Managing ESG Disclosures and Banks Performance in Nigeria and South Africa

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Abstract
The study examined the level of Environmental, Social and Governance disclosures in Nigerian and South African deposit money banks as well as the impacts of ESG on the performance of the banks. The study was both longitudinal and cross sectional. Secondary data were extracted from the annual reports and financial statements of the fourteen (14) Deposit Money Banks listed on the Nigerian Stock Exchange and six (6) deposit money banks that fit into our study and listed on the Johannesburg Stock Exchange for the period 2012 – 2018; using the census sampling technique. The study relied on the GRI-G4 reporting guidelines from where the index for the content analysis was generated. The data were analysed using descriptive statistics, correlation matrix, pooled regression technique and independent t-tests for the comparative analysis.The outcome of the independent t-test showed that there are significant differences in the disclosure levels of the three ESG dimensions of both samples (Nigeria and South Africa) at

1% level of significance respectively. This implies that the average level of ESG disclosures of South African banks is significantly higher than those of Nigerian commercial banks. Also, the outcome of the regression estimation showed that, in Nigeria banks, there is a significant positive relationship between ESG reporting and the performance proxy employed. However, the relationship was found not to be significant when tested using the South African sampled banks. The study recommends, among others, that management of Nigerian banks should integrate ESG reporting initiatives into their business model and strategy in order to guarantee long-term business survival.

Introduction

The clamour for firms to be transparent in all business dealings remains unabated as the increasing demand for financial and extra financial information disclosures by investors and analysts soars. Investors and Analysts generally evaluate how the nature, source and use of a firm's economic interests are influenced by extra financial information disclosures. Extra financial information or non-financial information cover broad range of that are typically outside the usual variables which are considered as integral part of investment decision making process, categorized by Global Reporting Initiative (GRI) in 2005 as Environmental, Social and Governance (ESG) issues.

The conceptual framework of the International Accounting Standard Board (IASB), declared that the general objective of financial reporting is to provide useful information for the benefit of all stakeholders (IASB, 2015). To achieve this goal, companies are required to transmit non-financial (or qualitative) information that go beyond quantitative financial disclosures contained in the annual reports. Financial reporting is therefore expected to include both financial and non-financial information thereby revealing issues pertaining to companies'

social environment, corporate governance, the society and human rights (Sierra-Garcia, Garcia-Benau & Bollas-Araya, 2018). Unwholesome information disclosure would deny existing and potential investors, lenders and other stakeholders the opportunity of an objective appraisal of the firm for investment and decision making purposes (Serrasqueiro & Mineiro, 2018). A study by Ernst and Young (2017) highlighted that about 68% of investors acknowledged making use of non-financial information to reach investment decisions. As such, non-financial information encompassing environmental, social, governance (ESG) issues is becoming equally as important as financial information (Aybars, Ataünal, & Gürbüz, 2018).

It was the position of Alsayegh, Rahman, and Homayoun (2020) that ESG indicators are created to capture additional dimensions of corporate performance, which are not reflected in accounting information. Alsayegh et al. (2020) also related ESG to the concept of corporate sustainability which entails the disclosure of firms' performance from the dimensions of economic, environmental and social performances. The three central factors used in measuring the societal impact of ESG on an investment in a company include Environmental, Social, and Governance (ESG) disclosure dimensions. Evidently, companies and management of companies presently face much more demands from multiple stakeholders, for more transparency dealings with the environment, the handling of corporate governance issues, employees and communities (Nnamani, Onyekwelu, & Ugwu, 2017).

The practice of ESG reporting has grown significantly over the last ten years especially in developed countries, with approximately 83% of Canadian and 86% of major American companies (KPMG International, 2013). However, the situation is arguably different in Nigeria due to the voluntary nature of non-financial disclosures. This cannot be said to be the same for countries like South Africa which is taking the lead in Africa with respect to issues bothering on sustainability and ESG reporting (Nwobu, 2015).

Nigeria, on the other hand, has equally made some concerted efforts towards the promotion of ESG reporting among public quoted companies. This is typified by the recent issuance of Sustainability Disclosure Guideline (2019) by the Nigerian Stock Exchange (NSE), adapted from GRI encompassing sub-sections for governance disclosures. Similarly, the recently implemented Nigerian Code of Corporate Governance (2018) has a section for ESG related disclosures. The March, 2019 sustainability reporting workshop hosted by the NSE, in collaboration with GRI, unveiled sustainability disclosures approved by Nigerian Securities and Exchange Commission (SEC). The Guidelines set out recommendations for good practice in thirteen thematic areas under four core principles in ESG reporting which include economic, social, governance, and environment (NSE, 2019).

Various studies including those conducted by Amacha and Dastane (2017); Albatayneh, (2014); Erhirhie and Ekwueme, (2019); Maletic, Maletic, Dahlgaard, Dahlgaard-Park, and Gomiscek, (2015) argue that firms that put more efforts into having high ESG indicators are usually more sustainable in terms of performance and survivability. Often times, there is the tendency to confuse sustainability reporting with ESG disclosures because they both deal with the same goal of sustainable development. Sustainability reporting adopts omnibus approach of total sustainability to its assessment while ESG disclosures, emphasize and measure performance separately on each of the dimensions of environment, social and governance.

Considering that the banking sector in both Nigeria and South Africa were among the early adopters of GRI sustainability disclosure guidelines in Africa, this study is motivated to comparatively analyse the level of ESG disclosures in both Nigeria and South African banks and to ascertain the impacts of ESG disclosures on the performance and survival of Deposit Money Banks in both countries.

