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RESPONSIVENESS OF SHARE PRICE TO SUSTAINABILITY DISCLOSURE IN SOUTH AFRICAN BANKS

Abstract

Corporate responsiveness to sustainable environment has become necessary to foster desired greening of the economy. However, corporations need to be motivated towards this act of social and environmental citizenship. One possible means to incentivise firms towards sustainability adherence is through sustainability disclosure. Most firms are, however, hesitant to disclose if there are no apparent gains derivable especially as sustainability disclosure is still at the voluntary level. The purpose of our study is to explore the extent to which share price responds to sustainability disclosure. We applied Content Analysis to determine the degree of sustainability disclosure in 7 Johannesburg Securities Exchange listed South African banks and collected share prices, Return-on-equity (ROE) and dividend per share of the same banks. Using Multiple Regression Analysis, our results have a trend reflecting a non-significant relationship between share prices of South African banks and their sustainability disclosures.

Keywords: Sustainability, Sustainability Disclosure, Share price.

Introduction

This paper seeks to identify the impact of sustainability disclosures in South African banks on their share prices. The terms 'Corporate Social Responsibility' (CSR) and 'Sustainability' have become common in recent years and there has been growing awareness of the impact of corporate behaviour, not just on shareholders but on other stakeholders. CSR is a consistent pattern of firms doing more than they are required to do under applicable law and regulation governing the environment, worker safety, health, and investments in the community in which they operate. The impact of globalisation and a greater understanding of the effects of business activities on the environment, local communities, developing nations, employees, customers, suppliers and creditors have given firms additional impetus to consider sustainability management. Key concepts associated with CSR are principles of accountability and responsibility to all legitimate stakeholders, and a willingness to engage in appropriate disclosure to such stakeholders (Overland, 2007). There has been greater attention focused on the extent of disclosure which listed companies make about environmental and social impacts of their business activities.

A growing awareness of climate change has resulted in greater attention being paid to these impacts, to which companies should report on sustainability to show that, despite the negative impacts caused, efforts are in place to address them. A company might be integrating sustainable development in its operations but, unless and until such integration is disclosed, stakeholders would not know. Activities and behaviours of corporations cannot be ignored or overlooked when considering appropriate measures to be taken in relation to sustainable development. Thus, a desire to encourage firms to act in a socially responsible manner, to ensure development is sustainable, and to allow all stakeholders to make informed assessments of corporate activities and practices, necessarily leads to a consideration of sustainability reporting.

Disclosure in general means the provision of information of all types by a company, both to the public at large and to restricted groups of information users (Armitage & Marston, 2008). A higher level of disclosure means that more and better quality information is provided and this leads to a state of affairs in which the company is more transparent. Voluntary disclosure is more important than mandatory disclosure and the main benefit of voluntary disclosure is

promotion of reputation for openness and of shareholders' confidence. Disclosing reliable and precise information can reduce information risk or estimation about a company (Graham, 2005). The benefit of a reputation for openness could simply be a higher share price due to reduced scepticism as Lundholm and van Winkle (2006) contend. A good reputation helps in doing business and therefore brings commercial benefits into a firm.

Sustainability disclosure is a voluntary activity aimed at assessing the current state of a firm's economic, environmental and social dimensions, and communicating a company's efforts and sustainability progress to their stakeholders (Dalal-Clayton & Bass, 2002 and GRI Reports database, 2007). Voluntary Social and Environmental Accounting and Reporting (SEAR) is whereby firms provide a range of stakeholders with an account of aspects of their so-called CSR policies, practices and impacts (Spence & Gray, 2007).

The rationale behind sustainability disclosure is that companies are increasingly expected to broaden their accountability beyond simply ensuring financial performance to shareholders, to demonstrating 'triple bottom line' performance for stakeholders. The concept of 'triple bottom line' refers to balancing and integrating corporate management and reporting across economic (including financial), social (including all stakeholders) and environmental (including all health and safety) dimensions (Africa Merlin –Tao Visser, 2002).

Sustainability reporting has only recently been formalised with the advent of the Global Reporting Initiatives (GRI) Sustainability Reporting Guidelines (Slater & Gilbert, 2004). Firms are becoming more committed to societies and the natural environment, especially now that they are fiercely competing for the market share and realising that being socially and environmentally responsible is beneficial. Social and environmental initiatives and practices can help firms to gain competitive advantage, hence a larger market share.

