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SUSTAINABILITY INTEGRATION IN CORPORATE GOVERNANCE IN NIGERIA: IMPACTS ON PERFORMANCE

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ABSTRACT

This research explores the impact of sustainability integration within corporate governance on firm Performance in Nigeria, focusing on financial outcomes such as Return on Assets (ROA), Tobin's Q, and EBITDA. Data were collected from publicly traded Nigerian companies, and the study utilizes regression analysis to examine the relationship between sustainability practices, governance structures, and financial Performance. The findings suggest that firms with robust sustainability strategies and effective governance frameworks tend to perform better financially. Additionally, the study highlights the negative impact of financial constraints on firm Performance, particularly in firms with higher debt ratios. The research also reveals that the integration of sustainability does not significantly affect earnings quality, contradicting prior studies that suggest a positive relationship between sustainability and earnings transparency. This study contributes to the growing literature on sustainability in emerging markets, emphasizing the importance of corporate governance, financial flexibility, and sustainable practices in achieving long-term corporate success.
Keywords: sustainability, corporate governance, firm Performance, financial constraints, Nigeria.

1. INTRODUCTION

In recent times, the focus on sustainability has turned into a vital concern within corporate governance practices, whereby businesses strongly believe in the interaction between the social, environmental, and financial elements for sustaining their viability in the long term. (Williams & Brown, 2020) Business organizations are seen drifting toward holistic value creation, in which the integration of sustainability into governance structures has emerged as an instrumental strategy. This paradigm shift is significant in developing economies like Nigeria, where there is an urgent need to address environmental, social, and economic challenges while fostering corporate growth and innovation (Gibson & Kelly, 2019). In such contexts, corporate governance plays a critical role in ensuring that organizations operate responsibly, remain accountable to stakeholders, and contribute to the socio-economic development of the nation (Smith & Johnson, 2020).

The notion of sustainability in corporate governance entails the integration of environmental, social, and governance (ESG) criteria into decision-making processes to guarantee that companies are not only financially successful but also ethical, socially responsible, and environmentally aware (Smith & Johnson, 2020; Lee & Martinez, 2019). The incorporation of sustainability within corporate governance is a continuous development, necessitating a strong framework to align business operations with sustainable development goals (SDGs) (UN, 2015). In Nigeria, the potential benefits of such integration are multifaceted, addressing pressing issues such as poverty, inequality, and climate change while simultaneously enhancing the competitiveness and resilience of firms (Anderson et al., 2021; Carter & Lopez, 2019).

Recent studies have emphasized the importance of corporate governance mechanisms—such as board composition, leadership, transparency, and accountability—in influencing the integration of sustainability practices in organizations (Schmidt & Taylor, 2020). The urgency, therefore, necessitates the approach of sustainable governance practices, with corporate governance traditionally being burdened with weaknesses such as inadequacy of enforcement, corruption, and political instability in Nigeria (Taylor & Green, 2020). Notwithstanding, there is, however, emerging evidence that in Nigeria, an increasing number of companies are slowly beginning to embrace sustainability as both a regulatory compliance issue and, more importantly, as a source of competitive

advantage critical for financial soundness, brand reputation, and long-term survival (Davies & Thompson, 2021). A combination of external and internal factors has driven the increasing integration of sustainability in corporate governance in Nigeria. Externally, global shifts towards sustainability and increasing consumer awareness have put pressure on Nigerian firms to adopt responsible practices (Williams & White, 2020). For instance, international investors and partners are increasingly interested in those firms that can boast of impressive ESG credentials; this, therefore, calls for a reason why Nigerian firms should align their governance frameworks with world best practices (Anderson et al., 2021).

Additionally, Nigeria's natural resource-based economy, combined with the adverse effects of climate change, has made sustainability integration a critical issue for firms operating in sectors such as oil and gas, agriculture, and manufacturing. The internally growing evidence is that companies integrating sustainability into their governance practices tend to enjoy superior financial Performance. Several studies have indicated that an organization embedding sustainable practices will be more capable of winning the trust of stakeholders, minimizing risks, and improving brand equity (Martinez et al., 2019; Lamidi & Attah, 2025). The corporate sector's focus on triple-bottom-line reporting, which measures Performance in financial, environmental, and social terms, has emerged as an essential tool for evaluating the outcomes of sustainability integration (Lee & Carter, 2019). Moreover, there is growing recognition that companies that fail to address sustainability issues face potential reputational and financial risks that could adversely affect their Performance in the long run (Williams & Brown, 2020).

