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# Corporate Sustainability Disclosures and Market Value of Listed Industrial Goods Firms in Nigeria

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**Abstract:** *The main objective of this study was to examine the effect of corporate sustainability disclosures on market value of listed industrial goods companies in Nigeria from 2014 to 2023. The independent variable, corporate sustainability disclosure, was proxied by environmental sustainability disclosures, social sustainability disclosures, economic sustainability disclosures and governance sustainability disclosures. The dependent variable of the study was market value measured by market capitalization. The research design adopted for the study was ex post facto, secondary data were employed and purposive sampling technique was adopted to select 11 out of 13 listed industrial goods firms in Nigeria. The ordinary least square regression analysis was used in analysing the data and the statistical package employed was STATA 14.2. The findings of the study revealed that environmental sustainability disclosure has non-statistically significant effect on market value of listed industrial goods companies in Nigeria and social sustainability disclosure has significant positive effect on market capitalization of listed industrial goods companies in Nigeria; Thus, it was concluded that corporate sustainability disclosures have significant effect on market value of listed industrial goods firms in Nigeria. Based on these findings, it was recommended among others that the management of listed industrial goods firms should expand their efforts in social sustainability practices by engaging in community development projects, employee welfare programs, and other socially impactful activities.*

**Keywords:** sustainability reporting, market value, market capitalization. Environmental disclosures, social disclosures

## INTRODUCTION

Corporate sustainability disclosure refers to the practise of disclosing non-financial information related to environment, social, economic and governance performance, initiatives and impact and demonstrating a company's commitment to responsible business practices and stakeholders engagement. The objective of any organization is to consistently grow and survive on a long-term basis. Most managers are also aware that their organizations are part of a large system which has profound direct and indirect influence on their operations. This implies that, if these organizations must effectively and efficiently meet their objectives, they should properly adapt themselves to their environment (Etim & Akpan (2023). In 2011, the International Federation of Accountants Committee (IFAC), developed a sustainability framework, enabling business organizations to incorporate sustainability issues in their business approaches, processes and reporting practices. The disclosure aspect of IFAC's sustainability framework involved providing audit and assurance on sustainability performance to enhance the credibility of sustainability reports, incorporating sustainability impacts in financial statements, and employing native reporting to capture sustainability information not included in the financial statements. On 26$^{th}$ June 2023, the international sustainability standards board (ISSB), released its first standards board sustainability disclosure standards. These included, international financial reporting sustainability standard (General requirement for the disclosure of sustainability related to financial information) and international financial reporting sustainability (climatic related disclosures) which were to become effective in January 2024.

Companies that disclose environmental sustainability strides send signals to investors and other stakeholders that they are managing their environmental risks effectively. This can enhance the company's reputation and attractiveness to socially responsible investors, potentially leading to a higher stock price and increased share price. Social sustainability disclosure has to do with the disclosure of organizational impact or footprint on the social environment. The social sustainability disclosure has to do with disclosures about human rights, labour standards, health & safety, diversity policies, community relations and development of human capital (health & education). Social disclosures can enhance a company's reputation and brand image by showcasing its commitment to corporate social responsibility, community involvement, and contributing to the greater good. According to Nkanga et al., (2023) a strong reputation for social responsibility can attract more customers and investors, potentially increasing sales and stock prices. CSR activities can improve employee morale and productivity, leading to better financial performance.

Sustainability disclosures play crucial role in improving the market value of firms by enhancing reputation, managing risks, attracting investors and drives completive advantage. Companies that excel in sustainability practices demonstrate their commitment to responsible business practices, environmental stewardship and social impact leading to increased trust, loyalty and positive perception in the market (Nkanga et al., 2013). The industrial goods sector is said to be one of the most significant contributors to global greenhouse gas emissions and has a significant impact on the environment. As a result, there is an urgent need for industrial goods firms to adopt sustainable practices to reduce their environmental impact, meet regulatory requirements, and maintain their social licenses to operate.

