Beyond Compliance: Exploring the Link Between Environmental Performance and Enterprise Value in Nigeria

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Abstract

Research Objective: This study investigates the relationship between corporate environmental performance and enterprise value in Nigeria, focusing on three key environmental metrics: Resource Use Score, Emissions Score, and Innovation Score.

Methodology: Data were collected from corporate publications, including annual and independent sustainability reports. The study employed content analysis to extract relevant data, followed by descriptive statistics and panel regression analysis to estimate the model and test the hypotheses. The Hausman test was used to determine whether a fixed-effects or random-effects model was more appropriate.

Findings: The results show that overall corporate environmental performance significantly impacts enterprise value in Nigeria. Specifically, the Resource Use Score has a statistically significant positive relationship with enterprise value. However, no statistically significant relationships were found between Emissions Score and Innovation Score and enterprise value.

Conclusion: The study suggests that integrating environmental sustainability practices, particularly in resource use, into corporate strategies can enhance enterprise value. It recommends that companies in Nigeria should prioritize environmental sustainability to boost long-term business performance.

Key words: *ESG, Environmental Score, Corporate Environmental Performance, Resource Use Score, Emissions Score.*

1.0 Introduction

The contemporary business environment is undergoing a significant transformation driven by two key forces: globalization and environmental concerns (Dalbol & Dalbol, 2011). This necessitates a shift towards innovative business practices that prioritize speed, novelty, efficiency, and affordability in a highly competitive marketplace. However, traditional approaches to competition often lead to increased industrialization, material consumption, and waste generation (Gnanaweera & Kunori, 2018; Sukitsch, Engert & Baumgartner, 2015; Hart & Milstein 2003). While industrialization has brought significant economic benefits,

particularly for developed nations, it has also resulted in substantial environmental burdens, including rising pollution levels and resource depletion (Dalbol & Dalbol, 2011). Developing countries are increasingly following suit, prioritizing economic growth through industrialization.

This pursuit of productivity and competitive advantage often leads to complex and resource-intensive business activities, with a consequential impact on the environment and society (Uwuigbe et al, 2018). The combination of a growing global population and resource scarcity further intensifies the pressure on industrial practices, posing a threat to the future of our planet (Utile, 2016). Dufwa and Hammarström (2015) highlight the role of the corporate sector in contributing to environmental and social problems, often due to a short-term focus on profitability. As a result, businesses are increasingly recognized as both a cause of these issues and a potential solution (Asuquo, Dada & Onyeogaziri, 2018).

Despite the pressing environmental factors, some developing economies appear to be neglecting their urgency. However, it is crucial to recognize that unsustainable practices have detrimental consequences for society, ecology, and the economy (Welford, 1997). These negative effects are already being felt and will continue to escalate for future generations unless proactive and strategic measures are implemented.

In response to the environmental challenges, many stakeholders pin their hopes on the adoption of sustainable development strategies by the corporate world. Corporate sustainability practices are increasingly recognized as crucial to mitigating these issues (Taliento et al., 2019; Peylo, 2012). Stakeholders, including host communities, governments, financial institutions, investors, and the public, are demanding greater transparency in corporate activities. This includes information on how businesses interact with the environment, fulfill their social responsibilities, and conduct their operations (Aondoakaa, 2015, cited in Asuquo et al., 2018).

The core dimensions of corporate sustainability are environmental impact, social responsibility, and corporate governance (Taliento et al., 2019; Maletic et al., 2015). Environmental concerns include climate change, resource depletion, and pollution (Uwaloma, 2011). Businesses are increasingly challenged to balance economic growth with environmental protection. While environmental sustainability practices have a long history (Tasneem et al., 2016), mandatory environmental reporting is still in its early stages for developing economies like Nigeria (Tasneem et al., 2016).

