

**VALUE RELEVANCE OF NON-FINANCIAL
DISCLOSURES**

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JANUARY, 2023.

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**BEING A PROJECT WRITTEN AND 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 BACHELOR OF
SCIENCE(B.Sc) DEGREE IN ACCOUNTING.**

JANUARY, 2023.

DECLARATION

I declare that:

- I. This project is based on a study undertaken by me in Department of Accounting, University of Benin, under supervision of **Dr. Adeyemi Aderin**
- II. This work has not been previously submitted for the award of any degree elsewhere.
- III. All ideas and views are products of my personal research and where the views of others have been expressed; they have been duly referenced and acknowledged.

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Date

CERTIFICATION

This is to certify that this project work was carried out by Morita EHISUAN in the Department of Accounting, Faculty of Management Sciences, University of Benin, Nigeria.

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DEDICATION

This research is wholly dedicated to God Almighty, my creator, with whom all things are possible.

ACKNOWLEDGEMENTS

I would like to express my deep and sincere gratitude to my supervisor Dr. Yemi Aderin, for his patience, support and guidance throughout the period of carrying out this research, which was very essential to the completion of this study.

My sincere gratitude goes to my parents. I am also grateful to my wonderful siblings for their love, support and encouragement.

I am forever indebted to Aunty Elizabeth, Aunty Magaret and Uncle Julius for their commitment and supportive encouragement all through this journey.

Special thanks to all the lecturers in the department of accounting and management sciences in general for their intellectual contribution.

I am sincerely grateful to my friends Juliet Imarhiagbe, Victory Efetobor, Blessing Ojogan for their endless support and encouragement.

Finally, I want to appreciate all of my course mates for their influence, support and encouragement.

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ABSTRACT

This study empirically investigated the value relevance of non-financial information in the annual reports of commercial banks in Nigeria. The study is important as it portrays the extent to which non-financial disclosures influences share prices. Using the Ohlson (1995) model which was modified, the study used share price as a measure of the value of the commercial banks while, Corporate Environmental Disclosure (CED), Corporate Governance Disclosure (CGD) and Corporate Social Responsibility Disclosure (CSR) were used as the proxy variables for Non-Financial Disclosure (NFD). Ex post facto design was adopted and data for the study were obtained from the published annual reports of the thirteen commercial banks listed on the Nigeria Exchange Group (NGX) from 2016–2020. The findings generally indicate that environmental and corporate social responsibility assert a positive and significant effects on firm value of commercial banks while, corporate governance disclosure asserts a negative and significant influence on the value of the banks. However, this study suggests that firms should disclose more of these information in their annual report as these information disclosures have exerted significant influence on firm's performance over the years.

Keyword: Value relevance, non-financial disclosure, corporate governance disclosure, social responsibility disclosure, environmental disclosure.

CHAPTER ONE

INTRODUCTION

1.1 Background to the Study

Companies increasingly need to justify their actions and adapt better to the expanding informational requirements of stakeholders, who are the users of the information presented in annual reports. Significant information is provided in annual reports for a variety of users. Investors need them to make investment decisions, regulators use them to assess whether laws are being followed, and the government and government agencies utilise them, among other things, for national statistics and tax purposes (Adedeji & Kajola, 1999). Today, yearly reports are the primary means by which businesses disseminate accounting information. Financial and Non-Financial Information (NFI) is included in annual reports or corporate reporting. However, due to the inability of traditional financial information reporting to meet the demand, NFI has received more attention in recent decades in assessing the organisation value (PWC, 2017).

Financial information is the data about a reporting entity's financial health that is presented in the fundamental financial statements, including the statement of financial position, the statement of profit or loss and other comprehensive incomes, the statement of changes in equity, the statement of cash flows, and the notes to the accounts (IASB 2011). Non-financial disclosures, according to Yusuf (2016), are those metrics that

include index scores, ratios, counts, and other information not included in the fundamental financial statements. Non-financial information can either have a relationship with the financial statements or may not, and it can be conveyed without using numbers or financial figures (Thomas, Céline, and Ludwig, 2014). Internationally, non-financial disclosures are governed by the United Nations Global Compact, the Global Reporting Initiative (GRI), the International Integrated Reporting Council (IIRC), the Sustainability Accounting Standards Board (SASB), the Task Force on Climate-related Financial Disclosures (TCFD), and the European Commission Guidelines on Reporting. Non-financial disclosures in Nigeria are governed by the code of corporate governance (2018), which addresses all types of non-financial disclosures (environment, governance, human resources, risk management and society).

According to the EU Directive 2014/95/EU, certain companies and sizable groups in Europe are required to provide diversity and non-financial information. The European Parliament passed the 2014/95/EU Directive on non-financial reporting which covers ecological issues, social and employee-related matters, human rights protections, anti-corruption measures, a description of the business model, outcomes and risks of the policies on the aforementioned issues, and the diversity policy utilised by management and supervisory bodies (European Union Law, 2014). The Non-Financial Reporting Directive (NFR Directive), which applies to public interest companies with more than 500 employees, went into effect in all EU member states in 2018. The EU Commission

proposed a new Corporate Sustainability Reporting Directive (CSRD) on April 21, 2021, which would update the current reporting requirements that the Non-Financial Reporting Directive (NFRD) of 2014 added to the Accounting Directive. The adoption of EU sustainability reporting standards is included under the Commission's proposal for a Corporate Sustainability Reporting Directive (CSRD), and the first set of standards would be enacted by October 2022 (European Union Proposal, 2021).

Financial statements no longer serve as an adequate means of corporate reporting, according to the general view today, because they do not fully capture a company's activities. Financial statement information merely reflects a company's short-term financial performance and does not offer any insight into its longer-term environmental, social, or managerial factors, which are far more significant.

The obligation of an organisation to conduct business activities sustainably is reflected in non-financial information. In Nigeria and other nations, non-financial information is crucial to financial reporting.

1.2 Statement of the Research Problem

A company's value is generated from what the market anticipates will happen with it. The market receives the information it needs from accounting to create these expectations (Benoit, Colletaz, & Hurlin, 2014; Ohlson, 1999; Swati, 2016). Over time, analysts have noticed a discrepancy between a company's entire value as shown in its stock price and

the value of its tangible assets as highlighted in financial disclosures. Intangible assets typically account for 80% of market value, whilst tangible assets make up only 20% of the total (Lev, 2000; Ocean, 2015). Experts have proposed that non-financial disclosure should become a more important component of annual reports for investor decision-making in order to address the information asymmetry that currently exists between managers and investors (Belinda & David, 2008).

As a result, accounting regulators have updated current standards and/or created new ones that mandate that organisations incorporate non-financial disclosures in their annual reports (Topazio, 2013). Additionally, the majority of value relevance studies on non-financial disclosures have been conducted in industrialised nations like Europe and North America. Dima, Cuzman, Cristea, and Otilia (2010) used empirical evidence to show that emerging economies cannot assume the value relevance of annual reports in established economies. Negah (2008) notes that there have been few research on the value relevance of non-financial disclosures in emerging economies, leaving open the topic of how non-financial disclosures affect stock price behaviour in these countries.

By analysing the relationship between non-financial disclosures and the value of the firm, accounting research has looked for empirical evidence on the value relevance of non-financial disclosures. A review of past studies reveals that there have been conflicting results and interpretations on the relationship between non-financial information and firm value. Studies by Chen, Chen and Chen (2009) and Thomas, Céline and Ludwig (2014),

for instance, found that non-financial disclosures have an impact on a company's value, whereas Derwall, Koedijk and Ter Horsta (2010) and Ryngaert and Thomas (2012) found no relationship between non-financial disclosures and a company's value. Aylin and Tuba (2014), Omokhudu and Ibadin (2015), Thomas et al. (2014), and Vijitha and Imalathasan (2014) have also drawn attention to the conflicting or inconclusive findings of previous studies and literature on the value relevance of non-financial disclosures.