Statement of the Problem

The thoughts of whether or not there is linkage between ESG reporting and firm performance have attracted global relevance in research and academics. This could be attributed to the fact that the activities of most organizations have generated a lot of environmental concerns among stakeholders. However, in spite of the numerous empirical studies spanning across the past five decades both nationally and internationally (Margolis & Walsh, 2003), and specifically about fifteen (15) years in Nigeria (Nwobu, 2015), there is strong evidence of incongruent outcomes and mixed results of prior studies. Some of these previous studies include Asuquo, Dada and Onyeogaziri, (2018); Dembo, (2017); Sampong, Song, Boahene, and Wadie, (2018), and Wasara and Ganda, (2019).

Using univariate financial performance proxies, the recent foreign studies by Moreno and Duarte-Atoche, (2019) found that ESG reporting is crucial for long-term success and survival of firms. Many studies have not empirically examined the applicability of such claims in those foreign countries. In the case of Nigeria, there appears to be no known study that has used appropriate multi-variate models to study or analyse the effects of ESG on the survival, performance, sustenance and financial health of companies.

The trend in most recent studies in Nigeria as well as South Africa is the predominant application of univariate analysis or measures for financial performance involving majorly return on asset (ROA), return on equity (ROE), return on capital employed (ROCE), earnings per share (EPS) and Tobin's Q as performance surrogates (Asuquo et al, 2018; Erhirhie & Ekwueme, 2019; Sampong et al., 2018; Sanusi & Sanusi, 2019 and Wasara & Ganda, 2019). There appears to be only a very scanty if at all there are existing prior studies in Nigeria and South Africa that has employed other performance measures outside single financial ratios. Thus, introducing a more sophisticated performance proxy such as Z-Score measure of firm's financial health distinguishes the present study in widening the

knowledge of the impact of ESG reporting on firms' performance and survival.

South African takes the leading role in ESG reporting in Africa with an average rate of about 90% (Tankiso, 2014), compared to Nigeria's 34% (Uwuigbe, et al, 2018). There are persisting signs of unstableness among some Nigerian deposit money banks as evidenced by the recent insolvency crisis and subsequent delisting of Diamond bank Plc and Skye bank Plc among others in early 2019. In contrast, South Africa did not experience any bank failures since the 2008 global financial crisis period (Havemann, 2019). There is need to examine the level and differences in the ESG reporting of deposit money banks in both countries as well as the influence on their financial health. The study attempts to resolve the following questions:

1. What is ESG disclosure impact on the performance of Nigeria and South Africa DMBs?
2. What are the significant differences in environmental disclosures between Nigeria & South African DMBs?
3. What are the significant differences in social disclosures between Nigeria and South African DMBs?
4. What are the significant differences in governance disclosures between Nigeria and South African DMBs?

Using the above questions as enabling premises, the study represents a comparative analysis of the extent of ESG disclosures among Nigerian and South African DMBs between 2012 and 2018.

Literature Review

The conceptual framework, theoretical framework and the review of prior empirical evidences related to the study centred on Nigeria, South Africa and some foreign economies.

Conceptual Framework

The ESG concept has continuously been difficult to define, not withstanding rigorous efforts that have been made to present an encompassing scholarly conceptualisation of the terms. Extant studies on ESG characterize ESG as Strategic needs (Porter & Kramer 2011); Social Responsible Investment (SRI) (SIF, 2007; Kinder, 2005a, 2005b); Behaviour (CFA Institute, 2008); Issues (IFM, 2011; CFA Institute, 2008); Intangible measures (Bloomberg, 2009); Sustainability (Brimble & Stewart, 2009); Corporate Social Responsibility (CSR) (Harmon, Fairfield & Behson 2009); Factors (ESG Managers, 2011); Investment methodologies (ESG Managers, 2011); Opportunities (IFM, 2011) and Risks (IFM, 2011).

Environmental, Social and Governance (ESG) refers to the three central factors for measuring the sustainability and ethical impact of an investment in a company or business. White lock (2015) defines ESG as a set of activity or processes associated with an entity's relationship with its ecological surroundings, its coexistence and interaction with human organisms and other populations, and its corporate system of internal controls and procedures. Eccles and Viviers (2011), shows that there are other terms which have enjoyed same popularity as ESG. The most observable being 'corporate social responsibility'' and 'sustainability'' but many scholars prefer using ESG because it is more encompassing as it relates to a wider set of firm or corporate activities.

ESG is a generic term for a subset of non-financial indicators used by capital market to evaluate corporate sustainability. It comprises three factors which are a combination of non-financial indicators that are used to depict a company's ability to sustain or survive. The set of indicators are termed environment, social and governance. Just as Corporate Social Responsibility (CSR), the rationale or case for ESG is relational and may be categorized under four arguments which include reducing cost and risk; strengthening legitimacy and reputation; creating win–win situations through synergistic value creation with stakeholders; and building competitive advantage (Kurucz, Colbert & Wheeler, 2008). Balancing these four elements is important if sustainable development must be achieved.

ESG as an issue is novel in environmental reporting and accounting which considers the sustainable return, risk reduction, and accountability aspects of investments. The ESG issues are concerned with the diverse non-financial aspects of firm performance that may be influenced, for instance, by the firm's operational impact on the natural environment, society and corporate governance quality.

Conceptual Clarification of Model Variables

The independent variables adopted to explain the relationship between ESG and firm performance include environmental sustainability, social sustainability, and corporate governance while the dependent variable remains firm performance.