1.1 Statement of Problem

While the connection between environmental sustainability and financial performance has garnered significant research attention, a critical knowledge gap persists, particularly in developing economies like Nigeria (Miralles-Quirós et al., 2019; Uwuigbe et al., 2018; Umoren et al., 2015). Existing studies within the Nigerian context have primarily focused on the banking sector, neglecting the potentially diverse dynamics across different industries

(Uwuigbe et al., 2018). This presents a unique opportunity to explore this relationship in a broader Nigerian context, fostering a more nuanced understanding.

Furthermore, the rapid evolution of corporate sustainability practices necessitates a continuous stream of updated research to ensure its relevance (Osazuwa, Francis & Izedonmi, 2013). This is particularly true in developing economies like Nigeria, where mandatory environmental disclosures are still in their early stages (Uwuigbe et al., 2018; Umoren et al., 2015; Uwaloma, 2011). This disparity in disclosure practices between developed and developing nations highlights a crucial question: how does environmental performance translate into enterprise value creation within the Nigerian market?

This research delves into this under-explored territory. By examining the link between environmental performance and enterprise value across diverse Nigerian industries, this study aims to bridge the knowledge gap and provide fresh insights. This unique approach goes beyond existing research, which primarily focuses on profitability within individual sectors (Uwuigbe et al 2018). Our focus on enterprise value creation offers a more holistic perspective on the financial implications of environmental sustainability in the Nigerian context.

2. Literature Review

2.1. Conceptual Framework

2.1.1. Concept of Corporate Sustainability

The concept of sustainability extends beyond corporate boundaries and thus lacks a defined end-state (Papoutsi, 2018; Schaltegger, 2011). There is no generally agreed definition for sustainability (Papoutsi, 2018; Carter & Rogers, 2008). However, the most persistent and highly cited definition of sustainability is that of the Brundtland Commission (1987), which describes sustainability as “development that meets the needs of the present without compromising the ability of future generations to meet their own needs” (Berns et al., 2009; Carter & Rogers, 2008, Schaltegger & Burritt, 2005). However, applying this macroeconomic definition seems difficult for organizations, since it provides little guidance on how corporations should effectively identify present and future needs, determine the technologies to meet those needs, and understand how to balance organizational capabilities between multiple stakeholders (Gimenez, Sierra & Rodon, 2012).

2.1.2 Environmental Performance

Environmental sustainability forms the bedrock of the ESG framework. As Papoutsi (2018) defines it, it's the ability to minimize long-term risks associated with resource depletion, fluctuating energy costs, and environmental pollution. This necessitates a business transformation that reduces negative environmental impact (Dyllick & Hockerts, 2002; Moldan et al., 2012).

Environmental factors encompass resource conservation, waste reduction, and responsible material consumption (Gimenez et al., 2012). Frameworks like Thomson Reuters' ESG rating system categorize these factors into resource use, emissions, and innovation. Resource use measures a company's ability to reduce energy, materials, and water consumption. The emissions category assesses commitment to reducing pollution during production and operation. Finally, innovation evaluates a company's capacity to develop eco-friendly products and processes that benefit both the environment and customers (Thomson Reuters, 2017).

This focus on environmental performance is increasingly relevant for investors. As Smith (2011) suggests, responsible investing principles are prompting investors to consider environmental challenges alongside financial viability. Companies unprepared to address these concerns risk long-term shareholder value erosion.

2.1.3 Enterprise Value (EV)

Enterprise value (EV) transcends the limitations of equity value by offering a more comprehensive picture of a company's financial health. Unlike equity value, which focuses solely on shareholder ownership, EV incorporates both debt and equity capital, providing a holistic view of the total value a company commands in the market (CFI, 2018).

Imagine EV as the "acquisition price tag" for a company. It reflects the theoretical cost of buying the entire firm, encompassing outstanding debt obligations and cash reserves, before factoring in any takeover premium (CFI, 2018). This perspective is invaluable for investors and potential acquirers, as it reveals the true underlying value of a company beyond just its stock price. The simple formula for enterprise value is:

EV = Market Capitalization + Market Value of Debt – Cash and Equivalents

The extended formula is:

EV = Common Shares + Preferred Shares + Market Value of Debt + Minority Interest – Cash and Equivalents

2.2 Theoretical Framework

The relationship between environmental sustainability practices and a firm's financial performance and value creation remains a topic of ongoing research and debate. Two key theories provide frameworks for understanding this relationship:

Shareholder Theory: This view, championed by Friedman (1970), prioritizes maximizing shareholder value. It suggests environmental initiatives might raise costs and hinder profitability, putting these companies at a competitive disadvantage.

