JETMASE
Journal of Emerging Trends in Management Sciences and Entrepreneurship
Volume 7(1), Pages 498-511 Jan-June Edition, 2025
ISSN: 2384-762X
https://www.jetmase.com

Green Financing: Firm Financial Performance and Environmental Sensitivity of Consumer Goods Firms in Nigeria

Prof Egungwu, Ikenna C.
Department of Banking and Finance
Chukwuemeka Odumegwu Ojukwu University
Email: ic.egungwu@coou.edu.ng

ABSTRACT: The main objective of the study is to examine the effect of financial structure on environmental sensitivity of consumer goods firms in Nigeria. The specific objectives are to ascertain the effect of profitability, liquidity and growth of an environmental consciousness of consumer goods firms in Nigeria. The sensitivity index is measured by the number of counts on environmental consciousness in the firms' financial statement as published. The study adopted the ex-post facto research designs, employing secondary data obtained from the published financial statement of the companies. The hausman test was used to make a choice between the random effect and fixed effect as deemed appropriate. The ordinary least square (OLS) regression analysis was used to analyze the data. The study found that profitability had positive and insignificant effect, liquidity and growth had negative and insignificant effect on environmental sensitivity of consumer goods firms in Nigeria. The study concludes that although the firms' sensitivity matrix is driven positively by profitability, liquidity and growth exerted negative and insignificant effect. It is therefore recommended that the environmental consciousness of the consumer goods firms should be directed toward providing environmental safety, provision of clean and healthy water, construction and desilting of drainage, installation of devices to control pollution and regular evacuation of waste, build clinics to provide healthy living condition for staff and the communities in which the companies operate.

Keywords: Firm Financial performance, environmental sensitivity, environmental disclosure, sentence count.

1. INTRODUCTION

In response to the fundamental issues revolving around the green economy, nations all over the world are increasingly investing enormous resources to combat the challenges associated with natural disasters like earthquake, erosion menace, climate change etc and other induced phenomena like oil spill, air and water pollution, etc. These have become threat to natural and healthy living and as Okolo, Egolum and Ezeh (2022) posit, the negative impact of industrial activities globally has been felt for more than 20 years.

Issues on green economy and her challenges are currently dominating academic discourse especially in the context of global and national legislation. The United Nation through UNEP (United Nations Environmental Programme) has actively sensitized the world on the need for environmental safety, protection, financing, etc. Nigeria has since 1988 enacted some laws

on environmental safety and protection, starting with Federal Environmental Protection Agency (FEPA) of 1988, Environmental Impact Assessment Act 2004, National oil Spill Detection and Response Agency Act 2006, etc and also the creation of Federal Ministry of Environment by the 1999 constitution.

Green financing which according to UNEP is a process of increasing the financial flows from banks and related bodies and investing the funds to the public, private and not for profit sector so as to better manage environmental and social risks. The ultimate goal is to take up opportunities that could promise both decent rate of return and environmental benefit and also deliver greater accountability.

In essence, the bi-directional interface between green financing and environmental sensitivity is a fundamental issue in this context. Environmental sensitivity is the ability of a firm to identify the need for environmental safety, protection and the perception of the firm that the society could give back to her by way of patronage if it operates in a conducive environment and will lose if it becomes irresponsive to the hygienic needs of the people. This consciousness transcends the conceptual sphere of Nigeria firms to attract the curiosity of the country as an entity.

Nigeria for instance has prior to the post-independence era encountered some environmental issues which became worse following the exploration of oil and its exploitation activities (Onyali, Okafor & Egolum, 2014). According to Musa (2011), many environmental impacts emanated from oil activities but no serious attention was paid them probably because oil was the major source of the country's economic growth.

Arising from the growing concerns, firms have witnessed severe pressure to operate within the context of environmental consciousness and also to provide information about their environmental performance (Da Silva & Aibar-Guzman, 2010). Dixon, Guariglia and Vijayakumaran (2015) argue that environmental regulations are made to enhance the protective drive of the various interest groups against environmental risks and also that the compliance by companies will improve their images or gain financial benefits. It is therefore expected that oraganisations should reasonably address the effect of their operations on the environment and society by being sensitive to their environmental needs. (Uwuigbe & Jimoh, 2012).