Environmental Sustainability and Firm Performance

The environmental dimension of sustainability deals with an organization's impact on living and non-living natural systems, including ecosystems, land, air, and water. Environmental indicators cover performance related to inputs and outputs. They also encompass performances related to biodiversity, environmental compliances, and other relevant information such as environmental expenditure and the impacts of pre-cuts and services (GRI, 2013). In the opinion of Jaggi and Freedman (1992), business organizations should be interested in environmental performance because it directs their financial performance. In Ngwakwe (2009), a significant relationship was found to exist between environmentally responsible and irresponsible firms. 'Environmental responsibility' was determined using disclosure on environmental and social issues above 50%.

Social Sustainability and Firm Performance

The social dimension of sustainability deals with the impact an organization has on the social systems such as labour practices, gender policies, human rights and relationship with communities within which it operates. The indicators surround labour practices and decent work, human rights, society and product responsibility (GRI, 2013). There seems to be divergent views on the relationship and the direction of such relationship between social

dimension of sustainability and firm performance. Some studies (Friedman, 1970; Preston & O'Bannon, 1997; Jensen, 2001) present a no significant relationship outcome while others (McWillams, Siegel & Wright, 2006; Waddock & Graves, 1997) show a significant positive relationship in support of the stake holders' theory.

Corporate Governance Sustainability and Firm Performance

Corporate governance in the opinion of OECD (2015) refers to the procedures and processes which provide the grounds for management and control of an organization. Corporate governance includes the activities of the board of directors and its relationship with shareholders and managers. It also includes the relationship of the board of directors with external parties like auditors, regulatory authorities and other corporate participants. The structure of corporate governance appears to determine the distribution of rights and responsibilities between the different parties in the company and sets the decision-making rules and procedures. In general the board of directors is the body that decides how the company develops (Krechovská & Prochazkova, 2014).

Theoretical Framework

This study is anchored on Stakeholders theory and signalling theory. Stakeholders' theory has been described as the dominant and most useful theory in explaining ESG and sustainability reporting practice (Husillos-Carqués & Correa-Ruiz, 2010). Stakeholder theory regards ESG reporting as a means to address the demands of a company's stakeholders (Solomon & Lewis, 2002). The central theme of stakeholder theory is firm's obligations towards a broad group of stakeholders (Donaldson & Preston; 1995; Hillenbrand & Money 2007). The theory organises innovative thoughts about firms' responsibility to largely satisfy the needs of all shareholders at the same time (Jamali 2008). Company survival is deemed to depend on its managed relationship with important stakeholders (Bebbington, 2001; Freeman, Wicks, & Parmar, 2004; Mitchell, Agle & Wood, 1997)

Stakeholder reporting provides a reporting and communication tool which deals with stakeholders from an accounting perspective within the framework of annual reports and extending to separate reports (Deegan, 2000). The stakeholders theory posits that the organization exist not primarily for itself and its owners but also for the benefit of the society. Moral and value considerations are as important as profitability matters in a business (Aguilera, Rupp, Williams, & Ganapathi 2007; Mansell, 2013; Miles, 2012) and the recognition of other stakeholders' interest in the organization has implications for business policy and strategies, such as striking a balance between ESG disclosure and profitability (Czyzewski & Hull, 1991).

Often times, organizations take certain decisions or adopt policy measures with the intention to signal its underlying qualities to other parties. Signalling theory is basically concerned with reducing information asymmetry between two parties (Spence, 2002). Information asymmetry in the opinion of Stigliz (2002), occur when different people know different things concerning the same subject. Signalling theory mostly focuses on reporting entity's intention to share information and receive signals from the market, stakeholders and society. In the case of ESG disclosure, the signaller is the reporting entity through its annual reports, signals refers to the extent of ESG disclosure, receivers are outsiders who are unaware of the insider information while the feedback reflects the interaction between signallers and receivers (Mavlanova, Benbunan-Fich & Koufaris, 2012). The feedback can either be positive of negative and maybe reflected in the share price, foreign capital inflows, ability to attract quality employees, etc.

Prior Empirical Studies
A few prior empirical studies relating to ESG conducted in Nigeria and other countries are reviewed here. Asaolu, Agboola, Ayoola, and Salawu (2011) assessed sustainability reporting in the Nigerian Oil and Gas sector, and found an arbitrary and incompatible sustainability reporting indicators among all the sampled companies.

Oyewo and Badejo (2014) conducted a study on sustainable development reporting practice by banks in Nigeria and observed that Nigerian banks were involved mostly in the social aspect of sustainability, although sustainable solution practices among them were not significantly different. Firm characteristics such as size and profitability were found not to affect sustainability practice. Nwobu (2015) in a study examined the annual reports of eight (8) banks in Nigeria for the presence or absence of sustainability reporting. The result of the study indicated that sustainability reporting has received substantial attention over the past four (4) years in the Nigerian banking sector. Onyali, Okafor and Onodi (2015) examined the effectiveness of triple bottom line (TBL) disclosure practice of corporate firms in Nigeria by focusing on the perspective of corporate stakeholders. The study result indicated that investors and consumers expressed dissatisfaction with the extent of firms TBL disclosure practice in Nigeria.

Yordudom and Suttipun (2020) examined the influence of ESG disclosures on firm value in Thailand. The results show that the extent and level of environmental, social, and governance disclosures were 309.91, 1196.12, and 1197.84 average words. The most common ESG disclosure was governance disclosure followed by social and environmental disclosures. The study found the positive influence of environmental and social disclosures on firm value, while there was a negative influence of governance disclosure on firm value. Seong, Md. Abdul and Jong (2018) examined a cross-country investigation of corporate governance and corporate sustainability disclosure. The result showed that total sustainability disclosure has a positive significant relationship with foreign shareholding, institutional shareholding, board independence, and board size.