Stakeholder Theory: In contrast, this perspective, advanced by Freeman (1984), emphasizes a broader stakeholder focus, including the environment. Proponents argue that effective environmental stewardship can lead to a competitive edge. Strong environmental performance

can attract resources, expand market opportunities through positive brand perception, and command premium pricing. These benefits ultimately contribute to shareholder value.

Ecological Modernization Theory (EMT): EMT offers a bridge between these two perspectives. Introduced by Joseph Huber (2000), it suggests a "win-win" scenario where eco-innovation, driven by environmental concerns, can lead to both environmental benefits and economic gains (Murphy & Gouldson, 2000; Sarkis et al., 2011). Companies that invest in cleaner production technologies can reduce environmental impact while also streamlining operations and potentially lowering costs. This aligns with the stakeholder theory's focus on long-term value creation, but through technological advancements.

2.3 Empirical Review

Several studies support a positive association between certain ESG practices and shareholder value. Miralles-Quirós et al. (2019) found a positive link between environmental and governance performance with Tobin's Q (a market valuation measure) in a sample of banks across multiple countries. Similarly, Ting et al. (2019) observed positive valuation effects associated with ESG initiatives across developed and emerging markets. These findings align with stakeholder theory, suggesting that strong ESG performance, particularly in environmental and governance aspects, can lead to a competitive advantage and ultimately enhance shareholder value.

Dahlberg & Wiklund (2018) investigated ESG investing in Nordic countries, known for their high ESG ratings. They found a significant positive relationship between several ESG ratings and market performance (Tobin's Q) but no significant link with accounting performance (Return on Assets). This suggests that Nordic investors consider ESG factors beyond just financial metrics, potentially favoring companies with strong ESG practices. This aligns more with stakeholder theory than shareholder theory, where solely maximizing shareholder returns is the primary objective.

Tarmuji et al. (2016) examined the impact of ESG practices on economic performance in Malaysia and Singapore. Their findings suggest that social and governance practices significantly influence economic performance. Interestingly, environmental practices showed a positive correlation with economic performance in both countries. However, corporate environmental responsibility practices lacked a significant influence. This highlights the need for further research to understand the nuances of environmental practices and their economic impact.

While some studies point to a positive relationship between ESG and value creation, others show inconclusive or negative results. Umoren et al. (2015) reported that ESG disclosure levels were generally low, with governance information being the most disclosed and environmental information the least. These studies highlight the need for improved ESG disclosure practices and investor education in developing economies like Nigeria.

The reviewed studies present a mixed picture of the relationship between ESG and value creation. While some research supports a positive link, particularly for environmental factors, others show inconclusive or negative results. This underscores the complexity of the relationship and the need for further research considering industry specifics, regional variations, and evolving investor behavior. Additionally, the studies on disclosure practices highlight the importance of transparency and investor education in promoting a more holistic view of corporate value that integrates both financial and ESG performance.

3.0 Methodology

This section outlines the research design, data collection procedures, and analysis techniques employed to investigate the influence of environmental performance on enterprise value in Nigeria.

3.1 Research Design

A content analysis research design was adopted to address the research objectives. Content analysis, as defined by Krippendorf (1980), is a systematic method for drawing valid and replicable inferences from data based on its context. It allows for the objective categorization of qualitative information found in documents like annual reports and sustainability reports (Abbott & Monsen, 1979). This approach was deemed most suitable considering the study's focus on exploring the prevalence of environmental performance within corporate publications.

