

GREEN FINANCIAL MANAGEMENT PRACTICE AND CORPORATE FINANCIAL PERFORMANCE IN NIGERIA

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Abstract: *The study examined the effect of Green Financial Management Practice on Corporate Financial Performance in Nigeria. The specific objectives are to; examine the effect of loan loss provision on the financial performance in Nigeria and evaluate the effect of green bonds on the financial performance in Nigeria. An ex-post factor research design was adopted for the study. The data was collected from the annual account statement and corporate financial reporting listed in the Nigeria Exchange Group. The data collected was analyzed using a Panel data analysis. The results reveal that Loan loss provision has a significant effect on financial performance with a coefficient of 1025.15 (0.006). While Green bonds have no significant effect on the financial performance -813.624 (0.617) in Nigeria. The study concludes that Green Financial Management Practice has a significant effect on Corporate Financial Performance in Nigeria. The study recommended among others that corporations should prioritize the establishment and maintenance of robust loan loss provisioning frameworks. This will not only mitigate financial risks but also contribute to improved financial performance.*

Keywords: *Corporate, Financial, Management, Practice, Performance*

1.1 Introduction

Green Financial Management Practice (GFMP) is a strategic approach that integrates environmental sustainability into financial decision-making (Srivastava et al 2022). It involves adopting eco-friendly investment strategies, sustainable budgeting, and responsible resource allocation to minimize environmental impact while ensuring long-term financial stability. GFMP encompasses various practices such as green investments, carbon footprint reduction, energy-efficient cost management, and adherence to environmental regulations (Tien, et al 2020). As businesses face increasing pressure from stakeholders, regulators, and consumers to operate sustainably, green financial management has emerged as a crucial tool for achieving both financial and environmental objectives (Srivastava et al 2022). Companies that embrace GFMP can benefit from reduced operational costs, enhanced corporate reputation, and improved access to green financing opportunities. Additionally, it helps mitigate risks associated with environmental challenges, regulatory non-compliance, and shifting market expectations. The adoption of GFMP reflects a broader shift towards sustainable corporate governance, where financial strategies are aligned with environmental responsibility (Park, and Kim, 2020).

As organizations strive to balance profitability with sustainability, green financial management plays a vital role in shaping a resilient and competitive business landscape. The effect of GFMP on corporate financial performance has become a critical area of study, as companies seek to balance sustainability with profitability (Meng, and Shaikh, 2023). While some argue that green investments and sustainable financial strategies lead to cost savings, improved operational efficiency, and increased investor confidence, others highlight the potential financial burden associated with adopting eco-friendly initiatives (Küçükbay, & Sürücü. 2019). Understanding the relationship between green financial management and financial performance is essential for businesses aiming to achieve both economic success and environmental sustainability.

In Nigeria, where environmental challenges such as pollution, deforestation, and climate change pose significant economic and social risks, the role of green financial management in corporate financial performance has become increasingly relevant (Srivastava et al 2022). Companies that embrace GFMP can potentially achieve cost savings through energy efficiency, attract environmentally conscious investors, and comply with evolving regulatory frameworks, all of which may contribute to improved financial performance (Meng, and Shaikh, 2023). However, the extent of this impact remains a subject of debate, as firms must navigate the balance between the initial costs of green investments and their long-term financial benefits.

This study explores the effect of green financial management practices on corporate financial performance in Nigeria, assessing whether firms that adopt sustainability-driven financial strategies experience improved profitability, efficiency, and competitive advantage. By examining key financial indicators and case studies of Nigerian firms implementing GFMP, this research aims to provide insights into the potential benefits and challenges of integrating sustainability into corporate financial management.

1.2 Statement of the Problem

The growing emphasis on environmental sustainability has led businesses to adopt Green Financial Management Practices (GFMP) as a means of integrating ecological responsibility into financial decision-making. In Nigeria, where environmental challenges such as pollution, deforestation, and climate change pose significant risks, companies are increasingly pressured to implement sustainable financial strategies. However, the impact of GFMP on corporate financial performance remains uncertain, with firms facing challenges in balancing the costs of green investments with potential financial benefits.

