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ASSESSING THE EFFECT OF ENVIR
ON THE LIQUIDITY OF LISTED MA

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Abstract

This study examines whether the quality of environme
manufacturing firms in Nigeria. Drawing on Stakeholde
environmental reporting into employees' health and
disclosure (ERD), and pollution control disclosure (PCD
post facto design is employed using secondary data ex
corporate websites of 21 listed manufacturing firms. T
effects estimation comprises 147 firm-year observation
estimated, with the Hausman test supporting the randon
that EHSD is positively and significantly associated wi
−0.6474, p = 0.0003) and PCD (β = −0.8595, p = 0
liquidity. The model explains approximately 71.5% o
disclosure quality does not have a uniform financial e
strengthen short-term financial resilience, while remed
financial burden of environmental obligations. The stu
by shifting attention from aggregate disclosure scores

to absorb unexpected operating shocks. Environment
expenditures, production interruptions and reputationa
capacity. Conversely, transparent reporting of preven
stakeholder confidence. Despite this relevance, relati
distinct environmental disclosure dimensions relate to co

This study addresses that gap by examining the
employees' health and safety disclosure, environm
disclosure—and the liquidity of listed manufacturing fir
it disaggregates environmental reporting into economica
single sustainability index. Second, it focuses on liquidi
attention than profitability and market value. Third,
diagnostics to distinguish common effects from firm-spe

The remainder of the article is organized as follov
reviews relevant empirical evidence. Section 3 describ
strategy. Section 4 reports the empirical results. Sect
practical implications. Section 6 concludes and identifie

2. Theoretical Framing and Literature Review

2.1 Stakeholder Theory

Stakeholder Theory views the firm as embedded in
affect, and are affected by, corporate activities. Envi
accountability mechanism through which firms com
stakeholders whose support is important for organiza
include employees, customers, suppliers, communitie
environmental concerns may increase conflict, regula
disclosure can strengthen trust and the firm's social lice

From a liquidity perspective, stakeholder relationsh

2.4 Empirical Evidence

Evidence from Nigeria and other emerging economi
Oshiole et al. (2020), Ihendinihu et al. (2020) and Ok
between environmental costs or disclosure and selec
responsibility may create value through compliance
Nnamani et al. (2017) likewise report positive effects
Nigerian manufacturing firms. Omalike et al. (2020) fi
affects performance among Nigerian non-financial firms

Other evidence is less supportive. Iliemena and Ije
disclosure on return on capital employed among Nigeria
report mixed and largely insignificant effects across fi
(2019) report negative effects of social sustainability re
examining firms across Sub-Saharan Africa, finds that s
affect core profitability indicators. International studi
results, indicating that institutional setting, industry c
variable matter.

Research specifically linking environmental disclos
Arjowo (2014), for example, report that sustainabili
significantly affect the current ratio. This result is imp
may have different consequences for short-term financ
study therefore extends the literature by examining the
disclosure into three dimensions.

2.5 Research Gap and Hypotheses

Three gaps motivate the study. First, much of
environmental indices that may conceal differences am
less attention than profitability and market-based perf

3.2 Measurement of Variables

Table 1. Variable definitions

Variable
CUR
EHSD
ERD
PCD

The disclosure variables are constructed through co
coded dichotomously, with one indicating that an ite
resulting scores represent the extent to which each f
category. The approach is consistent with the stu
environmental reporting rather than collapsing them int

3.3 Model Specification

The empirical model is specified as:

$$CUR_{it} = \beta_0 + \beta_1 EHSD_{it} + \beta_2 ERD_{it} + \beta_3 PCD_{it} + \mu_{it}$$

where CUR is current ratio; EHSD is employees
remediation disclosure; PCD is pollution control disc
estimates pooled, fixed-effects and random-effects mo
between fixed and random effects.

3.4 Estimation and Diagnostic Procedures

does not control for unobserved firm characteristics, inference.

4.4 Panel Regression Results

Table 3. Panel regression estimates

Variable	Pooled β (p)
Constant	8.64 (0.000)
EHSD	4.06 (0.0021)
ERD	2.57 (0.0674)
PCD	3.89 (0.0015)
R^2	0.137
Adjusted R^2	0.123

The pooled model explains 13.7% of the variation i significant, while ERD is positive but statisticall homogeneous coefficients and ignores firm-specific h cautiously.

The fixed-effects model explains 33.9% of the varia whereas ERD and PCD become negative and statis estimates illustrates the importance of controlling for tin

The random-effects model provides the preferred spe $p = 0.0052$). ERD is negative and significant ($\beta = -$ significant ($\beta = -0.8595$, $p = 0.0002$). The model's R^2 three disclosure variables jointly explain a substantial estimated specification.

4.5 Model Selection and Post-Estimation Diagnostics

The Hausman test reports a chi-square statistic of 0.9670. The null hypothesis that the random-effects supporting the random-effects specification over fixed e

The finding provides support for both Stakehol
perspective, safety disclosure communicates concern
stakeholder group. From a signaling perspective, credi
effective systems for identifying and controlling opera
and safety reporting should not be treated solely as a
communication.

5.2 Environmental Remediation Disclosure and Liqu

Environmental remediation disclosure has a negativ
suggests that greater disclosure of remediation-related
flexibility. Unlike preventive disclosure, remediation i
that require current or future expenditure. Such obligat
legal commitments and other liabilities that compete for

The result is consistent with the possibility that
underlying environmental exposure. A firm reporting
transparency, but it may also be revealing the existence
important. Transparency does not automatically create a
signals substantial cash requirements. The finding there
the signal conveyed by disclosure may be unfavorable w

The result differs from studies such as Okoye and C
positive relationships between environmental remedi
financial-performance measures. The difference may be
profitability can reflect longer-term reputational and s
immediate resource commitments. Thus, remediation
reputational value while simultaneously constraining sh

5.3 Pollution Control Disclosure and Liquidity

Pollution control disclosure also has a negative and s

therefore supports a more nuanced interpretation of dis
automatic source of reputational or financial benefits.

6.2 Managerial Implications

Managers should integrate environmental reporting
planning. Health and safety disclosure should be streng
liquidity. However, managers should also recognize tha
short-term financial pressures. Transparent reporting sh
the nature, timing and financing of environmental obliga
unavoidable environmental liabilities and investments de

6.3 Regulatory Implications

Regulators and standard setters should move toward
requirements. Health and safety reporting could be stan
training, preventive systems and material safety ris
recognized liabilities, provisions, contingent obligation
should provide comparable information on material e
would reduce the ambiguity currently associated with
usefulness of information to investors and creditors.

7. Conclusion and Recommendations

This study examined the relationship between envi
manufacturing firms in Nigeria. Using three disclosure
indicates that the financial consequences of environmen
safety disclosure is positively associated with liquidi
control disclosures are negatively associated with l
transparency should not be viewed as a single construc
consequences depend on the type of environmental inf
underlying that information.

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