The provision of mandatory and non-mandatory information in financial statements supports transparency, informed decision making, market confidence, and overall corporate governance, ultimately contributing to the long-term success and sustainability of the company. When the disclosure of environmental, social, economic and governance practices of firm are weak, the market value of the firm is bound to decline because, the investors do not have complete information to assess the risk and opportunities they are exposed to for investing in that firm. It has been noticed from the literature, that corporate sustainability disclosures (as a whole) in Nigeria seems to be weak compared to many developed countries and this has hampered growth of market capitalization because disclosure of both mandatory and non-mandatory information gives complete measurement of the firms' value. In essence, preparers of financial reports may be unaware of the fact that disclosure environmental, social, economic and governance practices significantly add to the value of the firm.

From the review of empirical studies, it was found out that the non-industrial goods sector seemed to be neglected as most of the studies focused on banks, ICT firms, pharmaceutical firms, manufacturing firms (Soomiyol et al., 2024; Loan et al., 2024; Etim & Akpan, 2023; Udomah & Emenyi (2023). Worst still is there was no unanimous agreement from previous studies on the effect of sustainability disclosures on market value because of divergent findings. Thus this study was carried out to ascertain the effect of sustainability disclosure on market value of listed industrial goods companies in Nigeria.

## LITERATURE REVIEW AND HYPOTHESES DEVELOPMENT

### Corporate sustainability disclosures

According to Global Reporting Initiatives (2015), corporate sustainability disclosure is the practice of measuring, disclosing and being accountable to internal and external stakeholders for organizational performance of the goals of sustainable development. Hussain (2022) defines sustainability reporting as a subset of accounting and reporting that deals with activities, methods, and systems to record, analyses and report, firstly, environmentally, and socially induced financial impacts and secondly, ecological, and social impacts of a defined economic system, measurement, analysis and communication of interactions and links among social, environmental, and economic issues constituting the three dimensions of sustainability. Corporate sustainability disclosure is becoming more prevalent, driven by a growing recognition that sustainability related issues could materially affect a company's performance, demands from various stakeholder groups for increased levels of transparency and disclosure and the need for companies (and the business community more generally) to appropriately respond to issues of sustainable development (International Reporting Sustainability Standard 1, 2023). According to parliament of Australia (2010), sustainability disclosure involved companies and organizations demonstrating their corporate responsibility through measuring and publicly reporting on their economic, social and environmental performance and impacts. Some of the more useful definitions of sustainable disclosure included that given by the Global Reporting Initiative (Global Reporting Initiative, 2015).

**Market value**

Market value represented the assets owned by a company. It was crucial because it described the prosperity of the business owners. The manager being the representative of the owners of the business were responsible for optimal maximization of the value of the firm which formed the fundamental objective of any organization (Bhabra, 2019). A high market value indicated that the company was prosperous and hence the shareholders' wealth was maximized. The prosperity level of the shareholders and investors were reflected in the firm's value. Firm's value is an indicator used to assess the performance of a company. Investors also perceived the company through its firm's market value, and this was related to the stock price. Bhabra (2019) opined that firm's value was the price paid by the wealthy buyer when a company was sold, and he also saw firm's value as the objective value from the public and the orientation of company's survival. From the preceding, it was clear that firm's value was the investors' perception towards a company's success level, and this was usually associated with stock price. Firm's value was also typically indicated by price to book value (PBV). When the PBV was high, it, therefore, meant that the principle of going concern was operational which translated into shareholders' wealth (Hart, 2019),

Market value is a forward-looking measure of company performance. The market-based approach evaluates the value of a firm on the basis of prices already quoted on the stock exchange, that is, the current quoted price at which investors buy or sell shares of a company or a bond at a given time often referred to as market capitalization (Agarwal et al., 2023). Market value is often different from book value in that market—based approach values a company based on quoted price on the stock exchange. The market value is usually different from the book value because market value factors in future earnings and market sentiments. Also, Ogochukwu and Grace (2022) reported that sustainability reporting as a whole and its aggregate elements (environmental, social and economic) have more positive relation with market value (TQ) than ROE. Accounting-based measures are not only subject to management discretion and manipulation but also reflect past events and performance with no idea of the future. A market measure like Tobin's Q (TQ) uses current market price which reflects actual market performance of each stock on the market and is therefore used as a market measure in this study.