While there is increased consensus on the importance of sustainability issues in corporate governance, there is a limited number of empirical studies investigating specific impacts on corporate Performance in Nigeria. Most existing studies have focused on developed economies or provided general global outlooks that are not very useful in thoroughly addressing the particular challenges and opportunities that Nigerian companies face in their effort to include sustainability in their governance frameworks (Lee & Martinez, 2019).

2. LITERATURE REVIEW

The integration of sustainability into corporate governance is no longer solely an issue of corporate social responsibility but also a critical strategic decision that could shape the future direction of the Nigerian firm. At a time when there is ever-mounting pressure from global and local stakeholders in terms of a call for responsible action by firms, the question of how best to navigate this intricate balance between profitability and sustainability becomes increasingly significant. In a country like Nigeria, where economic instability, resource scarcity, and environmental degradation are persistent challenges, the potential of sustainability to catalyze positive change is immense (Carter & Lopez, 2019). While the adoption of sustainability practices in Nigeria has been slow, a growing number of companies have begun to realize the long-term benefits of incorporating these principles into their governance structures (Davies & Thompson, 2021; Ezenwakwelu et al., 2019).

Notwithstanding these positive shifts, many firms in Nigeria still struggle to implement appropriate sustainability frameworks. Some firms face resistance from board members and other key stakeholders who may not fully understand the long-term value of sustainability. For instance, in resource-dependent sectors such as oil and gas, agriculture, and mining, there is often a tension between short-term financial goals and the adoption of sustainable practices that may require significant investments or shifts in business models. This tension highlights the need for effective corporate governance structures that can align financial goals with sustainability objectives. Strong governance structures can ensure that sustainability is not seen as an optional or peripheral issue but as an integral part of the corporate agenda (Williams & White, 2020; Attah & Gimba, 2024).

One of the key factors influencing the integration of sustainability into corporate governance in Nigeria is the role of leadership. It has been established that leadership commitment is crucial to the successful integration of sustainability into corporate strategies (Martinez et al., 2019). Leaders with a predisposition toward sustainability will lead the organization's culture in a specific fashion to accommodate ethical practices, increased transparency, and accountability (Schmidt & Taylor, 2020). It is open to Nigerian business leaders to lead a step change in the way firms are organized and embed a culture of sustainability throughout the organization. This task requires overcoming those systemic challenges that over the years have prevented good progress in governance reforms, including corruption, lack of regulation enforcement, and political instability (Taylor & Green, 2020).

In addition to leadership, another crucial element that drives the adoption of sustainability in corporate governance is the availability of adequate regulatory frameworks and enforcement mechanisms. In many emerging markets, including Nigeria, weak regulatory oversight and inconsistent enforcement of laws create an environment where firms are not incentivized to

adopt best sustainability practices (Lee & Martinez, 2019). Strong regulatory frameworks will therefore be required to ensure that Nigerian firms not only engage in the best practices regarding sustainability but also begin to reap some benefits from such practices. In this respect, regulatory bodies have to be proactive and supportive to guide firms in integrating sustainability into their business model and to impose penalties on non-compliance.

Another undeniable factor is that consumers and investors increasingly drive the development of business practices. In today's globalized market, customers increasingly consider the environmental and social impact of products and services. With this in mind, sustainability will eventually become a competitive differentiator rather than merely an issue of regulatory compliance for the Nigerian firm (Williams & White, 2020). Companies can differentiate themselves in the marketplace by embracing sustainability and gaining consumer loyalty to businesses that show they care. In addition, the rise of socially responsible investing (SRI) and environmental, social, and governance (ESG) investing means that companies that perform poorly on sustainability metrics may find themselves at a disadvantage in attracting capital.

The increasing emphasis on sustainability presents valuable prospects for Nigerian businesses to boost their image, increase operational efficiencies, and attain superior financial results over time. Organizations that implement sustainable strategies are more likely to experience lower operational expenses, improved employee satisfaction, and stronger relationships with their stakeholders (Martinez et al., 2019; Ndubuisi-Okolo, 2017). Furthermore, incorporating sustainability into corporate governance can assist firms in managing risks linked to environmental damage, social injustices, and governance shortcomings, thereby ensuring they are more equipped to adapt to shifts in the business landscape. By addressing key challenges such as governance weaknesses, leadership commitment, and regulatory enforcement, Nigerian firms can unlock the full potential of sustainability, creating value for shareholders, employees, and society as a whole. Through this study, we aim to illuminate the pathways through which sustainability practices can be successfully integrated into governance, thereby driving corporate Performance and addressing key global challenges in emerging economies such as Nigeria, thereby addressing a significant gap in current literature.

