



EFFECT OF ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORTING ON MARKET VALUE OF LISTED DEPOSIT MONEY BANKS IN NIGERIA

Fadila Suleiman

Department of Accounting
Federal University of Lafia
fadysuly@yahoo.com

Halima Abdullahi Baba, Ph.D

Department of Social Science and Administration
Bayero University, Kano.

Fawaz Suleiman

Department of Accounting
Federal University of Lafia

Abstract

This study examined the impact of Environmental, Social, and Governance reporting on the market value of listed deposit money banks in Nigeria. Using an ex post facto research design, the study employed panel regression analysis to analyze data from 14 deposit money banks listed on the Nigerian Exchange Group from 2014 to 2023. The findings revealed that environmental reporting has a negative but significant effect on the market value of listed deposit money banks in Nigeria. In contrast, social reporting and governance reporting exhibit a positive and significant effect on market value. Similarly, governance reporting (GR) has a significant positive impact on market value, emphasizing the importance of transparency, accountability, and regulatory compliance in building investor confidence. Based on these findings, the study recommended that Nigerian deposit money banks integrate Environmental, Social, and Governance factors into their investment decision-making processes, recognizing their potential to mitigate risks and improve long-term returns. Banks should also engage actively with stakeholders to promote sustainable practices that create shared value.

Keywords: Environmental, Governance Reporting, Market Value, Social.

Introduction

In the global corporate landscape, market value has expanded beyond traditional financial metrics to encompass a broader spectrum of non-financial factors, particularly Environmental, Social, and Governance considerations. This shift reflects the growing recognition that companies' long-term sustainability and resilience are deeply intertwined with their ability to manage environmental risks, foster social responsibility, and uphold strong governance practices (Treepongkaruna & Suttipun, 2024; Novita, et al 2024). As investors increasingly prioritize sustainable investments, ESG reporting

has emerged as a critical tool for enhancing transparency, accountability, and trust between corporations and stakeholders (Difa & Larasati, 2024).

Recent global challenges, such as climate change, social inequality, and governance failures, have amplified the focus on ESG issues, bringing them to the forefront of corporate decision-making (Neri et al., 2021; Adams & Abhayawansa, 2022). These challenges have underscored the need for businesses to adopt more sustainable and responsible practices, not only to mitigate risks but also to capitalize on emerging opportunities in a rapidly evolving market environment. As a result, investors, regulators, and other stakeholders are increasingly demanding greater transparency and accountability through comprehensive ESG reporting (Ioannou & Serafeim, 2017).

The relationship between Environmental, Social, and Governance factors and market value has emerged as a critical area of inquiry in contemporary academic research. This nexus is grounded in the premise that firms prioritizing sustainable practices and ethical governance are better positioned to create long-term value for shareholders and stakeholders. Effective Environmental, Social, and Governance disclosures are not merely a regulatory or reporting requirement; they serve as a strategic tool for companies to identify, assess, and mitigate risks associated with ESG factors. ESG disclosures enable companies to identify and manage environmental risks such as climate change, pollution, and resource scarcity (Eccles et al., 2021).

On the social front, ESG disclosures emphasize how companies address issues like employee welfare, diversity, and community engagement. Transparent reporting on these aspects helps firms identify and address vulnerabilities, reducing risks of reputational damage and operational disruptions (Chen et al., 2023). For example, effective disclosure of labor practices and social impact initiatives strengthens relationships with employees and communities, leading to higher stakeholder trust and loyalty (Grewal et al., 2022).

Governance-related risks, such as unethical conduct or weak oversight, can severely impact a firm's reputation and financial standing. Detailed disclosures on governance policies, such as board composition, anti-corruption measures, and executive accountability, help companies identify deficiencies and take corrective action (Huang et al., 2023). Transparent governance reporting has been shown to correlate positively with investor confidence and long-term market performance (Thornburg, 2022).

Despite the increasing acknowledgment of the significance of Environmental, Social, and Governance (ESG) practices, empirical evidence concerning their impact on the market value of listed deposit money banks in Nigeria remains inconsistent. Global research has yielded diverse findings, underscoring the intricate and context-dependent nature of the relationship between ESG practices and firm value. For example, Velte et al. (2017) demonstrated a positive correlation between ESG

practices and firm value in developed economies, emphasizing the potential advantages of sustainable business strategies in these settings. In contrast, Alareeni and Hamdan (2020) noted substantial variability in the influence of ESG disclosures across emerging markets, highlighting how regional disparities and institutional frameworks can shape outcomes.

Similarly, Nekhili et al. (2021) argued that the contribution of ESG factors to firm performance is contingent upon the specific contextual and regulatory environment, suggesting that generalized approaches may not be universally effective. Chen and Xie (2022) further emphasized the moderating role of governance quality in determining ESG outcomes, indicating that weak governance structures could hinder the effectiveness of ESG initiatives in driving value creation.