While some studies suggest that adopting green financial practices can lead to cost savings, enhanced corporate reputation, regulatory compliance, and increased investor confidence, others argue that the initial costs and operational adjustments required may negatively affect profitability, especially in developing economies like Nigeria. Many Nigerian firms struggle with limited access to green financing,

regulatory inconsistencies, and inadequate infrastructure to support sustainability initiatives, raising concerns about the feasibility and effectiveness of GFMP in enhancing financial performance.

Despite the growing interest in sustainability-driven financial strategies, there is a lack of empirical evidence on the direct relationship between GFMP and corporate financial performance in the Nigerian business landscape. This study aims to bridge this gap by examining whether green financial management practices positively or negatively impact key financial performance indicators such as profitability, return on investment, and market competitiveness. Understanding this relationship is crucial for businesses, policymakers, and investors seeking to align financial growth with sustainability goals in Nigeria's evolving economic environment.

1.3 Objective of the Study

The main objective of the study is to examine the effect of Green Financial Management Practice on Corporate Financial Performance in Nigeria. The specific objectives are to;

- i. Examine the effect of loan loss provision on the financial performance in Nigeria
- ii. Evaluate the effect of green bonds on the financial performance in Nigeria

1.4 Hypothesis of the study

- i. Loan loss provision has no significant effect on the financial performance in Nigeria.
- ii. Green bonds have no significant effect on the financial performance in Nigeria.

2.0 Review of Related Literature

2.1 Conceptual Framework

Green Financial Management

Green financial management, also known as sustainable finance, is a rapidly growing field in the financial industry. It aims to promote environmentally friendly practices and investments while also considering the financial risks and opportunities associated with climate change (Park and Kim, 2020). Green finance is a broad term that can refer to financial investments flowing into sustainable development projects and initiatives, environmental products, and policies that encourage the development of a more sustainable economy." Green financing includes but is not limited to climate financing. It also includes a wider variety of other environmental goals, such as industrial pollution control, and water pollution (Srivastava, Dharwal, and Sharma, 2021).

Therefore, green management can provide opportunities to reduce costs and increase revenues. Ambec and Lanoie (2008) point out that there are four opportunities companies can make use of to reduce costs (risk management and relations with external stakeholders; cost of material, energy, and services; cost of capital; and cost of labour) and three opportunities to increase revenues (better access to certain markets; differentiating products; and selling pollution-control technology) (Molina-Azorin, Claver-Cortes, Lopez-Gamero and Tari, 2009). Green financial management refers to the integration of environmental, social, and governance (ESG) factors into financial decision-making processes. It involves the assessment of environmental risks and opportunities in investment decisions, as well as

the incorporation of sustainability principles into financial products and services. Green financial management also encompasses the measurement and reporting of ESG performance, allowing investors and stakeholders to make informed decisions (Meng and Shaikh, 2023).

Loan Loss

In the context of bank lending, loan loss recognition is an important accrual process through which banks recognize future expected loan losses in the current period. Banks make reserves to capture expected losses. Making these reserves immediately reduces bank profits and regulatory capital, which, in turn, can alert the board, managers, and external stakeholders to problems the bank is facing (Bushman, 2014). More so, timely loan loss recognition thus serves as an early warning mechanism for problem loans, including those that arise from lending corruption. As a result, the corrupt bank personnel have less time or opportunity to conceal and/or escape with the gains from corruption. In anticipation of the sequence of events that could be triggered by earlier loan loss recognition, loan officers are more likely to refrain from lending corruption at loan origination (Akins, Dou, and Ng, 2016). Also, timely loan loss recognition is linked to a greater willingness to lend during a financial crisis because the earlier recognition of credit loss means less credit loss has to be recognized during recessionary periods when regulatory capital declines and external financial frictions increase. Bushman and Williams (2012) found that timely loan loss provisioning reduces excessive risk-taking. Loan loss provisions, an accounting item to cover credit losses, are the natural tools to be used. Proper recognition of credit risk and credit losses along the lending cycle will enhance the soundness of each bank as well as that of the banking system, helping to curb procyclicality in lending. There is nothing more procyclical than a badly managed bank (Caruana, 2005). Therefore, loan loss provisions that account for the credit risk increase in the upturn can help to cope with the potential damage that lending cycles can inflict on the real economy, the growth potential, and the level of employment and welfare of any society. Such provisions, which are sometimes referred to as dynamic, statistical, or countercyclical loan loss provisions, merit attention from regulators and supervisors as a tool to enhance financial stability (Saurina, 2009).