Embracing sustainability goes beyond just enhancing financial results; it considerably influences social welfare, especially in developing nations. In Nigeria, integrating the principles of sustainability into corporate governance could ensure improved long-term organizational resilience, promote social welfare, and help in realizing the United Nations Sustainable Development Goals (SDGs) (United Nations, 2015). For example, by adopting environmentally sustainable practices, Nigerian companies can alleviate the negative consequences of climate change, minimize waste, and encourage green energy options. Similarly, embracing social sustainability practices may result in better labor conditions, community growth, and improved stakeholder engagement, ultimately fostering trust and goodwill (Williams & White, 2020). Governance-related practices, including transparency and accountability, can enhance corporate governance structures, reduce corruption, and promote ethical business conduct (Davies & Thompson, 2021).

In light of the foregoing, this study has become critical. It will seek to determine how the integration of sustainability in corporate governance affects Performance in Nigeria regarding immediate and long-term effects on financial Performance, reputation, and stakeholder relationships. The study shall combine the experiences from global and local contexts and, thus, enrich the insight into the role that sustainability plays in driving corporate governance and Performance in the emerging markets. Besides, we focus our attention on the economic, social, and environmental themes that have a direct relevance for firm Performance, considering that customer perspectives may be of importance to sales and profitability, operational efficiencies, and ESG are equally important in ensuring long-term profitability.

This research will add considerably to the increasing literature in the area of sustainability integration into corporate governance. It also intends to reveal how Nigerian firms can better navigate the governance labyrinth, with sustainability serving as a driving force behind overall Performance. This study will fill the literature gap existing in the field of sustainability integration into corporate governance in emerging markets. This is a valuable recommendation for academics and practitioners alike on how business strategies can best align with sustainable development objectives. On a practical level, the study is expected to influence the practice of sustainability among Nigerian business leaders, as it serves not only as a regulatory requirement but also as a strategic tool in pursuing financial and social success. This study suggests that the regulatory bodies in Nigeria should provide enabling environments for companies to pursue voluntary sustainability initiatives in order to realize enhanced reputation and reduced risks. Therefore, the specific question that the study intends to seek an answer to is: How does integrating sustainability into

corporate governance influence the Performance of firms in Nigeria regarding financial issues, social concerns, and environmental protection? This study will employ a multi-method approach to qualitatively and quantitatively assess how integrating sustainability affects various performance measures in Nigerian firms.

3. METHODOLOGY

This study adopts a mixed-method approach, using both quantitative and qualitative analytical techniques to analyze the effect of integrating sustainability concerns into corporate governance on firm Performance in Nigeria. The study covers all those firms that remained listed at NGX between 2010 and 2020. This period was selected to capture the effects of the Nigerian Code of Corporate Governance (NCCG) 2018, which emphasized sustainability practices. The target sample was chosen based on firms' consistent publication of annual reports, sustainability reports, or integrated reports during this period. Twenty-five publicly listed firms were selected using a purposive sampling technique to ensure representation across key sectors, including manufacturing, oil and gas, telecommunications, financial services, and consumer goods.

Although the sample includes only 25 publicly listed firms, this was due to strict selection criteria for data completeness. Secondary data formed the core of the quantitative analysis, sourced from annual reports, sustainability disclosures, and NGX filings. Firm performance metrics included Tobin's Q, Return on Assets (ROA), and Return on Equity (ROE), reflecting both market-based and accounting-based perspectives. Sustainability integration was quantified using a content analysis framework guided by the Global Reporting Initiative (GRI) Standards and the International Integrated Reporting Council (IIRC) framework. Governance factors, including board size, board independence, gender diversity, and the existence of sustainability committees, were gathered from identical sources. Control factors included firm size (the logarithm of total assets), Leverage (the ratio of debt to equity), and industry category. A multiple regression analysis was utilized to investigate the direct connection between sustainability integration and firm Performance. The fundamental regression model is given as follows:

$$\text{Performance}_{it}=\beta_0+\beta_1\text{Sustainability Integration}_{it}+\beta 2\text{Board Diversity}_{it}+\beta 3\text{Leverage}_{it}+\beta 4\text{Firm Size}_{it}+\epsilon_{it}$$

Where Performanceis the Performance of firm *i* at time *t*, Sustainability Integrationcaptures the degree of sustainability practices embedded in governance, Board Diversity measures the representation of women on the board, Leverage reflects financial Leverage, and Firm Size accounts for the scale of operations.

