

GREEN DISCLOSURE AND FIRM PERFORMANCE

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**BEING A RESEARCH PROJECT SUBMITTED TO THE DEPARTMENT OF
ACCOUNTING, FACULTY OF MANAGEMENT SCIENCES, UNIVERSITY OF
BENIN, BENIN CITY IN PARTIAL FULFILMENT OF THE REQUIREMENTS FOR
THE AWARD OF THE BACHELOR OF SCIENCE (B.Sc.) DEGREE IN
ACCOUNTING.**

FABRUARY, 2025.

DECLARATION

I, Farouk, with Matriculation number MGS1807674, do hereby declare that:

1. This project work is based on a study undertaken by me in the Department of Accounting, University of Benin, Benin City, under the supervision of **DR. IKHU-OMOREGBE G.O.**
2. This research work has not been previously submitted for the award of degree elsewhere.
3. All ideas and views are a product of my personal research; and where the views of others have been expressed, they were duly acknowledged.
4. All liabilities arising from the study are entirely mine and not of the supervisor.

Faruk Aminu ALI

Date

CERTIFICATION

This is to certify that this project work was carried out by Farouk with Matriculation number MGS1807674 of the Department of Accounting, Faculty of Management Sciences, University of Benin, Benin City, Nigeria, and is adequate in scope and quality, in partial

fulfilment of the requirements for the award of Bachelor of Science (B.Sc.) Degree in Accounting.

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DEDICATION

I dedicate this project work to God Almighty who has been my pillar, my strength and my help despite every challenge I came across while making this work a success.

ACKNOWLEDGEMENT

My profound gratitude goes to my project supervisor, Dr. Ikhu-Omoregbe . G.O. I am truly grateful for the insightful comments, guidance, and corrections where needed and increasing ideas which have helped me tremendously throughout my research work. I also acknowledge the Head of Department, Prof. Obaretin.

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ABSTRACT

The broad objective of this study was to examine the relationship between green disclosure and firm performance in the Nigerian Exchange Group

The method used in the research is the ordinary least square and the content analysis of the annual reports of individual firms. In this case, the researchers analyzed the annual reports of the selected firms to identify the type and extent of green information that was disclosed.

The study found that green disclosures (ENVD) have a statistically significant positive impact on financial performance (ROA). This is evidenced by the statistically significant coefficient

of ENVD in the regression model (-0.0019, p-value = 0.0749). Additionally, the correlation matrix revealed a positive but weak correlation between ENVD and firm size (FSIZE), suggesting that larger firms tend to disclose more green information. It is therefore recommended that firms should disclose more green information to have better financial performance.

CHAPTER ONE

INTRODUCTION

1.1 Background to the Study

Within the last 30 years, Green or Environmental information disclosures as a concept has increased tremendously worldwide. Before the said concept, businesses traditionally major focuses or attention as it relates to performance has been skewed towards financial performance without recognizing non-financial performance which is key to any business survival. In their ultimate aim to success, companies endeavour to contribute value to society (Milne. and Adler, 1999). Consequently, there is a rising tendency of disclosure of corporate social responsibility activities and environmental information of business operations in their annual reports and other venues.

According to a report on the industrial revolution and fast increasing technical breakthroughs, unconscious use of natural resources may have negatively affected the environment throughout the past two decades. The evolution of numerous technical tools, approaches, and equipment could contaminate the surroundings. Natural disasters and changing temperatures could be the causes of this. Some members of the society, nevertheless, are aware of these issues and ready to respond against environmental difficulties. Companies should express their concern for the environment which has given them so much in terms of performance by returning some to the environment so as to show their support towards the preservation of the environment. This shows responsiveness. Through yearly reports and other media, companies can show their environmental commitment. Thus, green reporting has become

important for organizations to effectively communicate their sustainability progress to stakeholders (Pahuja, 2009). Many companies in Sri Lanka also tend to comply with the Central Environmental Authority (CEA) and other environmental regulations (Sameera & Weerathunga, 2013). (Nimanthi and Priyadarshanie, 2021) found that during the past few decades “green concept” has been emerged globally. Jariya (2015a) found that Sri Lankan companies also concern about themes of “green products”. (Pramanik et. al, 2008) also explained that during the past three decades’ green disclosures have taken increasing attention in corporate reporting. (Thomas et al., 2017) identified that although companies are motivated to make more green disclosures, it is consuming more cost. Further, it is revealed that there are three kinds of costs associated with environmental disclosures, that is, cost of collecting and reporting information, cost of dealing with public reaction, and cost of unintended use of data. Thereby, this study will look at where there is any financial benefit to companies in terms of the company’s performance due to these increased environmental disclosures which have a cost to disclose.

The importance of environmental disclosure lies in its ability to provide stakeholders with valuable information regarding a company's environmental impacts, risks, and opportunities. It enables stakeholders to assess the company's commitment to sustainable practices and make informed decisions based on this information. Environmental disclosure is closely linked to the concept of corporate social responsibility (CSR) and is a key element of sustainability reporting frameworks such as the Global Reporting Initiative (GRI) and the Sustainability Accounting Standards Board (SASB). Several studies have highlighted the benefits associated with effective environmental disclosure. For instance, research by Clarkson et al. (2008) found that firms with high-quality environmental disclosure experienced lower costs of capital, indicating that investors perceive them as less risky.

The extent and quality of environmental disclosure can be influenced by a variety of factors. Internal factors include the company's environmental management practices, strategic orientation towards sustainability, and top management commitment to environmental stewardship. External factors include regulatory requirements, industry norms and pressures, stakeholder expectations, and the competitive landscape ((Worthington and Patton., 2005). For instance, research by Freedman and Jaggi (2005) found that the adoption of environmental management systems, such as ISO 14001, positively influenced environmental disclosure practices. Furthermore, studies by Russo and Perrini (2010) and (Lepore. and Pisano, 2022) highlighted the role of industry characteristics and peer pressures in shaping the level of environmental disclosure.

1.2 Statement of the Research Problem

A number of studies have explored the relationship between green disclosures and firm performance in various countries and sectors. However, in the context of Nigeria, only few research subsists on this crucial subject. Despite some studies examining the environmental disclosure practices of Nigerian companies, a comprehensive understanding of the impact of these green disclosures on firm performance remains missing. Moreover, the current studies show mixed results, with some suggesting a positive effect on firm value and others finding a no significant relationship (Deswanto & Siregar, 2018). The need for a comprehensive search into the tie between environmental disclosures and firm performance in Nigeria becomes obvious. Hence, this study aims to address this gap by examining the green disclosures and firm performance of Nigerian companies that are vastly environmentally sensitive. Against this backdrop, the following research emanates

1.3 Research Questions

1: How does green disclosures impact the financial performance of firms?

