INFLUENCE OF ENVIRONMENTAL, SOCIAL, AND GOVERNANCE (ESG) FACTORS ON THE FINANCIAL PERFORMANCE OF LISTED FINANCIAL COMPANIES IN NIGERIA: AN EXAMINATION OF CORPORATE SUSTAINABILITY PRACTICES

Osamudiamen Lydia Wallace
Department of Finance,
University of Benin,
Edo State, Nigeria
osamudiamen.wallace@uniben.edu
.
Akunoma Onome Omena
Department of Accountancy,
Federal Polytechnic,
Orogun, Delta State, Nigeria
akunomaonome@gmail.com
.
Monday Osayande, Ph.D
Department of Accounting,
Banking and Finance,
Michael and Cecilia Ibru University,
Agbarha-Otor, Delta State, Nigeria
osayandemonday26@gmail.com
.

***Corresponding author:**
Osamudiamen Lydia Wallace
Department of Finance,
University of Benin,
Edo State, Nigeria
osamudiamen.wallace@uniben.edu

ABSTRACT

The purpose of this research is to determine if and how sustainability disclosure affects the bottom lines of publicly listed Nigerian financial institutions. Financial metrics like as return on assets (ROA), return on equity (ROE), enterprise value added (EVA), and Tobin's Q were intended to be impacted by transparency indexes, which are linked to ESG aspects. Using ex-post facto research approaches, the study examined 49 financial institutions that were registered in the Nigerian Exchange Group from 2013 to 2023. We used a purposive selection technique to get 36 people for our sample. Companies' websites, the NGX database, and annual reports were combed through for data in compliance with the ESG sustainable disclosure standards. Various inferential and descriptive statistics, including the aggregated (OLS) regression, fixed effect, and random effects models, were used in the investigation. Financial performance measures (ROA, EVA, ROE, and Tobin's Q) were shown to be significantly affected by sustainability disclosure, according to the study's conclusions. According to the research, all of Nigeria's publicly traded banks should be required to report on their sustainability efforts in order to improve their bottom lines and the lives of their stakeholders in relation to ESG issues.

Keywords: *Environmental sustainability, ESG disclosure, social sustainability, financial performance, Governance sustainability*

1. Introduction

Corporate sustainability practice refers to deliberate and intentional measures used by firms to operate in a socially responsible, ecologically conscious, and commercially sustainable manner. Sustainability integration is the integration of sustainable principles and practices throughout all aspects of a company's operations, including governance, supply chain management, environmental impact mitigation, social responsibility, and stakeholder engagement (Adobe Inc., 2023). Corporate sustainability has become a compelling force that challenges the traditional profit-focused methods of businesses, as they embrace a new era of ethical business practices.

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Amidst environmental concerns and social injustice, firms have acknowledged the pressing need to assume accountability for their activities. Corporate sustainability encompasses the pursuit of both financial prosperity and a balanced cohabitation with the Earth and its inhabitants (Adobe Inc., 2023).

The issue at hand is the decline in profitability of businesses in Nigeria, leading to their collapse (Abdulkareem et al., 2021). Additionally, the activities of these businesses are causing environmental degradation, resource depletion, and economic and social problems (Emmanuel & Erinoso, 2022). Therefore, it is necessary to evaluate the impact of sustainable activities on the financial performance of listed financial companies in Nigeria. For instance, the activities conducted by the oil and gas industries result in occurrences such as oil spills, combustion of gas, and the release of dangerous compounds and pollutants into the air and bodies of water. Likewise, manufacturing companies contribute to environmental contamination through operations such as chemical manufacture, cement production, and food processing. These actions have adverse impacts on the environment, economy, and society as a whole (Gold & Taib, 2020), thereby hindering the ability of Nigerian enterprises to maximize profit.

The corporate landscape in Nigeria is currently witnessing a decline in profitability among businesses, resulting in their potential collapse (Abdulkareem et al., 2021). Emmanuel and Erinoso (2022) note that these businesses exacerbate social and economic problems, as well as the loss of natural resources and environmental deterioration. This double dilemma highlights the need for an exhaustive study of how sustainable practices affect the financial performance of listed financial businesses in Nigeria.

