Environmental, social, and governance and corporate value of listed companies in Nigeria

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Corporate value, Environmental disclosures, governance disclosures, listed firms, Nigeria and social disclosures.

Abstract

Purpose of the Research*: This study evaluates the influence of environmental, social, and governance (ESG) disclosures on the corporate value of listed firms in Nigeria. The study analyses the disaggregated influence of environmental, social and governance practices on market-based performance metric.*

Design/methodology*: A sample of 27 listed firms on the Nigerian Stock Exchange (NGX) cutting across several subsectors and with audited annual reports from 2018 to 2023 was selected.*

Results/findings*: The findings demonstrated a strong negative influence of the three dimensions of ESG on the corporate value (TQ). The coefficients of each ESG dimension demonstrated a significant positive effect on the alternative measure of company value.* ***Practical implications and conclusions****: These findings may show that the impact of ESG on corporate value differs depending on the metric used to assess corporate value. Thus, while ESG disclosures may increase firm-based measures of value, they may negatively influence market-based performance. Our results are well situated in the agency, stakeholders' and signaling theories. The R^2 for each facet of the ESG is above 50%, showing that regulatory attention must be focused on effective ESG-related regulations to relieve probable future effects on firm value.*

Introduction

Over the past few years, incorporating Environmental, Social, and Governance (ESG) principles has become fundamental to assessing corporate sustainability and ethical behaviour globally. In Nigeria, there is a growing recognition of the importance of ESG elements in boosting corporate value and guaranteeing long-term commercial success. ESG concerns span various issues, including environmental stewardship, social responsibility, and strong governance standards. These factors are crucial for reducing risks and promoting sustainable growth. Moreover, implementing ESG frameworks in Nigeria could reduce risks related to environmental consequences, social disparities, and governance failures, improving company resilience and sustainability (Igbinovia & Agbadua, 2023). In addition, companies that prioritise ESG principles are better positioned to attract investment as investors increasingly seek to align their portfolios with sustainable and ethical business practices (Ozili, 2021).

Presently, in Nigeria, ESG disclosure is voluntary and mainly sector-specific. However, ESG principles are becoming increasingly pervasive given the spate of regulatory attention it is receiving, which, by implication, suggests that there may be consequences for non-compliance; thus, creating a culture of accountability and transparency, encouraging companies and other entities to prioritise ESG considerations in their operations (Saygili et al., 2022; Ajape et al., 2021). The Companies and Allied Matters Act (CAMA, 2020), the Nigerian Code of Corporate Governance (NCCG, 2019), the Securities and Exchange Commission's Guidelines on Sustainable Financial Principles (2021), the Climate Change Act (2021) and the Nigerian Stock Exchange's Sustainability Disclosure Guidelines (2018) all contain persuasive provisions relating to ESG issues and imposed some fines for non-compliance. With these frameworks in place, it becomes essential and imperative that companies in Nigeria, both domestic and multinational, provide sustainability reports. Despite these established regulations, Nigeria was ranked 162nd in 2018 (scoring 28.30) and 168th position in 2022 (scoring 28.32), with a slight improvement in ranking at 141st in 2024 (scoring 37.5) out of 180 countries in the Environmental Performance Index (EPI) (EPI, 2024; Kiran, 2022). In essence, both internal and external factors drive ESG in Nigeria. The internal

factors include corporate governance (CG) and finance institutions, governing authorities and legislation, businesses, media outlets and civil society organisations. Conventions and organisations with a global reputation serve as the external triggers (UNDP, 2008). The low score from the EPI implies that Nigerian companies have a lot to do and put in place because compliance with ESG guidelines brings with it sustainable benefits in the long run, namely, improvement of internal management practices (Ajape et al., 2021; Fatemi et al., 2018), enhanced relationships with significant stakeholders, thus, reducing the asymmetry of information between companies and connected parties and improving operating performance (Li et al., 2018), increased social and environmental accountability and visibility in corporate governance (Saygili et al., 2022; Naeem & Cankaya, 2022; Clark & Lalit, 2020), and finally curtailed agency costs (Li et al., 2018; Leepsa & Panda, 2017).