The problem that warrants this study is the general reluctance of companies to report on sustainable development; the situation that seems to be aggravated by lack of consensus among researchers on how a firm's value is affected by sustainability reporting. It is still not clear whether or not reporting on sustainable development is economically viable to firms.

Blacconiere and Northcut (1997) and Blacconiere and Patten's (1994) analysis findings on how unique regulatory or ecological events affect a firm's stock market performance are consistent with Epstein and Freedman's (1994) view that environmental disclosure is highly desirable. However, according to Richardson and Welker (2001), environmental disclosure may actually be detrimental to a firm's cost of capital. These conflicting findings do present a puzzle to managers, market participants, regulators and other stakeholders, as they do not provide clear guidance as to the best course of action (Aerts, Cormier & Magnan, 2007) and banks are not exempt to this.

Banks have a wide range of stakeholders that have interests in their activities. Stakeholders want information on an organization's economic, environmental and social performance to help them in making decisions about their relationship with the organization concerned. Furthermore, as society's awareness of the importance of sustainability issues has increased, especially around climate change, so too has the importance of sustainability reporting. The driving force behind this study is the reluctance of banks to report on sustainable development, which seems to be closely related to the lack of a widely accepted model that can be used to predict a company's share price given a certain level of sustainability disclosure.

From the above problem, the paper is aimed at addressing the question, "What is the possible relationship between a company's sustainability disclosure and its share price?" The main objective of this study is to find out if sustainability reporting has any influence on share price and if so, develop a model reflective of such a relationship. Finding the relationship between sustainability disclosure and share price is very significant in a number of ways. Since there are conflicting research findings on whether or not sustainability reporting is economically viable to firms, this study enlightens not only to banks but to other firms in other sectors and their stakeholders on whether there is any value that firms derive from sustainability disclosure.

If this study finds a strong and positive relationship between sustainability disclosure and the share price of a firm, it should encourage firms not only to adopt sustainability disclosure as a way of doing business, but to also fully integrate the concept of 'triple bottom line' to improve the quality of its sustainability report. A positive relationship might also encourage stakeholders

to act in a manner that ensures companies are more committed towards sustainable development and sustainability reporting.

The study can also conclude that there is a negative relationship between sustainability disclosure and the share price in which case, firms will report on sustainable development for some reasons other than shareholder value enhancement. This study's findings are also an addition to existing literature and contribute to knowledge regarding the impact of sustainability disclosure on share performance.

Organisations of all kinds are key forces in the development of societies and have important roles to play in achieving the goal of sustainable development (GRI guidelines, 2006). This paper focused on South Africa which has not received much attention in sustainable development related researches. Although banks fall under the 'low environmental impact' category, bringing them into picture in this study contribute to make them and their impact to the society and environment felt.

Literature Review

There are some contrasting research findings on whether or not sustainability disclosure adds value to shareholders. In addition, there is yet to be a universally accepted definition of sustainability disclosure. The Global Reporting Initiative (GRI guidelines) defines sustainability disclosure as the practice of measuring, disclosing and being accountable to internal and external stakeholders for organizational performance towards the goal of sustainable development. Daub (2007) defines a sustainability report as a report that must contain qualitative and quantitative information on how a company has managed to improve its economic, environmental, social effectiveness and efficiency; and how it has integrated these aspects into its sustainability management system. The World Business Council for Sustainable Development (WBCSD) (2002) agrees with Daub as it defines sustainability reports as public reports by companies to provide internal and external stakeholders with a corporate position and activities on economic, environmental and social aspects. Sustainable development is development that meets the needs of present without compromising the ability of future generations to meet their own needs (Report of the UN World Commission for the Environment, 1987). The importance of these

definitions cannot be overemphasised and a lot of aspects surrounding sustainable development have led researchers to carry out considerable sustainability related research.

Research findings on the relationship between sustainability disclosure and share price have never been consistent, some found no significant relationship; some found a negative relationship while others found a positive relationship. The main possible reason for the mixed prior research findings could be the context under which these researches were carried out. Research findings were different possibly because, the researches were carried out in different countries, different research methods were used, they were carried out on different industries and some researches were focused on short term relationships while others focused on long term relationships.

