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Effect of Environmental, Social and Governance on Firm Value of Service Firms in Nigeria

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Abstract

Research Objective: This study explores the impact of environmental, social, and governance (ESG) factors on the firm value of service firms in Nigeria during the period from 2013 to 2022. Specifically, it investigates the effect of corporate social responsibility (CSR) expenses, staff compensation, and directors' remuneration on the net assets of these firms.

Methodology: The research utilised secondary data extracted from the annual reports and financial statements of seven service firms listed on the Nigerian Exchange Group during the specified period. Multiple regression analysis was employed to analyse the data.

Findings: The results indicate that:

- Corporate Social Responsibility Expenses: The effect on net assets is positive but statistically non-significant (CSRE: p-value: 0.6205 > 0.05, Coeff = 5.744009).
- Staff Compensation: The effect on net assets is positive and statistically significant (STFC: p-value: 0.0006 < 0.05, Coeff: 2.945618).
- Directors' Remuneration: The effect on net assets is positive but statistically non-significant (DITR: p-value: 0.7641 > 0.05, Coeff: 1.962013).

These findings suggest that increases in any of the ESG variables generally lead to an increase in firm value, although the significance of the impact varies.

Conclusion: The study concludes that while corporate social responsibility and directors' remuneration positively influence firm value, the impact is not statistically significant. In contrast, staff compensation has a significant positive effect on firm value.

Recommendations: Enhance CSR Programs: Firms should improve their firm value by implementing robust CSR initiatives such as infrastructural development, skill acquisition programs, and scholarships for indigent students in their host communities.

- Increase Staff Compensation: Firms should regularly review and enhance staff salaries, wages, and welfare packages (including recreational facilities, meal subsidies, medical, and transport allowances) to create value.

- Adequate Directors' Remuneration: Adequate remuneration for directors is recommended to attract competent individuals capable of formulating sound policies and providing effective oversight.

Keywords: *Environmental & social governance, firm value, corporate social responsibility, staff compensation, directors' remuneration.*

1. INTRODUCTION

The global financial crisis of 2007-2008 and its negative effects on growth and development around the world compelled firm stakeholders to be increasingly concerned about non-financial metrics of firms, especially the environmental, social, and governance performance aspect (Albitar et al, 2020). In response to the stakeholders' concern, companies now focus more on their environmental, social and governance activities to recover their reputation in the market by behaving socially responsible (Dah & Jizi, 2018) Thus, many firms, especially well-known multinationals report on environmental, social, and governance matters with the aim of showing legitimacy and to also enhance their reputations (Sadiq, et al2020). Currently there is increased awareness of environmental, social and governance behaviour worldwide, because it is generally assumed that activities related to the welfare of community, society and workers tend to have a positive reflection on a firm's status in terms of monetary value (Marvel's Kemper & Streit, 2017).

Carnini et al (2022) described environmental, social, and governance as the management and direction of all business concerns via a coordinated set of activities and processes that take into account the company's impact on the environment, its interactions with local communities, and the needs of its employees and customers. Almeyda and Darmansyah (2019) stated that the environmental actions of a company relate to its efforts in building a good impact for the environment by following the regulations relating to that particular aspect. The social actions are more about how well the company treat its stakeholders as well as the communities in which it is operating. The governance aspect concerns the firm's integrity and ethical behaviour within the management system of the company including the board of directors. Giese et al. (2019) noted that ESG practices have the potential to increase firm value, improve the management's ability to attract qualified employees and negotiate with them on their own terms. It also strengthens the firm's interaction with its stakeholders and enhances its reputation in the eyes of the community.

Mathis and Stedman (2023) argued that the role of an environmental, social, and governance program is to ensure accountability and the implementation of systems and processes to manage a company's impact, such as its carbon footprint and how it treats employees, suppliers and other stakeholders. Rezaee (2016) also explained that firms concentrating on environmental social, and governance investments can reduce costs, enhance productivity, alleviate risk potential, deliver opportunities for revenue generation, and improve their earnings and long-term sustainability. Lee (2016) further noted that high level of social performance and strong corporate governance help firms to maintain stable profitability, which increases and stabilise stock price of the companies. However, higher investment in environmental and social practices may not always be welcomed by the shareholders as the investment in environmental, social and governance incurs an additional cost that shareholders have to bear.

The literature available in Nigeria reveals that the studies in this area of study is still scanty. Moreover, only little or no studies have holistically addressed the issue of environmental, social and governance on firm value. It was particularly observed that the studies so far in this area mainly focused on the effect of corporate social responsibility on firm profitability or firm value, a few were concerned with the effect of governance on firm profitability or firm value. However environmental, social and governance issues are interwoven and should be addressed holistically. The scanty literature available in this area in Nigeria coupled with the lack of holistic approach motivated the present research to examine the effect of environmental, social and governance and firm value of service firms in Nigeria.