The majority of existing research on ESG practices has concentrated on developed regions, often neglecting the distinct dynamics of emerging markets like Nigeria. This oversight creates a critical knowledge gap, leaving unresolved questions about how ESG practices are perceived, implemented, and linked to financial performance within the Nigerian context.

Notably, there are limited studies addressing this topic in Nigeria. Terkuma and Aga (2024) explored the effect of ESG disclosures on the market value of listed manufacturing companies in Nigeria, providing insights into the sector's response to sustainability initiatives. Similarly, Igbinovia and Agbadua (2023) examined the relationship between ESG reporting and firm value in Nigerian manufacturing firms, emphasizing the moderating role of firm-specific advantages. Additionally, Olagunju and Ajiboye (2022) investigated environmental accounting disclosure and its impact on the market value of listed non-financial firms in Nigeria. While these studies contribute valuable perspectives, they primarily focus on sectors other than banking, leaving a significant void in understanding the unique implications of ESG practices for DMBs in Nigeria. This gap underlines the need for more targeted research to address the gap by empirically examining the effect of ESG reporting on market value of listed DMBs in Nigeria.

Research Hypothesis

- H0₁:** Environmental Reporting has no significant effect on Market Value of Deposit Money Banks in Nigeria
- H0₂:** Social Reporting has no significant effect on Market Value of Deposit Money Banks in Nigeria
- H0₃:** Governance Reporting has no significant effect on Market Value of Deposit Money Banks in Nigeria

Conceptual Framework

Market Value

Market value represents the perceived worth of a company as determined by the stock market and is a critical indicator of market performance. It reflects the collective assessment of investors and stakeholders regarding a firm's ability to generate future cash flows, sustain profitability, and manage risks effectively (Velte et al., 2017). Fatihudin, et al (2018) viewed market value as the outcome of a firm's strategy or an assessment of how well a firm accomplished its business goals. In the words of Mirza and Javed (2013), value is the ability of a firm to achieve its objectives using its available resources. Company's Market Value refers to the total value of a company as determined by the market, typically calculated by multiplying the company's current stock price by its total number of outstanding shares. It represents the public's perception of the company's future market performance and growth potential.

Environmental Reporting

Environmental Disclosures refer to the information that companies provide regarding their environmental impact, policies, practices, and performance. These disclosures offer insights into how businesses manage their environmental risks and opportunities, including their efforts to reduce pollution, minimize resource use, and comply with environmental regulations. In recent years, environmental disclosures have gained increasing importance due to growing concerns over climate change, resource depletion, and environmental sustainability (Clark, 2021; Krueger et al., 2022). Companies often report their direct and indirect greenhouse gas emissions, including efforts to reduce their carbon footprint, enhance energy efficiency, and transition to renewable energy sources. Disclosure of carbon emissions is a critical aspect of environmental responsibility and is often linked to climate-related risks and opportunities (Sullivan & Houghton, 2021). Environmental disclosures often address how a company manages pollutants such as air emissions, water discharges, and hazardous waste. This includes compliance with local and international environmental regulations and how the company works to minimize its environmental footprint (Biondi et al., 2023).

Environmental disclosures can directly affect how investors perceive a company's risk profile and growth potential. Companies with strong environmental practices are often seen as less risky because they are proactively managing environmental risks, such as climate change, resource depletion, and pollution. Transparent environmental disclosures can build investor trust, potentially increasing demand for the company's shares and, consequently, raising its market value (Clark, 2021; Krueger et al., 2022). For instance, companies that disclose strategies to reduce carbon emissions or implement renewable energy initiatives are perceived as more future-proof, which may enhance their market valuation (Clark, 2021).

A company's reputation is a critical factor in determining its market value, and environmental disclosures play an essential role in shaping this reputation. Firms that are proactive in providing environmental information demonstrate accountability and a commitment to corporate social responsibility (CSR). These practices can help build brand loyalty among consumers, who are increasingly considering sustainability factors when making purchasing decisions (Cheng et al., 2021). Positive consumer sentiment and brand recognition can drive sales growth, leading to an increase in market value.

As environmental regulations tighten globally, companies that fail to disclose or comply with environmental standards risk facing legal penalties, fines, or loss of operating licenses, which can adversely affect their market value. Conversely, companies that disclose their environmental risks and compliance efforts are better positioned to manage these regulatory pressures and reduce potential liabilities (Biondi et al., 2023). By demonstrating a commitment to sustainability and regulatory compliance through robust environmental disclosures, companies can mitigate financial and reputational risks, which can positively influence their market value.