The study by Murray et al., (2006) that attempted to test the relationship between sustainability disclosure and the financial market performance of top UK companies in a longitudinal and cross-sectional set up, found no direct relationship between sustainability disclosure and share returns. Bowman and Haire (1975) tested the relationship between corporate social disclosure and return-on-equity, only to find out that the highest performing firms are those found in the middle range of corporate social reporting. According to their findings, firms in both extremes, i.e., in low corporate social reporting and high corporate social reporting, realized a low return-on-equity, thus complicating the relationship.

The findings on the study of non-disclosure of social and environmental information in a separate section of annual reports by Malaysian listed companies by Che-Adam, Phua and Taib (2008) suggest that many of the companies do not report social and environmental activities in their annual reports although they do engage in such activities. Non-disclosing companies are also selective over social and environmental related activities, preferring those with direct effect in improving their financial standings such as employee-training programs, energy-consumption programs, employee health and safety, product safety and product-quality improvements and conservation of energy activities. Such companies perceived that there is no significant benefit arising out of the disclosure decision. They attributed this to lack of demand from (or inactive

role of) investors and other stakeholders. As such, the decision not to disclose saves companies from the risk of erosion of competitive advantage and related costs in producing the information.

Blacconiere and Patten (1994), Dasgupta et al., (2006) and Hamilton (1995) used Event Study Approach to analyse short-term effects of news or events regarding environmental and social performance on the market value of companies. Their studies concluded that shareholders penalize companies for bad performance in terms of negative abnormal returns and declines in market value. From the findings of these studies, it can be noted that it is the contents of the sustainability report that really matter as opposed to the reporting itself.

A test carried out by Jones et al., (2007) to find the relationship between abnormal share returns and sustainability disclosure came up with a negative and weak association. Belhaj and Damak – Ayadi's study to test the relationship between environmental performance, environmental disclosure and financial performance for a sample of Tunisian companies confirmed that financial performance is negatively and significantly associated with environmental performance and environmental disclosure.

Lee et al., (2009) reported a negative association between quality sustainability reporting and realized market returns. According to Richardson and Welker (2001), environmental disclosure may actually be detrimental to a firm's cost of capital. Wright and Ferris (1997) and Teoh, Welch and Wazzan (1999) also found a negative relationship.

According to de Villiers and van Staden (2010a), who carried out their research in Australia, the UK and the USA, information regarding sustainability is required by shareholders for such shareholders believe that a company should be accountable for its impact on the environment and such information is vital for informed investment decision making. These sentiments agree with the findings of a survey carried out in South Africa that shareholders want environmental information disclosed, as they believe that companies should be accountable for their environmental stewardship (de Villiers & van Staden, 2010b). Solomon and Solomon's (2006) research found out that institutional shareholders/ investors go an extra mile of collecting private information about a company's social aspect of sustainability to assist them in their investment

decision making, thus making sustainability disclosure important. Chan and Milne (1999) and Holm and Rikhardson (2008) conducted experiments whose results led to the conclusion that individual shareholders respond to sustainability information by incorporating such information in their investment decision making. The research by Freedman and Patten (2004) whose results suggest that the negative impact on the market of poor environmental performance could be mitigated by more extensive reporting encourages sustainability disclosure.

Belkaoui (1976) examined the information content of pollution control disclosure and found a positive relationship between a firm's economic performance and environmental reporting. In this study, the contents of the environment report (pollution control) could have influenced the research findings. A good report in the face of stakeholders will definitely add value to the reporting firm.

Share price, like prices of other products and services, is affected by demand and supply. The more a particular share is demanded, the more likely the increase in its price. From the above literature, it is clear that investors require sustainability information therefore they are most like invest in companies that report on sustainability.

According to Graham (2005), a higher level of disclosure means that more and better quality information is provided and this leads to a state of affairs in which the company is more transparent. The main benefit of voluntary disclosure is promotion of reputation for openness and of shareholders' confidence. Disclosing reliable and precise information can reduce information risk or estimation about a company (Graham, 2005). The benefit of a reputation for openness could simply be a higher share price due to reduced scepticism as Lundholm and van Winkle (2006) contend.

According to Spence and Gray (2007), Social and Environmental Accounting and Reporting (SEAR) and Corporate Social Responsibility (CSR) enhance shareholder value. Firms focused on maximising shareholder value will always voluntarily develop and adopt the best SEAR and CSR policies and practices (Unerman & O'Dyer, 2007). Investors want to be associated with

firms that are publicly demonstrating their commitment to the society and to the natural environment (Guenster, Derwall, Bauer & Koedijk, 2005).