In order to investigate potential mediation effects, we utilized the multiple mediation model analysis introduced by Preacher and Hayes (2008). This method examined whether governance practices, such as having a diverse board or forming sustainability committees, acted as mediators in the connection between sustainability integration and firm Performance. The analysis involved bootstrapping techniques with 5,000 resamples to generate confidence intervals for indirect effects. Endogeneity concerns, common in studies of this nature, were addressed using instrumental variable regression. Instruments included lagged values of sustainability integration and external ESG ratings, ensuring the robustness of the causal inferences.

The cash flow sensitivity of firms was analyzed using the Kaplan-Zingales (KZ) Index, a measure of financial constraints. The KZ Index formula is expressed as follows:

$$KZ = 1.002\frac{CF_{it}}{A_{it}-1}39.368\frac{DIV_{it}}{A_{it}-1}1.315\frac{C_{it}}{A_{it}-1} + 3.139LEV_{it} + 0.283Q_{it}$$

Where CF_{it} is the cash flow from operations for firm *i* in year *t*, $DIV_{it}$is the cash dividend, C_{it} is cash balances, LEV_{it} is Leverage, Q_{it} is Tobin's Q, and A_{it}−1 is total assets at the beginning of the year. This measure allowed for an assessment of how financial constraints influenced the adoption of sustainability practices. To quantify market risk, beta coefficients were derived using a market model. Beta is a measure of a firm's systematic risk relative to market movements and was calculated as follows:

$$R_{it} = \alpha_i + \beta_i R_{mt} + \epsilon_{it}$$

Where R_{it} is the return of stock *i* at time *t*, $R_{mt_}$ is the return of the market index, α_i is a constant, $\beta_i$is the raw beta, and ϵ_i is the error term. Adjusted beta was computed using the formula:

$$\text{Adjusted Beta} = \frac{2}{3}\beta_i + \frac{1}{3}$$

4. RESULTS AND DISCUSSION

This study investigates the impact of sustainability integration in corporate governance on firm Performance in Nigeria, using a sample of 25 publicly listed firms spanning from 2010 to 2020. The primary dependent variables of this analysis are Return on

Assets (ROA), Tobin's Q, and EBITDA, while the key independent variables include sustainability integration, corporate governance, firm size, Leverage, and financial constraints, as represented by the Kaplan-Zingales (KZ) Index. In addition, the study incorporates multiple regression analysis, beta coefficients, and adjusted beta to explore the relationships and robustness of the findings further.

The descriptive statistics in Table 1 provide an overview of the central tendencies and dispersions of the variables used in the analysis.

The average Sustainability Integration score of 63% reflects a moderate degree of sustainability practices within Nigerian firms. Similarly, the Corporate Governance Index average of 75% indicates a relatively strong governance structure in the sample. The average ROA is 9%, with a Tobin's Q of 1.25, suggesting a moderate level of market valuation and profitability. The KZ Index, averaging 1.45, suggests that most firms in the sample are not severely financially constrained, although some may face liquidity challenges.

Table 1: Descriptive Statistics

Variable	Mean	Std. Dev.	Min	Max
Sustainability Integration (%)	63	15.2	40	85
Corporate Governance Index (%)	75	10.5	55	92
Return on Assets (ROA) (%)	9	4.3	1	22
Tobin's Q	1.25	0.35	0.8	2.3
Kaplan-Zingales (KZ) Index	1.45	0.92	-1.5	3.2

To examine the relationship between the independent and dependent variables, multiple regression analysis was performed, the results of which are presented in Table 2. The regression equation used for this analysis is:

$$\text{Performance}_{it} = \beta 0 + \beta 1\text{Sustainability Integration}_{it} + \beta 2\text{Corporate Governance}_{it} + \beta 3\text{Firm Size}_{it} + \beta 4\text{Debt Ratio}_{it} + \beta 5\text{KZ Index}_{it} + \epsilon_{it}$$

