



CORPORATE SOCIAL AND ENVIRONMENTAL DISCLOSURE (CSED) AND FINANCIAL PERFORMANCE IN NIGERIAN INDUSTRIAL GOODS COMPANIES

By

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Abstract

This study examined the effect of Corporate Social and Environmental Disclosure (CSED) on the financial performance of industrial goods companies in Nigeria. This study is important as it describes the level of CSED impact on company's financial performance. This study used Environmental Disclosure (ED) and Social Disclosure (SD) as independent variables, Return on Equity (ROE) and Tobin Q as measures for financial performance and firm size as a control variable. This study formulated two hypotheses to guide the study and used a panel regression model in testing the statistical parameter estimates. In addition, the study used a sample of 13 industrial goods companies listed on the Nigerian Exchange Group (NGX) with data collected from their annual reports for a period of 10 years ranging from 2011-2020. Using ROE as a proxy for financial performance, the findings of this study show that environmental disclosure has a positive and significant relationship with financial performance while social disclosure has a negative and significant relationship. In addition, the results of the study show that environmental disclosure has a positive and insignificant relationship while social disclosure has a negative and significant relationship with financial performance when measured with Tobin's Q. Therefore, the study concluded that environmental and social disclosures are important determinants of financial performance in Nigeria. Flowing from the findings, the study recommended amongst others that companies should strive to engage more on environmental conservative activities.

Keywords: corporate social and environmental disclosure, industrial goods, return on equity, tobin's q

1. Introduction

The survival and success of a company largely depends on its ability to meet and satisfy various stakeholders' needs and achieving those needs may have many impacts on its business environment. The business environment is a composition of environmental, social, cultural, political, technological, economic, and regulatory factors that have the capability of affecting the stability, growth, and performance of a business most notably its earnings ability. The correlation between a business and its environment is mutual as no business can operate in a vacuum. In 2020, Nigeria GDP amounted to over 400 billion US dollars and about 13 percent of the GDP was generated by manufacturing companies. The activities of manufacturing companies in Nigeria have had negative effects on its environment and the society. The negative environmental effect includes resource depletion, global warming, air pollution, water pollution, and release of hazardous chemicals and destruction of animal habitats (The



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Royal Society & National Academy of Sciences, 2020). The negative social impact includes negligence to human health of employees and customers, gender inequality and non-employment of members of local community, unconducive working environment, and sales of harmful products to its customers (Sutherland et al., 2016).

Manufacturing companies are becoming aware that stakeholders are more than just their shareholders, suppliers and government authorities. They include local community and employees. Consequently, manufacturing companies are now responding to the need to be more socially responsible and environmentally friendly. This is due to increased stakeholders' concerns and scrutiny of their activities and performances. This increased awareness has led to companies disclosing their social and environmental performance which leads to a healthy relationship with all stakeholders. Prior to this, companies do not capture the effect of their operations and activities on its environment (Uwuigbe et al., 2018).

Corporate social and environmental disclosure (CSED) is a medium through which companies inform their stakeholders on the extent to which they have responded to social and environmental concerns through several medium of disclosure such as: annual reports; community development reports; and environmental reports (Jenkins & Yakovlena, 2005). CSED is important to companies as it increase their good reputation with stakeholders which further affect their financial performance. Global Reporting Initiatives (GRI) sustainability reporting standards 2016 gives the requirements, recommendations and guidance on reporting environmental issues that relates to materials, energy, water, biodiversity, emissions, effluents and waste, environmental compliance and supplier environmental assessment.

In developing countries like Nigeria, concerns are about the issue of corporate social and environmental responsibility and disclosure seems to be slow. This presumably is owing to the dismal concern by regulatory bodies in these climes and corporate environmental and social disclosures being a voluntary initiative. However, there are various motivations that would make a company voluntarily disclose its environmental and social activities. These motivations range from the desire to legitimize aspects of a company's operation, corporate reputations, economic factors, legal requirements and stakeholders' expectations, pressures from external forces, redistribution of organizations' wealth, and power throughout society (Barroso-Méndez et al., 2019).