Content analysis offers several advantages for this research. First, it enables the systematic classification of environmental performance, facilitating the identification of trends. Second, it aligns with established research practices in the field of ESG analysis (Miralles-Quirós et al., 2019). Finally, content analysis provides insights into the motivations and intentions behind corporate ESG factors, aiding in the interpretation of findings (Miralles-Quirós et al., 2019).

3.2 Population and Sample

This study investigated the relationship between environmental performance and enterprise value creation, focusing on large firms listed on the Nigerian Stock Exchange (NSE). The population encompassed all actively traded companies on the NSE as of September 4, 2020 (n=167). This population size ensured a sufficient sample for robust analysis. To achieve representativeness and adhere to established research practices (Sharifah et al., 2008; Amadi, 2005; Sekaran, 2003), a sample of 87 companies was chosen.

3.3 Data Collection

Secondary data collection methods were employed for this research. Data were primarily sourced from corporate publications, specifically annual reports and independent reports (like sustainability reports) of the sampled companies. This aligns with established practices in ESG research (Uwaloma, 2011). The rationale for this approach is as follows:

Annual reports and independent reports are the primary corporate publications representing a firm's activities. Stakeholders rely on these documents to assess a company's performance, making them valuable sources of information.

Utilizing these reports aligns with prior studies, facilitating result comparability. Additionally, these reports are widely viewed as reliable sources of corporate information.

The study used content analysis, which involves selecting appropriate units of analysis to extract data. Sentences were chosen as the unit of analysis in this study. This decision aligns with established practices in ESG disclosure research (Miralles-Quirós et al., 2019; Uwaloma, 2011). Sentences provide a meaningful unit for capturing ESG disclosures compared to words or pages. This approach enhances data reliability and facilitates further analysis.

3.4 Data Analysis

Data analysis was conducted using Econometric Views (EViews) version 10. The specific data analysis techniques employed in this study include:

Data visualization and descriptive statistics, which provided a preliminary understanding of the data's central tendencies and dispersion.

Inferential statistics: The regression analysis technique was employed to examine the relationships between environmental performance and enterprise value creation. Panel data regression techniques, including Pooled Ordinary Least Squares (OLS), Fixed Effects, and Random Effects models, were employed to estimate the environmental performance and enterprise vcalue in Nigeria. The model used is presented below:

$EVit = \beta 0 + \beta 1\ RESit + \beta 2\ EMIit + \beta 3INNit + \beta 4\ FSit + \mu it$ ……..…. (i)

Where:

EV	=	Enterprise Value
RES	=	Resource Use
EMI	=	Emissions
INN	=	Innovation
FS	=	Firm Size (Log of total assets)
β0 – β4	=	Parameter Estimates
μ	=	Stochastic factor/error term

The Hausman test was employed to determine the most suitable model between Fixed Effects and Random Effects. The null hypothesis (H_0) states that the Random Effects model is appropriate, while the alternative hypothesis (H_1) suggests the Fixed Effects model is preferable.

The decision criterion is based on the p-value of the Hausman test. If the p-value is less than 0.05 (usually considered statistically significant), we reject H_0 and adopt the Fixed Effects model. Conversely, a p-value greater than 0.05 indicates we accept H_0 and the Random Effects model is more appropriate.

4.0 Data Analysis

4.1 Descriptive Statistics and Visualization

Table 4.1 Descriptive Statistics

Variables	Mean	Maximum	Minimum	Std. Dev.	Observations
EV	266828234	7263030239	80908.98	911178389	420
RES	0.130595	0.970000	0.000000	0.145800	420
EMI	0.112405	0.970000	0.000000	0.148329	420
INN	0.092810	0.960000	0.000000	0.130038	420
FS	16.86900	22.79325	11.46067	2.206866	420

Source: Researcher's Computations using EViews 10

From table 4.1, the result of the descriptive statistics shows that between 2016 to 2020 across the eighty-four (84) firms examined in this study, the mean of enterprise value was 266828234. This implies that the average enterprise value for the selected firms for 5years was ₦266,828,234M. The table also indicated that the enterprise value across the firms in the period examined fluctuated between the minimum of ₦80,908.98M to a maximum of ₦7,263,030,239M. The standard deviation (Std. Dev.) indicates that the dispersion or spread in the enterprise value series is 911178389. This indicates a very high spread out from the mean value.