The harmful consequences of company operations on sustainability aspects and financial health have been studied by many experts, such as Emmanuel & Erinoso (2022) and Abdulkareem et al. (2021). Prior research has not provided a comprehensive examination of how sustainability disclosure affects important financial performance metrics including return on equity, economic value added (EVA), return on assets, and Tobin's Q within the context of listed financial institutions in Nigeria.

While Gold & Taib (2020) highlighted the challenges that environmental and social concerns pose to Nigerian firms' profit maximization goals, our study seeks to go further by investigating the unique dynamics that financial institutions face. Our main goal is to analyze how publicly listed financial institutions' financial performance measures are affected by their sustainability strategies. In addition to broa d social and environmental factors, this study aims to do a targeted analysis of the financial industry to provide detailed insights that may guide strategic decision-making.

Understanding the interplay between corporate sustainability practices and the financial health of Nigeria's publicly traded financial institutions is at the heart of this research issue. It acknowledges that there has been little investigation into the particular financial performance metrics and industry subtleties in the current literature.

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Objectives of the study

It is to evaluate the impact of corporate sustainability practices on the financial performance of financial institutions that are listed in Nigeria.

2. Literature Review

2.1 Corporate Sustainability Practices

One of the most talked-about ideas during the 1992 Rio Earth Summit was "sustainable development," from which the word "sustainability" was born. Sustainable development was described in the 1992 Brundtland Report, which was a World Commission on Environment and Development commissioned report, as the capability of the current generation to fulfill its own needs while protecting the capacity of future generations to do the same (SEC, 2018). When a business shares ESG measures and information with its stakeholders including communities, investors, and customers it is engaging in corporate sustainability. This message is about the goals, policies, and strategies of the organization that are sustainable from an economic, environmental, and social perspective. According to Ikram et al. (2020), a key to a successful business future is a commitment to corporate sustainability.

2.2 Corporate Sustainability Disclosure

Companies are required by law to disclose to stakeholders and the general public the ways in which their operations contribute to the economic, social, and environmental well-being of their target audiences. According to Nobanee et al. (2016), sustainability disclosure is when companies make their financial, ecological, and social stances and activities known to both internal and external stakeholders via public reporting. In November 2018, after a meeting with stakeholders, the Nigerian Securities and Exchange Commission (SEC, 2018) approved sustainability reporting standards. The community, the environment, the workplace, governance, and workers are the five important components of social and environmental sustainability that the guidelines aim to provide information on (SEC, 2018).

2.3 Financial Performance

A company's financial performance may be defined as the systematic evaluation of its entire asset utilization over a period of time. The use of equity and return on asset measurements allows for its quantification. A company's return on asset measures how well it can transform its assets into profit. A company's return on assets (ROA) is its profit divided by its total assets. According to Buallay et al. (2021), the comprehensive income statement contains net income, which is also called profit after taxes (PAT). If a company has a high return on assets (ROA), it means that it is efficient at making money out of its assets; if it has a low ROA, it means that it is inefficient. An important indicator that investors use to evaluate a company's success is its return on equity. According to Buallay et al. (2021), it is calculated by dividing net revenue by total equity. According to Jankalova et al. (2019), EVA is a measure used to assess a company's ability to maintain economic development. When it comes to measuring financial performance, the EVA method is useful since it gives a true picture of a company's worth (Ende, 2017). A positive Economic Value Added (EVA) indicates that a corporation has successfully created value for its owners by delivering returns that exceed the amount of capital expended. Negative Economic Value Added (EVA) means the firm hasn't done anything to boost the owners' capital's worth. According to Felix (2021) and Haidar et al. (2021), the Tobin's Q ratio is a financial statistic that calculates the market capitalization to total assets ratio. As soon as Tobin's Q falls below one, the company is considered undervalued. If Tobin's Q is more than one, the company is overpriced. A value of 1 for Tobin's Q indicates that breakeven has been reached.