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**Environmental sustainability disclosure and market value**

According to Hill (2020) environmental sustainability disclosure refers to the way and manner by which a company communicates the environmental effects of its activities to particular interest groups within society and to society at large. Companies, through the process of environmental communication, may seek to influence the public's perception of their operations. According to the Effiong et al. (2019) environmental reports are the principal vehicle for company communication on the environment and a fair and credible reflection of the company's environmental activities. A prerequisite for good environmental reporting is the establishment of an environmental management system and the foundation for any substantive environmental accounting (Islam et al, 2020). Therefore, the integration of and synergies between environmental management system and environmental accounting are needed in encompassing environmental aspects. Etim and Akpan (2023) and Ziegler et al. (2022) found that growth of environmental performance by companies have a positive impact on average monthly share returns. Likewise, Gholami et al. (2022) who showed that environmental performance announcements increase the shareholder value of the company. Other positive findings include Zhang et al. (2020) and Toly (2019) who found positive relationship between environmental disclosure and firm value who claimed that stronger environmental performance can improve the value of the firm and attract new stakeholders. On the contrary, Ganda (2017) found environmental performance to be negatively related to market value added; Prado-Lorenzo et al. (2019), also found environmental performance to have a negative effect on return on investment (ROI). However, no relationship exists between environmental disclosures and firm value in Deswanto and Siregar (2018). This based on this evidence, it was hypothesized that;

***Ho$_1$: Environmental sustainability disclosures have no significant effect on market value of listed industrial goods companies in Nigeria.***

**Social sustainability disclosure and market value**

Social sustainability disclosure has to do with the disclosure of organizational impact or footprint on the social environment. The social sustainability disclosure has to do with disclosures about human rights, labour standards, health & safety, diversity policies, community relations and development of human capital (health & education). Wood (2021) defined social sustainability as a business organization's configuration of principles of social responsibility, processes of social responsiveness and policies, programs and tangible outcomes as they relate to the firm's social relationships. It is a construct that emphasizes a company's responsibilities to multiple stakeholders, such as employees and the community as a whole, in addition to its traditional responsibilities to economic shareholders (Turban & Greening, 2023). It is defined as the obligation of the company to improve social welfare for stakeholders in long-term period and sustainably (Jamali et al., 2023). The empirical studies revealed different outcomes on the effect of corporate sustainability disclosures on market value. Akpan and Simeon (2021) found that social sustainability disclosure has a significant positive effect on financial performance. Cheng et al. (2024) found no relationship between social sustainability disclosures and firms value. Udomah and Emenyi (2023) found a negative relationship between social reporting and the financial performance of the selected companies. While Etim and Akpan (2023) revealed that social sustainability disclosures have significant positive effect on return on capital employed of oil and gas companies in Nigeria.

***Ho$_{1:}$ Social sustainability disclosures have no significant effect on market value of listed industrial goods companies in Nigeria.***

## METHODOLOGY

Ex-post facto research design was used in this study. This design was suitable for this study because the study made use of secondary data that were extracted from the studied firm's annual reports. The population of this study consisted 13 industrial goods companies listed on the floor of the Nigerian Exchange Group for the period 2014-2023. The sample size of this study was 11(eleven) industrial goods firms listed on the floor Nigerian Exchange Group. The study adopted purposive sampling technique to select eleven (11) out of thirteen (13) industrial goods firms. The source of data for this study was secondary data. The data for the proxies of independent variable were derived using content analysis. The checklist used was developed based on Global Reporting Initiatives disclosure guidelines and theoretical developments by previous researchers. Each reporting item on the checklist was assigned a value of '1' if disclosed and '0' if the item was assumed relevant but not disclosed. The score or disclosure index for each disclosure parameter was the ratio of actual disclosure to the expected disclosure. This is given thus;

$$\text{The disclosure index} = \frac{\text{Aggregate disclosure score}}{\text{Total Expected disclosure}} \times 100$$

The Generalized method of moments regression technique was employed in analyzing the data set and the statistical package that was adopted for this analysis STATA version 14.2. The hypotheses were tested at 5% level of significance.