Despite the growing weight given to non-financial performance and disclosures, majority of investors place informal rather than formal value on environmental, social, and governance (ESG) concerns. Recent social and environmental scandals are said to have made them prioritise non-financial disclosure and pay closer attention to the information available (Corporate Governance Harvard Law, 2017). Due to this, accounting regulators have altered current reporting requirements and/or established new ones, requiring businesses to incorporate non-financial related disclosures in their annual reports (Topazio, 2013). Several new mandatory and voluntary regulatory requirements, concentrating on human rights, the workplace, and climate change, have reportedly been published, according to Van der Lugt, Van de Wijs & Petrovics (2020).

Are environmental, social, and governance (ESG) disclosures in annual reports, especially in developing economies like Nigeria, value relevant? This question remains unanswered. By investigating the value relevance of non-financial disclosures in annual reports of listed banks in Nigeria, this research aim to widen the field of study on value

relevance in light of the conflicting conclusions or ambiguous findings in the existing literature.

Using the non-financial reporting value relevance framework, as well as findings drawn from existing literature, this research work aims to provide solutions to the following research questions:

1. To what degree are environmental disclosures in the annual reports of listed banks value relevant?
2. To what magnitude are social disclosures in the annual reports of listed banks value relevant?
3. To what extent are governance disclosures in the annual reports of listed banks value relevant?

1.3 Objectives of the Study

The broad objective of the research is to determine the value relevance of non-financial disclosures in annual reports. However, the specific objectives are to:

1. Establish the value relevance of environmental disclosures in the annual reports of listed banks;

2. Determine the value relevance of social disclosures in the annual reports of listed banks; and
3. Ascertain the value relevance of governance disclosures in the annual reports of listed banks.

1.4 Research Hypotheses

For the purpose of this study, the following null hypotheses will be formulated and tested to answer the research questions, these are:

1. Environmental disclosures in the annual reports of listed banks are not value relevant.
2. Social disclosures in the annual reports of listed banks are not value relevant.
3. Governance disclosures in the annual reports of listed banks are not value relevant.

1.5 Scope of the Study

This study focused on listed banks at the Nigerian Exchange Group (NGX) over the entire period under study, which is year 2016 to year 2020. For the purpose of this investigation, all 13 of the commercial banks listed in the NGX will be evaluated.

This scope was informed by the CBN prudential guidelines 2010 and Nigeria sustainable banking principles 2012 that banks include non-financial (environmental, social and

governance) information in their annual reports and make a timely disclosure in the year under review.

1.6 Significance of the Study

This study is carried out to assess the value relevance of non-financial disclosures to various stakeholders in the annual reports of listed banks in Nigeria. The findings of this study will be of immense benefits in the following ways:

Firstly, by looking into the value relevance of non-financial disclosures in the Nigerian stock market and other developing stock markets, this research fills a vacuum in the body of existing knowledge. The majority of earlier research studies on the value relevance of non-financial disclosures were undertaken in developed nations, thus the discoveries, conclusions, and recommendations may also be used to evaluate the current hypothesis in emerging economies.

Secondly, this research offers information to investors that will help them make good investment decisions. The findings of this study provide them with vital information about how much non-financial reporting affects share prices on the Nigerian stock market. The results of this study are also helpful in guiding foreign investors who would want to invest in shares on the Nigerian stock market and other exchanges in emerging nations as they look for the best places to put their money.

1.7 Definition of Terms

Accounting Information: This is a collection of data taken from a company's annual reports to show the economic status of the company. It may be financial or non-financial.

Annual Reports: These are documents that companies release to its stakeholders, including shareholders, creditors, regulatory agencies, and other organisations, after the end of their fiscal year. The publication discusses several facets of an organisation's financial and non-financial performances.

Financial Information: These are specifics about a reporting entity that are shown in the basic financial statements.

Financial Statements: A written record that conveys the business activities and the financial performance of a company. Financial statements consist of a statement of financial position, a statement of profit or loss and other comprehensive income, a statement of changes in equity, a statement of cash flows, and notes to the account.

Non-financial Information: Any information that is not covered in the IAS 1 description of financial statements can be termed as non-financial information.

Value Relevance: The capacity of accounting information to record or summarise information that impacts share value (Aboody, Hughes & Liu, 2002).

1.8 Limitations of the study

This research has some limitations, which is due to time constraints, a lack of funding on the researcher's part, and a shortage of sources for data.

- Time constraint: This investigation and additional academic studies were conducted by the researcher concurrently. The time spent on this research is shortened as a result of this.
- Financial Constraint: The researcher's search for pertinent resources, literature, or information is often hampered by a lack of funding.

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

The main goal of this chapter is to review the prior research on the subject of this study—the value relevance of non-financial disclosures. The first of the chapter's three sections discusses the conceptual frameworks of the study. The empirical research on the value relevance of non-financial disclosures is discussed in the next section. The final section tries to review a few non-financial disclosure theories.

2.2 Conceptual Framework

2.2.1 Concept of Value Relevance

The capacity of information presented by financial statements to encapsulate and summarise corporate value is referred to as value relevance. The statistical correlations between the data in financial statements and the values or returns on the stock market can be used to gauge value relevance. Value relevance, according to Kimouche and Rouabhi (2016), depicts the primary purpose of accounting, which is the process of giving investors meaningful information so they can evaluate securities and make wise investment decisions. To tie financial statement statistics to a measure of a firm's value

and to evaluate the relationship between such information and the calculation of value, tests of value relevance are conducted.

Adetunji (2016) talked about the uniqueness of this concept, which combines the words "value" and "relevance." Value in accounting refers to the cost of goods or services in terms of the economic and monetary worth of assets, liabilities, and equity, while the latter term refers to the predictive power of accounting information. Value relevance was defined by Mirza, Malek, and Abdul-Hamid (2019) as the capacity of accounting information to record or summarise information having an impact on share price.

De Klerk, De Villiers, and Van Staden (2015); Miralles-Quirós, Miralles-Quirós, and Valente (2018) note that value relevance is frequently utilised to determine how financial and non-financial information might provide insight on firm value. Francis and Schipper (1999) operationalise value relevance in two ways: total return earned from foreknowledge of financial statement information and earnings' ability to explain annual market-adjusted returns, as well as the ability of earnings and book values to explain market values of equity. Various valuation models are utilised to organise tests in the extant value relevance research, and equity market value is often employed as the valuation benchmark to determine how accurately certain accounting amounts reflect information used by investors.

2.2.2 Concept of Non-financial Information

Due to the limitations of standard financial information reporting to meet the demand in describing the organisation value, non-financial disclosure has recently seen and grown in popularity in emerging countries (PWC, 2017).

Corporate Sustainability (CS) reporting, Corporate Social Responsibility Disclosure (CSR), Triple Bottom Line (TBL), Corporate Environmental Reporting (CER), and Corporate Social Disclosure (CSD) are all common names for non-financial reporting, often known as sustainability reporting. Non-financial information is defined by Robb, Single, and Zarzeski (2011) as the qualitative information in the company reports that does not include financial statements and related footnotes. PWC (2017) points out that non-financial disclosures are used to reference all information outside the financial statements (metrics and narratives). In order for investors to conduct financial analysis and make informed investment decisions, non-financial information is essential.