Preston and O'Bannon (1997) study attempted to determine if a causal relationship behind ESG factors exists. The empirical results disclosed that, consistent with the stakeholder theory, there was not a single negative relationship between social and financial performance in large U.S. companies. The

strongest evidence indicated that social-financial performance is a positive synergy in which available funds drive positive social performance and positive social performance drives financial performance. Waddock and Graves (1997) argue that attention paid to corporate social performance builds effective lasting relationships with stakeholder groups causing better total financial performance measured by return on assets, return on equity and return on sales.

Aupperle and Pham (1989) measured both market returns and accounting return ratios and discovered that there is no direct relationship between these initiatives and increased firm value. Instead, sustainability initiatives are an indirect factor with regards to financial performance and there are other more direct factors that truly impact a firm's financials. Salzmann (2005) measured sustainability initiatives by considering ESG factors looking at firms with high ESG scores. The empirical analysis concludes that a positive relationship exists between ESG and performance, but that social aspect impacts financial performance much more than the government or environmental aspects.

Methodology

The population of study comprises fourteen (14) DMBs on the Nigerian Stock Exchange (NSE) and the six (6) Johannesburg Stock Exchange (JSE) for the period 2012 – 2018. The choice of DMBs is informed by the fact that DMBs are the early adopters of the GRI sustainability and ESG disclosure guidelines in both countries and has sections dedicated to such in their annual reports. Given the population size, the entire population was adopted as the sample size in a census sampling for purpose of generalisation. Secondary historical data were obtained from corporate annual reports of the sampled banks for 2012 – 2018. The qualitative data for the ESG disclosures were sourced via content analysis procedures using the Global Reporting Initiative (GRI-G4) checklist in line with previous studies by Nwobu (2015) and Kwaghfan (2015).

The models were estimated using pooled data regression analysis techniques using E-views Version 10 package, while the independent paired sample t-test was adopted using SPSS version 24 package for the purpose of testing hypotheses 1, 2 and 3. The t-test formula is given as:

$T = \frac{d}{Sd\sqrt{n}}$; where: d is the mean difference between the paired groups; s_d is the standard deviation of the differences; and n is the number of pairs.

In order to test hypotheses 4 and 5, the model of Emeka-Nwokeji and Osisioma (2019) was modified and used to explain the relationship between ESG dimensions and performance of the sampled banks as follows.

$$TOBINSQ_{it} = \alpha_0 + \beta_1 ENVI_{it} + \beta_2 SOCI_{it} + \beta_3 GOVI_{it} + \beta_4 F$$

$$TOBINSQ_{it} = \alpha_0 + \beta_1 SDI_{it} + \beta_2 FSIZE_{it} + \beta_3 FAGE_{it} + \beta_4 TL$$

Where: β0 = Intercept estimates; β1-6 = Coefficient of the independent variables; Tobin's Q = Firm value (Dependent variable); ENVI = Environment Sustainability Principal Component Index; SOCI = Social Sustainability Principal Component Index; GOVI = Corporate Governance Sustainability, Principal Component Index; SDI = ESG Disclosures Indices. That is, it is aggregate of ENVI, SOCI and GOVI; FSIZE = Firm Size (Control Variable); FAGE = Firm Age (Control Variable); TLBTA Leverage (Control Variable); e = error term

In the modification of Emeka-Nwokeji and Osisioma (2019) model, the study introduced the bankruptcy prediction variable (Z-Score) as dependent variable and measure of financial health of the banks, while retaining firm size and age as control variables.

The modified model for this study is given below:

$$Zscore\_Nig = \beta_0 + \beta_1 ENV_{i,t} + \beta_2 SOC_{i,t} + \beta_3 GOV_{i,t} + \beta$$

……….. (1a)

$$Zscore\_SA = \beta_0 + \beta_1 ENV_{i,t} + \beta_2 SOC_{i,t} + \beta_3 GOV_{i,t} + \beta_4$$

………... (1b)

$$Zscore\_Nig = \beta_0 + \beta_1 SDI_{i,t} + \beta_2 SIZ_{i,t} + \beta_3 AGE_{i,t} + \epsilon_{i,t}$$
.... (2a)

$$Zscore\_SA = \beta_0 + \beta_1 SDI_{i,t} + \beta_2 SIZ_{i,t} + \beta_3 AGE_{i,t} + \epsilon_{i,t}$$
.... (2b)

Where: β_0 = represents the constant; β_1, β_2 … and β_5= represents the parameters to be estimated $\epsilon_{i,t}$ = represents the error term; Nig = Nigerian banks; SA = South African banks; Z-Score = Bankruptcy prediction (measure of bank financial health and our proxy for performance); ENV = Environment Principal Component Index; SOC = Social Principal Component Index; GOV = Corporate Governance, Principal Component Index; SDI = ESG Disclosures Indices. That is, is aggregate of ENV, SOC and GOV; SIZ = Firm Size (Control Variable); AGE = Firm Age (Control Variable).

The unweighted scoring method was used, guided by the index from the GPI guidelines as also applied by Sampong, et al (2018); Erhirhie and Ekwueme (2019). Johansson and Zametica (2019), explain that the GRI standards are considered the most recognized guidelines for sustainability and ESG reports and ESG disclosures. From the index, the environmental reporting components have 34 items; the social performance has 32 items, while governance disclosures have 26 core items. On each of the three ESG reporting components, a content analysis was conducted to calculate the number of indicators disclosed by a sampled bank in a financial year. The proportion of disclosure based on the total requirements was taken as the measure of the extent of disclosure on each of the three categories.