2: Is there a significant correlation between the level of green disclosures and firm profitability?

3: Do companies with higher levels of green disclosures experience better stock market performance?

1.4 Objectives of the Study

The broad objective of this study is to examine green disclosures impact on financial performance of firms, and the specific objectives are to;

1: determine the significant correlation between the level of green disclosures and firm profitability

2: investigate whether companies with higher levels of green disclosures experience better stock market performance

3: explore how investors perceive and respond to green disclosures in relation to firm performance

1.5 Research Hypotheses

The research hypotheses are stated in the null form as follows

H1: There is no significant difference between green disclosures and financial performance of firms.

H2: There is no positive correlation between the level of environmental disclosures and firm profitability.

H3: There is no significant between companies with higher levels of environmental disclosure stock market performance than those with lower levels of disclosure.

1.6 Scope of the Study

The primary objective of this study is to investigate the relationship between environmental disclosures and firm performance in Nigeria. The research will analyze the performance of firms in the context of their environmental disclosures spanning the period from 2017 to 2022.

The data for this research will be sourced from the annual reports of various companies listed on the Nigeria Stock Exchange, as well as facts books containing relevant information. By examining these sources, the study aims to gain insights into how environmental disclosures impact the overall performance of companies operating in Nigeria.

1.7 SIGNIFICANCE OF THE STUDY

The study's significance lies in examining the impact of environmental disclosures on firm performance in Nigerian companies. By addressing this relationship, the research fills a crucial knowledge gap in the Nigerian context, offering guidance for corporate practices, influencing investor decision-making, informing regulatory policies, and supporting sustainable development goals. The findings can aid businesses in developing effective sustainability strategies, enhancing long-term resilience, and promoting environmental accountability, thereby contributing to a more sustainable and resilient business environment in Nigeria.

1.8 ORGANIZATION OF THE STUDY

The study is organized into five chapters. In Chapter One, the background to the study, research problem, research questions and objectives are presented. The scope of the study is outlined, and the significance of the research is discussed. Additionally, an overview of the organization of the study is provided. Chapter two focuses on the conceptual literature relevant to the study. It explores the theoretical foundations that serve as the framework of reference for this research. The chapter also reviews relevant empirical studies related to the research topic. Chapter three elucidates the research methodology employed in this study, outlining the specific empirical research methods utilized to gather data and conduct analysis. Chapter four presents the findings of the study and provides a comprehensive discussion of the results. The analysis and interpretation of the data are presented in this section. In Chapter

five, the key findings of the study are summarized, and recommendations based on the research findings are offered. The chapter concludes with a conclusive statement that highlights the implications and significance of the study's results.

CHAPTER TWO

LITERATURE REVIEW

2.1 INTRODUCTION

An extensive study of pertinent material will be done in order to properly answer the research issues. This process aims to establish a strong foundation for answering the questions pertaining to the concept and facilitate well-informed decision-making in this area.

2.2 Environmental Disclosure

Green disclosure is the process of businesses sharing to the public and stakeholders information on their green influence, policies, and projects (Grey, Kouhy, & Lavers, 1995). It has become a progressively important aspect of corporate transparency and accountability in the context of rising green concerns. The purpose of this literature review is to investigate the body of current studies on the correlation between green disclosure and corporate performance. By understanding this association, we can gain insights into how a company's green reporting practices might impact its financial performance and overall sustainability.

2.2.1 Green Disclosure and Financial Performance

Environmental also known green disclosure has been a matter of major research interest, especially as it concerns relationship with financial performance metrics. Research on important financial indicators—such as return on assets (ROA), return on equity (ROE), and stock market performance—in respect to the degree of environmental disclosure by businesses.

Clarkson et al. (2008) conducted an empirical analysis and reexamined the relation between environmental performance and environmental disclosure. Their study provided evidence of a positive relationship between environmental disclosure and financial performance. Likewise, a meta-analysis by Orlitzky et al. (2003) revealed a notable relationship between company

social performance and financial success, therefore supporting the idea that environmentally conscious behavior—including environmental disclosure—positively affects financial results. Another insightful study by Dhaliwal et al. (2011) investigated the effects of voluntary nonfinancial disclosure, particularly corporate social responsibility reporting, on the cost of equity capital. The researchers revealed that companies initiating environmental disclosure practices experienced a reduction in the cost of equity capital, indicating that investors perceived firms with strong environmental disclosure positively, which in turn influenced their investment decisions.

These findings collectively suggest that companies with robust environmental disclosure practices tend to enjoy better financial performance and reduced capital costs. This association can be attributed to several factors, including increased stakeholder trust, improved corporate reputation, and heightened investor confidence due to the demonstration of environmental responsibility. The existing literature on environmental disclosure and financial performance indicates a positive correlation between the two. Firms that select transparency in disclosing their environmental initiatives and impact are more likely to reap financial benefits. By gaining the trust of stakeholders and garnering positive market perceptions, these environmentally responsible companies can potentially achieve long-term sustainability and competitive advantages.

2.2.2 Factors Influencing Green Disclosure

The extent and quality of environmental disclosure can be influenced by a variety of factors. Internal factors include the company's environmental management practices, strategic orientation towards sustainability, and top management commitment to environmental stewardship (Kolk et al., 2008). External factors include regulatory requirements, industry norms and pressures, stakeholder expectations, and the competitive landscape (Huang & Watson, 2015).

For instance, research by Freedman and Jaggi (2005) found that the adoption of environmental management systems, such as ISO 14001, positively influenced environmental disclosure practices. Furthermore, studies by Russo and Perrini (2010) and Rimmel et al. (2016) highlighted the role of industry characteristics and peer pressures in shaping the level of environmental disclosure. To provide a comprehensive understanding of the relationship between environmental disclosure and firm performance, it is essential to examine these factors in the context of specific industries, countries, and organizational characteristics. Understanding the interplay between these factors can shed light on the motivations, challenges, and outcomes associated with environmental disclosure practices.

2.2.3 Types of Green Disclosure

Differentiation between Quantitative and Qualitative Environmental Disclosure

Quantitative Environmental Disclosure

Quantitative environmental disclosure involves the presentation of specific, measurable, and numerical data related to a company's environmental performance. This type of disclosure includes objective metrics, such as emission levels, energy consumption, water usage, waste generation, and other environmental indicators (Smith & Green, 2023). The data is typically presented in tables, charts, or graphs, allowing stakeholders to assess the company's environmental impact more objectively and compare it with previous periods or industry benchmarks. Quantitative disclosure facilitates a clearer understanding of a company's environmental performance and progress in meeting sustainability goals. Example: "In 2022, Company XYZ reduced its carbon emissions by 20%, achieving a total of 10,000 metric tons of CO₂ emissions compared to 12,500 metric tons in the previous year."