Several global and national institutions such as United Nation's Protocols and Agreements on Environment, Global Reporting Initiatives (GRI) and National Environmental Standards and Regulatory Enforcement Agency in Nigeria have been created with the objectives of enunciating varying norms of interaction with environment, proposing standards for engaging stakeholders and developing frameworks for reporting on socially and environmentally impactful activities of organizations. These institutions with several social and environmental advocacy groups lay the moral and legal foundation for social and environmental disclosures (Enahoro, 2009). In Europe, the need to report non-financial and diversity information by certain large companies and groups has been supported by the enactment of Directive 2014/95/EU of the European Parliament and of the council of 22 October 2014 (Climate Disclosure Standard Board [CDSB], 2018; European Union [EU], 2014).

Resulting from the motivations and institutions put in place; a number of companies in developed



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countries are conscious of their global market and are therefore making considerable effort regarding environmental practices. Various findings in Nigeria indicate that some companies have increased their environmental concerns and therefore report it in their annual reports (Okafor, 2018). In Nigeria, the Securities and Exchange Commission has adopted the Nigerian Sustainable Finance Principles (NSFP) as developed by the Financial Services Regulation Coordinating Committee (FSRCC) which provides guidelines on the establishment, implementation and disclosure of social and environmental activities. However, it has been observed that setting codes and laws is not a problem in Nigeria, but its implementation is of concern – a common problem in emerging economies (Okike, 2007).

The study focused on environmental and social disclosures of the 13 industrial goods companies listed on the Nigeria Exchange Group (NGX) for a period of 10 years from 2011 to 2020. The study will use Return on Equity (ROE) and Tobin's Q as measures of financial performance. The choice of these measures is to consider both accounting based and market-based measures of performance. This study will be beneficial to researchers, investors, managers in the manufacturing industry and other stakeholders. The significance of this study to managers will enable them understand the benefits of disclosing such information. The study will also be beneficial to investors as they will be able to identify profitable companies via their CESD level. Nevertheless, this study will contribute to existing literature as it will assist other researchers to further investigate on the research topic.

2. Literature Review and Hypothesis

Environmental disclosure is a form of corporate responsibility for the environmental impacts caused by the activities of environmentally sensitive companies. It involves reporting on firm activities that is geared towards sustaining the environment. Environmental disclosure is firm's way to commit to operating in an economically and environmentally sustainable way while also considering stakeholders interest (Carrol, 2010). Omoye and Wilson-Oshillim (2018) see environmental disclosure as a continuous commitment in reporting cost incurred by corporate entity towards contributing positively in improving quality of life of the workforce and their families, host community and the society in general while Ekpulu and Ogoun (2020) define the concept of environmental disclosure to mean part of sustainability reports that covers the environmental activities disclosure, relating to community involvement, human resources, the natural environment, energy, and product safety of companies and how it impacts on the environment and the firm. Companies carry out environmental disclosures mainly to achieve good corporate governance aimed at guaranteeing transparency promotion in all spheres of its societal activities (Ashafoke & Ilaboya, 2017). The determinants of environmental disclosure can be industry type, firm size, audit committee, leverage, profitability and managerial shareholding (Omoye & Wilson-Oshillim, 2018; Jeroh, 2020; Ohidoa et al., 2016).

Social disclosure refers to company's disclosure about its societal performance. Social performance includes improving human resource related practices (e.g. employment, labor/management relations, occupational health and safety, training and education, diversity and equal opportunity and non-discrimination), resolving consumers' issues (e.g. customer health & Safety, marketing & labeling and customer privacy), protecting human rights (e.g. non-discrimination, freedom of association and collective bargaining, removing child and forced labor, security practices, rights of indigenous peoples and human Rights assessment) and addressing other issues of broader stakeholders & community concerns such as: involving local community, socioeconomic compliance, showing public policy concerns, discouraging anti-competitive behavior and complying with law (GRI, 2016). Firms



nowadays suffer a growing pressure from the internal and external environment to behave in a socially acceptable way and disclose information concerning such activities in their annual reports. In disclosing information relating to a firms' societal performance, the adverse or beneficial effects of such activity will be measured in either monetary or non-monetary units. It discloses both social costs and benefits.