2.4 Theoretical Literature

John Dowling and Jeffrey Pfeffer first proposed the legitimacy thesis in 1975. An implicit agreement between society and organizations is the foundation upon which organizations function (Guthrie et al., 2006). Business practices should be guided by the regulations and social standards of the area in which they operate, as stated in this theory. This implicit agreement is crucial for a business organization's legitimacy to operate in society, as Gray et al. (1995). According to Faisal et al. (2012), businesses risk losing their social approval and ability to function if they act in a way that goes against public expectations and norms. In order to ensure their long-term survival and development, organizations must maintain social values, norms, and expectations, according to Gold et al. (2020), who put the legitimacy theory into practice. Businesses that are transparent about their impact on the economy, the environment, and society are more likely to have met their responsibilities and followed the rules, say Nobanee et al. (2016). In order for corporate organizations to establish a favorable business climate via the implementation of sustainable practices and other strategic methods, this research acknowledges the relevance of legitimacy theory. Researches such as Khan (2019), Guthrie et al. (2006), Faisal et al. (2012), and Umeanozie et al. (2022) have used this approach.

2.5 Empirical Review

Buallay et al. (2021) looked at the relationship between sustainability reporting and the performance of banks in both developed and developing countries during a financial crisis. Over the eleven years after the financial crisis of 2008, researchers tracked 882 banks in both developed and developing countries. Equity return, asset return, and Tobin's Q were regarded as outcomes, whereas environmental, social, and governance (ESG) ratings were used as predictors in the research. Institutional performance in industrialized countries is more heavily impacted by ESG (environmental, social, and governance) factors, according to the research.

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Sustainable reporting (CSR) was studied by Sulbahri et al. (2021) in Indonesia to determine its effect on ROE, ROA, and strong corporate governance. Two measures of financial success are return on equity and return on assets. Using a quantitative research approach, the investigation made use of descriptive analytic tools. Secondary sources were used to compile data for the research, which included all banking organizations listed on the Indonesian Stock Exchange (IDX) from 2016 to 2019. Both ROE and ROA of the sustainable report variable were shown to be affected by the report's sustainability efforts.

Yahaya et al. (2021) looked at the long-term viability and profitability of publicly traded insurance companies in Nigeria. The investigation comprised 26 insurance companies and used a correlational technique. Extending from 2010 all the way to 2019, the sample period was ten years long. Secondary sources, such as the annual reports of insurance firms traded on the Nigerian stock market, were used to compile the data. According to the results, social sustainability significantly impacted ROE and ROA in a positive way, however environmental sustainability had a significant negative effect.

Ibrahim (2021) examined a subset of Nigerian listed deposit money banks with an eye on how their sustainability reporting correlated with their commercial development. We used audited annual reports from a subset of Nigerian deposit money banks from 2014 to 2018 as our secondary data source. Using a simple regression model, the data was analyzed. The study by Buallay et al. (2019) looked at the relationship between sustainability reporting and the financial performance of industrial and banking organizations using a comparative analysis. The purpose of the research was to examine and contrast the market performance (Tobin's Q), operational performance (ROA), and financial performance (ROE) with respect to macroeconomic control variables. From 2008 to 2017, 530 banks and 932 businesses from 80 different countries made up the sample. The study used regression analysis inside the general linear model. Disclosure of corporate governance negatively impacts operational and financial performance, according to the analysis.

The effect of CSP on the bottom lines of Pakistan's most well-known publicly traded commercial banks was the subject of research by Khan (2019). Over the course of five years, from 2012 to 2016, the data was gathered by analyzing the content of the annual reports. Both the Fixed Effect (FE) and the Random Effect (RE) models were used to analyze the data in the research. The research indicates that when businesses adopt sustainability practices, it has a positive and substantial impact on their bottom line. According to the findings, there was no correlation between a company's age or size and its financial success.