The issue of environmental consciousness heightened in Nigeria in the 1980's when toxic waste was illegally dumped in a village in the present Delta State called Koko by an Italian ship. This development caused the then military government to initiate measures that could provide environmental safety and protection including the enactment of the Federal Environmental Protection Agency (FEPA) Act of 1988. This function was however taken over by the Federal Ministry of Environment (FME) in 1999 with the entrenchment of the bases for environmental policy in the 1999 constitution. The desire for environmental reporting was collaborated by Deegan & Rankin (1996); Elkington (1997); Hooghieinstra (2000); Wilmshurt and Frost (2000); Tilling, (2009) who observe that the operations of companies have tremendous effect on the natural environment. This makes the relevant stakeholders to increasingly monitor their activities as they are expected to engage in environment friendly investments that could mitigate severe environmental impact.

The fact that business organizations by the nature of their activities often cause a high level of environmental degradation, they are under moral obligation to report on the effect of these activities on social and natural environment which invariably places demand on the companies to respond to all sources of concern from various stakeholders. Companies that are visible to the society are by the proposition of the signaling theory under an obligation to be environmentally responsible and sensitive to report such information that could make the public accept her.

Statement of the Problem

The linkage between firm financial performance and environmental sensitivity has drawn the attention of nations, considering its importance to human existence. Nations including Nigeria have enacted laws to regulate environmental practices to guarantee safety and the protection of lives and property.

Inspite of this, firms still indulge in sub-optimal practices that constitute hazards to the society. The lack of drainage system to control waste, lack of gadgets to control gas flaring, exposure of the citizens to polluted air and water pose a great threat to healthy living and also undermine the patronage by the society. The expectation is that firms should align their financial performance with the desire to protect their immediate environment. The problem therefore exists and revolves around the scenario whether consumer goods firms would have invested their financial resources to provide healthy environment for the citizenry

Objectives of the Study

The specific objectives of the study are stated below:

1. Examine the relationship between profitability and environmental sensitivity of consumer goods firms in Nigeria.
2. Ascertain the extent of interaction between firms liquidity and sensitivity index.
3. Analyse the interface between the firms' growth and the sensitivity matrix of consumer goods firms in Nigeria.

Research Questions:

The following research questions are stated to address the above objectives:

i. To what extent does firm profitability interact with environmental sensitivity?
ii. To what degree does firm liquidity relate with environmental sensitivity?
iii. To what dimension does firm growth interact with environmental sensitivity?

Statement of Hypotheses

The following null hypotheses are formulated and will be tested at 5% level of significance.

i. Firm profitability does not have significant relationship with environmental sensitivity
ii. Firm liquidity does not have significantly interface with environmental sensitivity
iii. Firm growth does not have significant relationship with environmental sensitivity .

.

Scope of the Study

The content scope is concerned with the financial performance variables including profitability, liquidity and growth, The dependent variable is environmental sensitivity index (disclosure) represented by the number of words in the selected themes which include community development, human resources, energy, environmental health and safety (Akbas, 2016) and also waste management. The independent variables are the various financial performance variables mentioned

above. The time frame is 2013-2022 (10years) and fifteen companies were selected for the study. The companies are Cadbury Nigeria PLC, Dangote Flour Mill PLC, Dangote Sugar Refinery PLC, Flour Mill Nig PLC, Guinness Nig PLC, Honeywell Flour Mill PLC, International Breweries PLC, Northern Nig Flour Mill PLC, Nascon Allied Industries PLC, Nestle Nigeria PLC, Nigeria Breweries PLC, MC Nichol PLC, PZ Cusson Nigeria PLC, Unilever Nigeria PLC and Vitafoam Nig PLC. The preference for the fifteen companies is informed by the possibility of sourcing the complete data within the time frame. Also, the choice of the ten (10) years period is because all the companies were listed on the floors of the exchange as at 2013. The geographical scope is Nigeria.

Significance of the Study

The study will be of great benefit to the management of various firms, organizations, investors, policy makers, shareholders and student researchers as discussed:

Owners of Equity: This study will enable owners of equity of various firms to have an in depth understanding of the environmental related matters, and also have better insights on how to make policies on environmental related issues which will in turn contribute to optimize the firm's profit. This will invariably increase the owner's wealth by dividend earnings and capital appreciation. Thus, proper observance of environmental disclosure principles will improve the image of the company and increase patronage which in return increases the liquidity base and growth of the firms.