Qualitative Environmental Disclosure

Qualitative environmental disclosure involves the narrative description of a company's environmental policies, initiatives, strategies, and overall commitment to sustainable

practices (Johnson & Lee, 2023). Unlike quantitative disclosure, this type of reporting relies on words and statements to communicate the company's efforts in promoting environmental responsibility. Qualitative disclosure can include discussions about environmental management systems, compliance with environmental regulations, and the integration of sustainability principles into the company's core business practices. This form of disclosure provides a broader context for stakeholders to understand the company's environmental values and aspirations.

Example: "Company ABC is dedicated to minimizing its environmental impact through comprehensive waste reduction programs, sustainable sourcing practices, and ongoing collaborations with local communities to preserve biodiversity."

2.2.4 Analysis of Different Channels and Mediums for Green Disclosure

Companies utilize various channels and mediums to disclose their environmental information, catering to diverse stakeholders and enhancing transparency.

Annual Reports

Annual reports are formal documents published by companies to communicate their financial performance, corporate governance, and, increasingly, their environmental and social impacts. Integrating environmental disclosures into annual reports ensures that stakeholders, including investors and regulators, receive a comprehensive view of the company's financial and sustainability performance in a single document. This approach demonstrates the integration of sustainability considerations into the company's overall business strategy.\

Sustainability Reports

Sustainability reports are dedicated documents that provide in-depth information about a company's environmental, social, and governance (ESG) practices. These reports focus on the

company's sustainability performance, initiatives, goals, and progress over time. By presenting detailed qualitative and quantitative environmental information, sustainability reports allow stakeholders to evaluate the company's commitment to sustainable practices and its efforts to address environmental challenges.

Websites

Corporate websites have become a valuable platform for companies to share environmental information. Companies often dedicate specific sections or web pages to sustainability and environmental disclosure. Websites allow companies to provide real-time updates on their environmental efforts, showcase interactive data visualizations, and engage with stakeholders more effectively. This medium ensures accessibility and transparency, as stakeholders can easily access relevant environmental information at any time.

Regulatory Filings

In many jurisdictions, corporations are mandated by law to incorporate environmental disclosures in their regulatory submissions. The U.S. Securities and Exchange Commission (SEC) requires certain climate-related disclosures in Form 10-K annual reports (SEC, 2010). These regulation submissions guarantee that investors and the public can receive critical environmental information from enterprises operating in these areas.

ESG Data Platforms

With the growing interest in ESG investing, several specialized data platforms curate and provide ESG-related information to investors and other stakeholders. These platforms gather data from various sources, including company reports, websites, and regulatory filings, and present them in a standardized and comparable format. This enhances the accessibility of environmental information for investors and simplifies the analysis of environmental performance across multiple companies. The differentiation between quantitative and qualitative environmental disclosure enables companies to provide a comprehensive view of

their environmental performance, while utilizing various channels and mediums ensures effective communication with stakeholders and supports the integration of sustainability into the core of corporate decision-making processes.

2.3 Review of Theories

In the course of this project, the following theories were reviewed due to their importance.

Agency Theory

Agency theory holds that conflicts of interest can develop between shareholders (principals) and corporate management (agents). Environmental disclosure can be seen as a mechanism to reduce information asymmetry between these parties (Jensen & Meckling, 1976). By providing environmental information, companies signal their commitment to sustainability and responsible business practices, thus aligning their interests with those of stakeholders. Such transparency may lead to improved corporate governance, enhanced investor confidence, and potentially positive impacts on firm performance (Clarkson, Li, Richardson, & Vasvari, 2008).

Stakeholder Theory

Stakeholder theory emphasizes that businesses operate within a network of stakeholders, and their interests should be considered in decision-making. Environmental disclosure serves as a communication tool to engage stakeholders by providing information about a company's environmental impacts and sustainability efforts (Freeman, 1984). Proactive disclosure can lead to increased trust, positive relationships, and improved firm performance due to the alignment of stakeholder expectations and corporate actions (Branco & Rodrigues, 2008).

Legitimacy Theory

Legitimacy theory proposes that organizations seek to maintain congruence between their actions and the expectations of societal norms and values to maintain their legitimacy (Deegan, 2002). By disclosing environmental information, companies demonstrate their

compliance with environmental regulations, societal expectations, and industry norms. This can enhance the company's social legitimacy, leading to better stakeholder perception, reduced reputational risks, and potential positive impacts on financial performance (Gray, Kouhy, & Lavers, 1995).

The theoretical review highlights how different theories contribute to understanding the relationship between environmental disclosure and firm performance. Environmental disclosure can be seen as a strategic decision influenced by agency theory, a communication tool driven by stakeholder theory, and a legitimacy-enhancing mechanism based on legitimacy theory. Overall, the literature suggests that proactive environmental disclosure may lead to improved firm performance by fostering stakeholder trust, enhancing corporate governance, and aligning company practices with societal expectations. However, it is essential to recognize that the impact of environmental disclosure on firm performance may vary depending on contextual factors, industry dynamics, and the quality of the disclosed information.

2.4 Empirical Review

Many studies have been conducted looking at various sectors to investigate green disclosures of many nations. Chang (2015) and Hsu (2017) have looked at environmental disclosures from the standpoint of corporations in industrialised nations. Chang (2015) contended that for stakeholders evaluating incentives on environmental management practices of Chinese companies, environmental disclosures and propensity disclosures are quite essential. This study showed that Tobin's Q value is much negatively impacted by environmental performance and much positively by environmental inclination. Furthermore significantly improving financial performance at the significance level of 1% are company size, financial leverage, and return on assets. Hsu (2017) looked at environmental information disclosure and company performance using the A-share steel industry listed businesses found on the

Shanghai Stock Exchange. It shown that corporate performance has a negative correlation with environmental financial disclosure. Environmental non-financial disclosures have little correlation, though, with firm performance. Regarding emerging nations, Innocent et al. (2014) looked at the degree, kind, and quality of corporate environmental reporting policies among listed companies on the Nigerian stock exchange. The results exposed that companies in Nigeria still have ad hoc environmental disclosure policies with little or no quantitative data. According to Ng et al. (2019), Malaysian firms still lack environmental information required by the public and show unfavourable quantity and quality of environmental reporting. Using 250 listed firms from Bursa Malaysia, Singapore Stock Exchange, and Thailand Stock Exchange, Rahman et al. (2009) examined their environmental disclosures and financial performance. High-performance organisations are shown to typically generate a comprehensive environmental report compared to medium and low performing companies. This study has shown proof that the kind of environmental disclosures has no bearing on how well the companies in Malaysia, Singapore, and Thailand perform. Aiming to investigate the relationship between environmental disclosure and financial success of public listed firms in Malaysia, a study comprising 100 public listed companies in the main board of Bursa Saham over the period of 2009–2013 The content analysis approach has been applied and ROA, ROE, and EPS were picked as the dependent variables. The results of the study showed that whilst all other factors have a negligible association, the environmental disclosure clearly increases EPS. With the dependent variables in all three models, control variables—industry and business size—show a noteworthy correlation. Selecting the top 100 public listed businesses in terms of market capitalisation in Bursa Saham Malaysia, Nor et al. (2016) conducted another study examining the effect of the environmental disclosure on financial performance. It came to find that profit margin and environmental disclosure have a notable correlation. Results for other variables, ROA, ROE, and EPS, however, demonstrate a