Given the relationship between economic activity and the environment, investors' concerns for social and environmental alternatives has prompted channelling of funds into investment opportunities that reflect corporate responsibility through a better understanding of environmental, social and wider economic impacts associated with business activities (Department of the Environment and Heritage Annual Report, 2005; and Schaltegger & Wagner, 2006). The quality of sustainability management can help investors distinguish between firms that are efficient and well positioned to protect their market competitiveness, and those that are headed for a bumpy ride. Socially, economically and environmentally responsible firms may get government support through tax exemptions and through getting business tenders that will improve their business levels. Unless sustainable development is disclosed or reported, stakeholders, including shareholder, perspective investors and the government, would not know. Blacconiere and Northcut (1997) and Blacconiere and Patten's (1994) analysis findings on how unique regulatory or ecological events affect a firm's stock market performance are consistent with Epstein and Freedman's (1994) view that environmental disclosure is highly desirable.

Clause and Pall (2008) found a positive relationship between environmental responsibility and corporate stock value. Lars and Henrik (2005) discovered that sustainability disclosure of Swedish listed firms positively affects the market value of firms. Posnikoff (1977) found a positive relationship between corporate social and environmental responsibility and financial performance.

Theoretical Framework

The Agency Theory, Stakeholder Theory, and Legitimacy Theory attempt to encourage firms to voluntarily report on sustainability; hence all these form the underlying theories for this paper and are accordingly briefly discussed below.

Agency Theory

According to the Agency Theory, the traditional 'conflict of interest' between managers and shareholders of firms has continued to form headlines in many financial publications. From an economic point of view, the principal (shareholder) cannot accept his agent's (manager's) comportment on actions with no direct economic value to the firm. The more a firm reports on its sustainability activities, the more transparent management actions will be and the more will be shareholders' confidence in management (Pige, 2006).

Stakeholder Theory

The Stakeholder Theory asks management the purpose of the firm, thus encouraging managers to articulate the shared sense of the value they create, and what brings its core stakeholders together, thus propelling firms to generate outstanding performance, determined both in terms of purpose and marketplace financial metrics (Freeman, 1994). It also asks the responsibility that the management has towards stakeholders, thus pushing managers to articulate how they want to do business and the kind of relationship they want or need to create with their stakeholders to deliver on their purpose. The Stakeholder Theory recognises that there are external parties, such as the community and the government, who are also interested in the activities and performance of a firm (Raar, 2007). A firm should therefore disclose its sustainability activities because that is the only way through which stakeholders can make informed decisions about their relationship with the firm.

Legitimacy Theory

Legitimacy is a generalised perception that the actions of an entity are desirable, proper or appropriate within some socially constructed system of norms, values, beliefs and definitions (Suchman, 1995). Legitimacy Theory has, become one of the most cited theories within the social and environmental accounting, and reliable information is necessary to uphold a firm's legitimacy to its stakeholders. Non-disclosure on sustainability can lead stakeholders into suspecting that the firm might have some illegal underhand dealings. Firms with relatively low disclosure levels maybe perceived to be hiding some bad practices (Akerlof, 1970) and firms, being abstract entities created by societies, must demonstrate their legitimacy to the society if they are to survive in the long run (Dowling & Pfeffer, 1975). A firm whose legitimacy is doubted has uncertain expected future cash flows, hence its equity's current value. Scholars

have been much concerned about whether or not adopting and disclosing sustainable development is economically viable to firms.

Methodology

This study involved a review of sustainability reports and collection of share prices, return-on-equity and dividend per share of JSE listed South African banks over an eight years period, and applying Multiple Regression analysis in an attempt to determine the influence of sustainability disclosure on share price.

The population for this study that also happen to be the sample is all South African banks that are listed on the JSE. Banks that fall into this sample are Absa, Rand Merchant Bank (RMB), Mercantile bank, Capitec bank, FirstRand bank, Nedbank, and Standard Bank. The target period is from 2004 to 2011.