Social Reporting

Social disclosures refer to the reporting and communication by companies of their activities, policies, and outcomes related to social issues and their impact on stakeholders. These disclosures are a key component of corporate social responsibility and are increasingly important for both companies and investors. Companies that are transparent about their social practices are likely to attract more investment, especially from socially responsible investors (SRI). Investors increasingly value companies that demonstrate strong social responsibility, as these firms are less likely to face legal or reputational risks. Strong social disclosures can thus build investor confidence, leading to higher stock prices and market value (Krueger et al., 2022). Additionally, firms that emphasize employee well-being, fair labor practices, and community engagement may enhance their attractiveness to long-term investors who prioritize sustainability.

Social disclosures play a key role in shaping consumer perceptions. Companies that transparently report on issues like product safety, employee relations, and community engagement are more likely to build trust and loyalty among consumers. Consumers increasingly expect companies to demonstrate social responsibility, and those that fail to meet these expectations may experience a decline in market value due to consumer backlash. Conversely, companies with strong social disclosures can enhance brand reputation, foster consumer loyalty, and achieve greater market share (Cheng et al., 2021).

A positive reputation is an essential asset for a company's market value, and social disclosures can significantly impact how a company is perceived by the public, regulators, and investors. Firms

that disclose their efforts to improve social outcomes, such as promoting diversity, protecting human rights, or engaging in philanthropic activities, are likely to be viewed more favorably. In contrast, companies that fail to disclose social responsibility practices or are found to be negligent in these areas may suffer reputational damage, which can negatively affect their market value (Biondi et al., 2023).

Governance Reporting

Governance disclosures refer to the reporting of a company's governance structures, policies, and practices related to the management and oversight of the firm. These disclosures are vital for ensuring transparency, accountability, and alignment with stakeholder interests. Governance disclosures typically cover areas such as board composition, executive compensation, audit practices, risk management, internal controls, shareholder rights, and overall corporate governance frameworks.

Governance disclosures are critical for building and maintaining investor confidence. Transparent governance practices, including information about the board's composition, executive compensation, and risk management, help investors assess the long-term sustainability and ethical standards of a company. Companies that disclose robust governance practices are seen as less risky and more trustworthy, which can lead to increased demand for their stocks and a higher market value (Biondi et al., 2023).

Effective governance disclosures can enhance a company's reputation by demonstrating a commitment to transparency, accountability, and ethical behavior. Companies that disclose clear governance structures, ethical codes, and risk management practices are more likely to be perceived as responsible corporate citizens, which can improve their public image and, in turn, increase their market value. In contrast, poor governance practices and lack of transparency may result in reputational damage, legal challenges, and lower market value (Johnson & Greening, 2021).

Empirical Review

Maji, and Lohia (2024) investigated the influence of disclosing environmental, social and governance (ESG) factors on financial performance, taking into account the moderating effect of the COVID-19 pandemic. A sample of the top 100 non-financial firms listed on the Bombay Stock Exchange, for the years 2019–2022, has been considered. Panel regression was used to assess the impact of non-financial disclosure on firm performance. The outcomes of the study partially favour the value-creation role of ESG disclosure. Specifically, the disclosure of already established ESG metrics, particularly social and governance aspects, positively impacts the market performance while environmental transparency negatively impacts the ROA. Of the three ESG components, only extended governance disclosure adds to Tobinq.

Platnari (2023) examined the effect of ESG reporting on Market value. The study's sample selection includes 1,057 European businesses for the fiscal years 2011 through 2021 (7,343 firm-year observations). Its primary goal is, through analysis, to assess potential connections between total ESG performance, including ESG Controversies overlay as indicated by the Refinitiv database and accounting and market-based financial success metrics (ROA and Tobin's Q). Its goal is to reveal that better ESG Performance improves a firm's Market value for accounting and market measures.

Mardini (2022) investigated the effect of environmental, social, and governance (ESG) factors on corporate Market value, and considers an initial sample of all non-financial listed firms in 35 countries for the period 2012-2020. Using panel a regression. This study finds that ESG factors play a vital role in enhancing corporate Market value both for market (Tobin's Q) and accounting (return on assets and return on equity) indicators.

Naeem and Çankaya, (2022) analyzed the impact of ESG performance over the Market value of global energy and power generation companies which are considered as one of the most sensitive industries. The study explores the effect of ESG performance over the Market value of the corporations operating business in sensitive industries such as energy and power generation firms regarding the profitability and market value of the companies using panel data regression. ESG performance data and financial data of 192 energy and power generation firms from 2008 to 2019 were taken from Thomson Reuters Eikon database for the statistical analyses. The findings suggest that ESG performance has both positive and significant impacts over the profitability of the firms but negative impact over the market value of the firms. Besides, ESG performance is correlated in a significant way with the Market value of energy and power generation corporations.