2.2.2.1 Corporate Environmental Information

Restructuring performance metrics to include environmental and societal issues as part of the general business objective is a growing problem for modern enterprises. Bello and Usman (2020) defined environmental disclosure as the report produced by an organisation's directors that attempts to quantify the environmental costs and benefits of the firm's operations.

Corporate environmental disclosure is the process by which a company informs specific stakeholder groups within society and outside of it about the environmental implications of its activities. Organisations may attempt to change how the public views their company activities through the cycle of environmental correspondence. They work to establish a good reputation (Deegan & Rankin, 1999).

A company can meet the informational demands of its stakeholders and give them a forum for discussion by providing environmental disclosure. Being an important component of stakeholder management, environmental reporting influences how the public perceives the company, aids in determining whether it meets the criteria for being a good corporate citizen in society, and, most importantly, serves as a justification for the company's continued existence among its stakeholders.

2.2.2.2 Corporate Social Responsibility Information

According to Utomo (2019), social responsibility is a built-in corporate mechanism that improves the circumstances of those who are impacted by a company's decisions or actions, whether unintentionally or on purpose. According to Starks (2009), corporate social responsibility is a company's promise to support sustainable economic growth by collaborating with its employees, their families, the local community, and society at large to improve people's lives in ways that are advantageous to both the company and the community.

The term "corporate social responsibility" (CSR) is also known by several other names, including "triple bottom line," "corporate accountability," "corporate responsibility," and "corporate citizenship/stewardship." Information about corporate activities is provided to stakeholders both internally and externally through corporate social responsibility disclosure; this knowledge is important to lessen information asymmetry. The knowledge gap between stakeholders and management gives rise to the concept of information asymmetry (Martinez, Garcia, & Cuadrado, 2015). Corporate social responsibility is generally understood to be the process by which businesses, in a transparent and accountable manner, integrate economic, environmental, and social concerns into their operations, strategy, decision-making, culture, and values in order to improve business practices, benefit society, and generate wealth.

2.2.2.3 Corporate Governance Information

The term "corporate governance" is used to describe the direction, administration, and control of an organisation. A mechanism or system for coordinating and managing organisations is known as corporate governance (Cadbury, 2002). When it comes to determining what organisations can do, who controls them, how that control is exerted, and how the risks and returns from the activities they carry out are distributed, corporate governance is considered as the entire collection of cultural, legal, and institutional structures (Blair, 2015). Additionally, the corporate governance structure outlines the rules and procedures for making decisions regarding corporate affairs as well as the

distribution of rights and responsibilities among various members of the organisation, including the board, managers, shareholders, and other stakeholders. Scholars divide corporate governance into internal and external procedures, which encompass a broad range of arrangements and elements.

Corporate governance reporting, according to Patel and Dallas (2002), is a crucial mechanism for ensuring that enterprises' corporate governance activities are guided by the law in terms of accountability and transparency.

2.3 Empirical Review

2.3.1 Environmental Disclosure and Value Relevance

Environmental disclosure provides details on the company's past, present, and future environmental activities, policies, strategies, and implementation (Utomo, Rahayu, Kaujan & Irwandi, 2020). Environmental information may be disclosed by an entity in a variety of ways, such as financial and non-financial statements, annual reports, or footnotes (Al-Tuwaijri, Christensen, & Hughes, 2004; Utomo, Rahayu, Kaujan, & Irwandi, 2020). The purpose of environmental disclosure is to inform stakeholders about the environmental effect that a firm's activities have and any solution that has been suggested to relieve the impact (Gray, Kouhy, & Lavers, 1995) and to sustain a socially responsible image (Lindblom, 1993).

Companies have learned over time, with the help of stakeholders that acting ethically toward them and being transparent about the environmental impact of their activities are ways to add value to their operations (Freedman & Jaggi, 2005; Gallego-Ivarez & Ortas, 2017). Numerous academics have carried out investigations over the years to determine the value relevance of environmental performance.

According to a study by Shane and Spicer (2012), the release of eight significant studies by the CEP of firms' environmental performances is related to price changes in the pulp and paper, electric power, iron and steel, and petroleum industries. The results of these studies support the hypothesis that environmental performance has a positive impact on share price. Fazzini, Dal, and Maso (2016) discovered a positive correlation between the reported environmental qualitative information and the company market value, which rises with more detailed reporting. In order to determine the relationship between environmental disclosures, environmental performance, and economic performance, Al-Tuwaijri, Christensen, and Hughes (2004) examined firms in the U.S. It was discovered that the stock markets react positively to disclosure of environmental information with good environmental performance by firms.

The results, though, have been conflicting. For instance, environmental performance and the market value of equities are found to be negatively correlated by Hassel, Nilsson, and Nyquist (2005). Although their findings show that environmental performance has an incremental explanatory power, as suggested by the literature, they also show that

investors do not place a high value on companies that score well in terms of environmental performance. Furthermore, a study by Amato, Amato, and Carolina (2011) that examined the influence of Newsweek's "The Greenest Big Companies in America" on stock values for major US corporations indicated that high rankings have a positive impact on stock values, but low rankings have no such effect. In terms of positive market reactions to positive events and negative market reactions to negative events, Endrikat (2015) identified a positive relationship across studies; nevertheless, the results demonstrate that the market reactions are more pronounced for negative events than for positive events. The first alternate hypothesis for this study demonstrates the value relevance of environmental disclosure in annual reports.

2.3.2 Social Responsibility Disclosure and Value Relevance

Information on corporate social responsibility (CSR) is one alternative information that is starting to be of concern to companies and users of other financial statements. When a company discloses its CSR activities, it sends forth a signal that reveals its accountability to a wider range of stakeholders than just its shareholders (Gao, Dong, Ni, & Fu, 2016). Information provided by the disclosure of CSR activities goes beyond that of financial disclosures. Corporate social responsibility is viewed as an external part of the business due to the assumption that social responsibility expenses as an accounting information will diminish corporate earnings in financial reporting.

The impact of corporate social responsibility on the value relevance of accounting information has been investigated in previous studies (e.g., Holbrook, 2013; Homan, 2018; Mohammadi, Mardani, Khan, & Streimikiene, 2018; Nuzula & Kato, 2011; Wulandari & Wirajaya, 2014). For instance, Holbrook (2013) shows that having access to CSR data increases the financial information's value relevance and enhances its predictability for investors. According to Mohammadi, Mardani, Khan, and Streimikiene (2018), CSR and VR should have a positive relationship. They draw attention to the fact that CSR disclosures can reduce information asymmetry and financial risk even further. As a result, when companies disclose more information about their corporate sustainability disclosures, share prices go up slightly. Homan (2018) discovered that when making investment decisions, investors trust CSR disclosures. CSR disclosure can therefore facilitate better decision-making. In addition, Nuzula and Kato (2011) note that the ability of CSR reports to provide abnormal returns has a positive impact on the Japanese capital market. They attest to the fact that CSR reports convey positive news to investors via earnings reports, which suggests the creation of abnormal returns in company stock prices.

In order to determine how much CSR disclosure affects earnings per share (EPS), Kwanbo (2011) evaluated the impact of CSR disclosure on EPS in listed companies. Data on corporate economic performance and social disclosure were compiled from annual reports of the 231 companies listed on the Nigeria Stock Exchange (NSE) as of

December 2009 using the content analysis method (considering a period of 2005-2009). Two models were used in the studies, which served as the basis for testing the formulated hypothesis. Every model used CSR disclosure (the dependent variable) from two different angles, and the fundamental variable employed in the models was EPS (one of the independent variables). The research came up with a conclusion that CSR disclosure is not significant in enhancing corporate goals and hence, the disclosure has no effect on firms' EPS.