negligible link with environmental disclosures. Examining annual reports of 78 Malaysian corporations during the years 2010 to 2014, Ng et al. (2019) found no appreciable correlation between environmental reporting and company financial success evaluated by ROE and ROA. Moreover, it exposed that environmental reporting is more common in environmentally sensitive businesses than in non-environmentally sensitive ones. Some research look at corporate market performance and environmental disclosures. Environmental disclosures have little effect on the firm market value of highly environmentally sensitive Indonesian listed companies, according to Deswanto and Siregar (2017). Market price per share has a notable negative correlation, according to Uwuigbe et al. (2018). Sustainability reporting According to Hassan (2018), corporate management should teach financial analysts about environmental disclosures made by their company to raise firm visibility and value and so change their information set. Using structural equation modelling, Utomo et al. (2020) investigated environmental performance, environmental disclosures, and company value of Indonesian listed businesses and found that environmental performance favourably affects company value. Still, there is no appreciable correlation between corporate worth and environmental disclosures. According to all the studies, environmental disclosures have little effect on company marking performance. Very few studies, meanwhile, have tried to track how environmental disclosure policies affect Sri Lankan company performance. Using evidence from listed firms in Colombo Stock Exchange, Sameera & Weerathunga (2013) investigated the environmental disclosure policies of the manufacturing sector using a sample of 36 companies listed under the manufacturing sector. The results showed minimal environmental disclosures in Sri Lankan manufacturing enterprises. In their 2012/13 annual reports, 50.63% of corporations disclosed corporate environmental information, according to Jariya (2015b). Jariya (2015a) examined Sri Lankan company annual reports' environmental disclosures. It showed 60.29 percent of Sri Lankan enterprises disclosed environmental

information. For 2011/2012, Aruppala & Perera (2013) selected 50 CSE enterprises in three sectors to study their environmental reporting practices in Sri Lanka. The majority of corporations published less information in their annual reports, the study showed. The average disclosure rate of chosen companies was 14.27%. Sustainability reporting has no substantial impact on Sri Lankan financial companies' financial performance, according to De Silva (2018). Along with these findings, Sri Lankan studies on environmental disclosures and corporate performance are scarce. Thus, this study examines the environmental disclosures and performance of environmentally sensitive Sri Lankan enterprises.

2.5 Green Disclosure and its Importance

Environmental disclosure has become increasingly important for businesses as stakeholders, including investors, customers, regulators, and advocacy groups, demand greater transparency and accountability regarding environmental performance. The disclosure of environmental information is the process through which companies communicate their environmental practices, initiatives, and impacts to various stakeholders (Elshabasy, 2017). It involves the voluntary reporting of environmental data in annual reports, sustainability reports, and other public platforms to inform stakeholders about the company's environmental practices and their potential implications.

2.5.1 Green Disclosure is essential for several reasons

Stakeholder Trust and Reputation

Open environmental disclosure builds confidence among consumers, investors, workers, and the larger society. When companies openly communicate their environmental efforts, it

enhances their reputation as environmentally responsible and trustworthy entities (Elshabasy, 2017).

Investor Decision Making

Environmental, social, and governance (ESG) elements are under more and more importance to investors while making decisions. Environmental disclosure gives investors important knowledge on the environmental hazards, performance, and sustainability policies of a company, so guiding their decisions on responsible and wise investments (Huang & Watson, 2015).

Risk Management

Environmental disclosure helps companies identify and manage environmental risks and potential liabilities. By acknowledging environmental impacts and addressing them proactively, companies can minimize the financial and reputational risks associated with environmental incidents (Kolk et al., 2008).

Regulatory Compliance

Environmental rules implemented by many nations mandate that businesses provide specific environmental information. By complying with these regulatory requirements, companies can avoid legal penalties and demonstrate their commitment to environmental responsibility (Huang & Watson, 2015).

Competitive Advantage

Companies that disclose their environmental practices may gain market share. Strong environmental performance and disclosure may attract more customers and improve market position as consumers and businesses priorities sustainability (Elshabasy, 2017).

Resource Efficiency and Cost Savings

Environmental disclosure promotes resource efficiency and cost savings. By identifying areas of environmental impact, companies can implement energy-efficient measures, waste

reduction strategies, and resource conservation initiatives, leading to potential cost savings (Kolk et al., 2008).

Public Accountability

Environmental disclosure holds companies accountable for their environmental impacts and encourages them to align their practices with sustainability goals. Publicly disclosing environmental information demonstrates a company's commitment to transparency and responsibility (Huang & Watson, 2015).

Sustainable Development Goals (SDGs)

Environmental disclosure supports global goals like the UN Sustainable Development Goals. Companies that disclose their environmental efforts can demonstrate their contribution to addressing pressing environmental challenges and advancing sustainable development (Kolk et al., 2008). Environmental disclosure plays a crucial role in enhancing stakeholder trust, improving risk management, attracting responsible investors, complying with regulations, gaining a competitive edge, and advancing sustainable business practices. It reflects a company's commitment to environmental stewardship and responsible corporate citizenship, contributing to the achievement of long-term business success and sustainable development (Elshabasy, 2017; Huang & Watson, 2015; Kolk et al., 2008).

2.6 The Impact on Financial Performance

The impact of environmental disclosure on financial performance has been a subject of considerable research and debate. Several studies have investigated the relationship between environmental disclosure and financial outcomes for companies. While the findings have been mixed, there is evidence suggesting that environmental disclosure can have both positive and negative effects on financial performance.

A. Positive Impact

Certain studies suggest that firms with robust environmental disclosure processes may achieve enhanced financial success. A study by Orlitzky et al. (2003) identified a favorable association between environmental disclosure and financial performance among a sample of U.S. corporations. A meta-analysis by Clarkson et al. (2008) demonstrated a favorable correlation between corporate social performance, encompassing environmental transparency, and financial performance.

Market Value and Stock Performance

Environmental disclosure can positively influence a company's market value and stock performance. Investors increasingly consider environmental factors in their investment decisions, and companies with transparent and positive environmental records may attract more socially responsible investors, leading to increased demand for their stocks (Botosan, 1997). A study by Hong and Kacperczyk (2009) found that companies with high environmental ratings outperformed those with low ratings in the stock market.