1.1 Statement of the Problem

In Nigeria, some environmentally active firms such as oil and gas and brewery firms are yet to fully embrace and exploit the benefits of environmental, social and governance practices as their major marketing and public relations tools. This is largely because investment in environmental, social and governance practices is not always welcomed by the shareholders who perceive it as an additional cost that shareholders have to bear. In view of this, shareholders of some of the firms kick against such investments as they view it as a source of revenue leakage lowers firm profit and dividend payout. As observed from the Agency Theory, shareholders always want the firm managers to focus more on profitability and wealth creation for them. This focus on profit maximisation and dividend for shareholders and the neglect of other stakeholders of the firms often results in lack of cordial relationship between the firm and its other stakeholders, especially, the host communities and employees. This development may lead to restiveness and unhealthy relationship with the host community, low productivity and high staff turnover in the organisation as staff are demotivated and demoralised. These if not checked will damage the reputation of the firm. Damaged reputation results in low patronage, lack of access to funding and so on. Some brewery firms in the country have died and left the market as a result of damaged reputation. This development compelled the present study to examine the effect of environmental, social and governance variables on firm value of service firms in Nigeria.

1.3 Objectives of the Study

The main objective of the study is to determine the effect of environmental, social and governance on firm value of service firms in Nigeria. Specifically, the study seeks to:

i. Investigate the effect of corporate social responsibility on net assets of service firms in Nigeria.
ii. Analyse the effect of staff compensation on net assets of service firms in Nigeria.
iii. Evaluate the effect of directors' remunerations on net assets of service firms in Nigeria.

1.1 Research Questions

The following research question are in line with the specific objectives of the study

i. To what extent does corporate social responsibility affect the net assets of service firms in Nigeria?
ii. What is the effect of staff compensation net assets of service firms in Nigeria?
iii. How do directors' remunerations affect net assets of service firms in Nigeria?

1.5 Statement of Hypotheses

The following hypotheses were formulated to address the research questions

i. Corporate social responsibility does not significantly affect net assets of service firms in Nigeria.
ii. Staff compensation does not significantly affect net assets of service firms in Nigeria.
iii. Directors remunerations do not significantly affect net assets of service in Nigeria.

1.7 Scope of the Study

The study was focused on the effect of environmental, social and governance on firm value of service firms in Nigeria from 2013 to 2022. Corporate social responsibility expenses, staff compensation and directors' remunerations are the independent variables and measures of environmental, social and governance while net assets is the dependent variable and proxy for firm value.

2.0 REVIEW OF RELATED LITERATURE

2.1 Conceptual Review

2.1.1 Environmental, Social and Governance

Peterdy and Miller (2023) described ESG as a framework that helps stakeholders understand how an organisation is managing risks and opportunities related to environmental, social, and governance criteria. ESG takes the holistic view that sustainability extends beyond just environmental issues. While the term ESG is often used in the context of investing, stakeholders include not just the investment community but also customers, suppliers, and employees, all of whom are increasingly interested in how sustainable an organisation's operations are. Zuraida et al. (2018) are convinced that business managers recognize the importance of environmental, social and governance and sustainability activities since they play a crucial role in the long-term viability and reputation of a company. Investors, financial analysts, and policymakers also utilise non-financial environmental, social and governance information to obtain a holistic assessment of a company's performance and future prospects in the market. Morrison (2021) noted that despite the significant problems with inconsistent definitions and controversial policies, many proponents now suggest that ESG goals should be mandated by government policy. It is, however, argued that a legally mandatory process in which detailed lists of rules for all firms are drawn up and enforced by the government would be expensive, time consuming, and afflicted by the same problems that beset most regulatory policies.

2.1.2 Corporate Social Responsibility Expenses

Khatun (2014) described corporate social responsibility as a business obligation to pursue policies, make decisions, or take actions that align with the objectives and values of society as a whole. It is a business approach that involves companies voluntarily regulating themselves in order to maintain transparency and be held accountable to the broader community. Yiping (2019) stated that corporate social responsibility can be related to food safety, environmental pollution, tax evasion, and so on. As a result, the reputation of an enterprise will be seriously threatened while the sustainable development of society will be endangered. Umoren, et al (2016) noted that corporate social responsibility enhances corporate accountability, builds trust, creates transparency, drives greater innovation, improves internal management and decision-making processes, reduces compliance costs and gives competitive advantage. Lin (2021) noted that despite being regarded as voluntary, corporate social responsibility has become mandatory in many countries through the enactment of laws with different provisions. These laws can pertain to labour, environment, consumer protection, human rights, and other areas. Tamvada (2020) opined that a regulatory framework is necessary to ensure effective corporate social responsibility since voluntarism has not produced the intended results, and this framework should be based on legal theories of morality

