

Sustainability Reporting and Firm Value: Evidence from Listed Manufacturing Firms in Nigeria

Mainoma, Mohammed Akaro Ph.D¹, Naburgi, Musa Mohammed Ph.D²

Weghyina, Tarfa Jacob M.sc, Nigeria

DOI: <https://doi.org/10.47772/IJRISS.2026.100500067>

Received: 29 April 2026; Accepted: 04 May 2026; Published: 23 May 2026

ABSTRACT

The relationship between sustainability reporting and firm value has produced mixed empirical evidence, particularly in emerging economies like Nigeria where disclosure quality remains inconsistent. Furthermore, most existing studies treat sustainability reporting as a composite construct, masking the distinct effects of its economic, environmental, social, and governance dimensions. This study examined the effect of sustainability reporting on firm value among listed manufacturing firms in Nigeria. The population comprised 71 manufacturing firms listed on the Nigerian Exchange Group, from which a purposive sample of 44 firms with complete data from 2015 to 2024 was selected. Panel data were analyzed using fixed effects regression following a significant Hausman test result. The findings revealed that social sustainability reporting has a positive and statistically significant effect on firm value, indicating that disclosures relating to employee welfare, labor practices, community engagement, and stakeholder relations substantially enhance market valuation, while economic sustainability reporting, environmental sustainability reporting, and governance sustainability reporting exhibited insignificant effects. Based on the findings, the study recommended that manufacturing firms should prioritize and expand social sustainability disclosures relating to employee welfare, community engagement, and stakeholder relations, as these directly enhance firm value. Regulatory authorities should enforce standardized sustainability reporting frameworks to improve the quality and comparability of economic, environmental, and governance disclosures, while firms should strengthen board oversight to enhance the credibility of all sustainability reports.

Keywords: Sustainability reporting, firm value, manufacturing sector, Nigeria, social disclosure

INTRODUCTION

Globally, the concept of firm value has expanded beyond traditional financial indicators to incorporate non-financial disclosures that reflect a firm's sustainability and long-term viability. Firm value, commonly measured using market-based indicators such as market capitalization and Tobin's Q, represents investors' expectations about a company's future performance. While financial performance historically dominated valuation decisions, there is now a growing recognition that sustainability reporting plays a critical role in shaping investor perceptions and firm valuation (Laskar, 2018). This shift is largely driven by the increasing awareness that long-term value creation depends not only on profitability but also on how firms manage their economic, environmental, social, and governance responsibilities.

In line with this global transition, sustainability reporting has become a mainstream corporate practice across developed and emerging economies. Empirical evidence indicates that approximately 96% of the world's largest 250 companies now engage in sustainability reporting, reflecting near-universal adoption among large corporations. Furthermore, about 95% of these firms disclose carbon-related sustainability targets, while roughly 71% adopt recognized frameworks such as the Global Reporting Initiative. These developments suggest that investors and other stakeholders increasingly demand transparency in non-financial performance, thereby elevating the importance of sustainability disclosures in firm valuation (Lawal et al., 2024). Nevertheless, despite this widespread adoption, the effectiveness of sustainability reporting remains uneven, as only about one-quarter of firms globally are fully prepared for formal ESG assessments. Consequently,

variations in reporting quality and integration into corporate strategy continue to limit the usefulness of such disclosures (Mahmood et al., 2018).

Against this backdrop, sustainability reporting is typically disaggregated into four key dimensions, namely economic, environmental, social, and governance reporting, each of which provides distinct signals to investors. To begin with, economic sustainability reporting focuses on how firms generate and distribute economic value while ensuring long-term financial stability. It encompasses disclosures relating to operational efficiency, innovation, and contributions to economic development. Firms that provide transparent economic sustainability information are generally perceived as more stable and less risky, thereby enhancing investor confidence. However, inconsistencies in disclosure practices and lack of standardization often reduce comparability across firms, thereby constraining the effectiveness of economic reporting in influencing firm value (GRI, 2023; Hope, 2020).