The adopted Sampong et al (2018) formula is given as

$$DISC_{ij} = \frac{\sum_{i=0}^{n} X_{ij}}{m_j}$$

Where: DISC = Disclosure score; mj = the maximum expected score for each category; j is the company; i = the items; Xij = assumes a value of 1 if a company disclosed an item, otherwise 0.
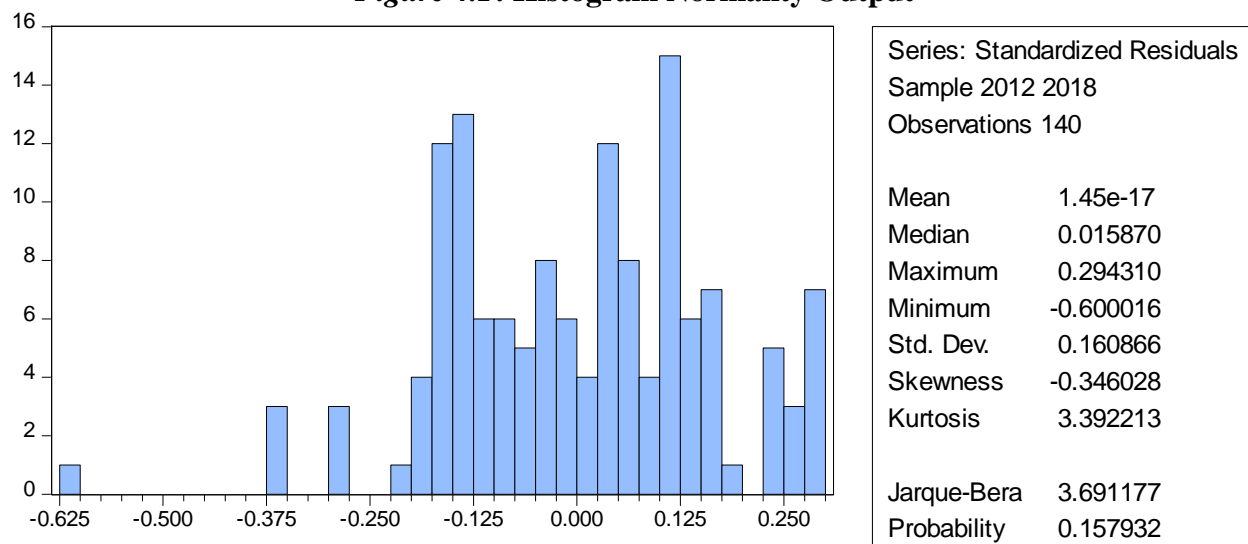
Data Analysis

Table 4.1 *Descriptive Statistics*

Nigeria	Z_SCORE	ENV	SOC	GOV	SDI	SIZ (N'000)	AGE
Mean	2.529954	0.368848	0.540497	0.733517	0.547621	2200717218	33.07143
Median	1.857655	0.352941	0.500000	0.769231	0.521305	1382815000	29.00000
Maximum	10.84653	0.882353	0.968750	1.000000	0.950368	8223984226	58.00000
Minimum	-0.315956	0.058824	0.125000	0.346154	0.282429	156506504	22.00000
Std. Dev.	2.171087	0.193035	0.230262	0.180759	0.161192	1859294782	10.35180
Skewness	1.491919	1.005328	0.453996	-0.423067	0.859772	1.110634881	1.199027
Kurtosis	5.291177	3.232276	2.177127	2.371581	2.878705	0.35985713	3.123210
Jarque-Bera	57.79051	16.72814	6.131405	4.535990	12.13381	2.854859	23.54388
Probability	0.000000	0.000233	0.46621	0.103520	0.002318	0.239925	0.000008
Observations	98	98	98	98	98	98	98
South Africa	Z_SCORE	ENV	SOC	GOV	SDI	SIZ (R,000)	AGE
Mean	3.542866	0.883868	0.802235	0.821971	0.836025	858993927	30.33333
Median	2.336395	0.877551	0.795918	0.832818	0.836735	842788411.5	27.50000
Maximum	16.84797	0.979592	0.959184	0.959184	0.884354	2591330151	49.00000
Minimum	1.352667	0.734694	0.653061	0.755102	0.789116	23622000	10.00000
Std. Dev.	3.640609	0.063503	0.073857	0.052774	0.024007	736334743	12.11262

Skewness	2.574948	-0.538214	-0.341071	0.649354	-0.157702	0.632376713	0.127813
Kurtosis	8.409632	2.795650	3.217728	3.182569	2.321943	-0.29809146	1.789521
Jarque-Bera	97.62470	2.100797	0.897265	3.009958	0.978671	5.730989	2.678557
Probability	0.000000	0.349798	0.638501	0.222022	0.613034	0.056955	0.262035
Observations	42	42	42	42	42	42	42

Source: Author's computation using Eviews 10, 2020

***Figure 4.1*: Histogram Normality Output**

Series: Standardized Residuals	
Sample 2012 2018	
Observations 140	
Mean	1.45e-17
Median	0.015870
Maximum	0.294310
Minimum	-0.600016
Std. Dev.	0.160866
Skewness	-0.346028
Kurtosis	3.392213
Jarque-Bera	3.691177
Probability	0.157932

Independent T-test

In order to test whether the differences in each of the ESG disclosure dimensions (ENV, SOC and GOV) in Nigerian and South African banks are statistically significant, the independent t-test was conducted. From Table 4.2, the mean values are the same values obtained from the descriptive statistics and indicate that the disclosure level of South African banks is higher than that of the banks in all the three ESG reporting dimensions.