Dragomir et al (2022) examined the influence of ESG performance on the Market value of 333 banks located in 53 countries in Europe, America, and Asia, before and during the Covid-19 pandemic (2019-2021). Causality relationship was established among variables. The main factors and financial data are collected from the Refinitiv database. The findings indicate that the bank environmental performance in 2019 has a negative influence on the return on equity during 2020, and that no other ESG factors are significant. Social responsibility expenditures and initiatives in 2020 positively influenced bank profitability in 2021. Furthermore, East Asian banks have higher stock market returns and earnings per share determined by the quality of corporate governance in the previous year. The environmental performance of 2020 has a negative influence on earnings per share in 2021, but only for the sample in East Asia.

Hwang et al (2021) examines the effect of a firm's environmental, social, and governance (ESG) activities on its Market value during the acute uncertainty caused by the COVID-19 pandemic. The results show that, in the first quarter of 2020, firms' earnings dropped significantly; however, the

study found that the higher the performance of ESG activities, the smaller the decline in earnings. The results implied that, in an environment of uncertainty, the performance of a firm's ESG activities is reflected in its financial outcomes.

Theoretical Framework

Stakeholder Theory

The theory was developed by Freeman (1984). Freeman defines stakeholders as an individual or a group of individuals that is affected by the company's actions or can affect the ability of the company to achieve its objectives. Based on stakeholder theory, firms must satisfy the demand of multiple stakeholders as an unavoidable cost of their business. Different ways to do this vary from cost minimizing to societal maximizing. (Muralidhar et al. 2018). Freeman (1984) conceptualization of the stakeholder theory was in the context of how an organization's decision-making is to an extent affected by the presence of groups other than stockholders. Building on Freeman's work, Ullmann (2015) attempted to draw relationship among social disclosure, environmental and economic performance. This was done through a three-dimensional model comprising stakeholder power, firm's strategic posture, and firm economic performance.

One of the central tenets of Stakeholder Theory is that firms must manage stakeholder relationships strategically to achieve long-term sustainability and value creation (Freeman, 1984). In the Nigerian banking sector, where trust and reputation are critical, effective stakeholder engagement through ESG practices can enhance investor confidence, reduce operational risks, and improve financial performance—all of which contribute to higher market value. The theory provides a robust foundation for analyzing how ESG disclosures and initiatives influence the perceptions and behaviors of key stakeholders, ultimately impacting firm valuation.

Methodology

Research Design

This study adopts the ex post facto design, which is particularly suitable for investigating causal relationships between variables using existing data. The ex post facto approach is ideal for this study as it relies on secondary data collected from annual reports, sustainability reports, and stock exchange filings.

Population, Sample, and Sampling Techniques

The population for this study consists of 21 deposit money banks listed on the Nigerian Exchange Group (NGX) as of December 31, 2023. and 14 deposit money banks were used as the sample using purposive sampling technique. These banks represent all publicly traded DMBs in Nigeria and are included because they are required to disclose their financial and non-financial

performance regularly, providing the necessary data for analysis. The list of the population is presented in Table 3.1 below:

Table 1 Population of the study

Banks	Year of listed
ACCESS BANK PLC	1998
FIDELITY BANK PLC	2005
FIRST CITY MONUMENT BANK PLC	2004
FIRST BANK NIGERIA	1970
GUARANTY TRUST BANK PLC	1996
UNION BANK OF NIGERIA PLC	1971
UNITED BANK OF AFRICA PLC	1970
ZENITH BANK PLC	2004
ECOBANK NIGERIA PLC	2006
POLARIS BANK PLC	2018
STANBIC IBTC BANK PLC	2012
STERLING BANK PLC	1992
WEMA BANK PLC	1991
JAIZ	2003

Source: NXG 2023

Given the relatively small population size (14 banks), the study adopted a census approach, wherein all eligible banks were included in the sample if sufficient data was available. This approach ensures that the findings are representative of the entire population of listed DMBs in Nigeria, thereby enhancing the generalizability and robustness of the results.

Method of Data Collection

Data for this study were exclusively obtained from Published Audited Annual Reports and Accounts of the listed DMB's in Nigeria. The data extraction covered the period from 2014 to 2023, providing a substantial historical dataset for analysis.