Similarly, environmental sustainability reporting addresses corporate activities related to environmental management, including emissions control, energy efficiency, and waste management. In recent years, environmental disclosures have gained significant attention as investors increasingly seek to evaluate environmental risks and regulatory exposure. Consequently, firms that demonstrate strong environmental reporting practices are often perceived as proactive and responsible, which positively influences their market valuation (Girón et al., 2020; Fadipe et al., 2025). However, differences in regulatory enforcement and reporting quality across countries continue to affect the reliability and comparability of environmental disclosures.

In addition, social sustainability reporting focuses on how firms manage relationships with key stakeholders, including employees, customers, and host communities. This dimension covers areas such as labor practices, occupational health and safety, and community engagement. Although effective social reporting has the potential to enhance corporate reputation and strengthen stakeholder trust, empirical findings suggest that its impact on firm value is often mixed. This inconsistency is largely attributed to weak standardization and variations in disclosure quality, which limit the extent to which investors incorporate social information into their valuation decisions (Gitahi et al., 2018; Ezeokafor & Amahalu, 2019).

Furthermore, governance sustainability reporting examines corporate governance structures and practices, including board composition, internal controls, ethical standards, and risk management systems. Governance disclosures are widely regarded as fundamental indicators of transparency and accountability, as they help reduce information asymmetry between management and investors. As a result, firms with strong governance reporting practices are more likely to attract investor confidence and achieve higher market valuation (Hassan & Musa, 2024; Ioannou & Serafeim, 2019). More importantly, the effectiveness of governance reporting is closely linked to board expertise, as boards with relevant knowledge and experience are better positioned to oversee sustainability initiatives and ensure the credibility of disclosures. Consequently, firms with experienced boards tend to produce higher-quality sustainability reports, thereby strengthening the relationship between sustainability reporting and firm value (Khan et al., 2022; Erin et al., 2021; Okolie et al., 2024; Guerrero-Villegas et al., 2018).

Notwithstanding these global developments, several challenges continue to limit the effectiveness of sustainability reporting. In particular, fragmented reporting standards, weak regulatory enforcement, and high compliance costs remain significant barriers, especially in emerging economies (GRI, 2021; Hope, 2020). In Nigeria, for instance, sustainability reporting is gradually gaining prominence, particularly among firms listed on the Nigerian Exchange Group. Regulatory authorities have increasingly encouraged the adoption of international sustainability frameworks to enhance transparency and accountability (Kolawole et al., 2023). However, despite these efforts, sustainability reporting practices in Nigeria remain inconsistent, with notable variations in disclosure quality and depth across firms. These challenges are especially evident in the manufacturing sector, which is characterized by significant environmental and operational risks.

Against this background, the increasing importance of sustainability reporting has fundamentally transformed how firm value is assessed in modern capital markets. Investors are no longer solely concerned with traditional

financial metrics but are increasingly interested in how firms manage their economic, environmental, social, and governance responsibilities. Indeed, evidence suggests that firms with comprehensive sustainability disclosures are perceived as more transparent and trustworthy, which can positively influence firm valuation (Nnedu, 2025). However, despite this growing recognition, there is still no clear consensus on the nature and strength of the relationship between sustainability reporting and firm value.

More specifically, empirical studies have produced mixed and inconclusive findings regarding this relationship. While some studies report a positive association between sustainability reporting and firm value, others find weak or insignificant effects depending on the dimension of sustainability reporting examined (Anaeye et al., 2025). This suggests that sustainability reporting does not have a uniform impact on firm value and that its effects may vary across economic, environmental, social, and governance dimensions.

In the Nigerian context, this issue is further complicated by the fact that most existing studies treat sustainability reporting as a composite construct, thereby masking the distinct effects of its individual components. Consequently, there is limited understanding of how each dimension of sustainability reporting influences firm value. For example, while economic and environmental disclosures may provide direct signals of financial stability and risk management, social and governance disclosures may influence investor perceptions differently.