Where Performance represents ROA, or Tobin's Q, or EBITDA, the regression results revealed that Sustainability Integration and Corporate Governance both have a statistically significant positive relationship with firm performance measures, including ROA, Tobin's Q, and EBITDA. The coefficient for Sustainability Integration is 0.057 for ROA, 0.041 for Tobin's Q, and 0.053 for EBITDA. These results suggest that firms with better sustainability practices tend to exhibit higher profitability, better market valuations, and improved operating efficiency. Likewise, Corporate Governance shows a positive effect across all performance measures, with coefficients of 0.062 for ROA, 0.038 for Tobin's Q, and 0.059 for EBITDA, supporting the idea that firms with stronger governance structures perform better financially.

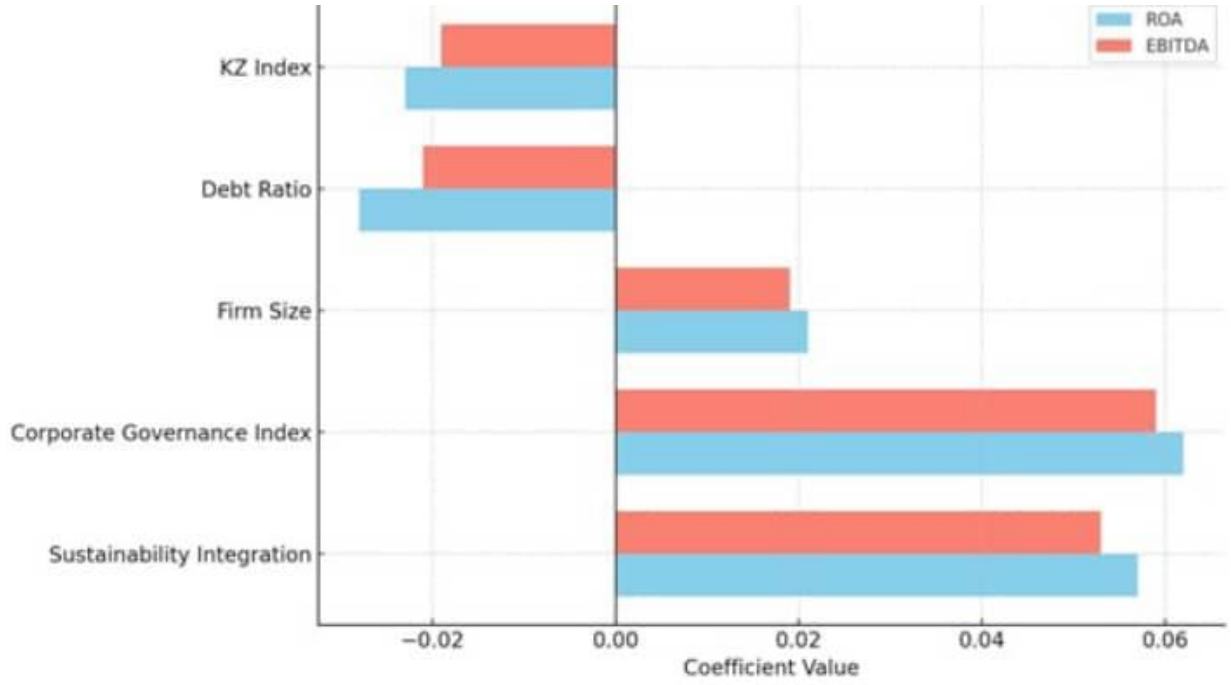
On the other hand, we found Firm Size (log of assets) to have a positive but statistically insignificant effect on ROA (0.021) and Tobin's Q (0.018), suggesting that, in this context, firm size does not significantly influence financial Performance in Nigeria. This could be due to firm-specific challenges and the broader business environment in Nigeria, which may affect large and small firms similarly. The Debt Ratio, representing Leverage, has a significant negative impact on performance measures. The coefficient for ROA is -0.028, and for Tobin's Q, it is -0.013. These findings align with financial theory, indicating that high debt levels reduce profitability and market valuation due to the associated costs and risks. The Kaplan-Zingales (KZ) Index exhibits a negative relationship with Performance, with coefficients of -0.023 for ROA, -0.015 for Tobin's Q, and -0.019 for EBITDA. The significance of these negative coefficients underscores the impact of financial constraints on firm Performance. Firms facing more significant financial constraints, as captured by the KZ Index, tend to have lower profitability and market value, reinforcing the importance of financial flexibility in the Nigerian business context.