The descriptive statistics presented in table 4.1 shows that the mean of resource use (RES) was 0.130595. This implies that the average resource use score for the 84 firms in 5 years was about 13.06%. The minimum score for resource use was 0.00, while the maximum is 0.97. The standard deviation from the mean score of resource use was 0.1458.

In addition, the descriptive analysis shows that the mean score of emissions (EMI) was 0.112405. This implies that the average score of emissions among listed companies in Nigeria was about 11.24%. The trend of emissions recorded a minimum score of 0.00 and a maximum score of 0.97. The standard deviation was 0.148329. This tells that emissions score points are spread out, that is, not clustered around the mean score differently.

The table 4.1, also shows that the mean score for innovation (INN) was 0.092810. This implies that on average, the innovations (INN) score for the 84 firms within the 5 years examined was about 9.28%. The result also indicates that the innovation score fluctuated between the maximum of 0.96 and minimum of 0.00. The standard deviation was 0.130038.

Finally, the descriptive statistics presented in table 4.1 showed the mean of firm size as 16.86900. Meaning that the average firm size measured by the log of total assets was 16.86900. The maximum of the firm size was 22.79325, while the minimum was 11.46067. The standard deviation from the mean value was 2.206866.

4.2 Inferential statistics

The result of the panel data structure model used to estimate the relationship between environmental performance and enterprise value in Nigeria is presented and interpreted below.

Table 4.2 Panel Data Regression Estimates

Variables	Fixed Effect++	Random Effect	Pooled Model
RES	3.164671 (4.297071) **	3.684066 (5.447492) **	3.507182 (3.587791) **
EMI	0.005441 (0.052886)	0.092452 (0.933796)	0.246391 (1.700766)
INN	-1.101869 (-1.754504)	-1.578953 (-2.597948) **	-2.29577 (-2.332007) **
LOG(FS)	0.581922 (17.44406) **	0.79101 (36.73632) **	0.900287 (51.87927) **
C	6.446477 (11.77307) **	2.886042 (8.515759) **	1.114983 (4.332027) **
R-Squared	0.994669	0.874154	0.966799
Adjusted R-squared	0.993272	0.872941	0.966479
F-Statistic	712.0026**	720.6725**	3021.182**

Source: Researcher's Computations (2024) using EViews 10

****, ** and * represent 1%, 5%, and 10% significance levels respectively.*

Figures in brackets are t- t-statistics values.

++ = lead equation.

Table 4.2 presents the results from the Pooled Ordinary Least Squares (OLS), Fixed Effects, and Random Effects models. While the Pooled OLS model offers a baseline estimation, it is generally not preferred for panel data studies like this one. This is because the Pooled OLS model disregards the inherent panel structure of the data, treating all observations as independent (Kurt, 2015). This approach overlooks potential company-specific effects that may influence the results. Given the study's interest in understanding the individual performance of companies within the sample, the pooled model is not considered further in this analysis.

Therefore, the focus of our evaluation lies with the Fixed Effects and Random Effects models. The Fixed Effects model, also known as the Least Squares Dummy Variable (LSDV) model,

accounts for heterogeneity or individual company effects by including firm-specific intercept terms. Conversely, the Random Effects model assumes a common mean value for the intercept across all companies (Greene, 2008).