2.1.3 Staff Compensation

Mphil, et al (2014) described staff compensation as the benefits that employees receive in the form of cash payments and other non-monetary rewards in exchange for the employee’s services to the organisation. Budhathoki et al (2018) also explained that staff compensation is cash and non-cash benefits received by employees for their contributions towards the goal of the organisation. Staff compensation include, salary, allowances, contribution to provident fund, training expenses, uniform, medical, insurance, pension and gratuity contribution and others expenses such as post-employment and termination benefits. Staff compensation impacts the overall profitability of the firm. It is also used as an indicator of management's efficiency to control cost. Staff cost is an important component of the total operating cost. Kgoedi and Pillay (2018) observed that in any organisation, compensation plays an important role in motivating the employees and aligning the business strategy with the objectives. The business objectives, philosophies and culture should be aligned with compensation in order to concurrently motivate employees to perform better, as well as to achieve the goals of the organisation. Hence, organisations should use compensation as a means of motivating employees to work with greater commitment. Nwachukwu (2009) maintained that in any organisation, be it in the private or public sector, staff cost is a very sensitive issue, not only to management but also to employees. Poor remuneration is a constant source of frustration and if labour and management are engaged in constant strife, it will result in decrease in productivity and profitability by extension.

2.1.4 Directors' Remuneration

Lister (2022) defined directors' remuneration as the full package of compensation received by a director from a company. It is not simply the salary, but can also include bonus payments, stocks, options to buy stocks, and other benefits. Relevant legislation on company structures can restrict the way directors' remuneration is calculated, especially where it has tax consequences. Bebchuk and Fried (2004) identified the various elements of compensation for executive directors as: basic salary, bonus, stock options, and grant of shares, pension, severance pay and perquisites. Other benefits include employee benefits and pension ideally configured to take into account government regulations, tax law, the desires of the organisation and the executive, and rewards for performance. Razali, et al (2018) also said that the total remuneration received by directors can be in various components including fixed pay portion and variable short term incentives to recognize individual merit. Remuneration not only shapes how directors behave but also helps to retain talent through attractive remuneration since directors are viewed as a scarce asset. Harper (2020) stated that the size of the company and whether it is a private or public company will dictate what the directors' remuneration should be for that company.

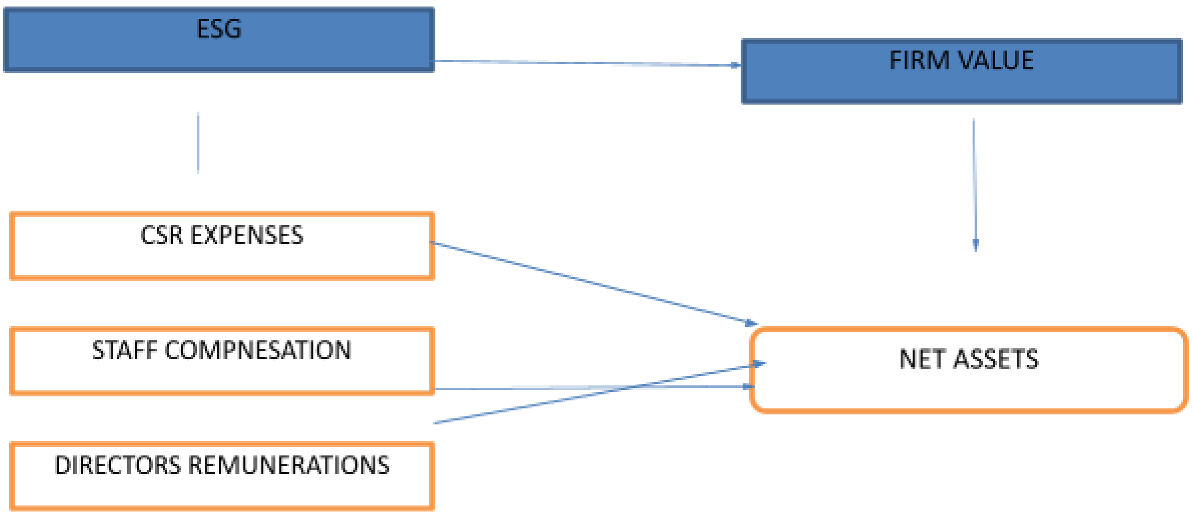
2.1.7 Firm Value

Asiri and Hameed (2014) defined firm value, also known as enterprise value as an economic concept that reflects the value of a business. It is the value that a business is worthy at a particular date. Theoretically, it is an amount that one needs to pay to buy or take over a business entity. Glickman (2014) explained that net assets value is the estimated value of a firm and it is calculated as a firm's properties and other assets less the amount of short- and long-term liabilities, as well as the book value of any preferred stock outstanding. This value can be stated on a per-share basis by taking the total net assets value and dividing it by the common stock outstanding during the period. Sudiyatno, et al (2012) says that the stock price of a firm reflects the firm's value, not only the intrinsic value of a moment, but more importantly is the expectation of the firm's ability to increase the value of future prosperity. Shamsudin, et al (2013) insisted that the performance of a firm usually is reflected in its stock price. Firms with good performance supposedly will have a good demand on its stocks, hence it will boost the stock price and vice versa. However, some non financial factors in the market, such as rumours, speculation and so on also affect firm stock prices