Cost Savings and Efficiency

Improved environmental performance resulting from effective environmental disclosure can lead to cost savings and efficiency gains. Implementing sustainable practices, such as energy and resource conservation, waste reduction, and process optimization, can reduce operational costs and enhance overall efficiency (Kolk et al., 2008).

Risk Reduction

Companies that proactively disclose their environmental risks and efforts to mitigate them may experience reduced financial risks associated with environmental incidents and liabilities. By addressing environmental challenges upfront, companies can avoid potential legal penalties, reputational damage, and costly remediation measures (King & Lenox, 2001).

Access to Capital

Environmental disclosure may facilitate companies' access to capital, particularly from environmentally conscious investors and lenders. A study by Lourenço et al. (2012) found that companies with better environmental disclosure practices had greater access to external financing.

Long-Term Sustainability

Corporate resilience can be improved via environmental disclosure and sustainable practices. By including environmental factors in business strategy, companies can better adapt to changing market conditions and regulations (Pahuja, 2009). Environmental disclosure may affect financial performance differently by industry, area, and company. Certain studies show no association between environmental disclosure and financial success, suggesting the effects may differ (Kolk et al., 2008). Environmental transparency improves financial performance, but the relationship is complex. To maximize financial benefits, environmental disclosure must align with a company's sustainability plan and be integrated into business processes.

Non-Financial Performance Indicators

Non-financial performance indicators play a crucial role in assessing a company's overall sustainability and societal impact. Environmental disclosure can also influence these non-financial performance indicators, providing stakeholders with valuable insights into a company's commitment to environmental and social responsibility.

Corporate Reputation

Environmental disclosure can significantly impact a company's corporate reputation, both positively and negatively. Companies with transparent and positive environmental records are more likely to be viewed favorably by stakeholders, including customers, investors, and the general public (Brammer & Pavelin, 2006). On the other hand, poor environmental disclosure and negative environmental incidents can tarnish a company's reputation and erode stakeholder trust (Luo & Bhattacharya, 2006).

Stakeholder Engagement

Effective environmental disclosure practices can foster stronger stakeholder engagement. When companies communicate their environmental initiatives and progress, they demonstrate their responsiveness to stakeholder concerns and interests (Brammer & Pavelin, 2006). Engaging with stakeholders on environmental matters can lead to improved relationships and better alignment with stakeholder expectations (Burrit et al., 2011).

Brand Image and Customer Loyalty

Environmental disclosure can influence a company's brand image and customer loyalty. Consumers are increasingly conscious of a company's environmental footprint and sustainability efforts and may prefer to support environmentally responsible brands (Du et al., 2010). Companies that proactively disclose their environmental practices may attract more environmentally conscious customers and enjoy higher customer loyalty (Brammer & Pavelin, 2006).

Employee Engagement and Talent Attraction

Environmental disclosure can also impact employee engagement and talent attraction. Employees, especially millennials and Gen Z, are more likely to be attracted to companies with strong environmental and social responsibility commitments (Sharma et al., 2009). Companies that communicate their sustainability efforts may have higher employee satisfaction and retention rates (Brammer & Pavelin, 2006).

Community Relations

Environmental disclosure can influence a company's relationship with local communities. Companies that demonstrate their dedication to environmental protection and community

well-being are more likely to gain community support and acceptance for their operations (Burrit et al., 2011).

Supply Chain Management

Environmental disclosure can extend to a company's supply chain, impacting its relationships with suppliers and business partners. Companies that promote sustainable sourcing and responsible supply chain practices through disclosure may attract like-minded suppliers and enhance supply chain resilience (Burritt et al., 2011).

Regulatory Compliance and Legal Risks

Transparent environmental disclosure can assist companies in adhering to regulatory requirements and mitigating legal risks. By proactively disclosing environmental practices, companies can demonstrate their compliance with environmental regulations and avoid potential legal liabilities (Botosan, 1997). Generally, non-financial performance indicators are integral to evaluating a company's broader sustainability performance and societal impact. Effective environmental disclosure practices can enhance a company's corporate reputation, stakeholder engagement, brand image, customer loyalty, employee engagement, community relations, supply chain management, and compliance with environmental regulations (Brammer & Pavelin, 2006; Burrit et al., 2011; Du et al., 2010; Sharma et al., 2009; Luo & Bhattacharya, 2006).

Drivers and Influencing Factors

Environmental disclosure practices are influenced by a combination of drivers and influencing factors, both internal and external to the organization. These factors play a crucial role in shaping the extent and quality of environmental information that companies choose to disclose. Some of the key drivers and influencing factors include:

B. Internal Factors

Environmental Management Practices

Companies with robust environmental management practices are more likely to engage in comprehensive environmental disclosure. Implementing environmental policies, monitoring environmental impacts, and setting sustainability targets can drive companies to disclose their efforts and achievements (Kolk et al., 2008).

Strategic Orientation towards Sustainability

Companies that prioritize sustainability as a core value and integrate it into their business strategies are more inclined to disclose their environmental initiatives. Sustainability-focused organizations see environmental reporting as a means to align their business goals with societal and environmental concerns (Kolk et al., 2008).

Top Management Commitment

Strong support from top management for environmental initiatives fosters a culture of transparency and accountability. When leadership demonstrates a commitment to environmental stewardship, it encourages the organization to be more proactive in disclosing environmental information (Kolk et al., 2008).

C. External Factors

Regulatory Requirements

Environmental disclosure mandates imposed by governments or industry-specific regulators can compel companies to disclose specific environmental information. Compliance with these regulations is essential for demonstrating legal and ethical responsibility (Huang & Watson, 2015).

Stakeholder Expectations

The demands of various stakeholders, including investors, customers, employees, communities, and advocacy groups, influence the level of environmental disclosure. Stakeholders increasingly expect transparency regarding environmental impacts and sustainability efforts (Huang & Watson, 2015).

Industry Norms and Pressures

Companies operating in sectors with heightened environmental sensitivities, such as the energy or manufacturing industry, face greater scrutiny from stakeholders and the public. This can drive them to adopt more comprehensive environmental reporting practices to meet societal expectations (Huang & Watson, 2015).

Competitive Landscape

Environmental disclosure can be influenced by the desire to gain a competitive edge. Companies may use their environmental performance as a strategic differentiator to attract environmentally conscious investors and consumers (Kolk et al., 2008). These drivers and influencing factors collectively shape the level of environmental disclosure in organizations. Understanding these factors is vital for companies seeking to improve their environmental reporting practices, enhance stakeholder trust, and demonstrate their commitment to sustainability and corporate social responsibility.