Stakeholders/ Investors: The study will benefit stakeholders and investors as it will enable them to gain insight on the extent of disclosures made by these firms on environmental issues in their financial statement and also enable them ascertain if they engage in environmentally friendly activities and reporting especially on information regarding expenses on community involvement, environmental protection, waste management employee health and safety, product safety, research and development . It will also help investors and stakeholders in making decision of where to invest as their investment will influence the growth of the company.

Directors of company

The study will benefit the directors of company as the results of the study will enable them evaluate their company on environmental disclosure compliance with specific emphasis on the quality of recommendations sent in by the audit committee members to the board. It is expected that the committee members through regular attendance to meetings should advise the board of directors on measures that should be adopted to ensure high level compliance on environmental disclosure related matters. This will in turn likely promote the image of the company and invariably increase the earning per share and market share of the company..

Federal Environmental Protection Agency (FEPA)

This body will benefit as it enables them to have knowledge of financial statement manipulation on environmental disclosure related matters which may help to develop more effective enforcement mechanisms and also adhere strictly to the rules guiding their operations with respect to environmental related issues.

The External Auditors: The firm's external auditors will also find the study beneficial as they will be guided in ensuring that environmental issues are reported as provided by extant rules and regulations. The fact that most of the audit firms are the big '4' it is

expected that the findings and recommendations of this study will offer them the opportunity to properly relate with the companies in line with inter-national best standard.

The Public: The reading public including the academia, analysts, researchers, etc are expected to benefit from the study as the findings will serve their collective and individual interest. For the academia and researchers, the study will serve as a source of literature for further studies. The analysts will also find the study a useful tool to analyse and comment on related public issues. The public also include the community in which the companies carry out their operations. It is also expected that the findings and subsequent recommendations of the study will enable firms to cultivate positive environmental safety habit that is capable of curtailing the hostility and youth restiveness that often characterize highly industrialized areas in Nigeria. Finally, the results of the study will also be helpful to academics and industry experts in policy making.

2. LITERATURE REVIEW

2.1 Conceptual Review

2.1.1 Financial Performance

The word 'Performance is derived from the word 'parfourmen', which means 'to do', 'to carry out' or 'to render'. It refers to the act of performing; execution, accomplishment, fulfillment, of a task etc. In broader sense, performance refers to the accomplishment of a given task measured against preset standards of accuracy, completeness, cost, and speed. In other words, it refers to the degree to which an achievement is being or has been accomplished. In the words of Frich Kohlar (2014). "The word performance is a general term applied to a part or to all the conducts of activities of an organization over a period of time often with reference to past or projected cost efficiency, management responsibility or accountability or the like. Thus, not just the presentation, but also the quality of results achieved could be referred to as the performance. Which could also be is used to indicate firm's success, conditions, and compliance.

Financial performance refers to the act of performing financial activity. In broader sense, financial performance refers to the degree to which financial objectives are being or have been accomplished. (Eshna Verma 2018). It could be a process of measuring the results of a firm's policies and operations in monetary terms. It is used to measure firm's overall financial health over a given period of time and can also be used to compare similar firms across the same industry or to compare industries or sectors in aggregation. (Eshna Verma 2018).

2.1.1a Financial Performance analysis

Financial analysts often assess firm's production and productivity performance, profitability performance, liquidity performance, working capital performance, fixed assets performance, fund flow performance and social performance. However in the present study financial performance of the firms is assessed via the following attributes:

1. Profitability Analysis
2. Liquidity Analysis
3. Growth Analysis

2.1.2 Profitability

Profitability is an index of financial performance. A company will be disposed to signal her quality if the performance is good Inchansti (1997), Watson, Shrives and Martsin (2002). Alsaeed, (2006) also posits that the management of a profitable

organization will likely disclose more information to the public in order to promote a positive perspective by the public. In a period of low financial performance, a company may not give much attention to environmental issues (Joshi, Suwaidan and Kumar, 2011). Signaling theory as observed by Ahmad, Hassan and Mohamnad, (2003) states that highly profitable firms are more likely to disclose more information to prove to the public that they are performing well. Inspite of the arguments on the interaction between profitability and the extent of environmental disclosure, it is believed that more profitable firms may have sufficient funds to compensate the cost of environmental disclosures (Brammer and Pavelin, 2008), and increase their credibility among investors (Cormier and Magnan, 1999).