A research was carried out by Uwuigbe et al. (2018) on the relationship between corporate performance and sustainability reporting. Financial institutions that accept deposits and are listed on the Nigerian Stock Exchange were the primary targets of the probe. Judgmental sampling was used to decide that all

DMBs were part of the population, and ten of those entities were included in the sample. The years 2014–2016 were covered by the use of panel regression. Reporting on sustainability has a substantial and positive effect on the bottom lines of the sampled businesses, according to the study.

Buallay (2018) looked at the European banking sector to see if there was a connection between ESG reporting and performance. Over the course of seven years, from 2007 to 2016, the research looked at 235 different publicly listed companies in EU member states. An individual's usage of environmental, social, and governance (ESG) disclosure served as an independent variable, with Tobin's Q, return on equity, and return on assets serving as dependent variables. Both general economic indicators and those unique to individual banks served as control variables in the study. The data was obtained from the Bloomberg database. A linear regression model was used to assess the relationship between sustainability reporting and performance. Empirical evidence showed that ESG significantly improved performance.

The inquiry uncovered two areas where previous research and literature fell short. The demography being studied is the first area to have gaps filled. It was clear from the literature assessment that studies focusing on sustainability disclosure by Nigerian listed financial institutions are few and far between. Due of their pivotal role in supplying funding to other sectors, financial institutions have been chosen as the target population. Companies in the industrial/consumer goods sector (Felix, 2021; Umar et al., 2021), insurance sector (Yahaya et al., 2021), manufacturing sector (Abba et al., 2017), and oil and gas industry (Emmanuel et al., 2022) were the most often studied. However, studies including all publicly listed Nigerian financial institutions are few.

Additionally, by reviewing the existing body of research, a gap in understanding has been revealed. It is critical to look at how publicly listed companies' financial performance relates to their EVA and how sustainability disclosure affects it. Theoretically, initiatives should provide returns higher than the cost of capital, and when earnings rise, investors should see a corresponding increase in their wealth. Indicators like Tobin's Q, return on equity, and return on assets have been the main focus of prior empirical research (Gunarsih et al., 2018; Memed et al., 2021; Swarnapali et al., 2018; Asuquo et al., 2018; Hamid et al., 2020; Khan, 2019; Umar et al., 2021; Yahaya et al., 2021; Johari et al., 2019; Polycarp, 2019; Umar et al., 2021; Yahaya et al., 2021). Studies examining Economic Value Added (EVA) are few and far between.

3. Methodology

This research used a mixed-methods approach, drawing on both retrospective analysis and longitudinal data collected from unprocessed yearly reports (including sustainability reports and financial accounts). Many different organizations were studied over ten years. The research relied on data culled from secondary sources. Database information was sourced from the Nigerian Exchange Group, in addition to sustainability reports and annual reports of the listed companies. The businesses' official websites were combed through for annual reports and sustainability reports spanning 2013–2023. You may find the ESG disclosure rules and principles set forth by the Global Reporting Initiative (GRI) at www.globalreporting.org, and they are used to assess sustainability practices. As of May 29, 2023, the study's population included all 49 financial organizations listed on the Nigerian Exchange Group (NGX), which included banks, insurance, microfinance, and mortgage firms. A total of 36 financial institutions were chosen using a purposive selection technique. The study makes use of panel regression analysis, more especially pooled ordinary least squares (OLS), fixed effects models, and random effects models.

3.1 Model Specification

The models used for ROA, ROE, EVA, and Tobin's Q in this work were taken from studies that were recently published or were quite similar, such as Khan (2019), Subedi & Farazmand (2020), and Gunarsih et al. (2018). Variables were added or removed during the adaption process. Therefore, the models for this specific investigation may be represented mathematically as follows:

$$RROAA_{it} = \alpha_0 + \alpha_1 EESDI_{it} + \alpha_2 SSDI_{it} + \alpha_3 EEDI_{it} + \alpha_4 GGDI_{it} + \varepsilon_{it} \dots\dots\dots\dots\dots\dots\dots\dots\dots\dots\dots\dots (3.1)$$