Moreover, sustainability reporting practices among Nigerian firms are characterized by inconsistencies in disclosure quality, weak regulatory enforcement, and lack of standardization (Anaeye et al., 2025; Nwekwo et al., 2025). These challenges reduce the reliability and comparability of sustainability information, thereby limiting its usefulness in valuation decisions. In addition, existing studies have paid limited attention to internal governance mechanisms, particularly board expertise, which plays a crucial role in ensuring the credibility and effectiveness of sustainability disclosures (Onu et al., 2024).

Furthermore, there is a noticeable lack of sector-specific studies focusing on the manufacturing sector, despite its significant contribution to economic development and its exposure to environmental challenges. Given these gaps, it becomes necessary to examine how sustainability reporting influences firm value within this specific context.

In view of the foregoing, this study examines the effect of economic, environmental, social, and governance sustainability reporting on the firm value of listed manufacturing companies in Nigeria. By disaggregating sustainability reporting into its core dimensions, the study provides a more nuanced understanding of how each component influences firm value and contributes to the growing body of literature on sustainability reporting in emerging markets.

LITERATURE REVIEW

Firm Value

Firm value is best understood as a forward-looking market assessment of a company's ability to generate sustainable earnings and withstand future uncertainties. Rather than relying solely on current financial performance, investors incorporate expectations about risk, strategic positioning, and long-term viability into valuation decisions. This perspective suggests that corporate disclosures, particularly those contained in integrated and sustainability reports, play a vital role in shaping the information environment within which investors operate. By improving the quality and availability of relevant information, such disclosures enhance forecasting accuracy and influence market valuation (Wahl et al., 2020). Accordingly, firm value becomes a dynamic outcome driven by investor perceptions, the transparency of disclosures, and the credibility of governance systems (Obeng et al., 2020).

Sustainability Reporting

Sustainability reporting has emerged as a critical mechanism through which firms communicate non-financial

performance to stakeholders. It serves as a bridge between corporate management and external users of information by reducing information asymmetry and improving transparency. As firms disclose sustainability-related activities, they signal accountability in managing environmental and social risks, thereby strengthening stakeholder confidence. This aligns with the view that sustainability reporting enhances the credibility of corporate communication by providing insights into non-financial drivers of performance that are essential for long-term profitability and resilience (Arowolo & Oyewumi, 2021; Ahmed et al., 2023). Consequently, investors increasingly rely on such disclosures to evaluate how organizations respond to emerging risks such as climate change, regulatory pressures, and stakeholder expectations.

Economic Sustainability Reporting

Economic sustainability reporting, in particular, focuses on how firms create and sustain economic value over time without compromising future opportunities. It captures disclosures relating to value generation, financial stability, innovation, and broader contributions to economic development. Through these disclosures, firms demonstrate their capacity to maintain long-term growth while balancing stakeholder interests. Importantly, such reporting provides stakeholders with insights into how organizations allocate resources, manage risks, and sustain competitive advantage in changing economic environments (Aupperle et al., 2018). As a result, economic sustainability reporting reinforces investor confidence by highlighting a firm's long-term financial resilience and strategic direction.

Environmental Sustainability Reporting

Environmental sustainability reporting emphasizes how corporate activities interact with the natural environment. It involves the systematic disclosure of environmental impacts, resource usage, and ecological management practices. Unlike traditional financial reporting, which centers on monetary outcomes, environmental reporting highlights how firms address environmental risks and opportunities, including climate change, pollution, and resource depletion. By providing this information, firms demonstrate their commitment to sustainable environmental practices and regulatory compliance, thereby reducing uncertainty associated with environmental liabilities (Eccles & Krzus, 2018). This form of reporting has become increasingly relevant as stakeholders place greater emphasis on environmental responsibility in investment decisions.

Social Sustainability Reporting

Social sustainability reporting reflects the understanding that firms operate within broader social systems that influence their success and legitimacy. Organizations are therefore expected to disclose how their operations impact employees, customers, and host communities. Such disclosures typically cover areas such as labor practices, workplace safety, human rights, and community engagement. Standardized frameworks, such as those provided by the Global Reporting Initiative, enable firms to present social performance in a structured and comparable manner, thereby enhancing the usefulness of such information for stakeholders (GRI, 2023). Through effective social reporting, firms can strengthen stakeholder relationships and build reputational capital that supports long-term value creation.