Uwuigbe (2011) observes that increase in the profit margin of a firm would largely promote the chances of reporting social and environmental issues on their audited financial statements. Lee (2005) posits that the main objective of most organizations is to maximize profit and minimize cost by employing its resources effectively and efficiently and this can promote social responsibility such as donation. On the other hand, Shehu and Ahmad (2013) state that in theory, firms that display loss characteristics are expected to engage in accounting tactics like window dressing which is intended to present a better picture of their earnings that indicate poor earnings quality.

2.1.3 Liquidity

liquidity can be seen as a brain box for the survival of a business, because businesses that are facing problem of liquidity may be heading towards crises. Thus a reasonable part of asset is expected to be held in liquid form in order to meet day to day activities of the business. A liquid asset is one that can easily be converted to cash. Any firm that is liquid may be dispose to disclosing that in their financial reports it is expected that this action could attract their creditors, increase their ability of raising fund externally to finance future projects. Also, it is an indication to regulators, investors, potential investors and other stakeholders that the business has the ability of existing for a foreseeable future without many financial hitches. Such firms will be willing to make public through disclosure of their level of liquidity.

2.1.4 Firm Growth: Most of extant studies reviewed have contradicting views with regard to growth and earnings quality. Firms that are still growing are billed to have less sustainable earnings as opined by Nissim and Penman (2000). It may also mean that a growing firm will want to maintain that trend and as such may engage in earnings smoothing that will likely which reduces the quality of the reported earnings. Some may be as a result of the need to meet earnings benchmark. Some growing firms that experience decline in growth may still want to report this situation as it is this is because they are aware that manipulating such earnings just to portray good health of the business may spell doom for the firm in the long-run especially if the firm is not under any pressure to meet earnings benchmark. Firth et al (2007), Pincus and Rajgopal, (2002) posit that growth opportunities provide managers with incentive to smooth earnings as earnings volatility increase perceived firm risk which adversely affect the cost of capital needed by the firm.

2.1.5. Environmental Disclosure

Environmental disclosure as observed by Pramanik, Shil and Das (2008) is a collective term that indicates the various means by which a company discloses information on

their environmental expenditure, activities and performance to the public. Brandy (2009) describes environmental disclosure as the communication of a company's environmental interactions to its stake holders. Ong, Tho, Goh, Thai and Teh (2016) observe that environmental disclosure is a planned statement that discloses a company's environmental burden and environmental efforts, including company's objectives, policies, activities and impacts reported and published periodically to the public.

As revealed by the report of environmental agency (2006), the main factors that induce companies to disclose environmental information to its stakeholders include accounting and reporting standards, regulatory drivers, prospective directives, environmental liability directives and transparency directives. However, scholars have also noted that among the factors that motivate firm toward environmental disclosures are firm characteristics. For instance, Wilmsburgh and Frost (2000) see environmental disclosure as relating to the physical environmental issues related to the company's activities. Deegan and Rankin (1997), sees environmental disclosure from the point of monetary values brought about by the outlays and revenue. As observed by Cormier, Ledonx, and Magnan, (2009), social and environmental reporting lay emphasis on the need for close monitoring of natural resources via accounting for the impact of its activities on the environment, health and the well being of the inhabitants of the resource location and also the efficiency in which the processes of the resources can be used to transform the nation. On the other hand, Hooghiemstra (2000) opines that environmental reports are used as instrument of communication to the stake-holders. Deegan and Rankin in Egbunike and Tarilaye (2017) observe that corporate environmental reporting is the process by which a company communicates the environmental effects of its activities to particular interest group within the society.

Environmental information disclosure could be mandatory or voluntary. It is mandatory when same is a statutory requirement by the government or appropriate accounting bodies. It is voluntary when such information are not explicitly expressed in the financial statements but are made by firms to further promote their social values as viewed by the stakeholders. In most cases, the benefits accruing from such disclosure exceed the cost (Verrecchia, 2001). According to Ofoegbu and Megbuluba (2016), voluntary disclosure is the disclosure of information exceeding the mandatory limits in terms of content or amount as decided by the management of the firm. Dixon, Gehan and Woodhead (2005) argue that the main reasons for the development of environmental disclosure are the increase of environmental regulations and pressure occasioned by the desire for clean air, clean water and also the increase of environmental risks and companies desires to improve their images or gain financial benefits.