Our study made use of Content Analysis to measure sustainability disclosure. Ole Holsti (1969) offers a broad definition of Content Analysis as any technique for making inferences by objectively and systematically identifying specified characteristics of messages. There are two general categories of Content Analysis, Conceptual Analysis and Relational Analysis. Conceptual Analysis can be thought of as establishing the existence and frequency of concepts most often represented by words of phrases in a text. With Conceptual Analysis, one can determine how many times words or phrases appear in a text. In contrast, Relational Analysis goes one step further by examining the relationships among concepts in a text. With Relational Analysis, you could identify what other words or phrases appear next to the concepts under consideration and then determine what different meanings emerge as a result of these groupings.

Conceptual Analysis was used in this paper. Traditionally, Content Analysis has most often been thought of in terms of Conceptual Analysis. In Conceptual Analysis, a concept is chosen for examination, and the analysis involves quantifying and tallying its presence. The focus of Conceptual Analysis is looking for the occurrence of selected terms within a report, although the terms may be implicit as well as explicit. Explicit terms are obviously easy to identify but

implicit terms may require coding and deciding their level of implication, which is difficult due to the need to base judgment on a somewhat subjective system.

In an attempt to address problems associated with research validity and reliability, the authors used the GRI reporting guidelines to formulate a Sustainability Disclosure Measurement Framework that was used to identify, classify and quantify sustainability aspects reported. This framework was used as a guide in extracting relevant reported sustainability aspects from banks' sustainability reports.

Sustainability reporting covers three aspects, that is, the social aspect, the financial aspect and the environmental aspect. The financial aspect was left out since all financial issues can be obtained directly from a company's financial results that all companies are obliged to produce. The total number of social and environmental issues reported was used to determine the extent or degree to which a bank has disclosed. Multiple Regression analysis was used for data analysis from which the following function was expected;

$$y = b_0 + b_1x_1 + b_2x_2 + b_3x_3$$

Where:

y is the dependent variable (share price),

b_0 is y intercept coefficient,

b_1, b_2 and b_3 are sample coefficients for the independent variables,

x_1, x_2 and x_3 are the independent variables (sustainability disclosure, Return on Equity (ROE) and Dividend per Share)

Analysis and Results

Absa Bank

ANOVA[a]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	37807093.463	3	12602364.488	1.872	.275[b]
	Residual	26932712.412	4	6733178.103		
	Total	64739805.875	7			

a. Dependent Variable: Share Price

b. Predictors: (Constant), Dividend per Share, Sustainability, Return on Equity

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	T	Sig.	95.0% Confidence Interval for B		Correlations		
		B	Std. Error	Beta			Lower Bound	Upper Bound	Zero-order	Partial	Part
1	(Constant)	15242.028	4512.312		3.378	.028	2713.841	27770.215			
	Sustainability	9.201	7.750	.540	1.187	.301	-12.316	30.719	-.066	.510	.383
	Return on Equity	-538.017	285.929	-.857	-1.882	.133	-1331.882	255.848	-.497	-.685	-.607
	Dividend per Share	.038	.029	.420	1.301	.263	-.043	.120	.460	.545	.420

a. Dependent Variable: Share Price

Regression model: $y = 15\,242.03 + 9.20x_1 - 538.02x_2 + 0.04x_3$

The p – value for the overall regression model for Absa bank is 0.275 which is above 0.05. There is therefore no sample evidence supporting that the regression model is of value in determining share price. Furthermore, looking at individual independent variables, sustainability disclosure, ROE and dividend per share, it can be noted that all of them have p-values which are above 0.05, meaning that they all have insignificant impact on the Absa bank share price.

Standard Bank

ANOVA[a]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	12629386.113	3	4209795.371	7.779	.038[b]
	Residual	2164663.762	4	541165.940		
	Total	14794049.875	7			

a. Dependent Variable: Share Price

b. Predictors: (Constant), Dividend per Share, Return on Equity, Sustainability

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	95.0% Confidence Interval for B		Correlations		
		B	Std. Error	Beta			Lower Bound	Upper Bound	Zero-order	Partial	Part
1	(Constant)	10823.100	1446.717		7.481	.002	6806.370	14839.830			
	Sustainability	11.693	3.154	.923	3.707	.021	2.936	20.451	.331	.880	.709
	Return on Equity	-243.663	54.262	-1.039	-4.490	.011	-394.319	-93.006	-.538	-.913	-.859
	Dividend per Share	-1.074	3.835	-.059	-.280	.793	-11.723	9.575	.199	-.139	-.054

a. Dependent Variable: Share Price

Regression model: $y = 10\,823.10 + 11.69x_1 – 243.66x_2 - 1.07x_3$

The p-value for the overall regression model for Standard Bank is 0.038 which is below 0.05. There is, therefore, strong sample evidence that the regression model is of value in determining share price. Considering individual independent variables, sustainability

disclosure, ROE and dividend per share, it can be noted that sustainability disclosure and ROE's p-values of 0.02 and 0.01 respectively are both below 0.05, meaning that these two independent variables are significant in estimating Standard Bank's share price. Dividend per share has a p-value of 0.79, which is above 0.05, implying that it has no influence on Standard Bank's share price.