Based on the preceding, this study evaluates the impact of ESG dimensions disclosure on corporate value in the Nigerian listed firms using the ESG disclosure guidelines in the Nigerian Exchange Group's Sustainability Guidelines issued in 2018. This approach reflects the originality of this work, as the researchers are unaware of the previous studies which have used the NGX sustainability guidelines. Our study also has the potential to inform policy direction as the Financial Reporting Council is on the verge of issuing robust guidelines for ESG reporting in Nigeria.

Literature Review

Investors are placing a growing prominence on environmental, social, and governance (ESG) issues when making investment decisions, to the extent that top securities regulators and stock exchanges have prioritised these issues over the past decades (Saygili et al., 2022; Rana & Arjoon, 2021; PwC, 2021).

However, many organisations continue to maintain the view that because climate change effects are long-term, they are unlikely to have an impact on their current actions (Chong et al., 2022; Derrien & Lachance et al., 2021; Neri et al., 2021). According to the dominant narrative, a company's ultimate purpose should be to maximise the wealth of its shareholders. However, from a stakeholder viewpoint, additional parties, including regulatory agencies, communities, suppliers, employees, banks, and customers, are also involved in the nexus (Li et al., 2018; Jasper & Ankerstjerne, 2023). Accordingly, governments, consumers, and investors have become more demanding. Stakeholders' demand for transparency has increased regarding any concerns affecting social, economic, and environmental aspects over the last decade, further induced by climate change, the global financial crisis, and the countless business scandals worldwide (Hassani & Bahini, 2022).

In this current age, investors' and customers' consistent expectation of openness and responsibility from businesses and interest in ESG continues to increase as these investors look out for indicators of a company's long-term sustainability and stability, such as ESG performance (Kim et al., 2018). This expectation is more evident in the fact that a lot of investors and analysts now consider ESG factors when making investment decisions (Serafeim & Sougiannis, 2016; Friede et al., 2015), as a company with higher ESG ratings may have higher operating performance (Boubakri et al., 2018; Yi *et al*., 2020; Li & Wang, 2020) and a higher return on assets (El Khoury et al., 2021; Cheema-Fox et al., 2020). Additionally, these studies have shown that organisations with higher ESG performance have easier access to finance and are less likely to encounter financial trouble. Therefore, the ESG factors influence these companies' behaviour concerning their investment decisions and are described by ESG measurements (IFAC, 2012).

The idea of "Social" incorporates corporate social responsibility (CSR), which is a response to challenges like population increase and climate change, as well as the effects of business activities on the communities in which they operate (Ioannou & Serafeim, 2016; Brooks & Oikonomou, 2018; Camilleri, 2015). Concerning Europe, Camilleri (2015) argued that more EU member states should connect with significant industry and civil society players to improve socially responsible and sustainable behaviours. Over the years, various criteria have been used to assess the impact of social factors, namely, a fair wage for employees, equity, inclusion, and diversity, employee engagement and experience, workplace safety and health, and so on (Daszyńska-Żygadło et al., 2016)

Accordingly, the environmental variables consider the overall environmental impact of an organisation as well as any threats or dangers that may arise due to environmental issues like climate change and resource conservation (Miroshnychenko et al., 2017; Shah et al., 2020). Like in the social

dimension of the ESG, environmental variables are evaluated based on various criteria: air and water pollution, waste management, carbon footprint, and energy usage and efficiency (Hoepner et al., 2016; Li et al., 2018). There have been various measurement metrics for environmental variables, some of which include ecological disclosure score (Saygili et al., 2022; Li et al., 2018; Jun et al., 2022), categorical information from GRI (Ajape et al., 2021; Qureshi et al., 2021), and one-year lagged variables (El et al., 2021).

Over the years, the academic and investment communities have been increasingly interested in studying the association between an organisation's financial performance and its ESG performance since they disclose information on a company's sustainability activities and societal impact, as well as how these factors affect a corporation's performance. Notably, ESG investing has been the "order of the decade" for emerging investors, as ESG varies from accounting in that it discloses further information on the financial data contained in the financial statements of the various companies. With the recent and increasing demand for non-financial details, it becomes imperative that companies' reporting framework cater to these needs by providing information on CSR, climate change, energy use or consumption, waste, pollution, natural resource conservation, and so on (Daszyńska-Żygadło et al., 2016; Sustainability Accounting Standards Board, 2020). Koundouri et al. (2022) explain that ESG is a wide range of environmental, social and corporate governance variables that could affect a company's capacity to create value; as a result, it should include non-financial factors in its corporate decision-making and business strategy. By 2025, Bloomberg (2021) forecasts that the $140.5 trillion in total assets managed by the European Fund and Asset Management Association will rise to $53 trillion, or higher than 30% of the total global ESG assets; hence, ESG criteria may help analyse new financial risks and exploit capital markets considering the pandemic and the international green recovery.