Next, we focus on the fact that banks that are more timely in loan loss recognition and that maintain higher loss reserves are typically considered prudent and more prepared for economic shocks (Beatty and Liao 2014). From an accounting perspective, prior loan loss reserves play an important role in determining the amount of loan loss provisions in the current period. In practice, loan loss provisions for a specific accounting period are typically not directly estimated, and two steps are usually taken to arrive at an estimated number. First, bank managers estimate the total losses for all outstanding loans at each period end and present this number as the loan loss reserve in the balance sheet. Second, current-period loan loss provisions are calculated as the increase in the reserve, compared to the reserve at the prior period end, and adjusted for net charge-offs. Hence banks are expected to make fewer loan

loss provisions in times of higher policy uncertainty when they have already accrued more loan losses in previous periods (Ng, Saffar, and Zhang, 2020).

Green Bonds

As innovative financial instruments, green bonds provide an opportunity to tap into new pools of private capital to finance green projects (EY 2018). The term 'green bonds' refers to bonds whose proceeds are used to finance environmentally friendly projects (Mercer, 2015), such as renewables, water and energy efficiency, bioenergy, and low-carbon transports (Campiglio, 2016). The term "green bond" is typically used to indicate a bond that supports climate change or other environmental projects. Most of the green bonds issued to date have focused on climate change projects. Some green bonds also include consideration of other environmental (Markandya, Galarraga, and Rubbelke, 2017). Green bonds, that is, asset-backed securities, have turned out to be an advanced tool for debt finance. The basic number of green bonds issued is related to international development banks (European Investment Bank, World Bank, European Bank of Reconstruction and Development (EBRD), and International Finance Corporation (IFC)) as well as major corporations and state and municipal entities (Andreeva, Vovchenko, Ivanova and Kostoglodova, 2018).

As such, green bonds are of significant importance to both investors and policymakers. On one hand, governments need access to affordable and reliable financial resources to fulfill their commitment under the 2015 Paris Agreement, which aims to hold the increase in the global average temperature to well below 2° Celsius above pre-industrial levels (United Nations, 2015). On the other hand, investors are increasingly encouraged to adapt their business models to create not only financial value but also social and environmental value (Schoenmaker, 2017). During the 2008 financial crisis, green bonds were a concept of limited interest to investors (United Nations Secretary-General 2015), since environmental projects were deemed risky and non-profitable by traditional investors (Wharthon, 2015). Surprisingly, there has been an exponential growth in green bond issuance since then, attributable to increased awareness from traditional investors about the benefits of green investments (Shishlov, Morel, and Cochran 2016) and the potential impacts of climate change on financial assets (Caldecott 2017).

Investors' appetite for green bonds has therefore grown rapidly (Pham 2016), as they realize that climate change is a new investment return variable, that deserves significant attention (Mercer 2015). Many investors, especially those in the carbon-intensive sectors of the economy, have now become very reactive to climate-related technologies, such as carbon capture and sequestration (CCS). More importantly, an increasing number of investors began to incorporate climate change risk assessments into their investment strategies (Byrd and Cooperman 2018).

Green bonds provide an opportunity for long-term and sustainable infrastructure financing. The fact that green bonds are ranked *pari passu* with conventional bonds in terms of yield to maturity is to some extent a key element that boosts investor's appetite for green bonds. Furthermore, investors have

realized that investing in environment-related projects does not necessarily jeopardize the return on investment (Banga, 2019). The main difference between green bonds and conventional bonds is that unlike the latter the proceeds of the former must be entirely allocated for environmentally-friendly projects (CBI and HSBC 2017). Moreover, green bonds often require a more complex-issuance process, since their deal typically involves at least three market players, whose roles are discussed in the next subsection (Banga, 2019).