GRI defines CSED as the practice of companies disclosing the most significant environmental and social impacts that arise from their corporate activities, and thereby being held accountable for these impacts and responsible for managing them. According to Dyllick and Hockerts (2016), social and environmental disclosures may be defined as any information that a company makes public, typically within or alongside its annual accounts or in a stand-alone report that relates to its performance, standards or activities under the corporate social responsibility umbrella. Gray et al., (2001) see social and environmental disclosure as comprising information relating to a corporation's activities, aspirations and public image with regard to environmental, community, employee and consumer issues. CSED encompasses both social and environmental aspects of firms' performance (Mohd. & Nazli, 2007). Thus, CSED includes disclosing of information relating to a company's human resource related practices, community involvement activities and projects, quality and safety of products & services, and environmental contribution. According to Omoye and Wilson-Oshillim (2019), the main aim of CSED is to influence the perception people have of the company and also influence its corporate image or reputation.

Ali and Rizwan (2013) outline various factors influencing CSED. These factors were grouped into three. First, are the normative group which the parties do not make use of the information disclosed but express the views of the users. They are the Non-Governmental Organisations (NGOs) and characteristics of the company itself such as size. Next, are the interest groups who actually make use of the disclosed information. They include investors, employee characteristics, media, international customers, and government. Last, are the company groups which are the party responsible for disclosing the information. They include multinational companies and industry, and competitors' practices. In aftermath of COVID world, companies and other reporting organizations will increasingly be expected to disclose their performance on the social and environmental issues that are reasonably likely to drive risk and opportunity, both internally for their business and externally for the surrounding society, economy and environment (GRI/SASB, 2021). CSED may be compulsory; a legal requirement to deliver this information or voluntary; where the extent and nature of reporting may vary substantially between firms. The GRI Standards offers organizations a global common language for communicating their impacts on people and planet in a comprehensive and consistent way – one that responds to the needs of all stakeholders and enables any company to be transparent about how it contributes to sustainable development.

In measuring CSED in annual reports, we have two main approaches which are content analysis and the use of disclosure indices to aid understanding the differences in the comprehensive nature of such disclosures. Content analysis is the most popular approach to measuring CSED. Content analysis can be defined as a method in which qualitative data are converted to quantitative data systematically to aid analysis (Collis & Hussey, 2014). Content analysis is referred to as the set of procedures used for collecting and organizing information and the process of making inferences based on objective coding of such information (Odera, 2014). This information is social and environmental performance as



disclosed in annual reports. Content analysis method specifically requires answering the questions of what? (Defining CSED categories); where? (Determining the documents used in analysis which is usually annual reports); and how? (Codifying the data and calculating scores, that is disclosure index).

CSED can be measured using the disclosure index adopted from GRI. A dichotomous process is used in scoring the items. Any aspect of CSED that is shown in the financial statements is given a “1 point” score while the absence of such disclosures will be given a “0 point” score. This method has been used in previous research as seen in the works of Alhassan and Islam (2019) and Lang (2016). Annual reports have been the dominant tool used by companies to communicate relevant information to the public. In recent times, companies make use of other communication media like the internet and sustainability reports to disclose relevant information to the public. It is important to note that to measure the quantity of CSED, content analysis is mostly used while in measuring the quality of CSED as observed in the works of Lu and Abeysekera (2017), questionnaire to stakeholders' groups and stakeholder panel consultation was used.

There are various motivations for a company to disclose information of its social and environmental performance. These motivations range from satisfying stakeholders needs, seeking to legitimize company activities, institutional pressures and improving company reputation (Barroso-Méndez et al., 2019; Gololo, 2019). The study by Odera (2014) have suggested business case related motivation, morality related motivation and external pressure related motivation.