On the other hand, corporate performance has been studied from various perspectives, including corporate governance, financial reporting quality and environmental, social and governance disclosures (Ajape et al., 2021; Qureshi et al., 2021; El Khoury et al., 2021). Corporate financial performance refers to a company's financial results and overall success (Mohd Ghazali et al., 2020). Over the years, there have been various measures of corporate financial performance and value, some of which include ROA (Fernando et al., 2020; Naeem et al., 2022; Saygili et al., 2022), GDP per Capita (Oana et al.; 2020), Tobin Q (Naeem et al., 2022; Li et al., 2018).

Academic studies on the nexus between environmental, social, and governance (ESG) variables and corporate value are on-going and evolving fields. Accordingly, academics have and are still exploring the correlation between ESG performance and financial performance from several angles, including accounting, management, and finance. There has been debate on whether companies with strong ESG practices outperform those with weaker ESG practices in terms of CFP (Saygili et al., 2022; El Khoury et al., 2021; Qureshi et al., 2021; Koundouri et al., 2022; Ofogbe et al., 2021; Clark et al., 2015; Friede et al., 2015). Moreover, various research studies have indicated the influence of ESG on Nigeria's corporate financial performance. For instance, Igbinovia and Agbadua (2023) discovered that robust ESG practices can contribute to increased financial performance, as they often result in better risk management, operational efficiencies, and stronger stakeholder connections.

Similarly, Okolie et al. (2021) found that companies that disclose their ESG data more frequently are likely to have better financial performance in Nigeria. From all points above, it is evident that the research indicates that ESG elements can enhance corporate financial performance in Nigeria and that corporate disclosure and the regulatory environment play essential roles in promoting ESG performance. The continued importance of ESG aspects in choosing investments indicates the need for more excellent research in this field. Considering those above, this study tries to evaluate the association between environmental, social, and corporate governance (ESG) and corporate value in listed firms in Nigeria, employing a sample of 27 listed firms with audited annual reports from 2018 to 2023.

Theoretical Framework

This study is anchored on the agency, stakeholders and signalling theories.

Agency theory: Agency theory advocates the existence of goal incongruence between agents (managers) and principals (shareholders). Thus, it focuses on ensuring that company executives act in the

best interests of principals. Managers might strive to enhance their reputation by engaging in ESG activities that benefit themselves but do not necessarily align with shareholders' wealth maximisation goals. However, effective ESG practices can reduce agency problems by aligning managers' interests with those of shareholders and other stakeholders. Besides, companies with vital ESG initiatives tend to minimise agency costs as these practices promote transparency and accountability (Helfaya et al., 2023).

Stakeholders Theory: Stakeholder theory attempts to create value for the diverse stakeholders instead of agency theory, which focuses mainly on maximising wealth for stockholders (Sani et al., 2019; Awa et al., 2024). ESG discourse emphasises the need for companies to be accountable to various stakeholders. Long-term corporate success is hinged on enhanced ESG metrics to achieve comprehensive stakeholder engagement strategies (Awa et al., 2024). This theory thus advocates the provision of sustainability information and financial information to improve transparency and accountability when addressing stakeholder interests (Omaliko et al., 2020; Obiora & Ijoma, 2022).

Signalling Theory: Signaling theory addresses how companies communicate their quality and intentions to the market, especially in information asymmetry. ESG disclosures serve as signals to investors and other stakeholders about a company's commitment to sustainable practices. These ESG disclosures could attract more investment and enjoy higher market valuations due to reduced information asymmetry (Helfaya et al., 2023).

These theories reveal the importance of ESG in promoting corporate transparency, accountability, and stakeholder engagement. These attributes could promote sustainable and responsible business practices and enhance firm value.