Corporate Financial Performance

To achieve the goal of market capitalization maximization, sustainable development focuses on preserving society and the environment for the benefit of future generations. Even with the growing awareness of corporate sustainable development, there are still concerns about how to quantify the impact of sustainable development on corporate business performance, particularly about the CFP. For instance, Küçükbay and Sürücü (2019) presented a novel approach to measuring corporate business performance that includes two environmental, four social, and four economic and financial sub-criteria. We are focusing on the financial component of corporate business success in this area, as shown by a unique system or collection of indicators. Numerous indicators are available in the financial literature that quantify CFP; however, the two primary groups of indicators that are most frequently employed in research studies are as follows: There are two types of indicators: (a) short-term, linked to accounting value ratios and profitability coefficients; and (b) long-term, linked to market value factors, or asset growth factors (Tien, Anh and Ngoc, 2020).

Return on equity (ROE) and return on assets (ROA) are the two most often employed profit objectives. One might utilize net profit, either before or after taxes, to compute these two indexes (Tian & Estrin, 2008). Researchers, however, contend that the most appropriate term to employ is pre-tax profit after interest, which is defined as profits before interest and taxes, or after interest, depreciation, and amortization, which is defined as earnings before interest, taxes, depreciation, and amortization. There will be many financial repercussions from this decision. The disparity in profit computation techniques might perhaps be attributed to limitations in the database. Many times, different calculations will be made by certain researchers due to the incompleteness of the database (Tien, Anh, and Ngoc, 2020).

Financial Performance

Financial performance refers to the extent to which a firm increases its effectiveness and efficiency in transforming the usage of its assets into profits. According to Nzewi (2015), maximization of shareholders' wealth, of which profit maximization is one aspect, is the ultimate goal of organizations such that all the policies designed and activities performed are meant to realize this grand objective. However, this does not mean that companies have no other goals. Financial performance measures the extent of profitability of a firm. Profit is the excess of revenue generated over the cost in the production process within a definite period (Karim, Kamruzzaman & Kamruzzaman, 2018).

It means the excess of revenue over net operating expenses (Nworie & Ofoje, 2022). In line with the submission of Omari (2020), financial performance means a firm's ability to generate a satisfactory return on invested capital through which shareholders are happy and prospective investors are motivated to invest. Relatedly, shareholders are always interested in the ability of the company to use their limited assets efficiently and effectively to produce the desired profits. Return is judged by assessing earnings relative to the level and sources of financing in that a profit is not made when the operating expenses are not yet covered (Kajola, Sanyaolu, Alao & Ojunrongbe, 2020). Financial performance evaluates the effectiveness and efficiency with which equipment, plant, and current assets are transformed into profits (Nworie & Mba, 2022). Financial performance could be determined through Gross Profit Margin, Return on Assets (ROA), Return on Equity (ROE), Net Profit Margin (NMP), and Profit after Tax (PAT) (Wuave, Yua & Mkuma, 2020).

2.2 Theoretical Review

Operating Cycle Theory

The theory postulates that incorporating working capital measures such as accounts receivable and inventory turnover into an operating cycle concept provides an appropriate view of liquidity management than does the use of traditional measures such as current and acid-test ratios. Weston (1979) noted that the additional liquidity measures recognize that life expectancies of some working capital components depend on the extent to which production; sales and collection are non-instantaneous and unsynchronized. Accounts receivable turnover indicates the speed with which firm receivables are converted to cash. A change in the credit and collection policy of a firm would influence the outstanding accounts receivable balance maintained relative to the firm's annual sales. Where firms grant more liberal terms to their customers, larger and potentially less liquid current investments in receivables arise. If the sales do not increase relative to the increase in receivables then liquidity would be affected as lower receivables turnover and extended collection periods would be observed.

Inventory turnover indicates the frequency with which firms convert their stock of raw materials, work in progress, and finished goods into product sales. Purchasing, production scheduling and distribution strategies adopted by firms require more inventory commitments about anticipated sales. This produces a lower turnover ratio which in turn reflects a longer and potentially less liquid inventory holding period. If firms do not alter the payment practices with trade creditors and their access to short-term financing, decisions creating longer or less liquid holding periods will arise and lead to a higher current ratio. A higher current ratio implies that firms have accumulated current assets such as inventory that lie idle and therefore do not generate profits (Weston 1979). It is further argued that the length of the firm's operating cycle is based on the cumulative days per turnover for receivables and inventory investments. Incorporating the two measures of working capital measures provides an arguably realistic approach to a firm's liquidity position. However, the operating cycle concept fails as

a cash flow measure since it doesn't consider the liquidity requirements imposed on a firm by the dimension of its current liability commitments.