$$RROEE_{it} = \alpha_0 + \alpha_1 EESDI_{it} + \alpha_2 SSDI_{it} + \alpha_3 EEDI_{it} + \alpha_4 GGDI_{it} + \varepsilon_{it} \dots\dots\dots\dots\dots\dots\dots\dots\dots\dots\dots\dots (3.2)$$

$$EEVAA_{it} = \alpha_0 + \alpha_1 EESDI_{it} + \alpha_2 SSDI_{it} + \alpha_3 EEDI_{it} + \alpha_4 GGDI_{it} + \varepsilon_{it} \dots\dots\dots\dots\dots\dots\dots\dots\dots\dots\dots\dots (3.1)$$

$$TTQQ_{it} = \alpha_0 + \alpha_1 EESDI_{it} + \alpha_2 SSDI_{it} + \alpha_3 EEDI_{it} + \alpha_4 GGDI_{it} + \varepsilon_{it} \dots\dots\dots\dots\dots\dots\dots\dots\dots\dots\dots\dots\dots (3.4$$

In the above equations, the variables EESDI, SSDI, EEDI, and GGDI measure the sustainability disclosure indexes of EESG, social sustainability, the environment, and governance, respectively. The independent variables are denoted by the coefficients α_1 to α_4, while the firms are represented by i (1–36) and the period is represented by t (2013–2023). The error term is symbolized by the symbol μ. The values of the coefficients β1 to β4 are anticipated to be greater than zero in advance

Table 3.1: Measurement of Variables

This sections deals with the measurement of both dependent variable (Financial), and the independent variables (Environment, Social & governance).

Variables/ Types	Author (s)	Measurement	Data Source
Return on Asset (Dependent)	Bella, et al. (2018)	Calculated as net income divided by total assets (%)	NGX
Return on Equity (Dependent)	Khan (2019)	Calculated as net income divided by	

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		total equity (%)	NGX
Economic Value Added (Depended)	Subedi, et al. (2020)	Measured as net operating profit after tax, minus (weighted average cost of capital, multiplied by capital employed), scaled by total assets (x)	NGX
Tobin's 'Q' (Dependent)	Gunarsih, et al. (2018)	Measured as market capitalization divided by total assets.	NGX
ESG Sustainability Disclosure Index (Independent	Nobanee et al. (2016**)**	Calculated as the average of the social, environmental, and governance sustainability indexes (%), in accordance with ESG sustainability guidelines.	Annual Report
Social Sustainability Disclosure Index (Independent)	Abdulkareem et al. (2021)	Calculated as the average of all social disclosure items in line with GRI sustainability guidelines (%) - Annual report	Annual Report
Environmental Sustainability Disclosure Index (Independent)	Abdulkareem et al. (2021)	Calculated as the average of all environmental disclosure items (%) in accordance with GRI sustainability guidelines.	Annual Report
Governance	Adobe Inc. (2023)	Calculated as the average of all governance disclosure items.	Annual Report

Source: *Researcher's Compilation (2024)*

4. Data Analysis and Interpretations of Results

Descriptive Statistics

The primary features of the data used in the research are laid forth in Table 1. All all, there are 360 observations. The average return on assets (ROA) for all of the financial institutions is 1.420778. From lowest to highest, the ROA ranges from -54.99 to 20.76. A small range of values around the average ROA value is shown by the standard deviation of 6.164119. With a low of -394.32 and a high of 1222.87, financial firms have an average return on equity (ROE) of 9.865361. The average return on equity (ROE) number is very variable, with a standard deviation of 71.71418. Financial enterprises have a low economic worth ranging from -0.96 to 0.16, as shown by their overall average economic value added