Capitec Bank

ANOVA[a]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	168949848.014	3	56316616.005	91.438	.000[b]
	Residual	2463587.861	4	615896.965		
	Total	171413435.875	7			

a. Dependent Variable: Share Price

b. Predictors: (Constant), Dividend per Share, Sustainability, Return on Equity

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	95.0% Confidence Interval for B		Correlations		
		B	Std. Error	Beta			Lower Bound	Upper Bound	Zero-order	Partial	Part
1	(Constant)	4078.209	1162.529		3.508	.025	850.512	7305.906			
	Sustainability	-38.873	27.654	-.280	-1.406	.233	-115.653	37.907	.918	-.575	-.084
	Return on Equity	-1044.447	217.053	-1.021	-4.812	.009	-1647.084	-441.811	.686	-.923	-.288
	Dividend per Share	146.295	24.452	2.096	5.983	.004	78.407	214.183	.927	.948	.359

a. Dependent Variable: Share Price

The Regression model: $y = 4\,078.21 - 38.87x_1 - 1\,044.45x_2 + 146.30x_3$

The p-value for the overall regression model for Capitec bank is 0, which is below 0.05. There is, therefore, overwhelming sample evidence that the regression model is of value in determining share price. Looking at individual independent variables, sustainability disclosure, ROE and dividend per share, it can be noted that ROE and dividend per share' p-values of 0.09 and 0.04 respectively are both below 0.05, meaning that they have insignificant impact on Capitec's share price. Sustainability disclosure in Capitec bank's case does not have any influence on its share price as indicated by a p-value of 0.23.

Nedbank

ANOVA[a]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	15430972.839	3	5143657.613	.863	.530[b]
	Residual	23851627.161	4	5962906.790		
	Total	39282600.000	7			

a. Dependent Variable: Share Price

b. Predictors: (Constant), Dividend per Share, Sustainability, Return on Equity

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	95.0% Confidence Interval for B		Correlations		
		B	Std. Error	Beta			Lower Bound	Upper Bound	Zero-order	Partial	Part
1	(Constant)	10297.419	4770.001		2.159	.097	-2946.227	23541.065			
	Sustainability	-3.675	9.845	-.197	-.373	.728	-31.009	23.658	-.153	-.183	-.145
	Return on Equity	54.993	257.265	.118	.214	.841	-659.288	769.274	.159	.106	.083
	Dividend per Share	7.033	5.361	.564	1.312	.260	-7.850	21.917	.609	.549	.511

a. Dependent Variable: Share Price

The Regression model: $y = 10\,297.42 - 3.68x_1 + 54.99x_2 + 7.03x_3$

The p-value for the overall regression model for Nedbank is 0.53 which is above 0.05. There is, therefore, no sample evidence supporting that the regression model is of value in determining share price. Considering the effect of individual independent variables, sustainability disclosure, ROE and dividend per share, none of them is of value in estimating Nedbank's share price as confirmed by their p-values which are all above 0.05.

FirstRand Bank

ANOVA[a]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	503991.953	3	167997.318	1.715	.301[b]
	Residual	391810.047	4	97952.512		
	Total	895802.000	7			

a. Dependent Variable: Share Price

b. Predictors: (Constant), Dividend per Share, Return on Equity, Sustainability

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	95.0% Confidence Interval for B		Correlations		
		B	Std. Error	Beta			Lower Bound	Upper Bound	Zero-order	Partial	Part
1	(Constant)	4401.969	2009.349		2.191	.094	-1176.878	9980.816			
	Sustainability	-11.280	6.602	-1.665	-1.708	.163	-29.611	7.052	-.656	-.650	-.565
	Return on Equity	-38.832	40.479	-.666	-.959	.392	-151.219	73.555	.446	-.432	-.317
	Dividend per Share	-1.841	2.101	-.541	-.876	.430	-7.674	3.992	.429	-.401	-.290

a. Dependent Variable: Share Price

The Regression model: $y = 4\,401.97 - 11.28x_1 - 38.83x_2 - 1.84x_3$

The p-value for the overall regression model for FirstRand bank is 0.301 which is above 0.05. There is, therefore, no sample evidence supporting that the regression model is of value in determining share price. The individual independent variables, sustainability

disclosure, ROE and dividend per share, all have p-values which are above 0.05, meaning that they all do not have any influence on FirstRand's share price.