In Nigeria, the disclosure of environmental information is relatively mandatory and subject to the provisions of code of corporate governance. However, firms voluntarily disclose more information that they deem necessary to promote the image of the company and also improve their societal values.

2.2 Theoretical Framework

Stakeholders Theory

This study is anchored on the stakeholder theory. Stakeholders' theory was propounded by Edward Freema in 1984 and recognized it as an important element of corporate social responsibility of corporations, whether

economic, legal, ethical, or even philanthropic. Stakeholders' theory can be defined as any group or individuals who can affect or is affected by the achievement of the organization's objectives. Stakeholder theory is managerial in that it reflects and directs how managers operate rather than primarily addressing management theorists and economists. It begins with the assumption that values are necessarily and explicitly a part of doing business. It asks managers to articulate the shared sense of the value they create, and what brings its core stakeholders together. It also pushes managers to be clear about how they want to do business, specifically what kinds of relationships they want and need to create with their stakeholders to deliver on their purpose.

Stakeholder theory could be viewed from the perspective of both the society and the organisation both of which are expected to exhibit certain level of influence that affect the objectives of an organisation. Stakeholder theorists suggest that managers in organizations have a network of relationships to serve – these include the suppliers, employees, lenders and other business partners.

2.3. Empirical Review

2.3.1 Financial performance and environmental disclosure

Soliman (2013) shifted attention to firm characteristics and the extent of voluntary disclosure: The case of Egypt for a period 2007-2010 and used multiple regression analysis. The results indicate that firm size and profitability have significant positive interaction with voluntary disclosure while auditor size and firm age do not have significant association.

Hawashe (2015) investigated commercial banks' attributes and annual voluntary disclosure, with emphasis on Libya using ordinary least square analysis for a period 2006-2011 and the result revealed that the extent of voluntary disclosure in annual report is not significantly influenced by age of bank, size of bank, bank liquidity position, profitability, govt. ownership and foreign ownership.

Lianny, Joao, Fabio, Liana and Dimas (2015) employed multiple regression analysis and carried out a study on the determinants of voluntary disclosure: In the Brazilian banking sector for the period 2015. The study found that corporate reputation and company size had significant positive relationship with the level of voluntary disclosure and company performance and internationalization were not statistically significant.

Setyorini and Ishak (2012) investigated the extent of Indonesian corporate social and environmental disclosure using regression analysis and the study found out that profitability determines the level of corporate social responsibility disclosure

Domench and Dallo (2001) targeting on factors that influence environmental disclosure using Ordinary least square and the study found that there was no significant association between financial performance and environmental disclosure.

Galani, Gravas and Stavropoulos (2012) analyzed the nexus between various firm characteristics and environmental disclosure using regression techniques and the study found that there is no significant association between financial profitability and extent of environmental information disclosure

3. METHODOLOGY

3.1 Research Design

This study employs the ex-post-facto research design to examine the interaction between firm financial performance attributes and environmental sensitivity of consumer goods firms in Nigeria. The ex-post-facto design is a suitable method since the data from which the variables of the study will be obtained already exist in well reputed publications.

3.2 Nature and Sources of Data

The study will utilized secondary data as the main source of information and such data will be sourced from the annual reports and accounts of the selected companies. The data for this study will be generated from the official publications of annual report of financial statements of various firms selected for the study. The data will also be extracted from the hard and soft copies of the firm's financial statement made available by the authorities in their websites.

3.3 Population of the study

The population for the study consists of twenty-one (21) firms that are quoted under the consumer goods by the Nigerian Exchange Ltd(NEC Fact Book, 2022). The study aligns with previous studies (Akbas, 2016) that classified the following industries as environmentally sensitive: food and beverages, textile and leather, wood, paper and printing, chemical, petroleum and plastic, nonmetal and machinery, other manufacturing, electricity and other services industries. Most of these industries are classified under the consumer goods by Nigeria Exchange Group (NGX)classification.