Governance Sustainability Reporting

Governance sustainability reporting focuses on the structures and processes through which firms are directed and controlled. It encompasses disclosures on board composition, ethical standards, risk management systems, and internal controls, all of which are essential for ensuring accountability and transparency. By integrating governance practices with sustainability considerations, firms demonstrate their commitment to responsible management and long-term strategic alignment. This form of reporting not only reduces information asymmetry but also reinforces investor trust, as strong governance is often associated with improved oversight and reduced agency problems (Hassan & Musa, 2024). Moreover, governance sustainability reporting highlights how managerial decisions align with broader sustainability objectives, thereby influencing firm resilience and overall value (Hilton & Bupe, 2024).

Empirical Review

Azeez et al. (2025) examined the effect of sustainability reporting on the market value of environmentally sensitive companies listed in Nigeria using panel data from 46 firms covering 2017–2022. Tobin's Q measured firm value, while sustainability reporting was decomposed into economic, environmental, social, and aggregate indices. The study employed Pooled OLS, Fixed Effects, Random Effects, and Feasible Generalized Least Squares (FGLS) estimation techniques. Findings revealed that economic sustainability reporting significantly improved market value, environmental and aggregate disclosures showed significant negative effects, while social reporting exhibited a positive but insignificant effect. A critic could be on the methodology, as reliance on multiple estimators (OLS, FE, RE, FGLS) without clearly addressing endogeneity or model selection bias may weaken the robustness of the findings.

Chinonso et al. (2025) assessed the effect of environmental sustainability reporting on the financial performance of 16 Nigerian consumer goods firms from 2014 to 2023 using an ex-post facto design. Secondary data were analyzed with panel regression techniques implemented in STATA. Sales turnover served as the performance proxy, while firm size was introduced as a moderating variable. Findings revealed that environmental sustainability reporting had a significant negative effect on sales turnover due to compliance costs, while firm size positively moderated the relationship, indicating that larger firms benefit more from sustainability initiatives. This study is limited by its variable choice, as using only sales turnover as a proxy for financial performance ignores profitability and market-based indicators.

Elaitan et al. (2025) examined the relationship between sustainability reporting and financial performance of ten Nigerian manufacturing firms between 2020 and 2022 using secondary data and multiple regression analysis. Return on equity was used as the performance indicator, while economic, environmental, and social disclosures served as explanatory variables. Results showed that economic and environmental disclosures individually reduced profitability, while social disclosures were statistically insignificant. However, when sustainability components were considered jointly, they exerted a positive combined influence on profitability, suggesting the benefits of integrated sustainability reporting. A critic could be on the timeframe, as the short period (2020–2022) may not adequately capture long-term sustainability effects on performance.

Ovsiuk and Afanasieva (2025) investigated sustainability reporting practices and implementation challenges within Ukrainian businesses using qualitative analytical methods, including system analysis, synthesis, induction, and expert assessment. The study found that environmental and social accounting practices function as interdependent elements of a unified sustainability accounting framework. The authors concluded that improved regulatory frameworks and stronger public-sector involvement are necessary to enhance sustainability reporting adoption, managerial transparency, and investment attractiveness across industries. This study is criticized on the methodology, as its qualitative approach limits empirical generalizability and lacks statistical validation.

Driss and Jaballah (2025) analyzed the relationship between CSR disclosures and financial performance of 90 Saudi Arabian non-financial companies from 2019 to 2023 using content analysis and regression techniques. CSR disclosures were categorized into philanthropic, environmental, and social dimensions, while performance was measured using ROA and ROE. Findings indicated a significant positive association between CSR disclosures and corporate performance across models, with firm size and industry characteristics influencing the magnitude of the relationship. A critic could be on the country context, as findings from Saudi Arabia may not be generalizable to developing economies like Nigeria due to institutional differences.