The Levene's Test for Equality of Variances showed F-statistics and the probability values of F=22.96 (p-value=0.000<0.05), F=51.454 (p-value=0.000<0.05) and 58.307 (p-value=0.000<0.05) for respective ESG disclosures. This is suggestive that both at equal and unequal variance levels, the difference in the mean values of the three ESG dimensions of both countries vary significantly at 1% level of significance. Thus, the results of the analyses cannot sustain the null hypothesis of no significant differences in ESG disclosures between South African and Nigerian banks.

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Table 4.2   Independent T-test of the ESG Disclosure Dimensions

	Group Statistics					t-test for Equality of Means				Levene's Test for Equality of Variances	
	Country	N	Mean	Std. Dev.	Std. Error Mean	df	Mean Difference	Std. Error Difference	T	F	Sig.
Environmental Disclosure	Nigeria	98	0.369	0.193	0.020	138	-0.51502	0.030523	-16.873	22.96	0.000
	South Africa	42	0.884	0.064	0.010	132.2	-0.51502	0.021823	-23.6		

	Group Statistics					t-test for Equality of Means				Levene's Test for Equality of Variances	
	Country	N	Mean	Std. Dev.	Std. Error Mean	df	Mean Difference	Std. Error Difference	T	F	Sig.
Social Disclosure	Nigeria	98	0.541	0.230	0.024	138	-0.26174	0.03637	-7.197	51.454	0.000
	South Africa	42	0.802	0.074	0.011	131.3	-0.26174	0.025902	-10.105		

	Group Statistics					t-test for Equality of Means			Levene's Test for Equality of Variances	
	Country	N	Mean	Std. Dev.	Std. Error Mean	df	Mean Difference	Std. Error Difference	F	Sig.
Governance Disclosure	Nigeria	98	0.734	0.181	0.018	138	-0.08845	0.028449	-3.109	58.307	0.000
	South Africa	42	0.822	0.053	0.008	127.5	-0.08845	0.019993	-4.424		

Source: Author's computation using SPSS 24, 2020

Table 4.3   *Correlation Matrix*

Panel 1 (Nig)	Z_SCORE	ENV	SOC	GOV	SIZ	AGE	Panel 2 (SA)	Z_SCORE	ENV	SOC	GOV	SIZ	AGE
Z_SCORE	1.0000						Z_SCORE	1.000					
	-----							-----					
	-----							-----					
ENV	-0.2117	1.0000					ENV	0.3115	1.0000				
	-2.1228	-----						2.0735	-----				
	0.0363**	-----						0.0446**	-----				
SOC	-0.1602	0.8278	1.0000				SOC	0.1259	0.1147	1.0000			
	-1.5898	14.4590	-----					0.8024	0.7305	-----			
	0.1152	0.0000***	-----					0.4271	0.4693	-----			
GOV	-0.2019	0.2852	0.2090	1.0000			GOV	-0.3426	-0.5218	-0.5984	1.0000		
	-2.0194	2.9151	2.0937	-----				-2.3064	-3.8681	-4.7235	-----		
	0.0462**	0.0044***	0.0389**	-----				0.0263**	0.0004***	0.0000***	-----		
SIZ	0.2347	0.2531	0.2735	0.2533	1.0000		SIZ	0.1747	-0.0090	0.6613	-0.5422	1.0000	
	2.3655	2.5634	2.7862	2.5650	-----			1.1219	-0.0568	5.5761	-4.0814	-----	
	0.0200**	0.0119**	0.0064***	0.0119**	-----			0.2686	0.9550	0.0000***	0.0002***	-----	
AGE	0.2328	-0.3066	-0.1957	-0.3595	0.0721	1.0000	AGE	-0.0260	-0.0403	0.3670	-0.3692	0.7695	1.0000
	2.3456	-3.1564	-1.9555	-3.7747	0.7084	-----		-0.1644	-0.2553	2.4956	-2.5127	7.6196	-----
	0.0211**	0.0021***	0.0534*	0.0003***	0.4804	-----		0.8702	0.7998	0.0168**	0.0161**	0.000***	-----

Source: Author's computation using Eviews 10, 2020

***, **, * Correlation is significant at the 1%, 5% and 10% levels respectively

Table 4.4   Variance Inflation Factors (VIF) Tests

Panel 1 (Nig.)	Coefficient Variance	Centered VIF	Panel 2 (S.A.)	Coefficient Variance	Centered VIF
C	22.41179	NA	C	830.9855	NA
ENV	3.914949	3.482065	ENV	0.011850	1.667736
SOC	2.573589	3.257018	SOC	0.012026	2.289274
GOV	1.645613	1.283413	GOV	0.027699	2.692158
SIZ	0.057612	1.190901	SIZ	0.534402	4.393894
AGE	0.000504	1.289261	AGE	0.005255	2.690798

Source: Author's Computation using Eviews

10 output (2020)

Table 4.5   *Other Regression Diagnostics Tests Results*

	Panel 1 (Nigeria)	Panel 2 (South Africa)
Heteroskedasticity Test: Breusch-Pagan-Godfrey:		
F-statistics	2.1066875	3.205579
Prob. F(5,92)	0.1482	0.0170
Breusch-Godfrey Serial Correlation LM Test:		
F-statistics	0.798054	2.35636
Prob. F(2,56)	0.4509	0.0595

Source: Author's   Computation   using   Multivariate results

Eviews 10 Output, 2020

Table 4.6   Pooled Regression Results Model 1a and 1b

	Nigerian banks(2012 - 2018)				**South African banks**(2012 - 2018)		
Model 1a	Dependent Variable: Z-SCORE			**Model 1b**	Dependent Variable: Z-SCORE		
	Total observations: 98 (14 cross-sections)				Total observations: 42 (6 cross-sections)		
Variables	**Coefficient**	**t-Statistic**	**Prob.**	**Variables**	**Coefficient**	**t-Statistic**	**Prob.**