3.4 Sample and sampling techniques

The study used a sample consisting of fifteen (15) out of the twenty-one (21) firms that are quoted under the consumer goods in the Nigeria Stock Exchange. The firms are Champion Breweries PLC, Cadbury Nigeria PLC, Dangote Flour Mills PLC, Dangote Sugar Refinery PLC, DN Tyre & Rubber PLC, Flour Mill Nig PLC, Golden Guinea Breweries PLC, Guinness Nig PLC, Honeywell Flour Mill PLC, International Breweries PLC, MC NicholsPLC, Multi-Trex Integrated Foods PLC, Northern Nigeria Flour Mill PLC, Nascon Allied Industries PLC, Nestle Nigeria PLC, Nigeria BreweriesPLC, Nigeria Enamelware PLC, PZ Cusson Nigeria PLC, Unilever Nigeria PLC, Union Dicon Salt PLC,Vitafoam Nig PLC. Out of the twenty one (21) companies, three including Champion Breweries PLC,DN Tyre & Rubber PLC and Union Dicon Salt PLC are on technical suspension; Golden Guinea Breweries PLC was gutted by fire and has not resumed operations, Multi-Trex Integrated Foods PLC is closed down and the last complete audited account was 2011, Nigeria Enamelware PLC had incomplete record within the period(NSE Fact book, 2017). Thus, as stated above, the sample for the study consists of the remaining fifteen (15) firms in the consumer goods category.

3.5. Method of Data Analysis

The two panel regression analyses which include the fixed and random effect will be carried out while the Husman test will be used to determine which of the results to abide by. The panel regression is considered as the most suitable tool since the data set is a time series of 10 years across 15 firms.

3.6. Variables Description

The variables used for this study are stated below:

Variable Categorisation, Measurement and Justification

S/N	Category	Variables	Measurement	Justification
1	Financial performance	- Profitability - Liquidity - Growth	- Profitability was measured as log of firm's net profit - Liquidity was measured as ratio of current assets to current liability - Growth was measured as log of total sales	The signaling theory lends support to the fact that managers are motivated to disclose such information that will boost and also sustain the confidence reposed on the company. Profitability of a company is expected to disclose more information about its performance (Samir, James, Formaro, 2003). Also, in line with efficiency contracting theory, managers are expected to exercise accounting discretion in an efficient manner such that in the long run the firm value is maximized.

3.7. Environmental Disclosure (Dependent Variable)

An index of environmental disclosure is to be used to represent the dependent variable. Content analysis will be used to ascertain environmental disclosure index. In line with extant study (Ahmad, 2017), sentence count is used to score the number of items disclosed under each theme and category, including community development, human resources, energy, environment and health and safety. The issue of sentence count and categorization is supported by Akbas (2014) who adopted 8 main themes relating to environmental disclosure to include environmental policy, environmental protection activities, compliance with environmental management standards and regulations, air emission information, energy, waste management, awards and other environmentally sensitive information. Following the nature of business done by the consumer goods firms, the study will adopt four themes which include community services; environmental protection programme, health, and safety (Rouf, 2011) and also include one theme that is waste management. Thus, sentence count was adopted around the five themes. Sentence count is found to be ideal because it is a means of communication with complete meaning (Ahmad, 2017). Environmental disclosure index was measured as a ratio of sentences in each theme to total number of themes. Thus, if there are sentences that relate to three themes, the ratio will be 3/5 = 0.6.

3.9. Model Specification
Financial Performance Variables and Environmental Disclosure Model

This hypothesis will be tested using the model that was adopted by extant studies:

Ahmad (2017); ENVD = F(PROF, LEV, FRMS,BDS); and

Hassan and Bello (2013), FRQ = F(SIZE, LEV,BS,IS,PROF,LIQ,GROWTH).

The models were modified to suit the objective three of this study and expressed in a functional notation as :

ENVD = F(PROF, LIQT,GRTH)……1

The above equation is expressed in an econometric model as follows:

$ENVD_{it} = \beta o_i t+\beta_1 PROF_i t+\beta_2 LIQT_i t+\beta_3 GRTH_i t+\mu_i$……2

Where:
ENVD = Environmental Disclosure Index
Bo = intercept
β_1,β_2,β_3 = Coefficient of the independent variables
PROF = Profitability
LIQT = Liquidity
GRTH = Growth
μ = error term.