Technique of Data Analysis and Model Specification

This study employed Panel Regression techniques

Model

$$MV_{it} = \beta_0 + \beta_1 ENVR_{it-1} + \beta_2 SOCR_{it} + \beta_3 GOVR_{it} + \beta_4 FS_{it} + \varepsilon_{it}$$

Where:

MV= Market value

ENVR= Environmental Reporting

SOCR= Social Reporting

GOVR= Governance Reporting

FS= Firm Size

β_0 = Intercept

β_1 to β_4 = coefficient of slope or regression coefficient

ε = error term

Table 2 Variables Measurement

Variable name	Measurement	Source
Market Value	Market Value of Assets=Market Value of Equity+Book Value of Debt	Dragomir et al (2022)
Environmental Reporting	Content analysis based on the Global Reporting Initiative (GRI, 2021) Checklist	Aris et al., (2018); Clarkson et al. (2008)
Social Reporting	Content analysis based on the Global Reporting Initiative (GRI, 2021) Checklist	Umoren and Okougbo (2011) and Uwuigbe (2012).
Governance Reporting	Content analysis based on the Global Reporting Initiative (GRI, 2021) Checklist	Abeysekera (2010) Muttakin et al. (2015),
<i>Control Variables</i>		
FS	Natural logarithm of total assets	Haj-Salem et al (2020); Uwuigbe et al (2011).

Result and Discussion

Table .4: Descriptive Statistics

	mean	Std. dev.	Min	Max
MV	3.641423	1.834548	1.0553	6.30972
ENVR	.1564734	.1163748	.0130353	.4672721
SOCR	.2175689	.1330615	.0526316	.6
GOVR	.681105	.1180262	.428571	.916667
FS	9.91294	.6511566	7.81954	10.9927

Source: Stata 14 output (2025)

The mean market value (MV) across the sample is 3.641423, with a standard deviation of 1.834548, indicating moderate valuation levels but significant variation among the listed deposit

money banks (DMBs). The range of market values extends from a minimum of 1.0553 to a maximum of 6.30972, highlighting disparities between smaller and larger banks in terms of market capitalization. For environmental reporting (ENVR), the average score is relatively low at 0.1564734, with a standard deviation of 0.1163748, suggesting that environmental disclosures are not yet a priority for most banks. Scores for ER range from 0.0130353 to 0.4672721, reflecting varying degrees of commitment to environmental sustainability.

Social reporting (SOCR) scores have a slightly higher mean of 0.2175689, indicating greater attention to social responsibilities compared to environmental initiatives. The standard deviation of 0.1330615 and a range of 0.0526316 to 0.6 further underscore the differences in how banks approach social disclosures.

Governance reporting (GOVR) demonstrates the highest level of focus, with a mean score of 0.681105 and a standard deviation of 0.1180262. This suggests that governance-related disclosures, such as board independence and anti-corruption measures, are more consistently prioritized by DMBs. GOVR scores range from 0.428571 to 0.916667, showing that while governance practices are generally strong, there is still room for improvement.

Finally, firm size (FS), measured as the natural logarithm of total assets, has a mean of 9.91294 and a standard deviation of 0.6511566, indicating a relatively large average size among the sampled banks. The range of firm sizes, from 7.81954 to 10.9927, highlights the diversity in scale within the Nigerian banking sector. These descriptive statistics lay the groundwork for understanding the relationships between ESG factors and market value, providing valuable context for subsequent analyses.

Table 5: Correlation Matrix

	MV	ENVR	SOCR	GOVR	FS
MV	1.0000				
ENVR	0.234	1.0000			
SOCR	0.1449	-	1.0000		
		0.0770			
GOVR	0.059	-	-	1.0000	
		0.0314	0.0356		
FS	0.219	0.4084	-	-0.172	1.0000
			0.0218		

Source: Stata 14 output (2025)

The correlation matrix reveals the relationships between the key variables analyzed in this study, providing insights into both positive and negative associations. Market Value (MV) exhibits a moderate positive correlation with Environmental Reporting (ENVR) at 0.234, suggesting that banks

with higher environmental disclosures tend to have slightly higher market values. The correlation between MV and Social Reporting (SOCR) is weaker at 0.1449, indicating that social disclosures may not significantly influence market value in this context. Furthermore, MV shows a negligible correlation with Governance Reporting (GOVR) at 0.059, implying that governance practices might not be a primary driver of market valuation for the sampled deposit money banks (DMBs). Interestingly, MV has a moderate positive correlation with Firm Size (FS) at 0.219, aligning with the expectation that larger firms generally command higher valuations.

Table 6 VIF/TV Test for Multicollinearity

	VIF	1/ VIF
ENVR	1.43	0.699014
SOCR	1.60	0.625880
GOVR	1.22	0.821964
FS	1.30	0.767077
Mean Value	1.12	

Source: Stata 14 output (2025)

The mean VIF value across all independent variables is 1.12, which is substantially lower than the threshold of 5. This low mean VIF value provides strong evidence that multicollinearity is not a significant issue in the regression model.

Table 7: Breusch-Pagan / Cook-Weisberg test for heteroskedasticity

H0: Constant variance $\chi^2(1) = 0.09$	Prob > $\chi^2 = 0.7592$
--	--------------------------

Source: Stata 14 output 2025

The results indicate that there is no statistically significant evidence of heteroskedasticity in the residuals of the regression model. This implies that the assumption of homoskedasticity (constant variance) holds true, and the standard errors estimated by the model are reliable. Therefore, the regression results can be interpreted without concern for bias arising from heteroskedasticity.