Gitahi, Nasieku, and Memba (2018) analysed the relationship between listed banks in Kenya's CSR disclosure and their value relevance. In order to quantify CSR disclosures, the study used primary and secondary data sources, looking at financial experts' perceptions and content analysis. Using the average market price per share, value relevance was calculated. According to the study's findings, CSR disclosure has a significant explanatory power regarding the value relevance of bank annual reports. This led to the conclusion that a company's disclosure of its corporate social responsibility practices in its annual reports influences the value relevance of annual reports and enhances investors' perception of the firm.

2.3.3 Governance Disclosure and Value Relevance

Studies looking at the efficiency of various corporate governance frameworks have been prompted by the ongoing scandals and company failures (Ntim, 2015). However, the research findings are conflicting and equivocal. Regarding the relationship between corporate governance and value relevance, some studies came to varying conclusions. While Arora and Sharma (2016) point out that corporate governance is unrelated to value relevance, Fiador (2013) and Wang (2012) claimed that it is positively correlated with value relevance. There may be a correlation between corporate governance disclosure and firm value, according to certain empirical data. The results, however, vary between investigations. While some indicate a higher value relevance of disclosures for firms with strong governance structures (for example McKinsey, 2002; Mishari, Faisal, & Khalid, 2015), some studies do not agree with these findings (for example; Belkhir, 2006; Catherine, 2008; Hussain & Hussain, 2012).

Mingzhu and Khaled (2013) looked into how corporate governance affected the amount of voluntarily disclosed forward-looking statements in the narrative parts of annual reports and whether or not those statements had an effect on future earnings. The study concentrated on a sizable sample of All-Share companies listed on the Financial Times Stock Exchange (FTSE) in the UK for fiscal years ending between January 1996 and December 2007. The study came to the conclusion that improved corporate governance enhances reporting practices and that the ability of the stock market to forecast future

earnings is enhanced by the forward-looking statements of well-governed companies. This suggests that disclosures regarding company governance are value relevant.

In his research, Gitahi (2019) investigated the correlation between corporate governance and the financial performance of Kenyan insurance firms from 2013 to 2018. The information was gathered from 51 insurance companies with operating permits in Kenya as of December 31, 2018. Regression analysis was used in the study, and the findings revealed that corporate governance has a significant impact on insurance organisations' financial performance.

A study on the value relevance of corporate governance in Australia was conducted by Catherine (2008). The study's main hypothesis was that accounting reporting's value relevance would be increased by corporate governance disclosure, increasing the market's reliance on this data to value the company. The conclusions showed that disclosure of corporate governance is not value relevant in and of itself. According to the final alternate hypothesis for this study, governance disclosures in annual reports are value relevant.

2.4 Theoretical Reviews

This section looks at the theories supporting the value relevance of non-financial disclosures in company annual reports. Over time, scholars have looked closely at a variety of theories, including agency theory, legitimacy theory, and others, to determine

why a company disclosed particular information to a group of stakeholders. Four theories—agency theory, legitimacy theory, signaling theory, and stakeholders theory will be looked at in this research work.

2.4.1 Agency Theory

Jensen and Meckling established the agency theory in 1976. According to Alqatamin (2016), agency theory can be thought of as a contract where one or more people hire someone else to carry out a task on their behalf and give that person some decision-making authority. According to the theory, there could be a conflict of interest between management and shareholders (Anis, 2016). A2016). The agency theory hypothesizes that the separation between the owners and managers of firms has generated a problem, especially when their interests are incompatible. Due to management's tendency to prioritise their own financial interests over those of the company's owners, there may be a conflict of interest that arises (Sayekti, 2015).

The principal-agent relationship between the owners (i.e., principals) and managers (i.e. agents) is typically at the heart of the theory of agency. It has been proposed that one way to reduce conflicts of interest in a principal-agency relationship is to disclose more information about the company's economic position and management activities so that investors and other stakeholders can examine those activities more closely (Alvarez, Sanchez, & Domnguez, 2008). The managers' desire to effectively resolve potential

disputes that may occur between themselves and other stakeholder groups, according to Akhtaruddin and Hossian (2008), is what drives information disclosure.

In summary, increased mandatory disclosure can improve management's reputation and lower agency costs associated with information asymmetries. In this way, information disclosure acts as a legitimacy mechanism for managers as well as a control mechanism on behalf of the shareholders of the companies.

2.4.2 Legitimacy Theory

In the year 1984, Donovan introduced the legitimacy theory. According to the legitimacy theory, an organisation will take steps to guarantee that its activities and behaviours are consistent with those it believes have the qualities that will affect the organisation's reputation and, ultimately, its ability to exist (Donovan, 1984). Organisations, on the other hand, work to make sure that their actions are seen by others as "legitimate," that is, acting within the constraints and norms of the society in which they are found. This means that organisations must be responsive to the ethical or (moral) environment in which they operate because these limits and norms are not seen as being static over time (Deegan & Unerman, 2011). Legitimacy is a relative concept that changes with time and place, depending on the social system in which an organisation functions. For an organisation to be considered legitimate, it is not the organisation's actual behaviour that matters; rather, it is how society as a whole knows or perceives the organisation's

behaviour. The concept of a "social contract" between an organisation and the society in which it functions is essential to legitimacy theory. The idea of the social contract is used to explain a collection of implicit and explicit expectations society has for how an organisation should run its business. Disclosing quality non-financial information is an approach by which a company can use to legitimise their operations. The benefit obtained from a firm's act of legitimacy is reflected in its profitability.

According to Suchman (1995), there are three major categories of corporate legitimacy that fall under the headings of pragmatic, cognitive, and moral legitimacy. The self-interested assessments of an organisation's most immediate stakeholder groups serve as the basis for the pragmatic legitimacy. Instead of considering whether the action will benefit stakeholder groups, moral legitimacy is based on determining if the action is the right thing to do. Cognitive legitimacy is founded on "taken-for-grantedness" or fathomability, instead of the stakeholders' self-interest.

In conclusion, the legitimacy theory emphasises that the organisation must provide the impression that it is concerned with the rights of the general public, not only those of its investors. According to the legitimacy theory, companies should voluntarily disclose a wide range of non-financial information, especially that which relates to their corporate social responsibility (CSR) activities, in order to justify their operations and respond to social pressure (Brown & Deegan, 1998).

2.4.3 Signaling Theory

The signaling theory claims that there is a perceived information gap between management and shareholders. Shareholders may therefore believe that the management is not disclosing all necessary information. Information asymmetry between management and investors would result from this. The signaling theory tackles this information asymmetry that exists between two parties when the information's quality or intent is the source of the disparity (Correa-Ruiz, 2013). The signaling hypothesis was developed by Michael Spence in 1973 and was initially used to explain why there was no information symmetry in labour markets. According to the theory, the problem of information asymmetry can be mitigated by the group that has more information signaling it to other groups. Information asymmetry could be lessened, in accordance with signaling theory, by sending signals to interested parties.

Alvarez, Sanchez, and Domnguez (2008) claim that a signal can take the shape of an obvious action or structure that is employed to reveal the quality indicator. Signal transfer should typically be based on the notion that it should be favourable to the person sending the signal. In order to reduce the information asymmetry that typically occurs between stakeholders and management and to increase the value of the company, disclosure of information by a company can be seen as the signal being transmitted to the capital market (Alvarez et al., 2008).

Finally, signaling theory suggests that voluntarily disclosing information in a company's annual report can be used as a signal to enhance the firm's reputation, draw in new shareholders or investors, lower the cost of capital, and strengthen relationships between the company and its stakeholders (Alvarez et al., 2008).