2.1.8 Net Assets

Ganti (2022) described net assets or equity as the difference between the value of total assets and total liabilities. Ramirez and Bundrick (2022) stated that net assets or shareholders' equity consists of two parts. One is the capital directly invested by the shareholders themselves and the other is the retained earnings. The retained earnings are the capital of a firm generated through profitable business activity, which have been retained and reinvested in the business and not distributed to shareholders as dividends. Hayes (2022) noted that net assets and capital employed are two metrics, amongst others, that are used to ascertain the financial health of a business. The net assets in a business organisation are the value of the total assets of the business minus its total liabilities. On the other hand, capital employed refers to the capital a business organisation has invested to generate returns. It denotes the amount of capital a business can use to earn profits. It is the actual value of the assets that any organisation employs to generate revenues and earnings. Capital employed is calculated by subtracting the current liabilities from total assets. Put differently, it is the net asset of a business plus its long term debts.

Fig 2.1: Conceptual Framework



Source: *Author's Compilation 2024*

2.2 Theoretical Framework

2.2.1 Stakeholders Theory

Edward Freeman propounded the Stakeholders' Theory in 1984. The theory state the contrary to Agency Hypothesis that view organisations as a system of relationship between shareholders and management, stakeholders' theory view organisations as a system that accommodates not only the interest of the owners but also the interests of other groups within the environment which the organisation operates. The theory argued that since organisations cannot operate and exist in isolation without relating with its immediate environment then the interest of other stakeholders like employees, customers, suppliers and host community might be considered in the process of strategic decision making. Therefore, the main argument of the theory, as pointed by Lawal (2011), is that organisations should not only maximise the returns of shareholders alone, but also the expectations of other stakeholders should be considered. Finally, the theory argued that for a firm to achieve effective performance in the market, cordial relationship must exist between the firm and the stakeholders and the firm board should be large and diversified enough to accommodate the interest of other stakeholders. The stakeholder's theory proposed an increased level of environmental awareness which creates the need for companies to extend their corporate planning to include the non-traditional stakeholders like the regulatory adversarial groups in order to adapt to changing social demands (Malarvizhi & Yadav, 2008). The main concern of the stakeholders' theory in environmental accounting is to address the environment cost elements and valuation and its inclusion in the financial statements.

2.2.2 The Legitimacy Theory

The legitimacy theory was developed by Dowling and Pfeiffer in 1975. Legitimacy Theory expanded the net of social responsibility of businesses wider than suggested by the Stakeholder Theory. Gibson (1996) argues that competitive advantages from a clean public image and limiting of corporate environmental liabilities are some of the factors that motivate firms to take their responsibility towards the environment seriously by reducing pollution. Therefore, Legitimacy Theory insisted that it is a firm's duty rather than choice to be responsive to society's long-term needs and wants, optimising the positive effects and minimising the negative effect of its activities. The theory suggested that in return for being provided with an institutional framework for their operations as well as access to markets for resources and products, firms implicitly consent to meet certain societal expectations Gray and Balmer (1998). Legitimacy is a postulation that the activity of a firm is appropriate, right and good if in line with the socially built system of norms, values and beliefs of the society (Suchman, 1995). Therefore, firms can remain legitimate to the public by engaging in corporate social responsibility and voluntarily disclose its information.

