taken great initiatives in implementing SDGs practices, which will lead to enhance firms' reputation and worthiness in the eyes of their stakeholders and will increase businesses survival [47]. The study responded to a recent research call by (Muhmad & Muhamad, 2021) [1] to examine such relationship in developing countries as there is a big gap regarding this topic, which should be filled.

It has been seen that there is big effort from governments and UN in encouraging corporations to focus on sustainable developments which has prompted them to engage in extensive sustainability disclosure practices. Corporations are changing their business practices by responding to different topics of SDGs such as gender equality, clean energy, and climate action, in order to fulfill governments' recommendations on sustainability. Omani corporations, like most of the organizations in the world, have started strongly to implement the SDGs in their operations and strategies and they have prioritised on the social and environmental responsibilities.

The paper provides very important practical implications to the corporations and their stakeholders. By disclosing sustainable developments in the corporations' reports, the investors could obtain credible and reliable risks and opportunities information relevant to long term value creation. At the same time, stakeholders can assure the corporations' involvement in the achievement of the SDGs. Omani government could use the corporations' SDGs reports to enlist the support of organisations and capital markets in order to realise their commitment to the SDGs and to provide them with necessary budget and funds to enhance their responsibility in engaging in SDGs practices.

The paper offers practical implications for regulators, managers and shareholders. Managers and shareholders understand the positive outcome that they could achieve from SDGs adoption. This will not only enhance the financial performance of the companies, but also will improve the environment, people life and the whole planet. Regulators should encourage all companies to implement SDGs within their business strategy as it will have a positive impact on the present and future generations to come.

The study is not free from limitations. We have only used one measure for corporations' performance. Future studies could use other corporations' performance indicators to evaluate the effect of adopting SDGs practices for for-profit companies. Other limitation of our study is that we have focused only on the financial institutions, which future studies could examine such relationship on the non-financial institutions. Recent studies show that the adoption of mandatory IFRS affects cost of capital in GCC [48], it would be interested to examine the impact of SDGs reporting on cost of capital in the same context. Finally, research shows that COVID-19 pandemic affects the quality of external auditors [49]-additional research is needed to explore the impact of the quality of external auditors on SGDs reporting in times of COVID-19 pandemic.

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