Based on the reviewed literature and the theories, we hypothesised that:

H_0: ESG components do not significantly affect firm value in the listed firms in Nigeria

Research Methodology

As the sample selection process should be representative, this study adopts a purposive sampling technique, a non-probabilistic sampling technique, for selecting the listed companies across all sectors on the NGX. The inclusion criteria require that the listed companies are spread out among different sectors, have audited annual reports from 2018 to 2023, and possess data for the variables of interest, namely sustainability information (environmental, social, and governance), as well as corporate value measures (such as the book value of debt, preferred stock, and market value of outstanding common shares at the end of the reporting period, book value of total assets, income after taxes, and the average value of all assets for the fiscal year).

This study utilised secondary data from the audited annual financial and sustainability reports of the chosen publicly traded companies on the NGX. The data covered the period from 2018 to 2023.

The authors of this study have created functional econometric models that illustrate the connection between environmental, social, and governance issues and market-based company performance based on past empirical research (El-Khoury et al., 2021; Qureshi et al., 2021).

$TQ_{it} = \beta_0 + \beta_1 EV_{it} + \beta_2 SIZE_{it} + \beta_3 LEV_{it} + \varepsilon_{it}$ ……1

$TQ_{it} = \beta_0 + \beta_2 SV_{it} + \beta_2 SIZE_{it} + \beta_3 LEV_{it} + \varepsilon_{it}$ ……..2

$TQ_{it} = \beta_0 + \beta_3 GV_{it} + \beta_2 SIZE_{it} + \beta_3 LEV_{it} + \varepsilon_{it}$ ……..3

Where:

TQ = Tobin's Q representing corporate value

EV, SV, GV = Environmental, social and governance variables respectively

SIZE= Firm Size

LEV= Leverage

ε = Error term

i,t = cross-section of firms and time, respectively

Measurement of variables is a crucial aspect of conducting research. Measuring variables in research involves assigning numerical values or categories to the qualities or traits under investigation (Hair et al., 2019).

The study examined the dependent variable, corporate value, using Tobin's Q. Tobin's Q is calculated by adding the book value of debt, preferred stock, and market value of outstanding common shares at the end of the reporting period and then dividing it by the book value of total assets.

The study examined the independent variables, which include environmental, social, and governance disclosures, using the sustainability disclosure rules provided by the Nigerian Stock Exchange in 2018. The reporting obligations under the guidelines are stated below:

Environmental

- The environmental impact of products and services during their lifecycle.
- waste encompasses hazardous and non-hazardous ones.
- Consumption and efficient use of water resources.
- Considers the efficient use and consumption of energy and energy generated from renewable sources.
- Adherence of activities to relevant environmental laws.

Social

- Diversity across the workplace, including at the managerial level.
- Inclusive work environment that supports skills development and fair remuneration.
- Safety, health, and welfare of work or employees.
- The rights of individuals as expressed in the International Bill for Human Rights
- Company's impact on society and local communities

Governance

- Activities to combat corruption and bribery

For this study, the control variables, which have been identified from the literature (El Khoury et al., 2021; Qureshi et al., 2021), include firm size- measured as the natural logarithm of the book value of the total assets at the beginning of the period and leverage- measured as the ratio of total liabilities to total assets.

This study uses descriptive and inferential analyses to summarise and analyse the data acquired. The study conducts regression analysis (OLS) of the data obtained to assess the degree of the correlation between business value and ESG parameters.

Findings/Results

This study used descriptive analysis to obtain summary information such as patterns, characteristics and normality of the data extracted. Table 1 contains the relevant information.

Variables	Obs	Mean	Std. Dev.	Min	Max	p1	p99	Skew.	Kurt.
TQ	161	.239	.439	.011	3.426	.011	2.856	4.966	30.512
ROA	161	.038	.162	-.662	1.519	-.443	.322	3.826	45.262
SV	161	3.702	1.507	0	5	0	5	-1.256	3.773
GV	161	.875	.332	0	1	0	1	-2.268	6.143
EV	161	4.048	1.405	0	5	0	5	-1.306	3.538
Size	161	17.813	1.632	14.359	21.052	14.417	20.816	-.227	2.385
Lev	161	.636	.282	.243	2.222	.249	1.964	2.364	12.398

Table 1. Descriptive Statistics

Table 1 summarises the ESG components' scores, the descriptive statistics for the corporate value scores and the control variables. The table covers the mean, standard deviation, min, 1st quartile, 3rd quartile, and the minimum and maximum values, skewness and kurtosis.