Mercantile Bank

ANOVA[a]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	60.894	2	30.447	.797	.501[b]
	Residual	190.981	5	38.196		
	Total	251.875	7			

a. Dependent Variable: Share Price

b. Predictors: (Constant), Return on Equity, Sustainability

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	95.0% Confidence Interval for B		Correlations		
		B	Std. Error	Beta			Lower Bound	Upper Bound	Zero-order	Partial	Part
1	(Constant)	31.812	5.005		6.357	.001	18.947	44.677			
	Sustainability	-.143	.135	-.571	-1.061	.337	-.489	.203	-.483	-.429	-.413
	Return on Equity	.587	2.476	.128	.237	.822	-5.778	6.952	-.266	.105	.092

a. Dependent Variable: Share Price

The Regression model: $y = 31.81 – 0.14x_1 – 0.59x_2$

The p-value for the overall regression model for Mercantile bank is 0.501 which is above 0.05. There is, therefore, no sample evidence supporting that the regression model is of value in determining share price. Individual independent variables, sustainability disclosure and ROE are of no value in estimating Mercantile bank's share price as confirmed by their p-values, which are both above 0.05. Mercantile bank did not pay any dividend for the period under study and that's why dividend per share has no p – value.

Rand Merchant Bank

ANOVA[a]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	78906.843	3	26302.281	.056	.980[b]
	Residual	1867535.157	4	466883.789		
	Total	1946442.000	7			

a. Dependent Variable: Share Price

b. Predictors: (Constant), Dividend per Share, Return on Equity, Sustainability

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	95.0% Confidence Interval for B		Correlations		
		B	Std. Error	Beta			Lower Bound	Upper Bound	Zero-order	Partial	Part
1	(Constant)	1823.529	1742.101		1.047	.354	-3013.318	6660.377			
	Sustainability	1.152	9.015	.085	.128	.904	-23.877	26.181	.052	.064	.063
	Return on Equity	1.337	10.614	.083	.126	.906	-28.131	30.805	.034	.063	.062
	Dividend per Share	4.275	12.201	.175	.350	.744	-29.600	38.149	.190	.173	.172

a. Dependent Variable: Share Price

The Regression model: $y = 1\,823.53 + 1.15x_1 + 1.34x_2 + 4.28x_3$

The p-value for the overall regression model for RMB is 0.98, which is way above 0.05. There is, therefore, no sample evidence supporting that the regression model is of value in determining share price. Considering the effect of individual independent variables, it can be noted that sustainability disclosure, ROE and dividend per share, are of no value in estimating RMB's share price as indicated by their p-values, which are all above 0.05.

Conclusion

The purpose of this study was to examine if sustainability disclosure in South African banks has any influence on their share prices. Multiple Regression Analysis results for six banks indicated that sustainability disclosure is not significant in determining share price in these banks. Standard Bank was the only exception where sustainability disclosure had a p-value that was less than 0.05, thus implying its significance in affecting the share price. The general trend, however, seems to be that sustainability disclosure does not influence share prices of the South African banks. This conclusion agrees with the findings on the study of non-disclosure of social and environmental information in a separate section of annual reports by the Malaysian listed companies by Che-Adam, Phua and Taib (2008) that there is no significant benefit arising out of sustainability disclosure decision.

Sustainability disclosure, however, remains fundamental because in as much as it may not have a direct impact on the share price, stakeholders definitely want to be associated with firms that incorporate and communicate sustainable development in their operations. Disclosing social and environmental activities like employee training programs; energy consumption programs; employee health and safety; product safety and product quality improvements and conservation of energy activities, tend to attract a variety of stakeholders who bring in business to the company. A company that is doing well is normally associated with a stable or rising share price.

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