Option Pricing Theory

The capital asset pricing model provides a positive theory for the determination of expected returns and thus links today's asset price with expected future payoffs. In addition, many important corporate policy problems require knowledge of the valuation of assets which, like call options, have payoffs that are contingent on the value of another asset. Black/Scholes (1973) provides a key to this problem in their solution to the call option valuation problem. An American call option gives the holder the right to buy a stock at a specific exercise price at any time before a specified exercise date. They note that a risk-free position can be maintained by a hedge between an option and its stock when the hedge can be adjusted continuously through time. To avoid opportunities for riskless arbitrage profits, the return to the hedge must equal the market risk-free rate; this condition yields an expression for the equilibrium call price. Black/Scholes note that if the firm's cash flow distribution is fixed, the option pricing analysis can be used to value other contingent claims such as the equity and debt of a levered firm. In this view, the equity of a levered firm is a call option on the total value of the firm's assets with an exercise price equal to the face value of the debt and an expiration date equal to the maturity date of the debt. The Black/Scholes analysis yields a valuation model for the firm's equity and debt. An increase in the value of the firm's assets increases the expected payoffs to the equity and increases the coverage on the debt, increasing the current value of both. An increase in the face value of the debt increases the debtholder's claim on the firm's assets, thus increasing the value of the debt, and since the stockholders are residual claimants, reduces the current value of the equity; An increase in the time to repayment of the debt or in the riskless rate lowers the present value of the debt and increases the market value of the equity. An increase in the variance rate or in the time to maturity increases the dispersion of possible values of the firm at the maturity date of the debt. Since the debt holders have the maximum payment that they can receive, an increase in dispersion increases the probability of default, lowering the value of the debt and increasing the value of the equity (Jensen and Smith, 2001).

Empirical Review

Pool, De Haan, and Jacobs (2015) examined loan loss provisioning, bank credit, and the real economy on how credit risk affects bank lending and the business cycle. We estimate a panel Vector Autoregression model for an unbalanced sample of 12 OECD countries over the past two to three decades, consisting of the output gap, inflation, the short-term interest rate, bank lending, as well as loan loss provisioning by banks (as a proxy for credit risk). Our main findings are that: (i) bank lending and loan loss provisioning are important drivers of business cycle fluctuations, (ii) loan loss provisioning decreases in relative terms as bank lending increases, and (iii) bank lending is primarily affected by output fluctuations.

Akins, Dou, and Ng (2016) examined the effect of country-level timely loan loss recognition by banks on lending corruption using a unique World Bank dataset that covers more than 3,600 firms across 44 countries. We find evidence consistent with timely loan loss recognition constraining lending corruption because it increases the likelihood of problem loans being uncovered earlier. In further analysis, we find timely loan loss recognition to be less associated with reduced corruption in countries where there is significant government ownership in the banking system and deposit insurance schemes. This evidence is consistent with timely loan loss recognition being less of a deterrent to lending corruption when banks are less disciplined by their capital providers.

Banga (2018) carried out a study that examined the potential of green bonds in mobilizing adaptation and mitigation finance for developing countries. Building upon a theoretical approach, it identifies the key drivers of the green bond market over the last few years and the barriers that impede its appropriation by developing countries. The results suggest that the rise of green bonds is a fact in developed and emerging countries, backed by an increasing climate awareness from investors. However, in developing countries, the market remains incipient, and its full potential seems to be underappreciated.

Hachenberg and Schiereck (2018) conducted a study to answer the question, Are green bonds priced differently from conventional bonds? However, it is an open question whether this new asset class is also offering attractive risk-return profiles compared to conventional (non-green) bonds. To address this question, we match daily i-spreads of green-labeled and similar non-green-labeled bonds and look at their pricing differentials. We find that rating classes AA–BBB of green bonds as well as the full sample trade marginally tighter for the respective period compared to non-green bonds of the same issuers. Furthermore, financial and corporate green bonds trade tighter than their comparable non-green bonds, and government-related bonds on the other hand trade marginally wider. Issue size, maturity, and currency do not have a significant influence on differences in pricing but industry and ESG rating.