Variables	Coefficient	t-Statistic	Prob.		Variables	Coefficient	t-Statistic	Prob.
C	-17.25385	-2.194276	0.0319		C	-56.72737	-1.480806	0.1522
ENV	-2.115817	-0.853610	0.3966		ENV	0.402809	2.474892	0.0211**
SOC	-0.455231	-3.740039	0.0004***		SOC	0.035037	0.223687	0.8250
GOV	5.998546	2.184957	0.0326**		GOV	0.669927	4.620659	0.0001***
SIZ	1.094443	2.844332	0.0060***		SIZ	1.870377	1.126453	0.2716
AGE	0.033512	0.749031	0.4566		AGE	-0.151108	-0.849901	0.4041
R-squared			0.400144		R-squared			0.591640
Adjusted R-squared			0.343015		Adjusted R-squared			0.485111
F-statistic			7.004203		F-statistic			5.553802
Prob(F-statistic)			0.00001***		Prob(F-statistic)			0.00111***

Source: Eviews 10 output (2020)   ***.Significant   at

the 0.01 level (1%).** Significant at the 0.05 level

(5%).

Table 4.7   Pooled Regression Results Model 2a and 2b

Model 2a	**Nigerian banks** (2012 - 2018) Dependent Variable: Z-SCORE Total observations: 98 (14 cross-sections)				Model 2b	**South African banks** (2012 - 2018) Dependent Variable: Z-SCORE Total observations: 42 (6 cross-sections)		
Variables	**Coefficient**	**t-Statistic**	**Prob.**		**Variables**	**Coefficient**	**t-Statistic**	**Prob.**
C	-12.05448	-2.560765	0.0120		C	82.07408	1.810111	0.0800
SDI	4.141158	2.845747	0.0054***		SDI	0.270711	0.976923	0.3362
SIZ	0.764225	3.228164	0.0017***		SIZ	-5.849225	-2.227162	0.0333**
AGE	-0.021308	-0.992066	0.3237		AGE	1.083407	21.36768	0.0000***
R-squared			0.173165		R-squared			0.746265
Adjusted R-squared			0.146777		Adjusted R-squared			0.713525
F-statistic			6.562176		F-statistic			22.79373
Prob(F-statistic)			0.00045***		Prob(F-statistic)			0.00000***

Source: Eviews 10 output (2020)   ***.Significant   at   (5%).

the 0.01 level (1%). ** Significant at the 0.05 level

Table 4.8   *Summary of Hypotheses Testing*

	Hypotheses	Prediction	Actual Result	Decision
Ho$_1$	There are no significant differences in environmental disclosures between South African and Nigerian banks.	Statistically different	Statistically different (p-value=0.000)	Reject null**
Ho$_2$	There are no significant differences in social disclosures between South African and Nigerian banks.	Statistically different	Statistically different (p-value=0.000)	Reject null**
Ho$_3$	There are no significant differences in governance disclosures between South African and Nigerian banks.	Statistically different	Statistically different (p-value=0.000)	Reject null**
Ho$_4$	ESG disclosures have no significant impact on the performance of Nigerian banks.	Positive	Positive – significant (p-value=0.005)	Reject null**
Ho$_5$	ESG disclosures have no significant impact on the performance of South Africa banks.	Positive	Positive – insignificant (p-value=0.336)	Accept null

Source: Researcher's compilation (2020)
    **.Statistically significant

Discussion of Results

The result of the hypotheses 1, 2 and 3 showed that the level of environmental disclosures, social disclosures and governance disclosures of Nigerian and South African commercial banks differ significantly. This was as a result of the mean disclosure levels of 37%, 54% and 73% (for Nigerian banks) and 88%, 80% and 82% (for South African banks) for environmental, social and governance disclosures respectively. Thus H0$_1$, H0$_2$ and H0$_3$ were accepted implying that the ESG reporting of banks in both countries is significantly different at all three levels of significance. The overall ESG reporting quality, based on the GRI guidelines adopted is 55% and 84% for Nigerian and South African banks respectively indicating that the latter is better than that of the former based on the global metrics adopted. The outcome of the Nigerian sample showed slight decrease in environmental disclosure (37%) compared to 43% found by Asuquo, et al (2018), but slight increase in social disclosures (54%) compared to 49% found by Asuquo, et al (2018) among quoted brewery firms in Nigeria between 2012 – 2016. Similarly, the total average ESG disclosures of 55% is equally lower than the 62% found by Uwuigbe, et al (2018) among 10 deposit money banks in Nigeria from 2014 – 2016.

From the South Africa, the total ESG disclosure quality of 84% is also slightly lower than the 90% found by Shuro and Stainbank (2014) study on ESG reporting of South Africa's top 10 mining and manufacturing companies from 2008 to 2012. However, there appears to be significant increase in the individual ESG dimensions of the sampled South African firms at 88%, 80% and 82% for environmental, social and governance disclosures respectively compared to the average ESG disclosures of 61%

(environmental), 66% (social) and 65% (governance) found by Sampong, et al (2018) study of selected South African firms for year 2017. When compared to those of other developing countries, Japanese companies (90%), Indian companies (88%), South Korea (85%) and 72% for Indonesian firms - as found by Laskar (2018); it can be concluded that South African banks are still among the top reporters of ESG dimensions than the Nigerian banks. This may not be unconnected to the mandatory regulatory requirement of ESG reporting in South Africa and the voluntary nature of such requirement in Nigeria.