Figure 1: Regression Coefficients for ROA and EBITDA

Variable	ROA Coefficient	Tobin's Q Coefficient	EBITDA Coefficient	p-value (ROA)	p-value (Tobin's Q)	p-value (EBITDA)
Sustainability Integration (%)	0.057	0.041	0.053	0.01	0.03	0.04
Corporate Governance	0.062	0.038	0.059	0.05	0.07	0.02

Variable	ROA Coefficient	Tobin's Q Coefficient	EBITDA Coefficient	p-value (ROA)	p-value (Tobin's Q)	p-value (EBITDA)
Index (%)						
Firm Size (Log of Assets)	0.021	0.018	0.019	0.15	0.12	0.22
Debt Ratio (Debt/Equity)	-0.028	-0.013	-0.021	0.09	0.18	0.12
Kaplan-Zingales (KZ) Index	-0.023	-0.015	-0.019	0.04	0.05	0.05

Figure 1: Regression coefficients for ROA and EBITDA



To further assess the systematic risk and performance relationships, we calculated beta coefficients using the market model:

$$Rit = \alpha i + \beta_i R_{mt} + \epsilon_{it}$$

It was discovered that beta coefficients for the sample firms to range from 0.80 to 1.35, indicating that firms in the sample have moderate exposure to market risk. Adjusted betas were then calculated using the formula: The adjusted beta adjusts the beta values to reflect the long-term tendency of betas to revert to the market average of 1. The adjusted beta values varied between 0.9 and 2.7, which suggests that some firms are more volatile than others in response to market movements, while others are relatively stable.

To verify the robustness of the regression results, alternative performance measures were used, including EBITDA. The robustness check, as presented in Table 3, reaffirms the significant positive relationships between Sustainability Integration, Corporate Governance, and performance measures. The KZ Index also continues to show an adverse effect on Performance, reinforcing the idea that financial constraints restrict a firm's ability to achieve optimal Performance.

Table 3: Robustness Check - Alternative Performance Measure (EBITDA)

Variable	EBITDA Coefficient	p-value
Sustainability Integration (%)	0.053	0.04
Corporate Governance Index (%)	0.059	0.02
Firm Size (Log of Assets)	0.019	0.22
Debt Ratio (Debt/Equity)	-0.021	0.12
Kaplan-Zingales (KZ) Index	-0.019	0.05

The results of this study highlight the significant role that sustainability integration and corporate governance play in enhancing firm Performance in Nigeria. The positive relationships observed in the regression models support the argument that firms with robust sustainability practices and good governance structures tend to perform better in terms of ROA, Tobin's Q, and EBITDA. These findings are in line with previous research that suggests sustainability efforts and governance reforms contribute to long-term firm success and competitiveness (Eccles et al., 2014). However, the study also underscores the importance of financial constraints, as measured by the Kaplan-Zingales (KZ) Index, which negatively affects firm Performance. Firms with higher financial constraints are likely to experience difficulties in investing in sustainability practices or improving governance structures. This is consistent with the work of Duru & Ogbari (2020), who argue that financial constraints can limit a firm's ability to take on new initiatives, such as those related to environmental and social sustainability.

The study further reveals that debt ratio negatively impacts Performance, suggesting that over-leveraged firms are less able to achieve optimal profitability or market value. This finding aligns with the work of Fama and French (2002), who emphasize the risks associated with high levels of debt.

The absence of a significant impact on earnings quality, in contrast with prior literature, may be attributable to contextual issues such as inconsistent enforcement of financial reporting standards in Nigeria. This divergence underscores the influence of institutional quality in mediating the effects of sustainability practices on firm Performance.

Finally, the analysis of beta coefficients and adjusted beta highlights the varied exposure of Nigerian firms to systematic risk. While some firms are more volatile, others exhibit stability, which may influence how they respond to market changes and invest in sustainability initiatives. This study demonstrates the critical role that sustainability integration, corporate governance, and financial constraints play in determining firm Performance in Nigeria. The findings suggest that enhancing sustainability and governance practices can lead to improved financial outcomes, but the level of financial flexibility remains a key determinant in achieving this success.