Dan et al. (2025) examined the effect of sustainability disclosures on market value of Nigerian industrial goods firms from 2014 to 2023 using an ex-post facto research design. Secondary panel data were analyzed using Ordinary Least Squares regression implemented in STATA. Market capitalization represented firm value, while environmental, social, economic, and governance disclosures served as explanatory variables. Results showed that environmental disclosure had an insignificant effect on market value, whereas social sustainability disclosure exerted a positive and statistically significant influence. This study is limited by methodology, as the use of simple OLS ignores potential panel data issues such as heterogeneity and autocorrelation.

Jerry et al. (2025) evaluated the influence of economic, environmental, social, and governance sustainability disclosures on firm value of Nigerian consumer goods firms using an ex-post facto design and robust regression analysis. Secondary data were sourced from annual reports of sixteen listed firms covering 2016–2021. The results demonstrated that sustainability reporting dimensions collectively influence firm value, highlighting the importance of comprehensive ESG reporting practices in improving investor perception and valuation outcomes in the Nigerian capital market. A critic could be on the sample size, as reliance on only sixteen firms may reduce the statistical power and generalizability of the results.

Osevwe-Okoroyibo and Okoye (2025) investigated the effect of environmental and governance sustainability reporting on the value relevance of accounting information among 26 Nigerian manufacturing firms between 2013 and 2023. Using descriptive statistics, correlation analysis, and panel regression techniques, the study found that environmental and governance disclosures significantly enhanced the value relevance of accounting information measured through share price, indicating that sustainability transparency strengthens investor confidence and market responsiveness. This study is criticized on variable measurement, as using share price alone may not fully capture the value relevance of accounting information.

Egbadju and Korolo (2025) examined the relationship between corporate governance financial expertise and firm performance of 75 Nigerian non-financial firms from 2005 to 2023 using panel data and the Generalized Method of Moments (GMM) estimation technique. Variables such as audit committee financial expertise, board financial expertise, and CEO financial expertise were analyzed. Findings revealed that governance financial expertise significantly improved firm performance, emphasizing the importance of knowledgeable leadership in enhancing profitability and corporate outcomes. A critic could be on variable scope, as focusing solely on financial expertise omits other governance mechanisms that may influence firm performance.

Onyeogubalu et al. (2025) analyzed the influence of board financial expertise on tax avoidance among 15 Nigerian consumer goods firms from 2014 to 2023 using an ex-post facto research design. After diagnostic tests, the Robust Least Squares estimation method was applied. The findings showed that directors' financial expertise significantly and negatively affected tax avoidance, indicating that boards with strong financial knowledge promote compliance, reduce aggressive tax practices, and improve corporate governance effectiveness. This study is limited by methodology, as Robust Least Squares may not sufficiently address dynamic endogeneity inherent in tax avoidance behavior.

Aliyu et al. (2024) investigated the influence of economic and social sustainability reporting on firm value of 29 listed manufacturing firms in Nigeria between 2007 and 2022 using an ex-post facto research design. Secondary data were analyzed using descriptive statistics and multiple regression analysis with information asymmetry included as a moderating variable. Results indicated that economic sustainability reporting had a positive but insignificant effect on firm value, whereas social sustainability reporting showed a negative and significant effect. Information asymmetry positively moderated the relationship between social disclosure and firm value. A critic could be on the theoretical underpinning, as the moderating role of information asymmetry is not clearly anchored in a specific finance theory.

THEORETICAL FRAMEWORK

Stakeholder Theory was adopted as the theoretical framework for this study. Stakeholder Theory was propounded by R. Edward Freeman in 1984 in Boston. The theory posits that companies have moral, ethical, and strategic obligations not only to shareholders but also to a broad array of stakeholders, including employees, customers, suppliers, creditors, communities, regulatory authorities, and even the natural environment. The theory best explains the relationship between sustainability reporting and firm value because sustainability disclosures (economic, environmental, social, and governance) are primarily designed to meet the information needs of various stakeholders such as investors, employees, customers, regulators, and communities. Firms that provide transparent sustainability information demonstrate accountability and responsiveness to stakeholder expectations, which enhances corporate reputation, reduces information asymmetry, and ultimately improves firm value.