Regarding the dependent variable, the mean, standard deviation, and minimum and maximum values of Tobin's Q (TQ) are 0.239, 0.439, 0.011, and 3.426, respectively. The mean, standard deviation, minimum and maximum values of return on assets (ROA) are 0.038, 0.162, −0.662, and 1.519, respectively. As can be observed in this table, regarding the three separate ESG-dimension scores, the mean values of EV, SV and GV are 4.048, 3.702, and 0.875, respectively. At the same time, the standard deviation of EV,

SV and GV are 1.405, 1.507, and 0.332, respectively. Among the three individual ESG dimensions, governance performance has the lowest mean score and standard deviation value, and the mean score for the environmental dimension is the greatest, while social performance's standard deviation is the biggest. It suggests that Nigerian listed businesses perform comparatively best in the environmental (EV) and social (SV) dimensions and worse in the corporate governance (GV) component.

Skewness measures the symmetry of the data distribution. Positive skewness values indicate a longer right tail, whereas negative skewness values suggest a longer left tail.

TQ and ROA exhibit a significant positive skewness of 4.996 and 3.826, respectively, indicating a highly right-skewed distribution. EV, SV, and GV show negative skewness values, indicating a concentration of firms with high disclosure scores. Firm size exhibits a slight negative skewness of -0.227, suggesting a distribution skewed towards smaller firms. Leverage has a skewness of 2.364, indicating near symmetry.

Kurtosis measures the tail-heaviness of the distribution. Higher kurtosis values indicate heavier tails and a more peaked distribution. TQ and ROA have kurtosis values of 30.512 and 45.262, respectively, reflecting extremely heavy tails and a highly peaked distribution. EV, SV, and GV exhibit kurtosis values ranging between 3.5 and 6.1, respectively, indicating heavier tails and relatively peaked distributions. Firm size has a kurtosis of 12.398, suggesting very heavy tails and a highly peaked distribution, while leverage has a kurtosis of 4.892, indicating moderately heavy tails and a slightly peaked distribution.

Correlation Results

Table 2 illustrates the correlation matrix for the variables. This table shows that the correlation coefficient between TQ and ROA is -0.066, demonstrating that they are adversely connected. The correlation coefficient between TQ and EV is 0.007 and statistically negligible, while that between ROA and EV is 0.043 but not statistically significant. The correlation coefficient between TQ and SV is −0.067, while that between ROA and SV is 0.042, all statistically insignificant.

The correlation coefficient between TQ and GV is 0.018, while that between ROA and GV is 0.086, all statistically insignificant. It is worth noting that except for the SV score, all the correlation coefficients between TQ and EV, GV and ROA are all positive.

The correlation coefficients are not enough to determine the relationship between the variables. The relationship between corporate value and ESG performance is also affected by firm size and leverage, so it needs further exploration by controlling other aspects. Regarding the control variables, TQ and ROA are insignificantly (positive and negative, respectively) linked with firm size but are significantly (positive and negative, respectively) associated with leverage at a 1% significance level.

Variables	(1)	(2)	(3)	(4)	(5)	(6)	(7)
(1) TQ	1.000						
(2) ROA	-0.066	1.000					
	(0.39)						
(3) SV	-0.067	0.042	1.000				
	(0.38)	(0.58)					
(4) GV	0.018	0.086	0.536	1.000			
	(0.82)	(0.26)	(0.00)				
(5) EV	0.007	0.043	0.584	0.450	1.000		
	(0.93)	(0.58)	(0.00)	(0.00)			
(6) Size	0.095	-0.081	0.272	0.198	0.403	1.000	
	(0.22)	(0.29)	(0.00)	(0.01)	(0.00)		
(7) Lev	0.369	-0.282	0.156	0.275	0.145	0.209	1.000
	(0.00)	(0.00)	(0.04)	(0.00)	(0.06)	(0.00)	

Table 2: Correlation Matrix

Measuring the degree of multicollinearity is to assess the level of multicollinearity between the variables in question. It is essential because the findings and interpretations of the regression could be

impacted by severe or significant multicollinearity between the variables, which is one of the assumptions of linear regression. Therefore, a multicollinearity test is further performed to disclose the degree of multicollinearity among the variables due to the high correlation coefficient between some variables in Table 2.