(EVA) of 0.0000833. With a standard deviation of just 0.0851134, the dispersion around the mean is rather small. Also, with a range of 0 to 2.61, the mean Tobin Q ratio (TQ) for financial institutions is 0.6585556, which indicates that replacing their assets would cost more than their present worth. There was a little amount of variation around the mean in the TQ ratio (standard deviation = 0.3974215). The ESG sustainability disclosure index (ESDI) ranges from 0 (very little liquidity) to 85.94 (very much liquidity), with an average of 55.17225. The dispersion around the mean value is moderate, as shown by a standard deviation of 21.34723. With a range from 0 to 100, the social sustainability disclosure index (SDI) has an average of 63.88769. The dispersion around the mean value is moderated with a standard deviation of 25.68661. In addition, the environmental sustainability disclosure index (EDI) ranges from 0 (the lowest possible score) to 87.5 (the highest possible score), with an average value of 37.39583. With a standard deviation of 20.83075, the dispersion around the mean value is considerable. The governance sustainability disclosure index (GDI) ranges from 0 to 100, with 64.23245 being the typical value. The dispersion from the mean value is moderate, as shown by the standard deviation of 24.26567.

Table 1: Descriptive Statistics

Variable	Mean	Min	Max	Std. Dev
Return on Assets	1.4208	−54.99	20.76	6.1641
Return on Equity	9.8654	−394.32	1222.87	71.7142
Economic Value Added	0.0000833	−0.96	0.16	0.0851134
Tobin Q Ratio	0.6586	0	2.61	0.3974
ESG Disclosure index	55.1723	0	85.94	21.3472
Social Disclosure index	63.8877	0	100	25.6866
Environmental Disclosure index	37.3958	0	87.5	20.8308
Governance Disclosure index	64.2325	0	100	24.2657

Source: *Authors compilation (STATA, 16), 2024*

The impact of sustainability disclosure on the return on assets of financial companies listed in Nigeria.

The coefficient of determination (R-squared) for the within-group variation in this model is 0.0135, while the R-squared for the between-group variation is 0.0489. The overall R-squared for this model is 0.0277. The Wald chi-square test yielded a score of 6.09, indicating that the model is statistically significant with a probability value of 0.0023. Furthermore, the z-scores indicate that ESGI has a negative value and is positioned below the mean, whereas SDI, EDI, and GDI have positive values and are positioned above the mean. The regression analysis reveals that ESGI, SDI, and EDI exhibit positive and statistically significant relationships, but GDI has a positive but statistically insignificant relationship. Hence, a rise in the ESG sustainability disclosure index (ESGI) leads to a 98.812-unit increase in the returns on assets (ROA) of publicly traded financial firms. Correspondingly, a rise in the social sustainability disclosure index (SDI) leads to a 32.043-unit increase in the asset returns of publicly traded financial businesses.

Furthermore, a rise in the environmental sustainability disclosure index (EDI) leads to a 32.937-unit increase in the asset returns of financial enterprises listed on the market. To summarize, the incorporation of corporate sustainability strategies, including Environmental, Social, and Governance Integration (ESGI), Sustainable Development Initiatives (SDI), and Environmental Disclosure Initiatives (EDI), has a substantial impact on the returns on assets of financial businesses listed in Nigeria.

Table 2: The impact of sustainability disclosure on the return on assets of financial companies listed in Nigeria.

ROA	Coefficient	Standard Error	Z	P>|z|
EESGI	98.811950	-1.010	-1.010	.0140
SSDI	32.943380	1.010	1.010	.0130
EEDI	32.936940	1.010	1.010	.0140
GGDI	32.931530	1.010	1.010	.3140
_CCONS	1.5062540	-0.40	-0.40	.0910
R-SQUARE	Within .01350			
	Between .04890			
	Overall .02770			
WALD CHI^2	6.09 .00230)			

Source: *Authors compilation (STATA, 16), 2024*

The impact of sustainability disclosure on the return on equity of financial companies listed in Nigeria.