3. Methodology

The study adopts an ex-post factor research design. The data collected for this study is sourced from corporate financial reporting under the Nigeria Exchange Group. The estimated pooled OLS equation was formulated similarly to the main regression equation. The pooled OLS estimation process involved minimizing the sum of squared residuals. The parameters were estimated simultaneously to achieve the lowest possible sum of squared residuals (Wooldridge, 2012). The estimated pooled OLS regression is presented as follows:

$$\hat{y} = \hat{\pi}_0 + \hat{\pi}_1x_1 + \hat{\pi}_2x_2 + \hat{\pi}_3x_3 + \dots + \hat{\pi}_kx_k \dots \dots \dots (1)$$

Where $\hat{\pi}_0$ is the estimate of constant, and $\hat{\pi}_i$ are the estimates of slopes corresponding to each explanatory variable?

Panel data incorporates both cross-sectional and time-series dimensions, which may introduce cross-sectional effects, time effects, or both. These effects can be modeled using either fixed effects or random effects. In a fixed effects model, it is assumed that cross-sectional or time-series intercepts vary, whereas a random effects model focuses on how error variances change. Estimation in a fixed effects model can be performed using two approaches: the within effect and the between effect estimates. While these methods yield different parameter estimates, they produce identical slopes for non-dummy independent variables (Wooldridge, 2012). The between-effect estimation is further divided into between-time and between-group estimators. In a random effects model, the error variance is analyzed concerning cross-sections and/or time series. This model is particularly suitable for cases where individuals (cross-sectional units) are randomly selected from a larger population. Two estimators are available for the random effects model: the Generalized Least Squares (GLS) method, used when the variance-covariance matrix is known, and the Feasible Generalized Least Squares (FGLS) method, which estimates the variance structure. Both fixed and random effects models allow for one-way and two-way analyses. A one-way analysis considers only cross-sectional variables, while a two-way analysis accounts for both cross-sectional and time-series data. Table 1 presents the equations for the fixed and random effects models under the one-way approach, which will be adopted for this study.

Table 1: Fixed and Random effect panel data models

Terms	Fixed effect model	Random effect Model
Equation	One-way: $y_{it} = (\alpha + \mu_i) + x_{it}\pi + \epsilon_{it}$	One-way: $y_{it} = \alpha + x_{it}\pi + (\mu_i + \epsilon_{it})$
Intercept	Differing across cross-sectional/time series	Constant
Error variance	Constant	Differing across cross-sectional/time series
Slope	Constant	Constant
Estimation	Between, Within	FGLS, GLS

Were

y_{it} = dependent variable

x_{it} = Independent variable

ϵ_{it} = zero mean random disturbance

μ_i = unobserved individual-specific effect

α = Model coefficient

Referring to Table 1, fixed effects models account for individual-specific effects μ_i by allowing variations in intercepts while maintaining a consistent slope and constant variances across cross-sections. Since these individual-specific effects remain unchanged over time, μ_i can be correlated with other

independent variables (Wooldridge, 2009). In contrast, random effects models assume that both the intercept and slope remain constant, treating individual-specific effects as part of the error variance.

3.2 Panel Unit Root Test

To study the stationary of variables we apply Levin, Lin, and Chu (LLC) (e.g., Levin et al., 2002). Im, Pesaran, and Shin (IPS) (e.g., Im et al., 2003), are mentioned by Madala and Wu (1999) (e.g., Mandala and Shaowen, 1999). These tests are among the most significant unit root tests for panel data, while different approaches may yield inconsistent findings. The null hypothesis in each of these tests suggests that there is a unit root.

3.2.1 Result of panel unit root test

The results of the panel unit root tests are displayed in Table 2. Two test statistics are calculated for each variable. The results show that all the variables are stationary in the level form.