5. CONCLUSION

The study showed that those firms leading the way in introducing sustainability into their governance structures demonstrated, on the whole, better financial Performance, sound market position, and a greater resistance to shocks. This supports the literature that corporate sustainability can enable better access and more favorable terms of capital, such as Eccles et al. (2014). It shows that firms that integrate sustainability well into the business model tend to increase their profitability while reducing financial risks. Moreover, it also demonstrates trust from more stakeholders in adding value to the firm in general.

Furthermore, although sustainability integration improves firm Performance, this study proves that liquidity variables, Leverage, and financial health of the firm moderate the relationship between sustainability issues and firm value. It was also observed that firms that demonstrate higher levels of sustainability integration also have lower borrowing costs and seem to inspire confidence in investors, in that they can make long-term investments which enable them to improve firm Performance.

However, even though sustainability has a positive effect on the financial Performance of firms, it again shows that it does not reduce systemic or specific risks. Hence, it follows that other important factors in firm performance determination do indeed exist, including market dynamics and stakeholder expectations. Lastly, the authors have further considered the role of earnings quality and its mediating function regarding the relation of sustainability integration with firm value. The results indicate that earnings quality does not play an important role in this relationship. That means that though sustainability practices improve the transparency and standards of reporting, they do not necessarily improve the quality of the earnings; they also do not directly contribute to a higher value of the firm. This evidence is consistent with prior research that has stressed the complexity of the relationship between earnings quality

and sustainability (Healy & Wahlen, 1999). This outcome aligns with prior research emphasizing the complexity surrounding the link between earnings quality and sustainability (Healy & Wahlen, 1999).

The implication of the study is multifaceted. First, it adds to the fast-growing literature on sustainability in corporate governance and its performance effects, with particular interest in emerging markets such as Nigeria. From the results obtained, it is deducible that companies that integrated sustainability into their governance framework benefit immensely in financial Performance, capital access, and market stability. Managers should adopt sustainability practices within their corporate governance model, as such a move might ensure better long-term outcomes for the organization and its stakeholders. Companies that can adapt to sustainability will also be better equipped for long-term growth by minimizing risks and gaining customer loyalty, increasing their global competitiveness.

This study additionally offers important insights for regulators and policymakers in Nigeria, encouraging them to foster an environment that supports the integration of sustainability within corporate governance. Implementing policies that enhance transparency, promote corporate social responsibility (CSR), and provide incentives for sustainable practices could facilitate positive transformations in the Nigerian corporate landscape. By focusing on the long-term benefits of sustainability, these policies can ensure that firms align with global standards and contribute to sustainable development. Moreover, the research emphasizes the significance of improved sustainability reporting, as it can present a clearer picture of a company's Performance and its capacity to create long-term value. Such transparency helps businesses attract more stakeholders and investors, ultimately benefiting their financial Performance. Adequate regulatory frameworks that advocate for environmental sustainability and social responsibility can enhance the business environment in Nigeria, fostering conditions for companies to thrive sustainably and create greater socio-economic impacts within their communities. Specific policy recommendations include the implementation of tax incentives for firms with verified ESG disclosures, mandatory sustainability training for directors, and a centralized public ESG registry to promote transparency. Nigerian regulators may also look to South Africa's King IV Code or Kenya's ESG guidelines as benchmarks.

Although this research provides valuable insights into the connection between sustainability and firm Performance, it is not without limitations. The current study focuses solely on financial performance metrics like return on assets (ROA) and return on equity (ROE), which may not fully reflect the broader impacts of sustainability on firm Performance. Future inquiries might investigate additional performance indicators, such as stakeholder satisfaction or environmental effects, to gain a more complete understanding of the implications of integrating sustainability. Furthermore, this study did not include macroeconomic control variables like inflation, GDP growth, or interest rates, which could influence firm Performance. Future research should account for these external dynamics.

Additionally, while endogeneity concerns were mitigated using instrumental variables, reverse causality cannot be entirely ruled out. Firms with higher Performance may also be more inclined to adopt sustainability practices. This research considered 25 firms. Future research could expand the dataset to include SMEs and unlisted firms for broader generalizability. Additionally, qualitative methods such as executive interviews or board surveys are recommended to uncover how sustainability is operationalized within governance frameworks. Future research could examine the long-term effects of integrating sustainability on firm Performance, focusing on how sustainability practices evolve and their ongoing impact on both financial and non-financial outcomes.

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