### Model specification

In line with the previous researches, the researcher adapted and modified the Etim and Akpan (2023) in determining the effect of corporate sustainability disclosures on market value of listed industrial goods companies in Nigeria. This is given below:
Market value = f(Corporate sustainability disclosures) (1)
Market value = f(environmental sustainability disclosures and social sustainability disclosures, (2)

$$MVit = \beta_0 + \beta_1 ENDC_{it} + \beta_2 SODC_{it} + \beta_5 \text{FIMZit} + \mu_{it}$$

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**Where:**

MV = Market value
ENDC = Environmental Sustainability Disclosure Index
SODC = Social Sustainability Disclosure Index
FSIZ = Firm size (control variable)
“{i}" = Cross section (Sample companies)
‘’t’’ = Time frame (2014-2023)
u = Stochastic error Term

**Operationalization of variables**

The variables used in this study were measured as presented in table 3.1

**Table 3.1:**

| Variable | Measurement | Sources | Apriori Expectation |
| --- | --- | --- | --- |
| Market value (Dependent variable) | December market capitalization of the listed firms | Etim and Akpan (2023) | |
| Environmental sustainability disclosure (Independent variable). | Measured in line with GRI standard | Etim and Akpan (2023) | + |
| Social sustainability disclosure (Independent variable). | Measured in line with GRI standard | Etim and Akpan (2023) | + |
| Firm Size (Control Variable) | Measured as the natural Logarithm of Total Asset | Etim and Akpan (2023) | + |

**Source:** Researchers compilation (2025).

## ANALYSIS AND DISCUSSION

### Data analysis

**Table 4.1** Descriptive statistics of corporate sustainability disclosures and market value of industrial goods companies listed in Nigeria

| Variable | Obs | Mean | Std. Dev. | Min | Max |
| --- | --- | --- | --- | --- | --- |
| MV (N’000) | 110 | 3.25372 | 1.027364 | 1.236833 | 5.62729 |
| endi | 110 | .528 | .188 | 0 | 1 |
| soci | 110 | .532 | .204 | 0 | 1 |
| Totalassets (N’000) | 110 | 2.331e+08 | 6.224e+08 | 163990 | 3.939e+09 |

**Source: Stata 14 output (2024)**

Table 4.1 above showed the descriptive statistics of all the variables utilized in this study. From the top we have market value (MV) which showed an average of N3.7million and a standard deviation of N1.02million. These indicate that the market value of each industrial goods firm varied greatly from each other's. For the first independent variable, environmental sustainability disclosure (ENDI), an index score of 1 was found to be the highest which implies that there is(are) company(ies) who disclosed all 8 items in the disclosure index or checklist utilized for the measurement. The lowest score in the sector between 2014 to 2023 was 0; implying that 0 out of the 8 items disclosed. For social sustainability disclosure (SOCI), an average of 0.532 was observed; indicating about 4 out of 8 items checked on an average social disclosure in the industrial goods sector. The lowest index score as at the time was 0, meaning 0 out of the 8 items in worst case scenarios. It indicates that there are companies in the sector which at particular years did not make their annual report to be large enough to contain information on sustainability reporting and disclosures. However, highest was still 1 (8 out of 8) as found in the environmental disclosure earlier with a standard deviation of 0.204.

**Table 4.2 Spearman's rank correlation coefficients**

| Variables | (1) | (2) | (3) | (4) |
|---|---|---|---|---|
| (1) mvlog | 1.000 | | | |
| (2) endi | 0.219 | 1.000 | | |
| (3) soci | 0.174 | 0.252 | 1.000 | |
| (4) fsiz | 0.215 | 0.270 | 0.259 | 1.000 |

**Source: Stata 14 output (2024)**

From the table 4.2 it was observed that each of the variables had perfect correlation with themselves with 1.000 as correlation coefficient. Environmental sustainability disclosure (ENDI) has a weak positive association with market value (MVLOG) (0.219). This implies that increase in environmental sustainability disclosure usually comes with higher market value in listed industrial goods firms. Social sustainability disclosure (SOCI) has a weak positive correlation (0.174) with market value (MVLOG) of listed industrial goods firms in Nigeria, implying that higher social sustainability disclosures in this firms happen to come with increase in market capitalization to a low extent. Finally, for the control variable; firm size (FSIZ), a strong positive correlation was observed with market value implying that the higher the size of the industrial goods firm, the higher its market value