METHODOLOGY

This study employed an ex-post facto research design, analyzing historical data from 44 out of 60 listed Nigerian manufacturing firms over the 2015-2024 period. The selection was done base on availability of data within the study period. The sample was selected via purposive sampling from the population of firms on the Nigerian Exchange Group (NGX). Data was collected from secondary sources, specifically audited annual and sustainability reports. The dependent variable, firm value, was measured using Tobin’s Q. The independent variables were sustainability reporting indices for economic, environmental, social, and governance indicators. Panel data regression analysis was conducted using a fixed effects model, following a significant Hausman test. Diagnostic checks confirmed the absence of multicollinearity and heteroskedasticity.

Model Specification

The model specification for this study adopted a panel regression framework to examine the relationship between sustainability reporting and firm value. The approach was adapted from prior empirical studies on sustainability reporting and firm valuation, particularly those applied in Nigerian manufacturing and listed firms (Ayeni-Agbaje et al. 2022; Isaac et al. 2024).

The functional form of the model can be expressed as:

$$FV_{it} = \alpha + \beta_1 ECSR_{it} + \beta_2 ENSR_{it} + \beta_3 SSR_{it} + \beta_4 GSR_{it} + \epsilon_{it}$$

Where:

FV = Firm Value

ECSR = Economic Sustainability Reporting

ENSR = Environmental Sustainability Reporting

SSR = Social Sustainability Reporting

GSR = Governance Sustainability Reporting.

α = intercept

β_1 to β_4 = coefficients to be estimated for each dimension.

ϵ_{it} = stochastic error

Table 1: Measurement of Variable

Variable	Type	Measurement	Source
Firm Value (FV)	Dependent	Tobin’s Q = (Market Value of Equity + Book Value of Debt) / Book Value of Total Assets	Isaac et al. (2024); Akhor & Oroboh (2023)
Economic Sustainability Reporting (ECSR)	Independent	Index score from economic disclosures in annual reports, covering revenue generation, investments, and financial sustainability	Azeez et al. (2025); Aliyu et al. (2024)
Environmental Sustainability Reporting (ENSR)	Independent	Index score from environmental disclosures in annual reports, including energy use, emissions, waste management, and compliance	Okon & Emmanuel (2023); Ikechukwu et al. (2020)
Social Sustainability Reporting (SSR)	Independent	Index score from social disclosures in annual reports, covering labor practices, community engagement, human rights, and stakeholder welfare	Ayeni-Agbaje et al. (2022); Isaac et al. (2024)
Governance	Independent	Index score from governance disclosures in annual	Okpala (2024); Ayeni-

Sustainability Reporting (GSR)	reports, including board structure, ethics, compliance, and risk management	Agbaje et al. (2022)
--------------------------------	---	----------------------

Source: Researcher’s Compilation, 2026

Data Analysis and Results

Table 2: Descriptive Statistics

	FV	ECSR	ENSR	SSR	GSR
Mean	0.062906	0.551477	0.371575	0.318709	0.499611
Median	0.023983	0.500000	0.375000	0.375000	0.533333
Maximum	1.247583	0.750000	0.875000	0.750000	0.933333
Minimum	0.000166	0.000000	0.125000	0.062500	0.133333
Std. Dev.	0.140822	0.200094	0.197450	0.162269	0.159564
Skewness	5.351063	-0.418172	0.742312	-0.048571	0.231206
Kurtosis	36.15884	1.770582	2.877729	1.950658	2.544728
Observations	440	440	440	440	440

Source: E-Views Output, 2026

The descriptive statistics in Table 2 summarize the distributional characteristics of firm value and sustainability reporting indicators. The mean value of FV (0.0629) suggests that, on average, firm value is relatively low among the sampled firms, while the high maximum value (1.2476) indicates the presence of a few firms with exceptionally high valuation. The large gap between the mean and maximum, combined with a high standard deviation (0.1408), reflects substantial variability in firm value across the sample. This is further supported by the high positive skewness (5.3511) and kurtosis (36.1588), indicating a highly skewed and leptokurtic distribution with extreme outliers.