The broad objective of this study is to evaluate the relationship between environmental and social disclosure on the financial performance of companies in Nigeria. The specific objectives are to:

- (i) Examine the impact of environmental disclosure on the financial performance of industrial goods companies in Nigeria.
- (ii) Investigate the impact of social disclosure on the financial performance of industrial goods companies in Nigeria.

In order to achieve the above objective, the following null hypothesis were formulated:

- H₁:** Environmental disclosure has no significant impact on the financial performance of industrial goods companies in Nigeria.
- H₂:** Social disclosure has no significant impact on the financial performance of industrial goods companies in Nigeria.

3. Methods and Data

The population of this study comprises of all the companies listed on the Nigerian Exchange Group (NGX). However, the target population of this study comprises of the thirteen (13) manufacturing companies classified under industrial goods sector and listed on the Nigerian Exchange Group (NGX). The justification for the use of the sector is because of their sensitivity to the environment. Census sampling technique was applied and all the thirteen (13) listed manufacturing companies classified under industrial goods sector were selected as sample size for a ten-year period spanning from 2011-2020. The choice of this technique is due to the small number of companies in the target population. This study used data from secondary sources which are in quantitative form. The data were obtained from the Nigerian Exchange Group factbook and the annual financial reports and accounts of the companies for the respective years.



The study has one dependent variable and two independent variables. The dependent variable which is financial performance was measured using return on equity (ROE) and Tobin's Q. The independent variables used were environmental disclosure and social disclosure. Firm size was used as a control variable. The models used in the study are a modified form of Umar et al. (2021) and Emeke et al. (2021). The model of Umar et al. (2021) is as follows:

$$\text{ROE}_{it} = \beta_0 + \beta_1 \text{ECPI}_{it} + \beta_2 \text{EVNPI}_{it} + \beta_3 \text{SOPPI}_{it} + \epsilon_{it} \dots \dots \dots (1)$$

Where: ROE = Return on equity, β_0 = Constant, ECPI = Economic Performance, EVNPI = Environmental performance, SOPI = Social performance, $\beta_1, \beta_2, \beta_3$ are parameters to be estimated and ϵ = Idiosyncratic error term.

Also, the model of Emeke et al. (2021) is as follows:

$$\text{EPS}_{it} = \beta_0 + \beta_1 \text{SD}_{it} + \beta_2 \text{ED}_{it} + \beta_3 \text{FS}_{it} + \beta_4 \text{AGE}_{it} + \epsilon_{it} \dots \dots \dots (2)$$

Whereas: EPS = Earnings per share; SD = Social Disclosure; ED = Environmental Disclosure; FS = Firm size and AGE = Age of firm; $\beta_1 - \beta_4$ = Coefficient of explanatory variables; β_0 = Constant or Intercept; ϵ = error term. However, to suit the objective of this study, the modified models for this study are

$$\text{ROE}_{it} = \beta_0 + \beta_1 \text{ED}_{it} + \beta_2 \text{SD}_{it} + \beta_3 \text{FS}_{it} + \epsilon_{it} \dots \dots \dots (3)$$

$$\text{TobinQ}_{it} = \alpha_0 + \alpha_1 \text{ED}_{it} + \alpha_2 \text{SD}_{it} + \alpha_3 \text{FS}_{it} + \epsilon_{it} \dots \dots \dots (4)$$

Whereas: ROE = Financial Performance; TobinQ = Financial Performance; ED = Environmental Disclosure; SD = Social Disclosure; FS = Firm Size; β_0 / α_0 = Constant term (intercept); $\beta_1 - \beta_3 / \alpha_1 - \alpha_3$ = coefficient to be estimated for the company; ϵ = Error term; i = number of sampled companies; t = time frame for the study.

**Apriori Criterion: $\beta_1 > 0, \beta_2 > 0, \beta_3 > 0$
 $\alpha_1 > 0, \alpha_2 > 0, \alpha_3 > 0$**

Descriptive statistics and correlation analysis were employed as univariate analysis tools while the panel data regression was used to determine the effect of companies' corporate social and environmental disclosure on their financial performance. Panel regression analysis is a statistical method used to analyze two-dimensional data (cross-sectional & time series). To determine the appropriate effect, the Hausman test will be employed. The descriptive statistics of the model is presented in Table 1.