To determine the most appropriate model between Fixed Effects and Random Effects, the study conducted the Hausman test. In the Hausman Test, the null hypothesis was that the preferred model was random effects, while the alternative hypothesis was that the fixed effects model was preferred (Green, 2008). The Hausman test result is presented below:

Table 4.3 Hausman test result

Test Summary		Chi-Sq. Statistic	Chi-Sq. d.f.	Prob.
Cross-section random		69.164067	4	0.0000
Cross-section random effects test comparisons:				
Variable	Fixed	Random	Var(Diff.)	Prob.
RES	3.164671	3.684066	0.085027	0.0749
EMI	0.005441	0.092452	0.000783	0.0019
INN	-1.101869	-1.578953	0.025029	0.0026
LOG(FS)	0.581922	0.79101	0.000649	0.0000

Source: Researcher's Computations (2024) using EViews 10

The Hausman test statistic presented in Table 4.3 (probability value of 0.0000) indicates a strong rejection of the null hypothesis, which favored the Random Effects model. This suggests the presence of a correlation between unobserved individual effects and the independent variables. Consequently, the Fixed Effects model is deemed the more appropriate estimator for this analysis.

Table 4.2 displays the results of the Fixed Effects model. The high R-squared value (0.994669) suggests a strong explanatory power of the model in predicting enterprise value. However, acknowledging potential overfitting due to the number of independent variables, the adjusted R-squared value (0.993272) provides a more reliable estimate of explained variance. This implies that approximately 99.33% of the variation in enterprise value can be attributed to the included environmental performance variables and firm size.

Furthermore, the F-statistic (712.0026) with a highly significant probability value (0.000000) confirms the overall goodness of fit for the Fixed Effects model. This statistically validates the model's capacity to explain the relationship between environmental performance and enterprise value. The study concludes that environmental performance has a significant effect on enterprise value in Nigeria.

The coefficient of the control variable, log of total assets (Log(FS)), is positive and statistically significant (0.581922, t-statistic of 17.44406). This finding aligns with

expectations, indicating that larger firm size (as measured by total assets) is positively associated with enterprise value in Nigeria.

The Fixed Effects model sheds light on the relationship between specific environmental performance measures and enterprise value.

Resource Use (RES): The coefficient of resource use (3.164671) indicates a positive and statistically significant relationship (t-statistic of 4.297071, p-value < 0.0000). This suggests that companies in Nigeria demonstrating lower resource use (higher resource efficiency) experience a proportional increase in enterprise value. This study concludes that there is a positive and significant relationship between resource use (RES) and enterprise value in Nigeria.

Emissions (EMI): The coefficient for emissions (0.005441) reveals a positive, but statistically insignificant association (t-statistic of 0.052886, p-value = 0.9579) with enterprise value. The study concludes that there is a positive and insignificant relationship between Emissions (EMI) and enterprise value in Nigeria.

Innovation (INN): The coefficient of innovation (-1.101869) suggests a negative, yet statistically insignificant association (t-statistic of -1.754504, p-value = 0.0803) with enterprise value. Thus, it is safe to say that there is no significant relationship between innovation (INN) and enterprise value in Nigeria.

These findings offer valuable insights for Nigerian companies seeking to enhance their environmental sustainability and enterprise value standing. The positive and significant relationship between resource efficiency and enterprise value underscores the importance of optimizing resource utilization for improved valuation. The inconclusive results regarding emissions and innovation highlight the need for further research to guide effective environmental strategies within the Nigerian context.

4.3 Discussion of Result

The results from the Fixed Effects model provide compelling evidence that environmental performance has a significant positive impact on enterprise value within the Nigerian context. This finding highlights the growing importance of environmental considerations for companies seeking to enhance their enterprise value.

Specifically, the study found that there was a positive and significant relationship between resource use (RES) and enterprise value in Nigeria. A core driver of this link could be the direct impact of resource efficiency on company costs. By utilizing fewer resources, businesses minimize spending on materials, energy, and other inputs. This translates into lower operating expenses and potentially higher profit margins. In a competitive market, these cost savings can be a significant advantage, allowing resource-efficient companies to offer competitive pricing or invest in other growth opportunities, ultimately enhancing their enterprise value. Consumers and investors are increasingly concerned about environmental

responsibility. Companies demonstrating a commitment to resource efficiency can build a positive brand image and differentiate themselves as environmentally conscious. This can attract "green" consumers and investors who prioritize sustainability, potentially leading to higher market valuations and improved access to capital.