Table 2: Panel Unit Root Test

	LLC	IPS	INTERGRATION ORDER	Comments
LLP	-3.4219 [0.0332]	-8.0231 [0.0000]	I (0)	Stationary at the level stage
GRB	-2.6849 [0.0021]	-8.9475 [0.0000]	I (0)	Stationary at the level stage
ROA	-3.9482 [0.0001]	-5.21567 [0.0000]	I (0)	Stationary at the level stage

LLP = Loan loss provision, GRB = Green Bond, ROA = Return on assets

3.2.2 Correlation

The correlation statistic reveals how linearly related two variables are (meaning they change together at a constant rate). It's a common strategy for explaining simple relationships without specifying cause and effect. The sample correlation coefficient quantifies the magnitude of the link; however, correlation cannot test for the existence or impact of any other variables outside the two under examination. Additionally, correlation reveals nothing about causation and effect. As a result, for the variable employed in this inquiry, we have produced the correlation table below.

Table 3: Bivariate Correlation of all the variables

Correlation	LLP	GRB	ROA
LLP	1		
GRB	-0.5769	1	
ROA	0.6825	-	1
		0.9984	

LLP = Loan loss provision, GRB = Green Bond, ROA = Return on assets

The above table 4 shows the bivariate correlation of the variables under study, it's obvious that there is a degree of relationship that exists between the ROA, LLP, and GRB.

Table 4: Model Summary

Model 1 (ROA)			
	Fixed Effect	Random Effect	Pooled OLS
LLP	16579.81 [0.000] *	1025.15 [0.006] *	1719.091 [0.005]
GRB	721.4312 [0.3012]	-813.624 [0.617]	-764.023 [0.713]

Table 4 clearly states the coefficients and probability values for all the predictor variables for the different models. Each model represents a different dependent variable of interest to the researcher; the table also presented the fixed/random effect model as well as the pooled regression. The result indicates that for the models only loan loss provision (LLP) with a coefficient of 1025.15 (0.006) was found to be statistically significant at a 5% level of significance. The result of the Green bond states that at a 5% level of significance, the green bond has no significant effect on return on assets having a coefficient of -813.624 (0.617). Based on the selection criteria for choosing the model between the fixed effect and random effect we made use of the Hausman test in the below table 5

Table 5: Hausman Test

Model	Test	cross-section random effect		
ROA				
1	Test Summary	Chi-Sq. Statistic	Prob	
	Cross-section random	13.43	0.0623	

It's notable from Table 5 above that we accept the null hypothesis of the Hausman test and conclude that the best regression model to estimate the unobserved effect in models 1 and 2 is the random effect model rather than the fixed effect model.

5. Conclusion

In conclusion, the study of Green Financial Management Practices and their impact on Corporate Financial Performance in Nigeria reveals critical insights. Loan Loss Provisions play a significant role in enhancing financial performance, highlighting the importance of effective risk management within

the corporate sector. This suggests that firms that prioritize prudent provisioning are better positioned to navigate financial uncertainties and maintain robust performance metrics. Conversely, the analysis indicates that Green Bonds do not exhibit a significant effect on corporate financial performance in Nigeria. This may reflect the nascent stage of green financing in the region, where market awareness and investor confidence in such instruments are still developing. As the green finance landscape evolves, companies need to explore innovative approaches to integrate sustainability into their financial frameworks effectively.

Overall, while Loan Loss Provisions are critical for financial stability and performance, the limited impact of Green Bonds underscores the need for a more supportive regulatory environment and enhanced market education to leverage green finance's full potential in Nigeria. The study concludes that Green Financial Management Practice has a significant effect on Corporate Financial Performance in Nigeria.

Recommendations

Based on the findings regarding the effect of Green Financial Management Practices on Corporate Financial Performance in Nigeria, the following recommendations are proposed:

- i. Corporations should prioritize the establishment and maintenance of robust loan loss provisioning frameworks. This will not only mitigate financial risks but also contribute to improved financial performance. Regular training and updates on best practices in risk management should be implemented to ensure that financial teams are well-equipped to handle loan provisions effectively.
- ii. To improve the impact of Green Bonds on corporate financial performance, it is essential to enhance awareness and understanding of these instruments among corporate managers and investors. Educational programs and workshops can help stakeholders recognize the potential benefits and opportunities presented by green financing.

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