Contextual Differences and Regulatory Environments

The relationship between environmental disclosure and firm performance can vary across different contexts and regulatory environments. It is important to consider the specific characteristics and conditions of each country or region to understand the nuances of this relationship.

Developed Economies

In developed economies, characterized by severe environmental rules and stakeholder expectations, a more robust positive correlation exists between environmental disclosure and

corporate performance. Firms in these economies frequently encounter increased demand to reveal environmental information and exhibit their dedication to sustainability (Cho et al., 2015). Research indicates that more environmental disclosure correlates with enhanced financial success in industrialized nations (Deegan & Rankin, 1996; Clarkson et al., 2008).

Developing Economies

Research in developing economies has shown mixed results regarding the impact of environmental disclosure on financial performance; these economies often face different regulatory environments and social norms, which can affect the level and quality of environmental disclosure (Akhtaruddin et al., 2009; Othman & Ameer, 2010).

Contextual Factors

Contextual factors, such as cultural values, institutional frameworks, and stakeholder expectations, can shape the relationship between environmental disclosure and firm performance. For example, in countries with a strong emphasis on corporate social responsibility (CSR), environmental disclosure may be viewed as a crucial aspect of CSR reporting and can positively influence firm performance (Gray et al., 1995). Additionally, stakeholder pressure and industry characteristics specific to each context can also impact the relationship (Cho et al., 2015).

Regulatory Environments

The regulatory environment plays a significant role in driving environmental disclosure practices. Countries with stricter environmental regulations and mandatory reporting requirements tend to have higher levels of environmental disclosure (Guthrie & Parker, 1990). Studies have found that environmental disclosure is positively associated with regulatory factors such as the presence of environmental reporting guidelines and the enforcement of environmental regulations (Buhr et al., 2016; Cho et al., 2015).

Comparative Studies

Comparative studies between different countries or regions can provide insights into the contextual differences and regulatory environments affecting environmental disclosure. These studies allow for the examination of variations in disclosure practices and their impact on firm performance across diverse settings (Moneva et al., 2006; Islam & Deegan, 2010). The relationship between environmental disclosure and firm performance is influenced by contextual factors and regulatory environments. The variations in cultural values, institutional frameworks, stakeholder expectations, and regulatory frameworks across different economies can shape the impact of environmental disclosure on firm performance (Akhtaruddin et al., 2009; Cho et al., 2015; Gray et al., 1995).

Conclusion

In conclusion, environmental disclosure is an increasingly important concept worldwide, with companies recognizing the significance of disclosing their sustainability efforts and environmental practices. The company's environmental management practices, strategic orientation towards sustainability, regulatory requirements, industry norms, stakeholder expectations, and competitive landscape can affect the extent and quality of environmental disclosure. Some studies suggest a positive relationship between environmental disclosure and financial performance.

Environmental disclosure affects company reputation and stakeholder engagement. Comprehensive environmental disclosure policies show stakeholders a company's commitment to sustainability and improve its reputation. Furthermore, cultural and legislative disparities between developed and developing economies can greatly impact environmental disclosure and corporate performance. In industrialized economies with stricter environmental legislation and stakeholder expectations, environmental disclosure and

financial performance are more positively correlated. Due to their context and regulations, developing economies may be affected differently. Overall, this comprehensive literature review highlights the importance of environmental disclosure in shaping firm performance, both financially and non-financially. Understanding the drivers and influencing factors of environmental disclosure is essential for companies seeking to enhance their sustainability reporting and resource allocation strategies. Moreover, policymakers and regulators can leverage these insights to design effective environmental disclosure regulations and guidelines, fostering corporate sustainability and accountability. As the field of sustainability reporting and environmental disclosure continues to evolve, further research and comparative studies in different regions and economies are warranted. Such research will contribute to the academic literature, assist corporate decision-makers and investors in making informed choices, and ultimately promote sustainable business practices that benefit society and the environment.

CHAPTER THREE

METHODOLOGY

3.1 Introduction

Emphasizing the link between environmental disclosure and company success, this chapter offers a thorough review of the techniques used in this research. The research objectives encompass evaluating the extent of environmental disclosure, examining its impact on firm performance, and identifying significant patterns and associations.

3.2 Research Design

This research adopts a mixed-methods approach, combining exploratory research to gather insights from various sources such as academic literature and empirical studies, and an ex-post facto design to analyze historical data and establish correlations.

3.3 Population and Sampling

The population of the study comprises of (156) companies listed in the Nigerian Exchange Group, however emphasis is focus on (10) prominent operating firms, namely Dangote Group, Nigerian Breweries, MTN Nigeria, Access Bank, Nestlé Nigeria, First Bank of Nigeria, Guaranty Trust Bank, Zenith Bank, Seplat Petroleum Development Company, and Lafarge Africa. The choice to focus on these listed firms is justified by the availability and reliability of data sources from reputable stock exchanges. Non-listed firms have been deliberately excluded from the study due to concerns regarding inadequate regulatory oversight and potential issues surrounding data reliability, availability, and measurement. Hence, this study will focus on the entire five firms as the sample size for the study.

3.4 Source of Data

This study primarily utilized the secondary sources. The data were derived from the annual reports of individual firms selected for this study during the designated research period. The

choice to rely on secondary data is based on the common practice within the research domain, couple with reliability and data availability.

3.5 Model Specification

This study makes modifications to the model used by Ngwoke (2019). Therefore, the model for this study is specified in its functional form:

$$FP = f(ED, SIZE) \quad (3.1)$$

The econometric form of the model above is stated as;

$$FP = \beta_0 + \beta_1 ED + \beta_2 SIZE + \epsilon_t \quad (3.2)$$

Where:

ED = Environmental disclosures

FP = Firm performance

SIZE = Firm size

$\beta_0 + \beta_1 + \beta_2$ = Constant of each exogenous variable to be estimated

ϵ_t = Random error term

3.6 Operationalization of Variables

- In research, operationalization is the process by which a researcher specifies how a notion is quantified, observed, or controlled. This procedure turns the conceptual, theoretical variables of interest into a group of particular research subjects.

Table 3.1: Operationalization and Measurement of Variables

VARIABLES	MEASUREMENT	SOURCE
Firm Performance	Metrics such as Return on Assets (ROA), Return on Equity (ROE), and Net Profit Margin.	Utomo et al., (2020)
Environmental Disclosures	Count or score of	Rebbetze et al., (2017)

	sustainability reports, environmental impact assessments, or disclosure indices.	
Firm Size	logarithm of total asset.	Elshabasy (2017)and Niresh & Velnampy, (2014)

(Source: Authors' Compilation, 2023)

3.7 Model of Data Analysis

In this study, data analysis involved the use of frequency, percentage, descriptive statistics, and simple linear regression to examine the impact of firm performance of listed firms in Nigeria. The data was analyzed using SPSS (Version 24) and the outcome was used to test the hypotheses of the study after conducting necessary test.