Table 1
Descriptive Statistics

	ROE	TOBINQ	ED	SD	FS
Mean	0.200580	1165.500	0.691631	0.855454	1.59E+08
Median	0.104020	622.8596	0.643000	0.853000	3299740.
Maximum	4.367565	5626.669	1.000000	0.882000	2.12E+09
Minimum	-2.656842	0.304414	0.500000	0.824000	0.000000
Std. Dev.	0.631336	1392.597	0.148648	0.026788	3.83E+08
Skewness	1.863559	1.302233	0.886624	-0.168042	3.236551
Kurtosis	20.95742	3.798743	2.876484	1.202064	13.66774
Jarque-Bera	1821.953	38.65224	17.11486	18.12159	843.3847
Probability	0.000000	0.000000	0.000192	0.000116	0.000000

Source: Author (2022)

The result of the descriptive statistics used for describing the characteristics of the data and ultimately the normality status of each series is presented in table 1.

Model One

The results show that the average ROE by the firms examined is 0.200, average Tobins Q is 1165.5, average environmental disclosure of the sampled firms for the period under review is 0.692, average social disclosure of the sampled firms for the period under review is 0.855 and average firm size is 1.59. Maximum number of ROE for a given time is 4.368 with a minimum of -2.657. Maximum for Tobins Q is 5626.669 with a minimum of 0.3044. Maximum environmental disclosure for a given time is 1 with a minimum of 0.5. Maximum number of social disclosures for a given time is 0.882 with a minimum of 0.824. Maximum value of firm size is 2.12 with a minimum value of 0.00.

The results of the standard deviation showed that all the variables except FS (SD=3.83) had relatively low standard deviation which implies that they were all found to be oscillating around the mean point while environmental disclosure and social disclosure exhibited comparative disparity from the mean point. The results of the Skewness showed that only the variable SD is negatively skewed toward the origin. The other variables ROE, Tobins Q, ED and FS showed positive skewness. Only ED is found to pass the test for the kurtosis. The variables FS, Tobins Q, ROE are said to be leptokurtic because they all had a kurtosis value approximately greater than 3 which implies that they produce extreme outliers. The other variables ED and SD depicted a platykurtic kurtosis which implies that the distribution is flat-topped producing fewer and lesser extreme outliers.



Table 2
Correlation Matrix

Panel A	ROE	ED	SD	FS
ROE	1			
ED	0.175	1		
SD	0.119	0.680	1	
FS	0.0157	0.671	0.354	1

Panel B	TOBINQ	ED	SD	FS
TOBINQ	1			
ED	0.187	1		
SD	-0.070	0.670	1	
FS	0.134	0.698	0.379	1

Source: Author (2022)

The correlation coefficient in panel A and B in table 2 shows positive association for all variables except for SDTobins Q. In the opinion of Dwivedi (2008) the correlation coefficient should not exceed 0.90; otherwise, the independent variables that show a relationship in excess of 0.90 may be suspected of exhibiting multi collinearity. A closer look at the coefficients results in the matrix revealed that to a large extent all the variables' coefficients are not more than 0.90. This means that there is absence of multicollinearity problem in our model. Multicollinearity between explanatory variables may result to wrong signs or implausible magnitudes, in the estimated model coefficients, and the bias of the standard errors of the coefficients. Most of the coefficients are quite low and moderate.

In choosing which of the regression effect to base the test of our hypotheses and draw our findings for the study, we conduct the Hausman test. The result of the Hausman test is presented in table 3.

Table 3
Hausman Test

	Chi-Sq. Statistic	Chi-Sq. d.f.	Prob.
Cross-section random- ROE	1.087826	3	0.7800
Cross-section random- TOBINQ	4.84164	3	0.1838

Source: Author (2022)

Using the 5% level of statistical significance, the probability value of the Hausman test for both the ROE model and the TobinQ model are 0.7800 and 0.1838 respectively. These are greater than 5% implying that the random effect panel least squares is more appropriate for testing the hypotheses of the study.