This model's coefficients of determination (R-squared) for the within variation and the between variation are.00770 and.05830, respectively. For this model as a whole, the R-squared value is.01170. With a probability value of.03780, the model is statistically significant, according to the Wald chi2 test result (4.21). In addition, the z-score values show that EESGI is below the mean with a negative value, whereas SSDI, EEDI, and GGDI are above the mean with positive values. While there is a positive and statistically significant association between GGDI, SDI, and EEDI, the relationship between ESGI is negative and statistically inconsequential, according to the regression analysis. Therefore, publicly listed financial enterprises' stock returns improve by 248.68 units when the social sustainability disclosure index (SSDI) rises. For publicly listed financial companies, an increase of 247.89 units in the environmental sustainability disclosure index (EEDI) is correlated with superior stock performance. Stock returns of publicly listed financial institutions rise by 248.35 units when the governance sustainability disclosure index (GGDI) rises. In conclusion, financial companies listed in Nigeria see a significant increase to their returns on equity when they implement corporate sustainability policies like SSDI, EEDI, and GGDI.

Table 3: the impact of sustainability disclosure on the return on equity of financial companies listed in Nigeria.

ROE	**Coefficient**	**Standard Error**	**Z**	**P>|z|**
EESGI	-744.9650	1222.2470	-.610	.5240
SSDI	248.67630	407.51660	.610	.0420
EEDI	247.89090	407.40550	.610	.0430
GGDI	248.35080	407.33210	.610	.0420
_CCONS	1.6290260	10.877930	.150	.0010
R-SQUARE	Within .00770			
	Between .05830			
	Overall .01170			
WALD CHI^2	4.21 .03780)			

Source: *Authors compilation (STATA, 16), 2024*

Examine the impact of disclosing sustainability practices on the Tobin's Q ratio of publicly traded financial firms in Nigeria.

In this model, the within-group variation has an R-squared value of.05270 and the between-group variance has an R-squared value of.34130. All things considered, this model has a coefficient of determination of.24510. With a probability value of.00000, the Wald chi-square test (30.58) shows that the model is statistically significant. The z-scores also show that ESGI is above the mean with a positive value, whereas SDI, EDI, and GDI are below the mean with negative values. There is a positive influence of the variable ESGI and a statistically significant negative effect of the variables GDI, SDI, and EDI, according to the regression analysis. Therefore, listed financial firms' Tobin's Q increases by 3.2070 units for every unit rise in the ESG sustainability disclosure index (ESGI). To add insult to injury, listed financial organizations' Tobin's Q drops 1.0710 units whenever the social sustainability disclosure index (SDI) goes up. On the other side, listed financial firms' Tobin's Q decreases by 1.0690 units when the environmental sustainability disclosure index (EDI) increases. The Tobin's Q of publicly traded financial companies declines by 1.0620 units as the governance sustainability disclosure index (GDI) increases.

The Tobin's Q of publicly traded Nigerian financial institutions is significantly affected by corporate sustainability initiatives.

Table 4: Examine the impact of disclosing sustainability practices on the Tobin's Q ratio of publicly traded financial firms in Nigeria.

TQ	Coefficient	Standard Error	Z	P>|z|
ESGI	3.2070830	4.2989610	.750	.0460
SDI	-1.071030	1.4332170	-.750	.0150
EDI	-1.069360	1.4329740	-.750	.0060
GDI	-1.062380	1.432740	-.740	.0380
_CONS	0.3710740	0.0838340	4.430	.0000
R-SQUARE	Within .05270			
	Between .34130			
	Overall .24510			
WALD CHI^2	30.58 (.00000)			

***Source**: Authors compilation (STATA, 16), 2024*

Evaluate the impact of sustainability disclosure on the economic value added of financial businesses listed in Nigeria.

This model's coefficients of determination (R-squared) for within-group and between-group variance are 0.0037 and 0.0383, respectively. This model has an overall R-squared value of 0.0149. With a probability value of 0.0227, the model is statistically significant, as shown by the 2.07 result of the Wald chi2 test. In addition, the z-score values show that ESGI is below the mean with a negative value, while SDI, EDI, and GDI are above the mean with positive values. Positive and statistically significant impacts are shown by GDI, SDI, and EDI in the regression analysis, but ESGI has a negative and statistically significant influence. Because of this, publicly listed financial enterprises' economic value added drops by 1.019 units whenever the ESG sustainability disclosure index (ESGI) rises. The economic value added of financial firms listed on the public market increases by 0.340 units for every unit rise in the social sustainability disclosure index (SDI). In addition, listed financial businesses' economic value added increases by exactly 0.340 units when the environmental sustainability disclosure index (EDI) rises. Additionally, listed financial businesses' economic value added increases by 0.340 units for every unit rise in the governance sustainability disclosure index (GDI). The economic value added of publicly listed financial institutions in Nigeria is significantly affected by corporate sustainability strategies.