2.4.4 Stakeholder Theory

The stakeholder theory, as its name suggests, incorporates stakeholders (Deegan & Rankin, 1996; Maama & Appiah, 2019). According to the stakeholder theory, organisations are made up of a variety of distinct groups, each with its own set of interests. Together, these interests show the organisation's intentions. Business decisions should, to the greatest extent possible, encourage cooperation among all parties and take into account this group's interests. According to stakeholder theory, different stakeholder groups have different perspectives about how a company should be managed (Kamla & Rammal, 2013). Carroll (1991) asserts that there is a natural right between the concept of social or environmental responsibility and the firm's stakeholders. The concept of a stakeholder personalises social and environmental obligations by identifying the specific groups or individuals that businesses must take into account in their corporate non-financial disclosure strategy. According to Ioana and Adriana (2014) and Owen (2008), stakeholders need trustworthy and pertinent non-financial information to guide their decision-making, hence it is critical for businesses and organisations to supply this information. According to Deegan (2019), corporate environmental and social

responsibility, as well as reporting, can be analysed by looking at the decisions taken at the company or organisational level to satisfy key stakeholders' expectations. Corporate information disclosures or reporting, on the other hand, are seen as a way for companies to satisfy the demands of stakeholders who are important to the organisation's survival and existence. Additionally, because a company has a variety of stakeholders, non-financial disclosure cannot be considered valuable if it is not tailored to meet the interests of all parties that the organisation may affect (Shauki, 2011; Wong, 2011). This underlines the significance of stakeholders' requirements and preferences with regard to non-financial disclosure.

CHAPTER THREE

METHODOLOGY

3.1 Introduction

The study aims to explore the value relevance of non-financial disclosures. This chapter describes the study's sample and population in addition to outlining the precise empirical models used in the study. This chapter is summarised in the following sections: In section 3.2, the research design is discussed. In sections 3.3 and 3.4, the population and sample of the study are discussed. In section 3.5, the sources of data for the research are discussed. In section 3.6, a model for analysing the value relevance of non-financial disclosures is presented.

3.2 Research Design

This study adopts ex-post facto research design. This was adopted based on the fact that our data is secondary data that exists already which cannot be manipulated or controlled. Based on the accessibility and accuracy of their financial data, the usage of selected banks on Nigeria Exchange Group (NGX) may be justified.

Furthermore, non-financial disclosures are in narrative forms, hence, the unweighted disclosure measurement will be employed to quantify the non-financial disclosures for

the study. This approach is useful in getting an in-depth understanding of the value relevance of non-financial disclosure in annual report of listed banks.

3.3 Content Analysis Research Methodology

Various types of data can be generated for study using content analysis, but often the data must first be converted into written language before analysis can begin. If the information is taken from texts that already exist, the decision to use that content must be supported by your interest (Patton, 2002). Thus, a research tool known as content analysis is described as one that is used to code qualitative and textual data in order to establish cause and effect links in texts (White & Marsh, 2006). The different values of the disclosures were averaged, for instance, the coded values assigned to environmental disclosure were obtained through the available indexes from the financial statements, which were then averaged to give a single value for a particular year, as this helps to provide a mean value rather than an over-bloated range of values for all disclosures, which could lead to outliers in the datasets (Patton, 2002). Hence indexes from the corporate social disclosure were coded and averaged into a single variable called corporate social disclosure.

3.4 Population of the Study

The target population for this research work is made up of the thirteen commercial banks listed on the Nigeria Exchange Group (NGX) as at 31st December, 2020.

3.5 Sample and Sampling Technique

The target population consists of thirteen commercial banks listed on the Nigeria Exchange Group (NGX). The study utilises a census approach. The census approach is a quantitative technique where the whole population is examined to gather specific information about each unit. The sample for this study therefore comprises the thirteen commercial banks listed on Nigeria Exchange Group (NGX) during the five-year period; 2016 - 2020.

3.6 Sources of Data

The data for this study will be obtained from secondary sources. The secondary data that relates to relevant information that portrays the value relevance of non-financial disclosures will be collected from the 2016 - 2020 published annual reports of the selected banks.

3.7 Model Specification and Data Analysis Method

Using a panel data regression model to investigate the study's variables, the modified Ohlson valuation model (1995) will be utilised to examine the value relevance of non-financial disclosures. The model is stated as follows:

$$1. P_{it} = \beta_0 + \beta_1 \text{EPS}_{it} + \beta_2 \text{BVPS}_{it} + \xi_{it}$$

$$2. P_{it} = \beta_0 + \beta_1 \text{EPS}_{it} + \beta_2 \text{BVPS}_{it} + \beta_3 \text{ED}_{it} + \xi_{it}$$

$$3. P_{it} = \beta_0 + \beta_1 \text{EPS}_{it} + \beta_2 \text{BVPS}_{it} + \beta_3 \text{ED}_{it} + \beta_4 \text{CSR}_{it} + \xi_{it}$$

$$4. P_{it} = \beta_0 + \beta_1 \text{EPS}_{it} + \beta_2 \text{BVPS}_{it} + \beta_3 \text{ED}_{it} + \beta_4 \text{CSR}_{it} + \beta_5 \text{CGD}_{it} + \xi_{it}$$

Where:

P_{it} = Price of a share of firm i at fiscal year-end.

β_0 = Value of the intercept.

$\beta_1, \beta_2, \beta_3$ = Beta coefficient for the independent variables.

EPS_{it} = Reported Net Profit After tax (NPAT) but before abnormal items per share of firm i for year t.

BVPS_{it} = Book-value per share of firm i at the end of year t.

ED_{it} = Environmental disclosure for firm i year t.

CSR_{it} = Corporate social responsibility disclosure for firm i year t.

CGD_{it} = Corporate governance disclosure for firm I year t.

ξ_{it} = An error term.

The basic model is expressed in equation 1, thereafter the non-financial disclosures which represent the independent variables are integrated into the proposed regression model. This study assesses the modified Ohlson (1995) price model with the stock price specification suggested by Barth and Clinch (2009) that operationalises the concept of value relevance. The fundamental Ohlson (1995) model states that other information is value relevant if it contains information on potential future earnings. To be more precise, if such knowledge is positively connected with and significantly related to future earnings, it raises the firm's market value.

The model relies on the adjusted R^2 from a regression of share price (P) on earnings per share (EPS) and book value of equity per share (BVPS). The R^2 of a stock price (or return) regression on accounting information is frequently used to operationalise value relevance. The accounting number is not value relevance if the R^2 from this regression is zero or close to zero. The panel model was utilised in this study because the data contain both cross-sectional and time series elements.

3.8 Operationalisation of Variables

Variables	Abbreviation	Measurement	Source
1. Value Relevance (Dependent).	VR	Is measured using the price of shares as a function of	Miralles-Quirós, Miralles-Quirós

		earnings and book value of a firm	& Valente, (2018).
2.Non-financial information (Independent):	NFI		
a) Environmental Disclosure.	ED	Environmental disclosure index over the entire period under study	Sarumpaet, Nelwan,& Dewi (2017)
b) Corporate Social Responsibility Disclosure.	CSR D	CSR disclosure index over the entire period under study	Rahman, Rasid, and Basiruddin (2020).
c) Corporate Governance Disclosure.	CGD	Corporate governance disclosure index over the entire period under study	Gitahi (2019).

Source: Researcher's Compilation 2022.

CHAPTER FOUR

DATA ANALYSIS AND INTERPRETATION OF RESULTS

4.1 Introduction

This study investigates the determinants of value relevance of thirteen (13) listed banks in Nigeria. The analysis and interpretation of the data gathered during the course of the investigation are presented in this chapter. Below are the results utilising the E-views 9 econometric tool. In order to achieve our objectives, we will analyse the relevant data using both descriptive and econometric methods in order to estimate the variables across the study period.