2.3 Empirical Review

2.3.1 CSR Expenses and Firm Value

Kaimal and Uzma (2024) examined how Indian non-financial service sector companies' financial performance is influenced by their corporate social responsibility expenditures. The paper also analyses whether family ownership has a moderating role in the CSR expenditure–financial performance association. The sample consists of 288 non-financial service sector companies listed in India with 3,456 firm-year observations. Panel data regression analysis using data for 12 years, starting from 2010 to 2021, is carried out. Research findings show that there is a positive influence of CSR spending on financial performance measures (Tobin's Q and return on assets). Mandatory CSR policies also influence the company's performance. Additionally, family ownership has a positive moderating effect on CSR expenditure–financial performance (Tobin's Q). Daromes and Gunawan (2021) examined the effect of joint impact of philanthropy and corporate reputation on firm value using a population of non-financial firms listed on the Indonesian Stock Exchange during 2015-2017 periods. Regression results indicate that philanthropy has a non-significant effect on firm value. Onyali, et al (2020) analysed data from a sample of 20 consumer goods manufacturing firms listed on Nigeria Exchange Group during 2014-2018 periods. The objective was to ascertain the relationship between firm characteristics such as firm size, profitability and financial leverage with social responsibility disclosure. Regression results show that a strong positive relationship exists between firm size; profitability; leverage and corporate social responsibility disclosure. Rahmawati and Putri (2020) examined the effect of corporate social responsibility on financial performance with earnings management as a moderating variable in Indonesia. The sample consists of twenty-seven (27) firms listed in Indonesia Stock Exchange during 2006-2008 periods. Ordinary least square regression results firms engaged in the practice of earnings management have no influence on corporate social responsibility activities. Arumona, et al (2020) studied the effect of environmental disclosure on financial performance of quoted oil and gas companies in Nigeria during 2010-2019 periods. Ordinary least square regression results suggest that environmental disclosure has a positive and statistically significant effect on financial performance of oil and gas firms in Nigeria. Iheduru and Chukwuma (2019) evaluated environmental and social costs and the performance of manufacturing firms in Nigeria during 2013-2017. Fourteen (14) food and beverages manufacturing firms were randomly selected for this purpose. Findings show that a significant negative relationship exists between environmental and social costs and return on capital employed and earnings per share. A significant positive relationship was also established between environmental and social costs and net profit margin and dividend per share.

2.3.2 Staff Compensation and Firm Value

Eze, et al (2023) assed the effect of wages and salaries, bonuses and incentives, and training costs on the return on capital employed using a sample of four (4) consumer goods firms listed in Nigeria during 2013-2022 periods. Multiple regression results reveal that Wages and Salaries have a negative but significant effect on Return on Capital Employed. Bonuses and Incentives have a negative and insignificant effect on the Return on Capital Employed however; training Cost has a positive and significant effect on the Return on Capital Employed of consumer goods firms in Nigeria. Ogiriki and Quest (2022) investigated employee benefits and profitability of listed manufacturing firms in Nigeria from 2010 to 2017. Seventeen (17) manufacturing firms listed in Nigeria were examined using panel data regression analysis. Research findings suggest that employee benefits have a significant effect on the profitability of the firms. Akintoye and Ofobruku (2022) adopted survey research design to examine the influence of staff welfare packages on organisational performance in Nigeria. Primary data gathered through questionnaires were analysed using tables, charts and

Chi-Square method. Results of analysis indicate that a staff welfare package increases staff motivation, while staff motivation on the other hand increases and brings about productivity.

Ndum and Oranefo (2021) examined the effect of human resource cost on financial performance of quoted brewery firms in Nigeria. The population of the study consists of five (5) breweries firms listed on Nigerian Exchange Group as at 2019. Findings suggest that staff cost has positive and significant effect on the net profit margin of the brewery firms, while staff cost has positive and insignificant effect on the return on assets. Efeeloo et al (2021) studied the relationship between staff costs and profitability of quoted oil and gas companies in Nigeria during 2013-2018 periods. Five (5) oil and gas firms listed on Nigeria Stock Exchange Group during the period were sampled and examined. Correlation and regression results show that the relationship between salaries and training costs with net profit margin is statistically significant while the relationship between medical expenses and net profit margin is negative and significant. Giami and Iwo (2021) examined the relationship between the cost of staff welfare and the financial performance of listed manufacturing pharmaceutical firms in Nigeria during 2011-2019 periods. Five (5) pharmaceutical firms were sampled and studied Research findings indicate that a significant positive correlation and statistically strong relationship exists between the cost of staff welfare and return on assets respectively.

2.3.3 Board Size and Firm Value

Tahir,et al (2019) studied the impact of corporate governance and financial leverage on textile firm's value in Pakistan. A sample of 15 textile companies was selected, out of 180 textile firms which were listed on KSE during 2007-2011. Correlation analysis suggests that a negative relationship exists between corporate governance and ROA of the firms. The regression results show CEO duality, Audit committee have insignificant impact on firm value while ROA shows negative but insignificant impact on firm value. Erika, et al (2019) examined the factors in corporate governance affecting the financial performance of non-financial firms listed in Indonesian during 2012-2017 periods. Findings show that firm size and percentage of board independence has no effect on financial performance, while board size, dividends, and financial leverage all affect financial performance of the firms. Mandal and Al-ahdal (2018) evaluated the impact of corporate governance on financial performance of Indian Electronic Consumer Goods Firms in India during 2010-2017 periods. A sample of seven (7) Electronic consumer goods companies selected and examined using correlation and regression analysis. Results show that a significant relationship exists between corporate governance variables (board size, audit committee meeting, firm size) on ROA and on RCE. Audit committee independently had a significant relationship with ROA and RCE. Datta (2018) studied the impact of corporate governance on financial performance of listed insurance companies in Bangladesh during 2010-2016 periods. The sample comprises 10 listed insurance companies listed in Bangladesh during the periods. Findings reveal that corporate governance has an impact on the performance of the insurance sector in Bangladesh. Correlation results also show that a positive relationship exists between board sizes and return on equity as well as board meetings. The result further reveals that a negative relationship exists between ROE and board composition.