Table 8 Hausman Specification Test

$\chi^2(7) = (b-B)'[(V_b - V_B)^{-1}](b-B)$ = 5.00	Prob > $\chi^2 = 0.6597$
---	--------------------------

Source: Stata 14 output (2025)

The Hausman specification test confirms that the random effects model is suitable for analyzing the relationship between ESG reporting and market value in this study. This ensures that the chosen econometric approach is both efficient and reliable, supporting the robustness of the findings.

Table 9 The Lagrange multiplier (LM) Test

Var	sd = sqrt(Var)
3.365565	1.834548
.9650732	.9823814
0	0
chibar2(01) = 0.70	Prob > chibar2 = .5200

Source: Stata 14 output (2025)

The results indicate that there is no statistically significant evidence of individual-specific variation in the error terms. Therefore, the pooled OLS model cannot be rejected as an appropriate specification.

Table 10: Pooled Regression Results

Variables	Coef.	Std. Err.	z	P> z
ENVR	-3.995944	1.917228	-2.08	0.041
SOCR	.2107577	.0546867	3.85	0.000
GOVR	3.188583	1.434905	2.22	0.029
FS	.2359121	.1959426	1.20	0.232
R-square = 0.4225				
F(4, 76) = 31.94				
Prob > F = 0.0030				

Source: Stata 14 output (2025)

The coefficient for Environmental Reporting (EVNR) is -3.995944, with a standard error of 1.917228, yielding a z-statistic of -2.08 and a p-value of 0.041, which is statistically significant at the 5% level. This negative relationship suggests that higher levels of environmental reporting are associated with lower market value, potentially indicating that investors may perceive environmental initiatives as costly or risky in the short term. The negative and significant relationship between ENVR and market value aligns with several studies that highlight the potential short-term costs associated with environmental initiatives. For instance, Maji and Lohia (2024) found that

environmental transparency negatively impacts accounting performance, suggesting that investors may perceive environmental investments as costly or risky. Similarly, Dragomir et al. (2022) observed that environmental performance negatively affects profitability during crises, reinforcing the idea that stakeholders might prioritize immediate financial returns over long-term sustainability. From the perspective of Stakeholder Theory, the negative relationship between ENVR and market value could reflect a misalignment between stakeholder expectations and corporate priorities.

In contrast, Social Reporting (SOCR) exhibits a positive and significant relationship with market value, as evidenced by its coefficient of 0.2107577, a standard error of 0.0546867, a z-statistic of 3.85, and a highly significant p-value of 0.000. This result implies that improved social disclosures enhance market value by fostering stakeholder trust and strengthening reputational capital. The positive and significant relationship between SR and market value is consistent with findings from previous studies. Maji and Lohia (2024) demonstrated that social disclosures positively impact market performance, highlighting the value-creation role of social responsibility initiatives. Similarly, Platnari (2023) and Mardini (2022) emphasized the importance of social factors in enhancing corporate financial performance, both for market and accounting measures. These studies suggest that improved social disclosures foster stakeholder trust and strengthen reputational capital, ultimately contributing to higher market value. Under Stakeholder Theory, social responsibility initiatives address the needs of employees, customers, communities, and other societal groups, thereby building trust and enhancing reputation.

Similarly, Governance Reporting (GOVR) demonstrates a positive and significant impact on market value, with a coefficient of 3.188583, a standard error of 1.434905, a z-statistic of 2.22, and a p-value of 0.029. This finding highlights the importance of transparent governance practices in building investor confidence and driving long-term value creation. According to Stakeholder Theory, governance excellence ensures that the interests of all stakeholders, including shareholders, regulators, and employees, are protected. By implementing robust governance practices, banks can reduce agency costs, minimize fraud risks, and enhance decision-making transparency. This alignment with stakeholder expectations strengthens investor confidence and contributes to higher market value. Dragomir et al. (2022) also noted that governance quality significantly influences stock market returns and earnings per share, especially in East Asian banks.

Firm Size (FS) does not exhibit a statistically significant relationship with market value, as indicated by its coefficient of 0.2359121, a standard error of 0.1959426, a z-statistic of 1.20, and an insignificant p-value of 0.232. This suggests that firm size may not be a critical determinant of market value in this context.

The model statistics further support the robustness of the findings, with an R-squared value of 0.4225, indicating that approximately 42.25% of the variation in market value is explained by the independent variables. The F-statistic of 31.94 and a Prob > F value of 0.0030 confirm the overall significance of the model, suggesting that at least one of the independent variables has a meaningful effect on market value. These results underscore the differential impacts of ESG dimensions on financial performance and highlight the need for DMBs in Nigeria to prioritize social and governance disclosures while addressing potential concerns related to environmental initiatives.

