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**THE INFLUENCE OF ENVIRONMENTAL, SOCIAL AND  
GOVERNANCE PRACTICES ON FINANCIAL PERFORMANCE OF  
LISTED FIRMS IN NIGERIA**

**BY**



**MASTER OF SCIENCE INTERNATIONAL ACCOUTING  
UNIVERSITI UTARA MALAYSIA  
[2024]**

**Title Page**

**THE INFLUENCE OF ENVIRONMENTAL, SOCIAL AND GOVERNANCE  
PRACTICES ON FINANCIAL PERFORMANCE OF LISTED FIRMS IN NIGERIA**

**BY**

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**Thesis submitted to  
Tunku Puteri Intan Safinaz School of Accountancy (TISSA)  
Universiti Utara Malaysia  
In partial requirement for the Master of Science International Accounting**



**Kolej Perniagaan**  
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PRACTICES ON FINANCIAL PERFORMANCE OF LISTED FIRMS IN  
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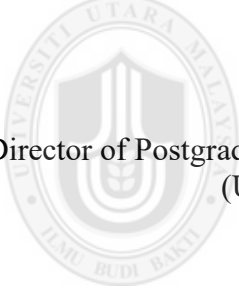
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## ABSTRACT

The aim of this study is to assess the influence of environmental, social and governance practices on financial performance of financial and non-financial listed firms in Nigeria. To fulfil its objectives, the study extracted data of 26 companies listed in Nigerian stock exchange for the period of 5 years ranging from 2018 to 2022. Both accounting and market-based indicators, particularly ROA and ROE, were used to measure financial performance of the selected firms. Simultaneous regression models were used to analyse the data. The analyses revealed that combined ESG practices had a non-significant impact on ROA, while, a significant positive relationship with ROE was found to exist. The study also examined the impact of individual indicators, namely environmental, social and governance practices on financial performance of the firms. It was found that environmental and social practices had a positive and significant influence on financial performance, whereas there was no significant relationship between governance practices with ROA and an inversely significance relationship with ROE. The findings of this study contribute to the existing literature that might be helpful for the policy and decision makers to focus on ESG practices for the betterment of both financial and non-financial firms in Nigeria.

**Keywords:** ESG practices; financial performance; firms; Nigeria.



## ABSTRAK

Matlamat kajian ini adalah untuk menilai pengaruh amalan alam sekitar, sosial dan tadbir urus terhadap prestasi kewangan firma tersenarai kewangan dan bukan kewangan di Nigeria. Untuk memenuhi objektifnya, kajian itu mengekstrak data 26 syarikat yang tersenarai di bursa saham Nigeria untuk tempoh 5 tahun antara 2018 hingga 2022. Kedua-dua penunjuk perakaunan dan berasaskan pasaran, khususnya ROA dan ROE, digunakan untuk mengukur prestasi kewangan bagi firma terpilih. Model regresi serentak digunakan untuk menganalisis data. Analisis mendedahkan bahawa gabungan amalan ESG mempunyai kesan yang tidak ketara ke atas ROA, manakala, hubungan positif yang signifikan dengan ROE didapati wujud. Kajian ini juga mengkaji kesan penunjuk individu, iaitu amalan alam sekitar, sosial dan tadbir urus terhadap prestasi kewangan firma. Didapati bahawa amalan alam sekitar dan sosial mempunyai pengaruh yang positif dan signifikan terhadap prestasi kewangan, manakala tidak terdapat hubungan yang signifikan antara amalan tadbir urus dengan ROA dan hubungan signifikan songsang dengan ROE. Penemuan kajian ini menyumbang kepada literatur sedia ada yang mungkin membantu pembuat dasar dan keputusan untuk menumpukan pada amalan ESG untuk penambahbaikan kedua-dua firma kewangan dan bukan kewangan di Nigeria.

**Kata kunci:** Amalan ESG; prestasi kewangan; firma; Nigeria



## ACKNOWLEDGEMENT

First and foremost, I would like to praise Allah for providing me the strength to complete this project paper. My deepest gratitude goes to my supervisors, Dr. Danilah Salleh and my internal examiner, Dr. Md Hairi Bin Md Hussain, for their invaluable guidance, experience, and time. Their support and encouragement have been instrumental in helping me reach this level; without them, this project would not have been possible. I would also like to express my heartfelt thanks to my beloved father and mother for their endless support and immense sacrifices for my success. Words cannot convey the importance of your unwavering love and support during the challenging times.



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# CHAPTER ONE

## INTRODUCTION

### 1.1 Background of the study

Present-day businesses acknowledge that enhancing their Environmental, Social, and Governance (ESG) policies and distributing their ESG reports to stakeholders may improve their financial performance (Suto & Takehara, 2018). A company's financial performance is determined by its ability to attract and retain capital, as well as its level of commitment to achieving financial objectives (Naeem et al., 2022). The connection among economic performance and ESG characteristics has remained the topic of extensive research over the last 20 years. This has made it a well-known area of study.

Nigeria's listed companies have experienced a notable shift in focus, moving from solely prioritizing profit maximization to embracing ESG objectives. Atan et al. (2018) carried out a thorough analysis of the relationship between financial success and ESG practices, including different viewpoints due to the various societal responsibilities of firms. Consequently, most research on the persistence of these concepts has primarily examined the correlation between these three separate ESG characteristics and traditional financial metrics of wealth.

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