3.0 METHODOLOGY

3.1 Research Design

The study adopted *ex-post facto* research design, by using historical financial data obtained from the annual financial statements of the selected service firms during 2013-2022 periods.

3.2 Sources of Data

The secondary data were obtained from the annual financial statements of the selected service firms listed on Nigeria Exchange Group during 2013-2022 periods and were used to conduct the study.

3.3 Area of Study

This study was carried out in Nigeria service firms listed on the Nigeria Exchange Group during 2013-2022 periods.

3.4 Population

The twenty-two (22) service firms listed on the Nigeria Exchange Group during the period constituted the population of the study.

3.5 Determination of Sample Size

The seven (7) service firms listed on the Nigeria Exchange Group during the period were sampled for the study. Purposive sample method was used to select the seven firms that disclosed their corporate social responsibility expenses in their annual report during the period of the study (2013-2022). The seven firms selected are: University Press Nigeria Plc, Skyway Aviation Plc, R.T Briscoe Nigeria Plc, Transcorp Hotels Plc, Caverton Offshore Plc, The Initiates Plc and Nigeria Aviation Handling Plc.

3.6 Model Specification

$NETA = \beta_0 + \beta_1 CSRE + \beta_2 STC + \beta_3 DITR + \varepsilon$

Where:

NETA = Net Assets

CSR = Corporate Social Responsibility Expenses

STC = Staff Compensation

DIR = Directors Remunerations

β = Beta

ε = error terms

3.7 Description of Variables

Variable Name	Label	Description
Net Assets	NETA	The net assets of a company represent its total value, which is determined by subtracting liabilities from total assets. It is sometimes referred to as equity capital or net worth.
Corporate Social Responsibility Expenses	CSRE	This is the expenditure incurred by a company to contribute to the well-being of communities and society through environmental and social measures. It plays a crucial role in how brands are perceived by customers and their target audience. It may also help attract employees and investors. CSR Expenditure of a company for a particular year is determined as 2 percent of the average profit over preceding three financial years, which is calculated on profit before tax.
Staff Compensation	STFC	Staff compensation refers to the cash rewards paid to employees in exchange for the services they provide to the organisation. It may include base salary, wages, incentives and/or commission. Total compensation includes cash rewards as well as any other company benefits.
Directors Remuneration	DITR	Directors' remuneration are payments to the directors of a company as compensated for their services to the company. Directors' remuneration consists of salaries, annual bonus schemes, executive stock option plans and so on.

Source: *Author's Compilation 2024.*

3.8 Methods of Analysis

Multiple regression analysis was used to test the three null hypothesis formulated for the study. Descriptive Statistics and Unit Root test were among the tests conducted on the time series data obtained from the brewery firms. Jarque-Bera Statistics, Skewness and Kurtosis were used to test the normal distribution of the data. Adjusted Coefficient of Determination (R^2) was used to examine the extent by which the independent variables explained the net assets. The measures of environmental, social and governance used were corporate social responsibility expenses, staff compensation and directors' remunerations while net assists was used as the dependent variable as well as proxy for firm value.

4.0 Data Analysis and Result

4.1 Data Analysis

The time data obtained from the selected service firms were examined using Descriptive Statistics, Levin, Lin & Chu Unit Root test, and Multiple Regression Analysis. The Descriptive Statistics properties of Mean, Standard Deviation and Jacque-Bera Statistics were used to test the volatility and distributions of the data set, while the Unit Root test was used to check for the presence of unit roots in the model of the study. Multiple Regression analysis was used to test the three null hypotheses formulated for the study. The results of this statistical analysis are presented hereunder in tables 4.2.1 to 4.2.3 of the study.