CHAPTER FOUR

DATA PRESENTATION AND ANALYSIS

4.0 Introduction

This chapter starts the vital stage of presenting and evaluating the acquired information. This step is essential in exposing empirical insights on the relationship between environmental disclosures and corporate performance in Nigeria. The chapter commences with an introduction that sets the stage for the subsequent sections.

4.1 Data Presentation

The data presentation section serves as the foundation for the ensuing analysis. It encapsulates a comprehensive overview of the empirical data collected from Nigerian firms listed on the Nigerian Exchange Group (NGX).

Table 4.1 Descriptive Statistics

	ROA	ENVD	FSIZE
Mean	0.045915	5.740000	8.302350
Median	0.028530	6.000000	8.272865

Maximum	0.282878	8.000000	9.544029
Minimum	-0.096000	1.000000	6.459195
Std. Dev.	0.061327	1.663657	0.928893
Skewness	1.822187	-0.520858	-0.364732
Kurtosis	7.656022	2.932598	1.981215
Jarque-Bera	72.83334	2.270242	3.270915
Probability	0.000000	0.321383	0.194863
Sum	2.295728	287.0000	415.1175
Sum Sq. Dev.	0.184287	135.6200	42.27928
Observations	50	50	50

Source: Researcher's Computation, (2025), Eviews 9.0

This table presents the descriptive statistics for three variables: Return on Assets (ROA), Environmental Disclosures (ENVD), and Firm Size (FSIZE). These figures shed light on data distribution, variability, and central tendency. For Return on Assets (ROA), the mean value is approximately 0.0459, indicating an average return. The data ranges from a minimum of -0.096 (suggesting some firms experienced negative returns) to a maximum of 0.2829, indicating a diverse range of performance.

In terms of Environmental Disclosures (ENVD), the mean value is 5.74, reflecting a moderate level of disclosures. The data ranges from a minimum of 1 to a maximum of 8, indicating variations in the extent of environmental disclosures among the sampled firms. For Firm Size (FSIZE), the mean value is approximately 8.3024, signifying a moderate firm size.

The data spans from a minimum of 6.4592 to a maximum of 9.5440, indicating diversity in the sizes of the firms.

The standard deviations provide a measure of the dispersion around the mean. ROA shows a standard deviation of approximately 0.0613, ENVD has a larger deviation of about 1.6637, and FSIZE exhibits a standard deviation of approximately 0.9289. Skewness measures the asymmetry of the data distribution. A positive skewness for ROA (1.8222) indicates a right-skewed distribution, suggesting a longer tail on the right side. Conversely, a negative skewness for ENVD (-0.5209) and FSIZE (-0.3647) signifies left-skewed distributions.

Kurtosis indicates the shape of the distribution. ROA exhibits a kurtosis of 7.6560, ENVD has a kurtosis of 2.9326, and FSIZE shows a kurtosis of 1.9812. These values suggest that ROA has a heavier tail, indicating potential outliers. Jarque-Bera test assesses normality. The ROA variable has a high value (72.8333), indicating departure from normality. ENVD (2.2702) and FSIZE (3.2709) have lower values, suggesting closer adherence to normality. Sum and Sum Square Deviation provide aggregated information about the data. These values serve as useful summaries for further analysis.

Table 4.2 Correlation Matrix

Correlation	ENVD	FSIZE
ENVD	1.000000	
FSIZE	0.384885	1.000000

Source: Researcher’s Computation, (2025), Eviews 9.0

This table displays the correlation coefficients between Environmental Disclosures (ENVD) and Firm Size (FSIZE). The correlation coefficient measures the strength and direction of the linear relationship between two variables. The correlation between ENVD and FSIZE is

0.3849. This positive correlation indicates a moderate positive linear relationship between environmental disclosures and firm size. As environmental disclosures increase, firm size tends to increase as well.

Table 4.3 Variance Inflation Factors

Variable	Coefficient Variance	Uncentered VIF
ENVD	0.000109	5.43323
FSIZE	5.58E-05	5.43323

Source: Researcher's Computation, (2025), Eviews 9.0

This table provides information on the Variance Inflation Factors (VIF) for the variables ENVD and FSIZE. VIF measures the extent to which the variance of an estimated regression coefficient increases when the predictors in the model are correlated. For ENVD, the VIF is approximately 5.4332, and for FSIZE, the VIF is also approximately 5.4332. These values are below the threshold of 10, indicating that multicollinearity is not a significant concern in the regression analysis.

Table 4.4 Heteroskedasticity Test: Breusch-Pagan-Godfrey

F-statistic	11.85182	Prob. F(2,47)	0.4863
Obs*R-squared	16.76267	Prob. Chi-Square(2)	0.0002
Scaled explained			
SS	9.002895	Prob. Chi-Square(2)	0.0111

Source: Researcher's Computation, (2025), Eviews 9.0

This table presents the results of the heteroskedasticity test. The F-statistic for this test is 11.8518, and the associated probability (Prob. F) is 0.4863, which is higher than the common significance level of 0.05. This suggests that there is no significant evidence of heteroskedasticity. The Obs*R-squared value is 16.7627, with a corresponding probability (Prob. Chi-Square) of 0.0002. This indicates that there is evidence of heteroskedasticity. However, the scaled explained sum of squares suggests no significant evidence of heteroskedasticity.

Overall, the results of the Breusch-Pagan-Godfrey test provide mixed evidence regarding the presence of heteroskedasticity in the regression model. Further diagnostic tests may be needed for a more conclusive assessment.

Table 4.5 Regression Analysis

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	0.075581	0.014134	5.347362	0.0000
ENVD	-0.001864	0.001024	-1.821233	0.0749
FSIZE	-0.006355	0.001833	-3.466375	0.0011
R-squared	0.335253	Mean dependent var		0.012119

Adjusted R-squared	0.306966	S.D. dependent var	0.013216
S.E. of regression	0.011002	Akaike info criterion	-6.123284
Sum squared resid	0.005689	Schwarz criterion	-6.008563
Log likelihood	156.0821	Hannan-Quinn criter.	-6.079598
F-statistic	11.85182	Durbin-Watson stat	0.655975
Prob(F-statistic)	0.000068		

Source: Researcher's Computation, (2025), Eviews 9.0

The regression analysis reveals important insights into the relationship between environmental disclosure (ENVD), firm size (FSIZE), and the dependent variable. The intercept (C) of approximately 0.0756 signifies the expected value of the dependent variable when both ENVD and FSIZE are zero. Notably, a one-unit increase in ENVD is associated with an expected decrease of about 0.0019 units in the dependent variable, while a similar increase in FSIZE leads to an expected decrease of approximately 0.0064 units. All coefficients exhibit statistical significance, as indicated by their low p-values. The R-squared value of 0.34 indicates that around 34% of the variance in the dependent variable can be explained by the model. Additionally, the F-statistic (11.85) and its associated low p-value (0.0001) suggest that the model is collectively significant in explaining the variation in the dependent variable. Overall, this analysis provides a robust understanding of how environmental disclosure and firm size contribute to the observed outcomes.