Secondly, there was a positive and insignificant relationship between Emissions (EMI) and enterprise value in Nigeria. Different industries have varying environmental footprints. Companies in sectors with inherently high emissions (e.g., heavy manufacturing) might show a positive correlation between emissions and enterprise value, reflecting their core business activities.

Thirdly, there was no significant relationship between innovation (INN) and enterprise value in Nigeria. Focusing on innovations that drive resource efficiency, cost reduction, or market expansion might reveal a more positive relationship.

The overall environmental performance result is in line with the findings of Miralles-Quirós *et al.* (2019), Dahlberg & Wiklund (2018), Tarmuji, Maelah & Tarmuji (2016). The emission and resource use, which measured the firm's performance and capacity to reduce the use of energy, materials, and water; and to find more eco-efficient solutions indicate a positive relationship with enterprise value. No less was expected as there was no known law regulating emission and resource use in Nigeria: firms operate based on their discretion. So, the more they expand their operations without improved innovation as also indicated in the result, the more the increase in emission and resource use to meet the market need and improve their value.

5.0 Conclusion and Recommendations

5.1 Summary of Findings

Traditionally, corporate performance has been evaluated through financial metrics. However, recent years have witnessed a growing emphasis on non-financial factors, particularly environmental considerations, by stakeholders (Whitelock, 2015). This shift reflects a collective desire for sustainable development, encompassing ecological and economic well-being. Despite this growing recognition, empirical research on the link between environmental performance and enterprise value in developing economies remains scarce.

This study addresses this gap by investigating the relationship between environmental performance and enterprise value in the Nigerian context. Utilizing panel data regression analysis, the study reveals a statistically significant association between environmental performance and enterprise value. Interestingly, the findings offer a nuanced perspective:

Resource Use: A positive and statistically significant relationship exists between resource efficiency (lower resource use) and enterprise value.

Emissions: The study identifies a positive, albeit statistically insignificant, relationship between emissions and enterprise value.

Innovation: The analysis reveals a negative, yet statistically insignificant, relationship between innovation and enterprise value.

These findings offer valuable insights for both companies and policymakers in Nigeria. By demonstrating the potential financial benefits of resource efficiency, the study encourages companies to adopt sustainable practices. Additionally, the inconclusive results regarding emissions and innovation highlight the need for further research to guide effective environmental strategies within a developing economy.

5.2 Conclusion

This study examined the link between environmental performance and enterprise value in Nigeria. This study covered five (5) years (2016-2020) of content analysis of annual reports and stand-alone sustainability reports of eighty-four (84) companies listed on the Nigerian Stock Exchange Market. It's important to note that the only known significant effort towards corporate sustainability reporting in Nigeria is the Nigerian Stock Exchange (NSE) sustainability disclosure guidelines issued in 2016.

The study used content analysis to extract data for the study. Descriptive statistics and inferential statistics - panel regression analysis was used to estimate the model. The Hausman test was also conducted to determine the most appropriate model between fixed effect and random effect. The data analysis was performed using Econometrics View (EViews) version 10. Conclusively, this study revealed that environmental performance has a statistically significant link with enterprise value in Nigeria.

Based on the findings, there are several practical policy implications for businesses, regulators, and stakeholders in the Nigerian stock market:

Given the influence of environmental performance on enterprise value, regulators and industry associations should encourage and incentivize companies to enhance their sustainability reporting, especially the environmental performance aspect. This could be achieved through the development of standardized reporting frameworks and guidelines.

5.3 Recommendations

Based on the findings of this study we make the following recommendations are made:

1. Based on the finding that the environmental dimension of corporate sustainability has a significant effect on enterprise value, this study recommends that the environmental factors should be fully considered in the development of business models.
2. Integrating sustainability practices throughout the supply chain can be highly beneficial. Businesses can partner with suppliers committed to resource efficiency to ensure a consistent flow of materials and reduce overall environmental impact.

3. Investing in innovative technologies that promote resource efficiency can be a worthwhile strategy. This could include adopting energy-saving equipment, implementing water conservation measures, or utilizing advanced recycling processes.

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