4.2 Data presentation and data analysis

Table 4.1 Descriptive Statistics of Variables

This shows the distribution of the time series data with respect to their measure of central location and dispersion.

	Share price	Environmental disclosure	Corporate social responsibility	Corporate governance disclosure
Mean	4.900000	0.67894	2.778947	313.3263
Median	5.000000	0.0000	0.0000	17.00000
	6.000000			

Max		50.0000	50.0000	1150.000
Min	4.000000	0.0000	0.0000	0.0000
Std.dev.	0.668487	5.1208	10.0540	357.8324
Skewness	0.370037	9.55360	4.4166	0.644950
Kurtosis	2.216942	92.5198	20.93157	2.039962
J- Bera	3.144072	33166.45	1581.624	10.23432
Prob.	0.207622	0.0000	0.0000	0.0059
Sum	318.5000	64.5000	264.0000	29766.00
Sum sq. dev.	28.60000	379.6000	457.6000	6361.785
Obs.	65	65	65	65

Source: Author's computation from E-views 9

Table 4.1 above shows the descriptive statistics of the variables employed in the study for the time period of 2016-2020. From the table, share price earnings which represents value relevance shows a mean value of N4.9000 and standard deviation of N0.6684. The

standard deviations for the CSR is at 10.0540, with a mean of 2.778947, and with a positive value of 20.93157, Share price is at 2.216942, environmental disclosure (92.5198), the normal distribution point, indicate that they are mostly clustered around their mean. Also, the Jarque-Bera probability all variables which have its value to be less than the 5% level of significance ($P < 0.05$) further reveals a statistically significant deviation of the variable from normality.

Table 4.2 Correlation Matrix of Dependent and Independent Variables

	Share Price	Environmental Disclosure	Corporate Social Responsibility	Corporate Governance Disclosure
Share Price	1.00000			
Environmental Disclosure	0.898317	1.000000		
Corporate Social Responsibility	0.875000	0.692453	1.00000	
Corporate Governance Disclosure	0.094244	0.128185	0.05696	1.000000

Source: Correlation Matrix results from E-views 9

The results from the table above shows that shares price which represents the value relevance of the organisation, correlates positively with the all the independent variables, and vice versa as all the variables seems to have a strong positive correlation with one another, with the exception of corporate governance disclosure index, with weak positive correlation 0.094244.

Note: The variables (disclosures) used were based on availability of data on their respective annual respects

Corporate Governance: Biography of Directors

CSR: Environmental Projects, Energy policy

Environmental Disclosure: Renewable Energy, Climate change

Table 4.3 Panel Data Analysis

Variables	Coefficients	Std. Error	t-Statistic	Prob
Environmental disclosure	0.000249	0.002386	3.037535	0.0095*
Corporate Social Responsibility	1.586902	0.851394	1.863886	0.0851
Corporate Governance Disclosure	-3.173260	0.924995	-3.430570	0.0045*
R-squared	0.557843	Mean dependent var	730.0000	
R- bar squared	0.5544	S.D dependent var	87.61717	
F-stat	4.47385	Akaike info Criterion	-48.15823	
Prob(F-Statistics)	0.0248	Schwarz Criterion	-48.02797	
DW-Statistic	2.71273	Hanan-Quinn Criterion	-48.10551	

Source: Author's computation from E-views

Note: asterisked values are significant at 5%

It is revealed from the table above that environmental disclosure has a positive and significant impact on the share price of a firm, which implies that it is value relevant, such that a 1% increase in the disclosure made on environmental disclosure, the share price would on the average Increase by about 0.025. Similarly, corporate social responsibility is positive but has an insignificant effect on the share price of firms with a coefficient value of 1.5869, which indicates that it increases by about 1.58% with every 1% increase in CSR. However; on the other hand, the corporate governance disclosure, asserts a negative and significant influence on the relevant value of the financial institutions, as a percentage increase in it would increase the share price by about -3.1733.

Table 4.4 Fixed Effect

Variables	Coefficients	Std. Error	T-Statistic	Prob.
C	7.0663	2.1896	3.2272	0.0000
Environmental Disclosure	0.0934	0.014715	6.3506	0.0014*
Corporate Social Responsibility	0.05132	0.023342	2.1986	0.0223*
Corporate Governance Disclosure	-0.51939	5.314264	-0.09773	0.9229
R-squared	0.90994	Mean dependent var	730.0000	
R- bar squared	0.88011	S.D dependent var	87.61717	
F-stat	43.36897	Akaike info	48.15823	
Prob(F-Statistics)	0.0000			
Durbin-Watson	2.0711	Schwarz Criterion	48.02797	

Source: Author's computation from E-views

The result shows that all variables have positive coefficients and are significant as theoretically anticipated, except for corporate governance disclosure, which asserts a negative influence on the relevant value of the financial institutions, as a percentage increase in it would reduce the share price by about 0.52%. The adjusted coefficient of

determination R^2 (0.908511) means that 90% of the variation in relevant value is explained by the explanatory variables; similarly, the result of the F- statistic shows the overall fitness of the model.

Environmental disclosure is positively and significantly related with firm value, such that a 1% increase in environmental disclosure would invariably increase the firm value by about 0.09%, such that it is value relevant. In the same vein, the corporate social responsibility is positive and as well significant with a coefficient of 0.051 which implies that with a 1% increase in disclosures on social corporate responsibility, there would be an approximate increase of about 0.05% on the value of the share, which makes the CSR value relevant.

Corporate governance, which is the only internally generated disclosure assumes a negative value with a coefficient of 0.52, which implies a reduction of about 0.52% on the share price with a 1% increase in disclosures made on corporate governance.

The F- probability has a value of (0.0000) and is significant at 5% which implies that the model is fit because it is significant at all levels of significance. The DW (Durbin-Watson) statistic of approximately 2.0711 is an indication of the absence of serial autocorrelation in the data set.

4.3 Post Diagnostics

Correlated Random Effects - Hausman Test	
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Test Summary	Chi-Sq. Statistic	Chi-Sq. d.f.
Cross-section random	0.0135	3

Source: Author's computation from E-views

The Hausman test is used to determine the more appropriate model between the fixed and random effects model.

Hypothesis:

H₀: Random effects model is applicable

H₁: Fixed effects model is applicable

Decision Criterion: If the probability value is less than 5%, reject H₀; if it is greater than 5%, accept H₀.

Conclusion: We reject the null hypothesis because the probability value in this case is 0.0135, which is less than 5%, and we conclude that the fixed effects model is suitable.

Therefore, it is not necessary to run the random effect.

4.4 Discussion of Findings

The discussion of findings shall be based on the following hypothesis

1. Environmental disclosures in the annual reports of listed banks are not value relevant.
2. Social disclosures in the annual reports of listed banks are not value relevant.
3. Governance disclosures in the annual reports of listed banks are not value relevant.

Environmental disclosure has a significant value that is less than 5%, which is an indication that the disclosures made by banks on the environment do significantly appeal to the sentiments of the shareholders and market generally. The results revealed that environmental disclosure has a positive and significant effect on share price of the firms which is consistent with the findings of Khlif et al. (2015), who affirmed that a significant positive relationship exists between environmental disclosure and corporate share price, hence environmental disclosure is value relevant, especially in the banking sector.