Conclusion and Recommendations

This study investigated the effect of Environmental, Social, and Governance (ESG) reporting on the market value of listed deposit money banks (DMBs) in Nigeria. Using panel regression analysis, the findings revealed a mixed but insightful relationship between ESG dimensions and market value. Specifically, environmental reporting (ER) was associated with lower market value, potentially due to perceived short-term costs or risks tied to implementing green initiatives. This aligns with studies suggesting that investors in emerging markets prioritize immediate financial returns over long-term sustainability goals.

In contrast, social reporting (SR) exhibited a strong positive relationship with market value, highlighting stakeholders' appreciation for initiatives promoting employee welfare, customer satisfaction, and community engagement. Improved SR enhances trust and reputational capital, which are critical for DMBs in Nigeria. Additionally, governance reporting (GR) demonstrated a significant positive impact on market value, underscoring the importance of transparency, accountability, and regulatory compliance in fostering investor confidence. Based on the conclusion, the recommendations that the commercial banks in Nigeria should incorporate ESG factors into investment decision-making processes, recognizing their potential to mitigate risks and enhance long-term returns. Engage actively with banks to advocate for sustainable practices that create shared value. While environmental disclosures may not immediately yield positive results, banks should adopt environmentally sustainable practices incrementally. Focusing on cost-effective and scalable green initiatives, such as energy-efficient operations or green financing, can help balance short-term costs with long-term benefits.

References

- Adams, C. A., & Abhayawansa, S. (2022). *The role of corporate social responsibility (CSR) and environmental, social, and governance (ESG) disclosures in enhancing corporate reputation and financial performance*. *Journal of Business Ethics*, 158(2), 225-245. <https://doi.org/10.1007/s10551-021-04939-6>

- Ahmed, F., Hossain, D. M., & Rahman, M. (2018). *The effect of environmental pollution and corporate governance on firm value: A case of Nigeria*. Environmental Economics and Policy Studies, 20(1), 23-45. <https://doi.org/10.1007/s10018-018-0233-0>
- Biondi, V., et al. (2023). Environmental Disclosures: The Impact on Market Value. *Journal of Corporate Governance and Sustainability*.
- Biondi, Y., Valori, P., & Bonfatti, L. (2023). *Environmental disclosures and their impact on corporate sustainability and market performance*. Journal of Environmental Management, 260, 110162. <https://doi.org/10.1016/j.jenvman.2020.110162>
- Chen, F., Dong, Q., & Li, X. (2023). *The impact of corporate social responsibility disclosure on the financial performance of firms in emerging markets*. Sustainability, 15(4), 892-913. <https://doi.org/10.3390/su15040892>
- Chen, L., & Xie, E. (2022). *Corporate governance quality as a moderator of the relationship between ESG disclosures and firm value: Evidence from China*. Journal of Corporate Finance, 68, 101950. <https://doi.org/10.1016/j.jcorpfin.2021.101950>
- Cheng, B., Ioannou, I., & Serafeim, G. (2021). *Corporate social responsibility and market value: The importance of stakeholder engagement*. Journal of Business Ethics, 162(3), 509-524. <https://doi.org/10.1007/s10551-020-04580-x>
- Clark, C. (2021). *Environmental disclosures and their influence on investor decisions: An empirical investigation*. Journal of Sustainable Finance & Investment, 11(1), 1-16. <https://doi.org/10.1080/20430795.2020.1848671>
- Dierkers, R., & Antal, A. B. (2016). Disclosures and Dialogue with Stakeholders. *Journal of Business Ethics*, 70(3), 303-318.
- Difa, A. P. S., & Larasati, A. Y. (2024). Enhancing Value: The Impact of Environmental, Social, and Governance Disclosure on Indonesian Basic Materials Sector Companies. *Jurnal Akuntansi*, 16(1), 27-40.
- Dragomir, V., et al. (2022). The Influence of ESG Performance on the Market Value of Banks: A Global Perspective. *Journal of Banking and Finance*, 50(5), 903-920.
- Eccles, R. G., Ioannou, I., & Serafeim, G. (2021). *The impact of corporate sustainability on organizational processes and performance*. Management Science, 57(5), 1021-1036. <https://doi.org/10.1287/mnsc.2021.1356>
- Fatihudin, S., Arifin, Z., & Syafruddin, A. (2018). *Market value and firm strategy: How business goals impact firm valuation*. International Journal of Financial Studies, 6(2), 35-49. <https://doi.org/10.3390/ijfs6020035>
- Freeman, R. E. (1984). *Stakeholder Theory: The State of the Art*. Cambridge University Press.
- Grewal, J., Haupt, B., & Prakash, J. (2022). *The role of transparency in social disclosures: Implications for corporate reputation and stakeholder trust*. Journal of Business Research, 84, 101-115. <https://doi.org/10.1016/j.jbusres.2022.01.005>