Variable	VIF	1/VIF
SV	1.092	.916
GV	1.107	.904
EV	1.199	.834
Size	1.151	.872
Lev	1.071	.935
Mean VIF	1.122	

Table 3: Multicollinearity test of the Model

The Model's multicollinearity findings are shown in Table 3. The VIF figures, which range between the value of 1.071 and 1.199, reveal that the degree of multicollinearity between the variables is not significant enough as they are less than the threshold of 10 (El Khoury, Naimy, & Iskandar, 2021). This result implies the degree of multicollinearity may not lead to any problem in the regression analysis.

Empirical Results

In this section, we examine and explain the empirical data for the three hypotheses given in our study. We first estimate the baseline models specified in Equations 1–3. Then, we employ an alternative dependent variable (ROA) for robustness testing.

Results for Individual ESG Pillars

In this part of the study, we presented empirical results regarding each of the pillars of the ESG, as contained in Tables 4-6.

Environmental Score and Corporate Value

	(1) TQ	(2) ROA
EV	-0.0957***	0.1173**
	(-2.4906)	(5.7679)
Size	0.0036	0.0129
	(0.2483)	(1.1496)
Lev	0.1276**	-0.2452**
	(3.0027)	(-6.5359)
_cons	0.1721	-0.1303
	(0.7123)	(-0.7155)
N	161	161
R^2	0.8224	0.6595
adj. R^2	0.7831	0.5841
F-Statistics	20.9160**	8.7483**
DW	1.5208	2.1311

Table 4: Regression results for the impact of EV score on corporate value

Table 4 provides regression results of the impact of firms' environmental (EV) performance on corporate value using the Model presented in Equation (1). Here, we concentrate on the coefficient of EV score, which assesses the influence of environmental (EV) performance on business value.

As demonstrated in column (1) of Table 4, when control variables are involved in the regression, the estimated coefficient of EV for TQ is -0.0957, which is negatively statistically significant at a 5% significance level. It shows that firms' environmental performance negatively affects corporate value, as judged by Tobin's Q. This finding maintains even control over the influence of firm size and leverage.

However, as indicated in column (2) of Table 4, when we use ROA as the proxy variable of firm value, the estimated coefficient of EV for ROA is 0.1173, which is significantly positive at a 1% significance level. It reveals that the performance of Nigerian listed companies' environment (EV) dimension of the ESG strongly correlates positively with corporate value evaluated by ROA. Our results demonstrated that firms' environmental performance negatively influences firm value, as judged in TQ, but positively affects ROA considerably.

Social Score and Corporate Value

	(1) TQ	(2) ROA
SV	-0.0332***	0.0287***
	(-2.2864)	(2.4941)
Size	-0.0099	0.0312***
	(0.6495)	(2.7090)
Lev	0.1595**	-0.2622**
	(3.3751)	(-6.5786)
_cons	0.3366	-0.3682
	(1.2780)	(-1.9035)
N	161	161
R^2	0.8125	0.6144
adj. R^2	0.7710	0.5291
F-Statistics	19.5757**	7.1977**
DW	1.5203	2.1160

Table 5: Regression results for the impact of SV score on corporate value

Table 5 illustrates regression results showing the impact of firms' social (SV) performance on company value using the Model presented in Equation (2). Here, we concentrate on the derived coefficient of SV, which evaluates the influence of social (SV) performance on company value.

As can be observed in column (1) of Table 5, the estimated coefficient of SV for TQ in the regression with control variables is -0.0332, which is negatively statistically significant, showing that the social performance of companies negatively influences their firm value assessed as TQ. As indicated in column (2) of Table 5, the estimated coefficient of SV for ROA in the regression with the control variables is 0.0287, which is positively statistically insignificant. This outcome implies that companies' social (SV) responsibility performance score is unfavourably associated with firm value under the influence of scale and leverage. The stronger the social-dimension performance score, the lower the firm value (TQ), but the higher the business's profitability is, as expressed by ROA.