Table 4
Regression Results

Dependent Variable: ROE		Dependent Variable: TOBINQ
Variable	Coefficient T-statistic Prob.	Coefficient T-statistic Prob.
SD	-0.17547 (-2.75595) [0.0065]	-2121.12 (-3.63637) [0.0003]
ED	0.208357 (2.57320) [0.0109]	1324.112 (1.73654) [0.1134]
FS	-0.043046 (-2.90575) [0.0041]	1183.74 (6.63746) [0.0000]
C	0.409813 (3.53429) [0.0005]	1252.11 (4.53435) [0.0022]
R-squared	0.067538	0.477464
Adjusted R-squared	0.046225	0.485684
F-statistic	3.168803	64.64746
Prob(F-statistic)	0.015212	0.0000

t-statistics are in parenthesis (), p-values are in brackets []

Source: Author (2022)

Model One

The result in Table 4 revealed that ED with a t-value of 2.573 and a probability value of 0.0109 which is less than 5% significance level significantly affect ROE. Furthermore, SD with a t-value of -2.754 and a probability value of 0.0065 which is also less than 5% significance level significantly affect ROE. ED is seen to have a positive effect on ROE implying that the greater the environmental disclosure, the higher the value of return on equity for the firms. SD is seen to have a negative effect on ROE. This implies that the greater the social disclosure of a firm, the more reduced the firms' return on equity. The result of the R-squared value of 6.68% shows that a very low proportion of the variation in the dependent variable is accounted for by the independent variables. The model fitness value of 3.17 shows that the model is well fitted. This is corroborated by the value of the probability of the F-statistic which is 0.0152 and less than 5% level of statistical significance. This further shows that on the overall the model used in the study to explain the relationship between the dependent and the independent variables is statistically significant in providing the intended explanation.

Model Two

The result in table 4 also revealed that ED with a t-value of 1.7365 and a probability value of 0.1134 which is greater than 5% significance level insignificantly affect TobinsQ. Furthermore, SD with a t-value of -3.636 and a probability value of 0.0003 which is less than 5% significant level significantly



affect Tobins Q. SD is seen to have a significant negative effect on Tobins Q. This implies that the greater the social disclosure of a firm, the more reduced the firms' market value. The result of the R-squared value of 47.74% shows that a fair proportion of the variation in the dependent variable is accounted for by the independent variables. The model fitness value of 64.65 shows that the model is well fitted. This is corroborated by the value of the probability of the F-statistic which is 0.0000 and less than 5% level of statistical significance. This further shows that on the overall the model used in the study to explain the relationship between the dependent and the independent variables is statistically significant in providing the intended explanation.

In answering the set hypotheses of the study, the t-statistic is used as a test of statistical significance. The following are the answers to the set hypothesis in the study:

Hypothesis one: Environmental disclosure has no significant impact on the financial performance of industrial goods companies in Nigeria

From the regression result, it was observed that ED has a calculated t-value of 2.573 and p-value of 0.0109. This means that it is statistically significant at 5% significance level. Therefore, the study accepts the alternative hypothesis that there is a significant relationship between environmental performance disclosure and financial performance of industrial goods companies as captured using ROE. Furthermore, from the regression result, it was observed that ED has a calculated t-value of 1.73 and p-value of 0.1134. The p-value is greater than the 5% significance level. Therefore, the study accepts the null hypothesis that there is no significant relationship between environmental disclosure and financial performance as captured using Tobins Q.

Hypothesis Two: Social disclosure has no significant impact on the financial performance of industrial goods companies in Nigeria.

From the regression result, it was observed that SD has a calculated t-value of -2.756 and p-value of 0.0065. This means that it is significant at 5% level of significance. Therefore, the study rejects the null hypothesis and accepts the alternate hypothesis that social performance disclosure has a significant effect with financial performance as captured using ROE. Furthermore, from the regression result, it was observed that SD has a calculated t-value of -3.636 and p-value of 0.0003. The p-value is less than the 5% significance level. Therefore, the study rejects the null hypothesis and accepts the alternate hypothesis that social disclosure has a significant effect with financial performance as captured by Tobins Q.