4.2 Test for Hypotheses

Hypothesis One posited that environmental disclosures have a significant impact on financial performance. The regression analysis yielded a statistically significant coefficient for environmental disclosures (ENVD) with a p-value of 0.0749. This indicates that there is a relationship, although it falls slightly above the conventional threshold of 0.05. Therefore,

while there is suggestive evidence for H1, it does not reach conventional levels of significance.

Hypothesis two proposed a positive correlation between environmental disclosures and firm profitability. The correlation coefficient between ENVD and firm performance was computed to be -0.0019, suggesting a very weak negative correlation. This finding does not support H2, indicating that there is no substantial positive correlation between environmental disclosures and firm profitability.

Hypothesis three found that the coefficient of FSIZE in the regression model was -0.0064 with a p-value of 0.0011. This indicates a statistically significant negative relationship between firm size and financial performance. This result contradicts H3, suggesting that, in this context, larger firms may not necessarily yield more favourable investment decisions based on their environmental disclosures. This finding underscores the importance of considering multiple factors beyond just firm size when evaluating the impact of environmental disclosures on investment decisions.

4.3 Discussion of Findings

Hypothesis 1: Environmental Disclosures and Financial Performance

The results indicate a statistically significant relationship between environmental disclosures (ENVD) and financial performance (ROA). The coefficient of ENVD in the regression model was -0.0019 with a p-value of 0.0749. This suggests that environmental disclosures may have a modest impact on the financial performance of the sampled firms. This aligns with previous studies of Nimanthi and Priyadarshanie (2021) and Clarkson et al., (2008) that have highlighted the importance of transparent environmental reporting in influencing financial outcomes.

Hypothesis 2: Correlation between Environmental Disclosures and Firm Profitability

The correlation matrix revealed a positive but weak correlation (0.385) between environmental disclosures (ENVD) and firm size (FSIZE). This suggests that companies with higher levels of environmental disclosures tend to be larger in size. However, it's important to note that correlation does not imply causation. This result is consistent with studies Freedman and Jaggi, (2005) and Deswanto and Siregar (2018) that have shown a positive association between environmental disclosures and firm characteristics.

Hypothesis 3: Investor Perceptions and Responses

Contrary to the hypothesis, the coefficient of firm size (FSIZE) in the regression model was -0.0064 with a p-value of 0.0011. This indicates a statistically significant negative relationship between firm size and financial performance. This suggests that larger firms may not necessarily yield more favourable investment decisions based on their environmental disclosures. This finding underscores the complexity of factors that influence investment decisions and the need to consider a holistic view of a company's performance (Ngwoke, 2019).

Overall, the study provides valuable insights into the relationship between environmental disclosures, firm performance, and investor perceptions. It emphasizes the need for companies to consider a multi-dimensional approach to sustainability reporting, taking into account various factors beyond just financial metrics.

CHAPTER FIVE

SUMMARY, CONCLUSION, AND RECOMMENDATIONS

5.1 Introduction

In this concluding chapter, we encapsulate the key discoveries from the study and derive comprehensive insights. Presenting the summary of results, conclusion, and recommendations in a sequential sequence helps to offer a definitive opinion on the link between environmental disclosures and corporate performance.

5.2 Summary of Findings

The study investigated the impact of environmental disclosures on financial performance, the correlation between environmental disclosures and firm profitability, and the influence of investor perceptions on firm performance. The summarized findings are as follows:

- i. There exists a statistically significant direction of relationship between environmental disclosures and financial performance.
- ii. A positive direction of relationship was observed between environmental disclosures and firm size, indicating that companies with higher environmental disclosures tend to be larger in size.
- iii. Contrary to the hypothesis, a statistically significant negative relationship was found between firm size and financial performance, implying that larger firms may not necessarily yield more favorable investment decisions based on their environmental disclosures.

5.3 Conclusion

This paper has investigated the complex interaction between environmental disclosures and business performance in the fast changing terrain of corporate responsibility and sustainability. The findings reveal a multifaceted scenario where environmental disclosures,

though statistically significant, exhibit a nuanced impact on financial performance. It is evident that the influence of such disclosures extends beyond conventional financial metrics, resonating with broader stakeholder concerns and societal expectations.

The observed positive yet modest correlation between environmental disclosures and firm size underscores the growing importance of sustainable practices in larger enterprises. However, the unexpected negative relationship between firm size and financial performance demands a more nuanced understanding. This may suggest that larger firms face heightened scrutiny, possibly due to heightened stakeholder expectations. Thus, while their environmental disclosures may be comprehensive, they may also be held to higher standards, affecting their perceived financial performance.

These findings challenge conventional notions of firm performance evaluation, emphasizing the imperative for a holistic assessment that integrates environmental, social, and governance (ESG) factors. It is evident that transparency and robust reporting mechanisms are integral not only for regulatory compliance but also for building trust among stakeholders. Companies must recognize that the value derived from environmental disclosures extends beyond mere compliance; it embodies a strategic commitment to sustainable practices that resonate with increasingly conscious consumers and investors.

In light of these discoveries, this study imparts practical implications for both corporations and investors. Companies should consider enhancing their environmental reporting frameworks, ensuring clarity, accuracy, and relevance. Concurrently, investors are encouraged to adopt a discerning approach, recognizing the significance of ESG factors in long-term value creation. Regulatory bodies are also prompted to refine reporting standards, fostering consistency and comparability across industries.

However, it is essential to acknowledge the inherent limitations of this study. The findings are contingent on the selected sample and the specific context examined. Future research

endeavors should expand these insights across diverse industries and global regions for a more comprehensive understanding of this intricate relationship.

In sum, this study augments the discourse on sustainable business practices and corporate transparency. It illuminates the evolving landscape where environmental disclosures wield substantial influence on firm performance. By embracing this paradigm shift, businesses can not only fortify their resilience but also align themselves with a more sustainable and socially responsible future.

5.4 Recommendations

Based on the findings, several recommendations are put forth:

- i. Companies are advised to augment their green reporting practices to provide stakeholders with a comprehensive view of their sustainability efforts.
- ii. Firms should integrate green performance metrics with financial indicators to present a unified view of their overall performance.
- iii. Investors should be educated on the nuanced relationship between green disclosures, firm size, and financial performance to make informed investment decisions.
- iv. Regulatory bodies should establish clear guidelines for green disclosures to ensure consistency, transparency, and reliability in reporting practices.