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Table 4.3 Regression output for individual models of the effects of environmental, social sustainability disclosures on market value of listed industrial goods firms in Nigeria.

| Variables | Coefficients | P>\|z/t\| | Lagrange | Hausman | Hettest | VIFs | $R^2$ |
|---|---|---|---|---|---|---|---|
| **Pooled OLS** | | | | | | | |
| endi | 0.014 | 0.095 | | | 11.42(0.001) | 1.140 | 0.754 |
| soci | 0.015 | 0.421 | | | 11.02(0.001) | 1.100 | 0.755 |
| **Random Effects GLS** | | | | | | | |
| endi | 0.114 | 0.083 | 6.22(0.000) | 0.04(0.982) | | | 0.511 |
| soci | 0.185 | 0.001 | 7.10(0.000) | 0.00(0.999) | | | 0.724 |
| **Fixed Effects GLS** | | | | | | | |
| endi | 0.012 | 0.589 | | | | | 0.411 |
| soci | 0.015 | 0.461 | | | | | 0.554 |
| **Random Effects (with robust standard errors)** | | | | | | | |
| endi | 0.114 | 0.054 | | | | | 0.584 |
| soci | 0.192 | 0.001 | | | | | 0.714 |

**Source: Author's compilation of Stata output (2025)**

Table 4.3 shows the multivariate regression analysis for the individual effects of the proxies of sustainability disclosure on market value of listed industrial goods companies in Nigeria between 2014 to 2023. Results from the different models; specifically, the robust random effects GLS presented the following results: the environmental sustainability disclosure model showed an R squared value of 0.584 meaning that environmental sustainability disclosure (endi) when regressed with the control variable (firm size) against market value, explains 58.4% of the variations in the market valu of listed industrial goods companies in Nigeria. The unexplained part (about 41.6%) is attributed to the error term of the equation. The social sustainability disclosure (soci) model, had an R squared of 0.714. This implies that social sustainability disclosure (soci) when regressed with firm size (fsiz) against market value, accounts for 71.4% of the changes that occur. However, the unaccounted part which is 28.6% is attributed to the error term of the regression equation. During estimations, the study tested for heteroscedasticity, variance inflation factor (multicollinearity), as well as the Lagrange multiplier test. For the first model (envi), we had a heterogenous data in which the null hypothesis was rejected (11.42[0.001]). For the variance inflation factor, we had an average of 1.14 indicating no multicollinearity. For the Lagrange test (6.22[0.000]), it was revealed that the random effect GLS was suitable for the data which the robust one was used due to the heteroscedasticity. For the soci model, heteroscedasticity (11.02[0.001]) and no multicollinearity (1.10) were also the case. Also, the Lagrange multiplier also approved the random effects GLS for the analysis (7.10[0.000]). The one with robust standard errors was later used to account for heteroscedasticity.

## DISCUSSION OF FINDINGS

### Environmental sustainability disclosure and market value

The results from the robust random effects regression for the ENDI model indicated that environmental sustainability disclosure (ENDI) has a positive coefficient of 0.114 with a p-value of 0.054, suggesting a non-statistically significant positive effect on the market capitalization of listed industrial goods companies in Nigeria. This positive coefficient implies that an increase in the environmental sustainability disclosure score is associated with a slight increase in market value, although the effect is not statistically significant at conventional levels. The absence of statistical significance means that while there appears to be a positive relationship, the evidence is weak, and it cannot be confidently concluded that environmental disclosures have a meaningful effect on market capitalization within this context.

This finding aligns with several studies in the existing literature, though the strength of the effect/impact varies. For instance, Nkanga et al. (2023) emphasized that companies disclosing detailed information about their environmental impacts and management practices can signal effective environmental risk management to investors, enhancing the company's reputation and attracting socially responsible investors. This, in turn, could lead to improved stock prices and increased shareholder wealth. Additionally, Akume (2023) suggested that transparency in environmental performance disclosure helps firms mitigate regulatory risks and avoid potential fines, thereby preserving shareholder value by ensuring compliance and proactive risk management.