Results of tests of hypotheses $H0_4$ and $H0_5$ showed that there is a positive relationship between the total ESG disclosure and the performance proxy (z-score) in both Nigeria and South Africa, with only that of Nigerian banks being statistically significant. Thus, Null hypothesis 4 is rejected while Null Hypothesis 5 is accepted. Although the expected positive coefficient sign was obtained by the result, the non-significance of the South Africa model was not envisaged. This is perhaps as a result of the performance proxy adopted by the study. The z-score measure tests the financial health of a company in order to detect those that have signs of distress or are already distressed. This does not mean that the company with a low z-score value translates to poor performance rather it is a sign of an overall gauge of four financial factors including liquidity, growth, profitability and leverage. Thus, a company can be distressed and eventually emerge from such situation in subsequent years due to the interaction of other variables, outside non-financial disclosure quality.

Empirically, The outcome of the Nigerian model is similar to that of Emeka-Nwokeji and Osisioma (2019) who sampled 93 non-

financial firms in Nigeria and found that overall ESG disclosures have significant positive effects on performance, but differed when categorised in terms of ESG dimensions, just like the result showed in Table 4.6 where social disclosures showed negative and insignificant effect on the performance while environmental disclosures and corporate governance disclosures exhibited positive significant impacts on performance. The outcome of hypothesis 4 also supports Erhirhie and Ekwueme (2019) study which found significant positive relationship between ESG reporting and performance of oil and gas firms in Nigeria. It also corroborates the result of Uwuigbe, et al (2018) study which indicates that ESG reporting had a significant positive influence on revenue generation of the sampled Nigerian deposit money banks. On the other hand, the result of this study regarding Nigeria negates that of Asuquo, et al (2018) which found that the three GRI sustainability (ESG) dimensions have no significant effects on performance of selected quoted firms in Nigeria. The disparities in the findings can be attributed to the samples adopted and the financial years studied.

The outcome of the South Africa model of this study is similar to that of Sampong, et al (2018) study which found positive and statistically significant relationship between some dimensions of ESG and performance but they concluded that overall ESG disclosures have a limited effect on firm value and performance. Another South African study by Wasara and Ganda, (2019) also presents negative relationship between environmental disclosures and firm performance but a positive association between social disclosures and firm performance. This implies that an increase in corporate reporting of social issues results in increased financial performance

through an increase in return on investment, but not that of environmental dimension.

The South Africa result with respect to hypothesis 5 can also be related to that of Johanson and Zametica (2019) which found a positive significant relationship between the quality of ESG reports, financial performance and firm value only for year 2015 but showed no significant relationship in years 2016 and 2017. Another recent study by Taliento, Favino and Netti (2019) equally indicate that "ESG" measures of the individual ESG scores (either absolute scores or absolute levels) did not have significant impacts on European firms' economic performance. This is equally confirmed by the Moreno and Duarte-Atoche (2019) which presented no direct relationship between performance and ESG disclosures in the short-term among Spanish firms.

Conclusion

The study set out to determine the level of Environmental, Social and Governance (ESG) disclosures in Nigerian and South African deposit money banks as well as the impacts of ESG on the performance of the banks. Secondary data were extracted from the annual reports and financial statements of listed Banks listed on the Nigerian Stock Exchange and on the Johannesburg Stock Exchange for the period 2012 – 2018. The outcome of the pooled regression estimation showed that, in Nigeria, there is a significant positive relationship between ESG reporting and performance of Nigerian banks, while such relationship were not significant when tested using the South African sampled banks. The results also suggest that firm size and age are significant contributors to the performance of South African banks, while only firm size was significant in the Nigerian context. It can thus be concluded that, by using the z-score bankruptcy prediction as proxy for performance, the variable of ESG reporting

only showed significant impact amongst Nigerian banks, while its effect on the performance of South African banks is insignificant. Considering the level of ESG disclosures observed from the result, it is concluded that Nigerian banks disclose more of governance (73%) and social (54%) ESG components and less on environmental sustainability requirements at 37%; while South African banks disclose more uniformly at 88%, 80% and 82% for the three ESG dimensions respectively. The study recommends, among others, that management of Nigerian banks should integrate ESG reporting initiatives into their business model and strategy in order to guarantee long-term business survival.

Recommendations

Based on the foregoing results, the following suggestions are recommended for policy implementations:

i. This study has shown that ESG reporting has the potential of enhancing the financial health of banks and solidifying the going concern status of firms. The management of banks in both Nigerian and South Africa should promote greater ESG reporting and long-term value creation by integrating sustainability metrics into business model and strategy in order to guarantee long-term survival;

ii. South African banks should pursue other economically viable and profitable ESG policy initiatives as the empirical evidences indicating that banks' performances increase as a result of improved ESG disclosure quality are yet inconclusive;

iii. Majority of the banks in Nigeria were observed not to use the GRI standards in their ESG reports resulting in the low

disclosure quality in the social-environment dimensions. The study therefore recommends that banks in Nigeria should align more with the widely accepted GRI sustainability and ESG guidelines in different countries;

iv. Despite the fact that ESG reporting is still an evolving concept in Nigeria, its disclosure level among companies can be rapidly enhanced if it is made a mandatory listing requirement as the current voluntary-nature affords firms considerable latitude in determining their preference for all the ESG reporting dimensions, performance impacts and benefits associated with business practices;

v. This study focused only on deposit money banks in Nigeria and South Africa. Banks have significantly different operating environment, different nature and structure, and different regulations that would make the outcome of this study not generally applicable to firms in non-financial services sectors. Further studies should therefore explore data from the other sectors of the economy in order to benefit from the enormous performance quality improvements which ESG and sustainability disclosures afford.

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