In contrast, the sustainability reporting variables exhibit more moderate distributions. Economic sustainability reporting (ECSR) has a mean of 0.5515, suggesting relatively higher disclosure levels compared to other dimensions, while environmental (ENSR), social (SSR), and governance (GSR) reporting show moderate average values. The relatively low standard deviations across these variables indicate limited dispersion, implying consistency in reporting practices. Skewness values for ECSR and SSR are slightly negative, while ENSR and GSR are positively skewed, suggesting mild asymmetry. The kurtosis values are close to 3, indicating near-normal distributions for the sustainability variables, unlike the highly non-normal distribution observed for firm value.

Table 3: Correlation Analysis of the Variables

	FV	ECSR	ENSR	SSR	GSR
FV	1.000000				
ECSR	0.044366	1.000000			
ENSR	0.041457	-0.027180	1.000000		
SSR	0.050315	0.102436	0.517140	1.000000	
GSR	0.049886	0.233988	-0.010559	0.134736	1.000000

Source: E-Views Output, 2026

The correlation matrix indicates that the relationships between firm value and the sustainability reporting variables are generally weak but positive. Economic, environmental, social, and governance sustainability reporting show low positive correlations with firm value, suggesting that improvements in sustainability

disclosures are only slightly associated with increases in firm value. The interrelationships among the explanatory variables are also relatively low, with the highest correlation observed between environmental and social sustainability reporting at 0.5171, which remains below the multicollinearity threshold of 0.80. Most other pairwise correlations are below 0.30, indicating limited linear association among variables. The results confirm the absence of multicollinearity problems and demonstrate that the variables are suitable for subsequent regression analysis.

Table 4: Hausman test

Test Summary	Chi-Sq. Statistic	Chi-Sq. d.f.	Prob.
Cross-section random	19.881953	8	0.0108

Source: E-Views Output, 2026

The Hausman test result presented above compares the fixed effects and random effects estimators to determine the most appropriate panel regression model for the study. The test shows a Chi-square statistic of 19.881953 with 8 degrees of freedom and a probability value of 0.0108. Since the probability value is less than the conventional 5 percent level of significance (0.05), the null hypothesis that the random effects model is appropriate is rejected. This implies that the individual cross-sectional effects are correlated with the explanatory variables, thereby violating one of the key assumptions of the random effects model. Consequently, the fixed effects model is considered more suitable for the analysis. The result indicates that firm-specific characteristics that are not directly observable significantly influence firm value and must be controlled for using the fixed effects estimation approach to obtain consistent and unbiased parameter estimates.

Table 5: Fixed Effect Regression Result

Variable	Coefficient	Std. Error	t-Statistic	Prob.
ECSR	-0.013001	0.030841	-0.421550	0.6736
ENSR	-0.007546	0.036823	-0.204927	0.8377
SSR	0.159385	0.049587	3.214234	0.0014
GSR	0.032379	0.043719	0.740607	0.4594
C	0.005906	0.029327	0.201377	0.8405
R-squared	0.723467	Mean dependent var		0.062906
Adjusted R-squared	0.654342	S.D. dependent var		0.140822
S.E. of regression	0.113155	Akaike info criterion		-1.417451
Sum squared resid	5.019171	Schwarz criterion		-0.971621
Log likelihood	359.8392	Hannan-Quinn criter.		-1.241571
F-statistic	6.126091	Durbin-Watson stat		2.206044
Prob(F-statistic)	0.000000			

Source: E-Views Output, 2026

The fixed effects regression results show that sustainability reporting indicators jointly explain variations in firm value, as indicated by the significant F-statistic (Prob = 0.0000) and a high R-squared value of 0.723, suggesting strong explanatory power. Individually, social sustainability reporting (SSR) exhibits a positive and statistically significant effect on firm value ($\beta = 0.159$, $p = 0.0014$), implying that improvements in social disclosures enhance firm valuation. In contrast, economic sustainability reporting (ECSR) and environmental sustainability reporting (ENSR) show negative but insignificant effects, while governance sustainability reporting (GSR) has a positive yet insignificant effect. The Durbin-Watson statistic (2.21) indicates absence of autocorrelation.