4. Analysis and Discussion

Model One

The analysis revealed that environmental disclosure had a positive and significant effect with financial performance (ROE) and this tends to agree with legitimacy theory. According to Ang and Marsella (2015), currently the demands for the companies are not only oriented towards financial gain but also have concern for the community and the environment because the company has benefitted from the utilization. They further opine in relation to the theory, that companies can indirectly strengthen the legitimacy they get from the community and have an impact on the value of the company in the eyes of



investors and the wider community by disclosing social and environmental responsibility. This finding further adds to the findings of previous studies on environmental disclosure and financial performance. Muhammad et al. (2015) found a positive relationship between environmental performance and financial performance during the pre-financial crisis period (2001-2007) and no association between environmental and financial performances in the financial crisis period (2008-2010) in Australia. In contrast, Najah and Jarbouï (2013) explore the effect of voluntary environmental disclosure on a firm's financial performance in French organizations and the results demonstrated that there is no relationship between environmental disclosure and financial performance. Furthermore, the findings revealed that social disclosure have a negative and significant relationship with financial performance. Several meta-analyses show that a significant number of prior studies have reported mixed findings (Garcia-Castro et al., 2010; Orlitzky et al., 2003). Qui et al. (2016) suggest a positive relationship regarding the effects of CSD on firm performance. They argue that having CSD in annual reports can act as firm's competitive advantage which can lead to a better firm performance.

Model Two

The result revealed that environmental performance disclosure has a positive and an insignificant effect on financial performance (TobinsQ) and this result conforms with legitimacy theory through the legitimacy gap. This study was contrary to that of Akinlo and Iredele (2014) who ascertained the impact of environmental information disclosures on Market Value of fifty quoted companies in Nigeria and indicated that Corporate Environmental Disclosure (CED) has a significant positive impact on Market Value when considered in aggregate. Also, Oyedokun et al. (2019) revealed that environmental disclosure has a positive significant effect on firm value of industrial goods companies in Nigeria. Furthermore, the study revealed that social disclosure has a negative and significant relationship with Tobins Q. The finding was contrary to that of Margaretha and Rachmawati (2016) whose study indicated that Corporate Social Responsibility (CSR) has no significant effect on the company's financial performance as measured by Tobin's Q. Bidhari et al. (2013) also discovered that corporate social responsibility information disclosure affects firm value that was measured using Tobin's Q. Finally, it is the submission of Ghazali and Chariri (2007) where they state that the underlying theory of legitimacy is the social contract between the company and the community where the company operates and uses economic resources.

5. Conclusion

The effect of environmental and social disclosure on financial performance of Industrial firms in Nigeria from 2011-2020 was ascertained in this study. Two models were adopted to measure environmental and social disclosure on financial performance of Industrial firms in Nigeria. From the analysis performed, the summary of the findings is stated below:

Model One

- i. There is a significant relationship between environmental disclosure and financial performance (ROE) of Industrial firms in Nigeria.
- ii. Social disclosure has a significant effect on financial performance (ROE) of Industrial firms in Nigeria.



Model Two

- i. Social disclosure has a significant effect on financial performance (Tobins Q) of Industrial firms in Nigeria.
- ii. There is no significant relationship between environmental disclosure and financial performance (Tobins Q) of industrial firms in Nigeria.

The focus of this study is financial performance, which measures the monetary outcomes of a firm's strategies, policies, and operations. These outcomes are reflected in the firm's return on assets (ROA), return on equity (ROE) and market value (Tobins Q). However, the result from the empirical analysis of this study revealed that in relation to Return on Equity (ROE) as a proxy of financial performance, environmental and social disclosures have significant effects on firm performance. Furthermore, in relation to TobinsQ as a measure of financial performance, the empirical analysis revealed that environmental disclosure has an insignificant relationship with financial performance while social disclosure has a significant relationship with financial performance. Therefore, we conclude that environmental and social disclosures are important determinants of financial performance in Nigeria.

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