Financial Performance Variables and Environmental Sensitivity (Model 3)

$ENVD_{it} = \beta o_i t+\beta_1 PROF_i t+\beta_2 LIQT_i t+\beta_3 GRTH_i t+\mu_i$ …….3

4. RESULTS AND DISCUSSION OF FINDINGS

Table 4.5: Result of the effect of financial performance on environmental sensitivity

Method	**Fixed Effect**	Random Effect
Independent Variables		**(*Preferred Model*)**
	0.0287	0.0287
Profitability(PROF)	(0.2238)	(0.2482)
	-0.0030	-0.0029
Liquidity(LIQT)	(-1.9203)	(-1.8798)
	-0.0206	-0.0037
Growth(GRTH)	(-0.9067)	(-0.1832)

	0.6946*	0.6159
C	(6.8827)	(6.4229)
R-Squared	0.6479	0.0241
F-statistic (Prob)	8.7045 (0.0000)	1.2030 (0.9479)
Durbin Watson (DW)	2.5907	0.3109
Hausman test		5.2939 (0.1515)

Dependent Variable: Environmental Disclosure Index (ENVD), significant at *1%, **5%, ***10%; () t-statistics
Source: Extract from Output generated using Eviews 9 – Appendix 3

Hausman Test

Correlated Random Effects - Hausman Test
Equation: Untitled
Test period random effects

Test Summary	Chi-Sq. Statistic	Chi-Sq. d.f.	Prob.
Cross-section Period random	5.293873	3	0.1515

The result on the above table is the regression analyses of the model on the effect of financial performance on environmental sensitivity among consumer goods firms in Nigeria. Regression results were produced using both the Fixed Effect Model (FEM) and the Random Effect Model (REM). Hausman test was employed to determine which of the FEM and REM is most appropriate for the interpretation. The Hausman statistics (Chi-square) value of 5.2939 (0.1515) is greater than 0.05. Therefore, the null hypothesis that random effects is preferred is not rejected. Thus, the Random effect model is chosen for analysing the effect of financial performance on environmental disclosure. This implies that both time trends but the individuality of the selected firms are recognised (factored in) in explaining the effect of financial performance on environmental sensitivity among consumer goods firms in Nigeria.

The coefficient of determination (R-squared) is 0.0241. This indicates that about 2.4% of changes in environmental senstivity can be explained by financial performance variables such as profitability (PROF), liquidity (LIQT), and growth (GRTH). This revealed that over 97% of the factors that influence or determine environmental senstivity by firms cannot be captured by financial performance of firms. This implies that financial performance does not largely determine extent of environmental senstivity for firms in consumer goods sector. Result of the F-statistics (1.2030) with p.value (0.9479) greater than 5% cannot be rejected. This concludes that the cumulative effect of financial performance (PROF, LIQT and GRTH) is not statistically significant.

Furthermore, coefficient of regression explains the individual contributions of the financial performance variables on environmental senstivity. The coefficients for

PROF (0.0287) showed that firm profitability has positive relationship with environmental senstivity, where as LIQT (-0.0029) and GRTH (-0.0037) have negative relationships. The results of the p.values for PROF, LIQT and GRTH are all greater than 0.05 level of significance. Thus, all the variables of financial performance do not have significant effect on environmental senstivity among consumer goods firms in Nigeria.

Discussion of Results

Profitability and environmental senstivity dynamics. Domenech and Dallo (2001) also found no association between performance and environmental senstivity. It is however not consistent with Ahmad (2017); Hosain (2015), Onmonya (2014); and Megbuluba (2016) who both found significant association between profitability and environmental senstivity index. The implication of this finding is that against corporate expectations, the level of profitability does not largely drive the consumer goods firms' environmental senstivity consciousness.

Summary of Findings

Firm profitability as financial performance variable has an insignificant positive effect on environmental senstivity among consumer goods firms in Nigeria, while liquidity and growth have insignificant negative effect.

5. CONCLUSION

The study concludes that the sensitivity index of consumer goods firms is positively but insignificantly driven by profitability while liquidity and growth exerted negative and insignificant influence.

- The study recommends that the companies should commit a reasonable portion of their earnings in providing environmental safety, erosion control, adequate drainage system, desilting of gutter. As the sales and assets grow, roads should be constructed, pollution control devices should be installed and health saving facilities, including clinics should be built. Bore holes should be sunk for provision of clean and healthy water for company and public use. it is expected that bigger firms would cause more environmental hazards than smaller firms as the volume of waste, health, safety and pollution challenges will be higher. It is therefore required that they should show more commitment in providing relief packages especially to those who are adversely affected by their operations.