Governance Score and Corporate Value

Table 6 displays the regression outcomes of the influence of firms' corporate governance (GV) performance on company value. The coefficient of GV for TQ in column (1) of Table 6 is calculated to be -0.0995, and it is statistically significant at 1% and negatively correlated. Nigerian listed firms experience a negative impact of governance score on their firm value, as assessed by TQ. This result remains valid when accounting for firm size and leverage.

	(1) TQ	(2) ROA
GV	-0.0995**	0.06498**
	(-3.2108)	(3.7091)
Size	0.0084	0.0247***
	(0.5920)	(2.1672)
Lev	0.1688**	-0.2610**
	(3.7108)	(-6.6691)
_cons	0.1721	-0.2934
	(0.0707)	(-1.5412)
N	161	161
R^2	0.8073	0.6264
adj. R^2	0.7646	0.5437
F-Statistics	18.9207**	7.5744**
DW	1.5221	2.1118

Table 6: Regression results for the impact of GV score on corporate value

Where the return on assets (ROA) is utilised as the proxy variable for corporate value, according to the data in column (2) of Table 6, the estimated coefficient of GV for ROA in the regression with the control variables is 0.06498. This coefficient is statistically significant at 1%, suggesting that the performance of corporate governance has a good impact on the organisation's value, as assessed by ROA.

Discussions and conclusions

The results revealed that the three dimensions of the ESG, the environmental, social and governance, have a significant negative relationship with corporate value. This result implies that there is limited statistical evidence to support the notion that increased ESG performance leads to improved corporate performance, as measured by TQ. However, using the alternative proxy for corporate value-ROA, each of the dimensions of the ESG exhibits a positively significant relationship with the corporate value.

Several factors could justify the significant negative impact of ESG dimensions on corporate value. These factors include upfront costs of implementing ESG initiatives, investors perception that ESG initiative is a distraction from core business activities, regulatory scrutiny and compliance costs, poor governance practice, and where the cost of implementation outweighs the perceived benefits of ESG commitment (Narula, Rao, & Rao, 2023; Yu & Xiao, 2022; Khandelwal, Sharma, & Chotia, 2023). Further, ESG initiatives might lead to short-term financial sacrifices (which might not align with shareholders' goal-agency theory), might not provide immediate economic benefits to varied stakeholders (stakeholders theory) and may be seen as insincere or greenwashing by the investor (signalling theory) thereby snowball into damaging corporate value, especially in the view of traditional investors.

Our result is also consistent with some previous empirical studies that have documented a negative connection between ESG dimensions and corporate value (Friede, Busch, & Bassen, 2015; Hong & Kacperczyk, 2019; Costa & Fonseca, 2022) who found evidence of a negative relationship between ESG and firm value, specifically in industries with higher consumer price elasticity.

The results revealed a negative and substantial association between environmental, social and governance disclosures and corporate value, implying that higher ESG performance of the organisations leads to degradation of their corporate value.

This situation may arise because Nigeria exhibited a unique institutional context where environmental social (CSR) initiatives and governance concerns might not have an immediate and direct impact on corporate performance due to the voluntary nature of the ESG disclosure, weaker regulatory frameworks, weaker demand for environmentally responsible practices from stakeholders and incomprehensive or unprecise nature of the ESG disclosures data to capture the true extent of companies' ESG reporting efforts.

Given the R^2 for each of the dimensions of ESG, which is above 50%, we recommend that regulatory attention be focused on effective ESG-related policies to assuage possible future impact on firm value. In addition, the ongoing effort of the Financial Reporting Council of Nigeria (FRCN) to develop and enforce the implementation of the ESG framework in Nigeria should be fast-tracked. This would put the listed companies in Nigeria at par with the rest of the world in protecting stakeholders' investment through comprehensive information for sound investment decision-making.

Limitations and direction for future research

This study evaluated the ESG practice of 27 companies that cut across various sub-sectors of the Nigerian economy. The specific sector-based implications of the ESG for firm value are not apparent from the findings of this study. Besides, we have employed only the ESG template in the Nigerian Exchange Group sustainability guidelines. Future research may consider other metrics of firm value and ESG templates.

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