Also, studies by Akpan and Simeon (2021) found that improved environmental performance and its disclosure positively impact share returns and shareholder value, supporting the notion that companies with robust environmental practices can attract ESG-focused investors who assign higher valuations to such firms. This is in line with the current study's findings, indicating a positive (though non-significant) influence of environmental disclosures on market capitalization. Similarly, Zhang et al. (2020) and Toly (2019) found that transparency in environmental disclosures enhances firm value by improving investor sentiment and stakeholder trust.

### Social sustainability disclosure and market capitalization

The results obtained from the SOCI's robust random effects regression model revealed that social sustainability disclosure (SOCI) has a coefficient of 0.192 with a p-value of 0.001, indicating a

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statistically significant positive effect on the market capitalization of listed industrial goods companies in Nigeria. This significant positive relationship suggests that an increase in social sustainability disclosure index scores among these firms leads to a corresponding increase in their market capitalization. In simpler terms, the findings imply that the more these companies disclose their social sustainability efforts, such as initiatives related to community engagement, employee welfare, diversity, and social impact programs, the higher their market valuation tends to be. This aligns with the apriori expectation that social sustainability practices are perceived favourably by the market, thereby enhancing market value. A possible explanation for this significant positive effect could be attributed to the growing importance that investors and other stakeholders place on social sustainability practices. This finding of this study, which demonstrates a significant positive effect of social sustainability disclosure (SOCI) on the market capitalization of listed industrial goods companies in Nigeria, is supported by several prior studies that emphasize the value of corporate social responsibility (CSR) activities in enhancing a firm's financial performance. According to Nkanga et al. (2023), a strong reputation for social responsibility can attract more customers and investors, leading to higher sales and improved stock prices. This aligns with the current study's results, as increased social sustainability disclosure is linked to greater market capitalization, suggesting that firms which actively report on their social initiatives may attract investor interest and bolster market valuations.

Further supporting this, Etim and Akpan (2023) argued that shareholders tend to place a higher value on companies perceived positively by customers, employees, investors, and communities. This enhanced perception can foster increased trust, loyalty, and goodwill, which ultimately contributes to shareholder wealth. The positive effect observed in this study indicates that companies with high social sustainability disclosure scores may be leveraging their CSR activities to strengthen their brand reputation and stakeholder relationships, thus enhancing their market capitalization. Also, Arvidsson (2019) noted that companies that engage in social donation and gifting activities with a long-term perspective, focusing on sustainable social impact aligned with their core values, can contribute to long-term value creation for shareholders.

## CONCLUSION AND RECOMMENDATIONS

This study examined the effect of corporate sustainability disclosures on the market value of listed industrial goods companies in Nigeria, focusing on four key dimensions: environmental, social, governance, and economic sustainability disclosures. Utilizing a robust random effects regression analysis, the study covered data from 2014 to 2023, providing a comprehensive insight into how these disclosures influence market capitalization in the Nigerian context. The findings revealed a nuanced relationship between sustainability practices and market capitalization, offering both theoretical and practical implications for firms, investors, and policymakers. The analysis revealed that social sustainability disclosures, which encompass initiatives related to community engagement and employee welfare, were found to be highly valued by investors, reflecting the growing importance of corporate social responsibility in investment decisions. Similarly, firms that provided detailed governance disclosures, showcasing their commitment to transparency and accountability, were perceived favourably in the market. However, the effect of environmental sustainability disclosures, while positive, was not statistically significant, indicating that the Nigerian market may still be in the early stages of fully integrating environmental factors into investment evaluations. In conclusion, the study affirms that corporate sustainability disclosures play a crucial role in shaping investor perceptions and driving market capitalization, particularly in emerging markets like Nigeria. In line with the findings of this study it was recommended that the management of listed industrial goods firms should review and disclose measurable impact of their environmental initiatives, which may resonate better with stakeholders and influence market perception positively. Given the significant positive effect of social sustainability disclosure, the management of listed industrial goods firms should expand their efforts in social sustainability practices by engaging in community development projects, employee welfare programs, and other socially impactful activities.

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