- Huang, J., He, Y., & Zhang, S. (2023). *Corporate governance and financial performance: The role of governance-related disclosures*. *Journal of Financial Reporting and Accounting*, 21(3), 75-93. <https://doi.org/10.1108/JFRA-09-2022-0125>
- Hwang, J., et al. (2021). The Impact of ESG Activities on Market Value During the COVID-19 Pandemic. *Journal of Business Research*, 105, 347-357.
- Johnson, R. A., & Greening, D. W. (2021). The Role of Governance Disclosures in Shaping Investor Confidence and Market Value. *Journal of Business Ethics*, 168(2), 123-137.
- Krueger, P., Sautner, Z., & Starks, L. T. (2022). *The effect of social and environmental disclosures on firm value: Evidence from emerging markets*. *Journal of Corporate Finance*, 70, 101948. <https://doi.org/10.1016/j.jcorpfin.2021.101948>
- Lindblom, C. K. (1994). The Implications of Organizational Legitimacy: A Theoretical Perspective. *Business and Society Review*.
- Maji, S., & Lohia, S. (2024). Impact of ESG Disclosures on Financial Performance: Evidence from India. *Journal of Corporate Governance*, 12(1), 91-112.
- Mardini, A. (2022). ESG Factors and Corporate Market Value: A Global Perspective. *Corporate Social Responsibility and Environmental Management*, 29(4), 578-591.
- Mirza, H., & Javed, S. (2013). *Market value: Assessing firm performance through business goal achievement*. *Journal of Business Research*, 36(4), 73-82. <https://doi.org/10.1016/j.jbusres.2012.04.001>
- Naeem, M., & Çankaya, S. (2022). The Impact of ESG Performance on Market Value in Energy and Power Generation Companies. *International Journal of Energy Economics and Policy*, 12(2), 258-267.
- Nekhili, M., Saffar, W., & Ben-Salem, R. (2021). *ESG performance and firm value: The moderating role of institutional context and regulatory environment*. *Journal of Financial Economics*, 72(6), 45-64. <https://doi.org/10.1016/j.jfineco.2021.09.004>
- Neri, S., & Li, C. (2021). *The role of corporate sustainability in mitigating the risks of climate change: A framework for firm adaptation*. *Corporate Social Responsibility and Environmental Management*, 28(3), 513-525. <https://doi.org/10.1002/csr.1900>
- Neri, S., Li, C., & Baumeister, L. (2021). *Sustainability disclosures and firm risk management: A critical review of the literature*. *Corporate Social Responsibility and Environmental Management*, 28(1), 25-45. <https://doi.org/10.1002/csr.1949>
- Novita, N., Dharma, F., & Syaipudin, U. (2024). The Effect of Environmental Social Governance Disclosure, Investment Opportunity Set, and Profitability on Firm Value. *Asian Journal of Applied Business and Management*, 3(1), 29-42.
- Platnari, A. (2023). The Effect of ESG Reporting on Market Value. *Journal of European Business*, 48(6), 119-132.

- Sullivan, J. M., & Houghton, J. P. (2021). *Environmental responsibility and corporate disclosures: The case for a sustainable future*. *Journal of Environmental Economics and Management*, 104, 102-118. <https://doi.org/10.1016/j.jeem.2020.102114>
- Thornburg, D. (2022). *Investor confidence and governance disclosure: An analysis of the relationship between governance practices and financial market performance*. *Journal of Corporate Governance*, 39(7), 1248-1269. <https://doi.org/10.1108/JCG-01-2022-0012>
- Treepongkaruna, S., & Suttipun, M. (2024). The impact of environmental, social and governance (ESG) reporting on corporate profitability: evidence from Thailand. *Journal of Financial Reporting and Accounting*.
- Ullmann, A. A. (2015). A Strategic Model of Social Disclosure: Environmental, Economic, and Performance Factors. *Journal of Business Research*, 68(2), 319-329.
- Velte, P., Rieble, A., & Waddell, L. (2017). *The effects of corporate social responsibility (CSR) and sustainability disclosures on firm value in developed economies: A meta-analysis*. *Sustainability*, 9(4), 515-537. <https://doi.org/10.3390/su9040515>
- Velte, P., Rieble, A., & Waddell, L. (2017). *The effects of corporate social responsibility (CSR) and sustainability disclosures on firm value in developed economies: A meta-analysis*. *Sustainability*, 9(4), 515-537. <https://doi.org/10.3390/su9040515>.