Table 4:1.1: Descriptive Statistics

	NETA	CSRE	STFC	DITR
Mean	12581480	20951.56	1168482.	116120.6
Median	5868587.	3474.500	722732.0	53947.00
Maximum	63048635	316000.0	4144884.	593824.0
Minimum	-10517463	0.000000	40880.00	950.0000
Std. Dev.	19327796	47713.85	1164616.	136170.1
Skewness	1.513944	4.216356	1.177204	1.527080
Kurtosis	4.187161	23.57258	3.068677	4.859189
Jarque-Bera	30.85093	1441.830	16.18154	37.28807
Probability	0.000000	0.000000	0.000306	0.000000
Sum	8.81E+08	1466609.	81793709	8128440.
Sum Sq. Dev.	2.58E+16	1.57E+11	9.36E+13	1.28E+12
Observations	70	70	70	70

Source: *Eview11.0 Output.*

Results from the table 4.1.1 reveal that the mean of the variables are: 12581480, 20951.56. 1168482 and 116120.6 for NETA, CSRE, STFC and DITR respectively while the standard deviations are: 19327796, 47713.85, 1164616 and 136170.1 respectively. It could be observed from the results that the standard deviations of the variable are higher than their means. This suggests that the data used were volatile during the period. In terms of the data distribution, it was observed that the p-value of Jarque-Bera Statistics for all the variables is less than 0.05 (0.000000<0.05), hence we conclude that the data used for the study are normally distributed.

Table 4.2.2: Levin, Lin & Chu Unit Root Test

Null Hypothesis: Unit root (common unit root process)

Series: NETA

Date: 05/25/24 Time: 11:54

Sample: 2013 2022

Exogenous variables: Individual effects

User-specified lags: 1

Newey-West automatic bandwidth selection and Bartlett kernel

Total (balanced) observations: 56

Cross-sections included: 7

Method	Statistic	Prob.**
Levin, Lin & Chu t*	-3.29068	0.0005

** Probabilities are computed assuming asympotic normality

Intermediate results on NETA

Cross section	2nd Stage Coefficient	Variance of Reg	HAC of Dep.	Lag	Max Lag	Band-width	Obs
1	0.51060	2.E+10	2.E+10	1	1	1.0	8
2	-0.21344	2.E+13	9.E+12	1	1	3.0	8
3	-0.30137	7.E+11	5.E+12	1	1	1.0	8
4	-0.05366	8.E+11	3.E+12	1	1	4.0	8
5	-0.46979	1.E+12	1.E+13	1	1	1.0	8

6	-1.17231	6.E+09	1.E+10	1	1	3.0	8
7	-0.58026	4.E+11	5.E+11	1	1	0.0	8

	Coefficient	t-Stat	SE Reg	mu*	sig*	Obs
Pooled	-0.27800	-4.941	1.240	-0.554	0.919	56

Source: *Eview11.0 Output.*

The importance of a Unit Root test is its role in detecting the presence of unit root in a data set, which could lead to spurious regression in a time series data. Results of the test suggest that the variables used for the study are integration of order 1(1) with p-value = 0.0005. This result suggests that all the variables have unit root, but attained stationary at first difference. The variables are all integrated in the same order, signifying a co-integration among the variables under study.

Table 4.2.3: Multiple Regression Analysis

Dependent Variable: NETA

Method: Panel Least Squares

Date: 05/25/24 Time: 11:53

Sample: 2013 2022

Periods included: 10

Cross-sections included: 7

Total panel (balanced) observations: 70

Variable	Coefficient	Std. Error	t-Statistic	Prob.
CSRE	5.744009	11.53977	0.497758	0.6205
STFC	2.945618	0.815545	3.611839	0.0006
DITR	1.962013	6.507156	0.301516	0.7641
C	8791404.	1142538.	7.694627	0.0000

R-squared	0.961493	Mean dependent var	12581480
Adjusted R-squared	0.955717	S.D. dependent var	19327796
S.E. of regression	4067230.	Akaike info criterion	33.40639
Sum squared resid	9.93E+14	Schwarz criterion	33.72760
Log likelihood	-1159.224	Hannan-Quinn criter.	33.53398
F-statistic	166.4639	Durbin-Watson stat	1.698451
Prob(F-statistic)	0.000000		

Source: *Eview11.0 Output.*

The results of the multiple regression model are presented in table 4.2.2. It was observed from table 4.1.3 that R^2 of the model is 0.955717. This suggests that about 96% of the variations in the Net Assets of the firms is explained by the explanatory variables (CSRE, STFC and DITR) while the remaining 4% is explained by other quantitative and qualitative variables not captured in the model of the study. It was also observed from the table that the coefficient of Durbin Watson Statistics is 1.698451, which is very close to the lower limit of the Durbin Watson range (2-4). This available evidence is strong enough to conclude that there is no autocorrelation in the model of the study.