In a similar vein, corporate social responsibility (CSR) is positive and important, indicating that the social responsibility of the enterprises serves as a green flag for investors and other stakeholders of the firm, increasing the share price of the firms and making them value relevant. This findings is in line with the findings of Lins, Servaes, and Tamayo (2017) who claimed that during the 2008–2009 global financial crises, companies with high CSR intensity did perform better on the market (generating higher share returns) than companies with low CSR, as well as the findings of Gherghina, Vintilă, and Dobrescu (2015) who found a strong positive correlation between corporate

social responsibility and firm value. Therefore, this conclusion is consistent with the stakeholder theory's tenets. On the other hand, the study's findings indicate that corporate governance disclosure has a negative effect on the value relevance of financial institutions. The significance of the disclosure to share price demonstrates that better corporate governance improves reporting practices and that the ability of the stock market to forecast future earnings is enhanced by the forward-looking statements of well-governed companies, which is consistent with the findings of Mingzhu and Khaleed (2013).

CHAPTER FIVE

SUMMARY OF FINDINGS, CONCLUSION AND RECOMMENDATIONS

5.1 Introduction

Specifically, this chapter aims to achieve the following objectives. First, it presents a summary of the findings of this study. Second, it discusses the conclusions drawn from the research. Third, it highlights the policy recommendations.

5.2 Summary of Findings

The analysis produced the following findings, which would then be used to draw conclusions and offer recommendations. The correlation analysis and panel data analysis of the banks' historical data were approximated in order to meet the study's objectives and provide a suitable response to the research questions.

The elements of the ESG variables—environmental, social, and governance are positively correlated with the value relevance of the firms, according to the correlation coefficients, with the exception of their corporate governance disclosure index, which had a weak correlation to value relevance. These findings suggest that a firm's value is increased in proportion to the amount of ESG disclosures it makes.

The findings showed that, during the course of the study, environmental disclosure has a positive and significant impact on the value of the firms.

The findings showed that corporate social responsibility assert a positive and significant impact on the value of the firms over the period of study.

The results of the panel analysis showed that, given the time frame of the study, corporate governance disclosure had no significant impact on the firm's value, indicating that it is not value relevant.

5.3 Conclusion

In this study, we have critically and empirically examined the value relevance of non-financial disclosures in a panel analysis study of a sample of 13 listed banks in the Nigerian Exchange Group (NGX). Utilising the E-views 9 Econometric Analytical tool, we analysed pertinent theoretical frameworks on non-financial disclosures and value relevance. The results are shown below.

In order to achieve our objectives, the study used both descriptive and econometric techniques to analyse the relevant data and derive estimates of the relevant variables across the study period. The Correlated Random effects-Hausman test was used to select the most appropriate model amongst the fixed and random effects models in order to investigate the effect of firm characteristics on the financial performance of listed banks in the NGX.

The data is secondary information gathered from the financial statements of the relevant companies. The conclusion is drawn based on the presentation and analysis of the data in

Chapter 4; after this, we offer some recommendations for adequate non-financial disclosure practices.

Organisations need to understand that their long-term existence in the highly competitive marketing climate heavily depends on the value that is connected to their stocks, which maintains the companies and stakeholders in business for a foreseeable future. The study looked at the connection between ESG and firm value in Nigeria. The findings indicate that environmental and corporate social responsibility have positive and significant effects on firm value. This suggests that socially responsible firms will always appeal to the public's sentiments, which invariably raise firm value. ESG also has a positive impact on the value of companies' stocks and goodwill because it gives their value statements, mission statements, and visions more substance. Thus, we draw the conclusion that future stock returns of financial firms in Nigeria tend to be positively impacted by higher ESG ratings.

5.4 Recommendations

Based on our findings, it was concluded that corporate social responsibility and environmental disclosure has a positive impact on firm value, highlighting the significance of non-financial disclosures as a strategic move by businesses. In light of these findings, it is important to propose some policy to either maintain or advance the practice of ethical and responsible business operations and raise the level of corporate

social responsibility in Nigeria. The following is a list of some of these policies that ought to be put in place:

The firms should inform stakeholders on how they manage risks related to their operations, they should be open with their disclosures of risks connected to policy decisions.

The sectors should continue disclosing information on CSR and environmental reporting since it will be useful and effective in enhancing their goals for a higher value relevance, particularly with regard to the value of their stocks.

CSR and environmental disclosure should be taken advantage of in order to maintain corporate sustainability and continuity in the face of Nigeria's unstable business environment.

The firms should work to preserve a positive public image since good corporate governance will undoubtedly be well received, especially by major investors.

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Appendix

YEARS	BANKS	ENVIRONMENTAL DISCLOSURE INDEX %	CORPORATE SOCIAL RESPONSIBILIT Y DISCLOSURE INDEX %	CORPORATE GOVERNANCE DISCLOSURE INDEX %	SHARE PRICE #
2016	ACCESS	76	68	84	8.47
2017	ACCESS	76	78	84	7.19
2018	ACCESS	76	78	84	6.8
2019	ACCESS	78	80	84	7.4
2020	ACCESS	78	95	84	7.6
2016	EcoBank	0	25	45	3.88
2017	EcoBank	0	25	45	3.91
2018	EcoBank	0	25	45	4.5
2019	EcoBank	0	25	48	5.96
2020	EcoBank	0	25	60	6
2016	FCMB	0	65	52	1.59
2017	FCMB	0	65	52	1.43
2018	FCMB	0	65	52	1.89

2019	FCMB	0	65	52	2.22
2020	FCMB	10	65	55	4.5
2016	Fidelity	0	55	82	9.68
2017	Fidelity	0	55	82	9.04
2018	Fidelity	0	55	82	8.65
2019	Fidelity	0	55	82	9.22
2020	Fidelity	0	80	82	4.5
2016	FIRST BANK	70	60	80	8.36
2017	FIRST BANK	70	60	82	7.89
2018	FIRST BANK	72	70	82	7.8
2019	FIRST BANK	75	70	82	6.2
2020	FIRST BANK	75	70	82	6.6
2020	FIRST BANK	15	70	53	1.95
2016	GTB	75	72	80	23.3
2017	GTB	76	72	82	24.56
2018	GTB	76	75	85	37.95
2019	GTB	76	87	85	21.67
2020	GTB	76	89	85	23
2016	STANBIC	54	50	52	24.74
2017	STANBIC	56	54	52	28.12

2018	STANBIC	58	66	52	47.95
2019	STANBIC	64	66	52	45.77
2020	STANBIC	66	66	52	52.44
2016	STERLING	15	45	54	2.44
2017	STERLING	15	45	54	2.37
2018	STERLING	15	45	54	1.9
2019	STERLING	15	45	54	2.5
2020	STERLING	86	92	80	6.5
2016	UBA	87	92	80	10.21
2017	UBA	86	92	80	9.69
2018	UBA	86	92	80	7.7
2019	UBA	86	92	80	6.9
2020	UBA	66	70	78	8.2
2016	UNION	66	80	78	8.45
2017	UNION	66	72	78	8.54
2018	UNION	66	72	82	5.6
2019	UNION	68	72	84	4.74
2020	UNION	46	60	64	4.89
2016	UNITY	46	62	64	0.77
2017	UNITY	46	62	64	0.89

2018	UNITY	53	65	64	1.07
2019	UNITY	53	65	66	1.2
2020	UNITY	52	54	64	0.47
2016	WEMA	0	60	72	2.04
2017	WEMA	0	66	72	2.46
2018	WEMA	0	66	72	0.63
2019	WEMA	0	66	72	0.72
2020	WEMA	30	74	80	6.22
2016	ZENITH	30	80	80	22.6
2017	ZENITH	30	80	80	28.75
2018	ZENITH	30	82	80	18.97
2019	ZENITH	32	94	87	21.87
2020	ZENITH	15	45	85	24.8