REFERENCES

Brammer, S. & Pavelin, S. (2006). Corporate reputation and social performance; the importance of fit. *Journal of management studies, 43 (3)*, 435-455.

Cormier, D., Magnan, M. & Velthoven, B.V. (2005). Environmental disclosure quality in large green companies;economic incentives, public pressures or institutional conditions? .*European Accounting Review, 14*(1) , 3-39.

Da Silva Monteiro,, Sonia Maria – Aibar-Guzman, Beatriz (2010) "The influence of the portuguese environmental accounting standard on the environmental disclosure in the annual reports of large companies operating in Portugal: *A first view (2002-2004)" Management of environmental quality, 21(4), 414-435.*

Deegan, C. & Blomquist, C. (2000), "Stakeholder influence on corporate reporting: An exploration of the interaction between the World Wide Fund for Nature and the Australian minerals industry", *Working Paper*.

Dixon, R., Mousa, Gehan A. – Woodhead, Anne. (2005), "the role of environmental initiatives in encouraging companies to engage in

environmental reporting" *European Management Journal, 23 (6) 702-716.*

Domench, A. P. & Dallo, F. L. (2001), 'Algunos Determinantes De La Informacio'n Medioambiental Divulgada Por Las Empresas Espan olas Cotizadas', *Revista de Contabilidad, 4(7): 129-153*.

Elkington, J. (1997). Triple bottom line reporting: Looking for balance. *Australian Accountant, 69(2)*

Eshna, Verma (2018). Excellence in Financial Performance Management. Course 1: Evaluating Financial Performance. *Retrieved April 15, 2019 from* www.simplilearn.com/financialperformance

Firth, M., Fung, P & Rui, O. (2007) Ownership, teo-tier board structure, and the informativeness of Earnings: evidence from China, *journal of commerce and management, 20(2)*

Galani, D., Gravas, E. & Stavropoulos, A. (2012). Company characteristics and environmental policy. *Business Strategy and the Environment,* 21(4), 236-247.

Hooghiemstra, R. (2000). Corporate communication and impression management-new perspectives why companies engage in corporate social reporting. *Journal of business ethics, 27(1)*

Ikponmwosa, N.Q. & Ogbeide, D.O (2021). Environmental responsibility and firm financial performance in Nigeria. *Oradea Journal of Business and Economics*, 1(60).

Lee, I.B (2005). Corporate law, profit maximization, and the responsible shareholder. Stanford *Journal of law, business & finance, 10(2)*

Lianny Maria Forte, Joao Batista dos Santos Neto, Fabio Chaves Nobre, Liana Holanda. *Revista de gestao financas e contabilidade 5(2).*

Nissim, D & Penman, S.(2001). Ratio analysis and equity valuation: *from research to practice. Review of accounting studies 6 109-154*

Nissim, D. & Penman, H. S., (2003). Financial statement analysis of leverage and how it informs about profitability and price to book ratios . *Review of accounting studies*, *8,* 531-560.

Ofoegbu, G.N. & Megbuluba, A. (2016). Corporate environmental accounting information disclosure in Nigeria manufacturing firms. *International journal of management sciences and business research 5(12)*

Okolo, A.N, Egolum P.U & Eze A.A (2022). Environmental Management Disclosure and Economic Sustainability Development. Sapientia Foundation Journal of Education, Sciences and Gender studies 10(2).

Pincus, M & RajgopalS (2002). The accrual anomaly: International evidence.*The accounting review 82,169-203)*

Pramanik A.K, Shil N. C & Das, B (2008). Corporate environmental reporting: an emerging issues in the corporate world. *International Journal of Business and management 3 (12) 146-154.*

UNEP Green Financing: Sustainable development goals.

Uwuigbe, U. & Jimoh, J. (2012). Corporate environmental disclosures in the Nigerian manufacturing industry: An *international multidisciplinary journal Ethiopia 6(3)*

Wilmshurst, T. D & Frost, G. F. (2000). Corporate environmental reporting: a

test of legitimacy theory, *Accounting, Auditing and Accountability Journal,* 13(1), 10-26