Table 5: Evaluate the impact of sustainability disclosure on the economic value added of financial businesses listed in Nigeria.

EVA	Coefficient	Standard Error	P>|z|	z
EESGI	-1.019480	1.3635760	-.750	.0450
SSDI	.3403270	.4546080	.750	.0140
EEDI	.3396250	.4545200	.750	.0050
GGDI	.3394720	.4544460	.750	.0150
_CCONS	-.001440	.0210340	-.070	.0450
R-SQUARE	Within .00370			
	Between .03830			
	Overall .01490			
WALD CHI^2	2.07 (.02270)			

Source: ***Authors compilation (STATA, 16), 2024***

4.1 Discussion of Findings

Return on assets of listed financial firms in Nigeria is positively and significantly affected by governance, social, and environmental disclosure indices, according to the research. On the other hand, ROA is slightly and negatively impacted by the ESG disclosure index. Listed Nigerian companies' return on assets is significantly affected by sustainability disclosure, according to the data. This proves that sustainability disclosure does, in fact, have a significant effect on ROA for Nigerian public companies, contrary to the null hypothesis. Previous findings by Buallay (2018), Buallay et al. (2021), Khan (2019), Sulbahri et al. (2021), and Yahaya et al. (2021) are consistent with this result (2021).

According to the findings, the ESG disclosure index has a negative and statistically negligible effect on return on equity. There is a positive and statistically significant relationship between return on equity and social, environmental, and governance aspects. Consequently, the return on assets of Nigerian listed businesses is significantly affected by sustainability disclosure, contrary to the null hypothesis. Buallay (2018), Sulbahri et al. (2021), Yahaya et al. (2021), and Buallay et al. (2021) all reach similar conclusions.

This study demonstrated that one important financial performance measure, Tobin's Q, is favorably and considerably affected by disclosing information about ESG (environmental, social, and governance) aspects. The publication of social, environmental, and governance information was shown to have negative and substantial impacts on Tobin's Q when the emphasis was on listed financial institutions in Nigeria. Thus, we reject the null hypothesis that sustainability disclosure does not significantly affect the

Tobin's Q of Nigerian financial institutions listed on the stock market. What Buallay et al. (2021) found is consistent with these research findings.

The study found that listed Nigerian financial organizations' economic value added is negatively and significantly affected by the disclosure of environmental, social, and governance (ESG) aspects. The economic value contributed of these listed financial organizations in Nigeria is positively and significantly affected by the disclosure of governance, social, and environmental issues. So, it turns out that sustainability disclosure does have an impact on the economic value added of Nigerian financial institutions listed on the stock market, contrary to the null hypothesis. Ndubuisi et al. (2018) and Okoye et al. (2020) have presented results that are consistent with this research. On the other hand, these conclusions are challenged by the research of Tanjung et al. (2019) and Umeanozie et al. (2022).

5. Conclusion and Recommendations

This research looked at the effect of sustainability disclosure on the bottom lines of Nigerian financial firms that are listed on stock exchanges. It zeroed attention on sustainability disclosure indicators, such as the ESG, S, and G indices (for example, Environmental, Social, and Governance). In addition, economic value added, Tobin's Q, return on assets, and return on equity were examined as financial performance measures. From 2013 to 2022, researchers tracked financial organizations listed in Nigeria to see how sustainability disclosure affected their ROA, EVA, ROE, and Tobin's Q. The results showed that sustainability disclosure had a substantial influence.

Based on the findings, all publicly traded Nigerian financial institutions should be required to report on sustainability. By addressing environmental, social, and governance concerns, this suggested measure hopes to boost financial performance and the well-being of all stakeholders.

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