4.4 Discussion of Findings

4.4.1 Corporate Social Responsibility and Firm Value

Results from the regression model in table 4.2.2 suggest that the p-value of CSRE is 0.6205, which is greater than 0.05 (0.6205>0.05), while the coefficient is positive at 5.744009. Based on these findings conclude that the effect of CSRE on NETA of services firms in Nigeria is positive, but statistically non-significant. This result is in line with Stakeholders' Theory propounded by Edward Freeman in 1984. In the theory, Edward (1984) argued that contrary to Agency Hypothesis that view organisations as a system of relationship between shareholders and management, stakeholders' theory view organisations as a system that accommodates not only the interest of the owners but also the interests of other groups within the environment which the organisation operates. The result is consistent with Daromes and Gunawan (2021) who confirmed that corporate philanthropy has a non-significant effect on firm value in Indonesia. Onyali, et al (2020) who found that a strong positive relationship exists between firm size; profitability; leverage and corporate social responsibility disclosure and firm value in Nigeria consumer goods firms. Arumona, et al (2020) who noted that environmental disclosure has a positive and statistically significant effect on the financial performance of oil and gas firms in Nigeria. Iheduru and Chukwuma (2019) who found that a significant positive relationship exists between environmental and social costs and net profit margin and dividend per share of food and beverages manufacturing firms

4.4.2 Staff Compensation and Firm Value

Results from model also show that the p-value of STFC is 0.0006, which is less than 0.05 (0.0006<0.05), while the coefficient is positive at 2.945618 Therefore, we assert that the effect of STFC on NETA of services firms in Nigeria during the period is positive and also statistically significant. This result is in line with Stakeholders' Theory propounded by Edward Freeman in 1984. In the theory, Edward (1984) argued that contrary to Agency Hypothesis that view organisations as a system of relationship between shareholders and management, stakeholders' theory view organisations as a system that accommodates not only the interest of the owners but also the interests of other groups within the environment which the organisation operates. The result is consistent with: Quest (2022) who observed that employee benefits have a significant effect on the profitability of listed manufacturing firms in Nigeria. Akintoye and Ofobruku (2022) who concluded that a staff welfare package increases staff motivation, while staff motivation increases and brings about productivity. Ndum and Oranefo (2021) who found that staff cost has a positive and significant effect on the net profit margin and return on equity of quoted brewery firms in Nigeria. Efeeloo et al (2021) who found that in Nigeria, the relationship between salaries and training costs with net profit margin is positive and also statistically significant. Giami and Iwo (2021) concluded that a significant positive correlation and statistically strong relationship exists between the cost of staff welfare and return on assets respectively.

4.4.3 Directors Remunerations and Firm Value

Results from the regression model in table 4.2.2 suggest that the p-value of DITR is 0.7641, which is greater than 0.05 (0.7641>0.05), while the coefficient is positive at 1.962013. Hence we state that the effect of DITR on NETA of services firms in Nigeria during the period is positive, but statistically non-significant. This result is in line with Stakeholders' Theory propounded by Edward Freeman in 1984. In the theory, Edward (1984) argued that contrary to Agency Hypothesis that view organisations as a system of relationship between shareholders and management, stakeholders' theory view organisations as a system that accommodates not only the interest of the owners but also the interests of other groups within the environment which the organisation operates. The result is consistent with: Mandal and Al-ahdal (2018) who noted that significant relationship exists between corporate governance variables (board size, audit committee meeting, firm size) and ROA and on RCE in India. Datta (2018) who confirmed that corporate governance has an impact on the performance of the insurance sector of Bangladesh. Also that a positive relationship exists between board sizes and return on equity as well as board meetings.

5.0 Conclusion

The study examined the effect of environmental, social and governance on firm value of service firms in Nigeria. The study was conducted on seven (7) service firms listed on Nigeria Exchange Group during 2013-2022 period. Time series data were obtained from the selected firms and examined using multiple regression analysis. In line with the findings from the data analysis, the study concludes that the effects of Corporate Social Responsibility Expenses and Directors Remunerations on Net Assets of the service firms are positive, but statistically, non-significant while the effect of Staff Compensation on the Net Assets during the period is positive and also statistically significant. The study further concludes that at 0.05 level of significance, the explanatory variables (CSR, STFC ad DITR) strongly predict Net Assets of the service firms.

Recommendations

In the light of the findings and conclusion, we suggest the following recommendations to the firm managers of service firms in Nigeria:

i. The firm managers should improve their firms' value by implementing corporate social responsibility programs in their host communities. This can be achieved by building infrastructural development projects, such as schools, hospitals, roads, bridges and so on. This can also be achieved by implementing skill acquisition programmes and sponsoring scholarship programs for the indigent students of the host communities.

ii. The firm managers should also create value for their firms by increasing staff compensation packages. This can be done by regularly reviewing staff salaries and wages. Staff training and welfare packages, such as recreational facilities, staff transport, meal subsidy, medical allowance and pension scheme should also be improved to motivate staff to increase productivity and maximise wealth for stakeholders.

iii. Lastly, the firm managers should create value for their firms by ensuring that directors are adequately remunerated. Directors formulate policies and provide oversight functions on management. Adequate compensation for directors will attract competent and qualified directors who can perform these duties effectively and efficiently and thereby maximise wealth for stakeholders.

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