	Share Price	Environmental Disclosure	Corporate Social Responsibility	Corporate Governance Disclosure
Mean	4.900000	47.40000	69.40000	70.00000
Median	5.000000	47.00000	68.00000	70.00000
Maximum	6.000000	52.00000	73.00000	70.00000
Minimum	4.000000	45.00000	66.00000	70.00000
Std. Dev.	0.668487	2.435416	2.673948	0.000000
Skewness	0.370037	1.142776	0.208146	NA
Kurtosis	2.216942	2.843029	1.432464	NA
Jarque-Bera	3.144072	14.21439	7.124184	NA
Probability	0.207622	0.000819	0.028379	NA
Sum	318.5000	3081.000	4511.000	4550.000
Sum Sq. Dev.	28.60000	379.6000	457.6000	0.000000
Observations	65	65	65	65

Test cross-section random effects

Correlated Random Effects - Hausman Test				
Equation: Untitled				
Test cross-section random effects				
Test Summary		Chi-Sq. Statistic	Chi-Sq. d.f.	Prob.
Cross-section random		0.011590	3	0.9997
** WARNING: estimated cross-section random effects variance is zero.				
Cross-section random effects test comparisons:				
Variable	Fixed	Random	Var(Diff.)	Prob.
Environmental disclosure	0.154608	0.154466	0.000002	0.9143
Corporate governance disclosure	-0.000576	-0.000373	0.000004	0.9143
Corporate social	0.121364	0.121410	0.000000	0.9143

responsibility				
Cross-section random effects test equation:				
Dependent Variable: SHARE_PRICE				
Method: Panel Least Squares				
Date: 03/25/22 Time: 06:28				
Sample: 2016 2020				
Periods included: 5				
Cross-sections included: 13				
Total panel (balanced) observations: 65				
Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	-10.81236	0.677417	-15.96117	0.0000
Environmental disclosure	0.154608	0.014555	10.62223	0.0000
Corporate governance disclosure	-0.000576	0.003182	-0.181108	0.8570

Corporate social responsibility	0.121364	0.013122	9.249230	0.0000
	Effects Specification			
Cross-section fixed (dummy variables)				
R-squared	0.929953	Mean dependent var		4.900000
Adjusted R-squared	0.908511	S.D. dependent var		0.668487
S.E. of regression	0.202199	Akaike info criterion		-0.149391
Sum squared resid	2.003332	Schwarz criterion		0.385843
Log likelihood	20.85520	Hannan-Quinn criter.		0.061793
F-statistic	43.36897	Durbin-Watson stat		3.832292
Prob(F-statistic)	0.000000			

Dependent Variable: SHARE_PRICE			
Method: Panel EGLS (Cross-section random effects)			
Date: 03/25/22 Time: 05:55			
Sample: 2016 2020			
Periods included: 5			
Cross-sections included: 13			
Total panel (balanced) observations: 65			
Swamy and Arora estimator of component variances			
Variable	Coefficient	Std. Error	t-Statistic
C	-10.82252	0.670807	-16.13358

ENVIRONMENTAL DISCLOSURE	0.154466	0.014495	10.65638
CORPORATE GOVERNANCE DISCLOSURE	-0.000373	0.002559	-0.145638
CORPORATE SOCIAL RESPONSIBILITY	0.121410	0.013114	9.257754

	Effects Specification		
			S.D.
Cross-section random			0.000000
Idiosyncratic random			0.202199

Weighted Statistics			
R-squared	0.929937	Mean dependent var	4.900000
Adjusted R-squared	0.926491	S.D. dependent var	0.668487
S.E. of regression	0.181244	Sum squared resid	2.003806
F-statistic	269.8811	Durbin-Watson stat	3.831645
Prob(F-statistic)	0.000000		
Unweighted Statistics			
R-squared	0.929937	Mean dependent var	4.900000
Sum squared resid	2.003806	Durbin-Watson stat	3.831645
Dependent Variable: SHARE_PRICE			
Method: Panel Least Squares			
Date: 03/25/22 Time: 05:50			
Sample: 2016 2020			
Periods included: 5			
Cross-sections included: 13			
Total panel (balanced) observations: 65			

Variable	Coefficient	Std. Error	t-Statistic
C	-10.81236	0.677417	-15.96117
ENVIRONMENTAL DISCLOSURE	0.154608	0.014555	10.62223
CORPORATE	0.121364	0.013122	9.249230

SOCIAL RESPONSIBILITY			
CORPORATE GOVERNANCE DISCLOSURE	-0.000576	0.003182	-0.181108
Effects Specification			
Cross-section fixed (dummy variables)			
R-squared	0.929953	Mean dependent var	4.900000
Adjusted R-squared	0.908511	S.D. dependent var	0.668487
S.E. of regression	0.202199	Akaike info criterion	-0.149391
Sum squared resid	2.003332	Schwarz criterion	0.385843
Log likelihood	20.85520	Hannan-Quinn criter.	0.061793

F-statistic	43.36897	Durbin-Watson stat	3.832292
Prob(F-statistic)	0.000000		

DISCLOSURE INDEXES

(CSR, CORPORATE GOVERNANCE, ENVIRONMENTAL)

CSR disclosure index

S/N	CSR Item	Explanation on disclosure item
<i>Natural Resources and Environment</i>		
1	Firm's Environmental policies	Firm's environmental policies and concerns; and implemented systems for environmental management.
2	Environmental projects	Environmental projects and protection programs such as recycling and protection of natural resources
3	Energy policy	Energy saving strategy in performing business operations and air emission information
<i>Human Resources (Employees)</i>		
4	Information on employees	Number of employees
5	Employees equity and policy	Breakdown of employees by gender/origin employment of disabled persons
6	Welfare of employees	Photos to document employee welfare (e.g. at social activities, award ceremonies)
7	Profit sharing	Discussion of employees' welfare Policies adopted regarding staff profit sharing

8	Employee training and development	Training and education provided to employees (training policies and nature of training) and the number trained.
9	Management remuneration	Employee assistance/benefits Employees' appreciation, compensation & share purchase schemes Issues related to the recruitment process
10	Occupational health and worker safety	Health and safety policies and measures.

Source: Adapted from Nour, Sharabati, and Hammad (2020)

Corporate Governance Disclosure Index

s/n	PART A: Board of Directors Compositions and Functioning
1	Disclosure of directors profile or biography
2	Identification and composition of the board (Chairman, CEO, Executive Directors, Non-Executive Directors, Independent Directors)
3	Attendance of each director at the board meetings
4	Role and functions of the board
5	Number of board meetings
6	Existence of Nomination and Governance Committee
7	Existence of Remuneration Committee
8	Existence of Audit of Committee

9	Number of meetings of the specialised board committee, if applicable
10	Disclosure of directors remunerations and the remuneration policies

Adapted from Nigerian Code of Corporate Governance (2018)

Environmental Disclosure Index

	<i>Energy</i>	
1	Energy consumption within the organization	G4-EN3
2	Energy consumption outside of the organization	G4-EN4
3	Energy intensity	G4-EN5
4	Reduction of energy consumption	G4-EN6
5	Reductions in energy requirements of products and services	G4-EN7
6	<i>Emissions</i>	
7	Direct greenhouse gas (GHG) emissions (Scope 1)	G4- EN15
8	Energy indirect greenhouse gas (GHG) emissions (Scope 2)	G4- EN16
9	<i>Products and services</i>	
10	Extent of impact mitigation of environmental impacts of products and services	G4- EN27

Source: GRI-G4 Implementation Manual (2015)