DISCUSSION OF FINDINGS

The finding that social sustainability reporting (SSR) has a positive and significant effect on firm value aligns with Dan et al. (2025), who found that social disclosures positively influenced market value among Nigerian industrial goods firms. This suggests that investors value information on labor practices, community engagement, and stakeholder welfare, as such disclosures enhance corporate reputation and stakeholder trust.

Conversely, economic sustainability reporting (ECSR) showed a negative but insignificant effect, contrasting with Azeez et al. (2025), who reported a significant positive effect of ECSR on market value. Similarly, environmental reporting (ENSR) was negative and insignificant, contradicting Osevwe-Okoroyibo and Okoye (2025), who found that environmental disclosures significantly enhanced value relevance. However, the negative direction aligns with Chinonso et al. (2025), who reported that environmental compliance costs reduced sales turnover.

Governance reporting (GSR) yielded a positive but insignificant effect, partially supporting Jerry et al. (2025), who found that governance disclosures collectively influence firm value, though the lack of significance here may reflect weak board expertise or inconsistent disclosure quality among sampled firms.

CONCLUSION AND RECOMMENDATIONS

This study examined the effect of sustainability reporting on firm value among listed manufacturing companies in Nigeria. The findings reveal that sustainability reporting enhances transparency and investor confidence, though its impact varies across dimensions. Social sustainability reporting demonstrated a strong positive and significant influence on firm value, underscoring the importance of stakeholder engagement, labor practices, and community relations. In contrast, economic, environmental, and governance reporting exhibited positive but statistically insignificant effects, suggesting that their value relevance is currently limited by inconsistent disclosure quality, weak standardization, and inadequate integration into corporate strategy. These results highlight that not all sustainability dimensions equally influence firm valuation, with social disclosures emerging as the most valued by Nigerian manufacturing investors.

Based on the findings, the following recommendations are made:

First, manufacturing firms should enhance the depth, consistency, and credibility of sustainability disclosures across all dimensions. Economic reporting should align with GRI and IFRS sustainability standards, providing clear information on long-term investments and value creation. Environmental reporting requires standardized measurement systems for emissions, energy use, and waste management, supported by regulatory capacity-building initiatives.

Second, given the strong value relevance of social reporting, firms should expand investments in employee welfare, workplace safety, community development, and stakeholder engagement, while systematically reporting measurable outcomes.

Third, governance reporting should be strengthened through enhanced disclosure of board structures, risk management practices, and ethical compliance mechanisms, supported by regulatory enforcement.

Finally, firms should improve board competence by appointing directors with financial, industry, and sustainability expertise. Continuous ESG training and competence-based selection processes will enhance disclosure credibility and strengthen the positive influence of sustainability reporting on firm value over the long term.

REFERENCES

1. Ahmed, Z., Khan, M. A., & Hossain, M. I. (2023). Sustainability reporting, transparency, and corporate value: Evidence from emerging markets. *Journal of Sustainable Finance & Investment*, 13(2), 245–267.

2. Aliyu, A. M., Sani, B., & Ibrahim, U. A. (2024). Economic and social sustainability reporting and firm value: The moderating role of information asymmetry in Nigerian listed manufacturing firms. *African Journal of Accounting and Financial Research*, 7(1), 45–62.
3. Anaage, A., Okafor, C., & Eze, T. (2025). Sustainability disclosures and firm valuation in emerging economies: A comparative study. *International Journal of Business and Society*, 26(3), 112–130.
4. Arowolo, O. B., & Oyewumi, O. R. (2021). Sustainability reporting as a strategic communication tool: Evidence from Nigerian firms. *Journal of Business and Public Affairs*, 14(2), 88–104.
5. Aupperle, K. E., Carroll, A. B., & Hatfield, J. D. (2018). An empirical examination of the relationship between corporate social responsibility and profitability. *Academy of Management Journal*, 28(2), 446–463.
6. Azeez, O. S., Adeyemi, A. A., & Olayinka, I. M. (2025). Sustainability reporting and market value of environmentally sensitive firms in Nigeria. *Journal of Environmental Accounting and Management*, 13(1), 75–92.
7. Chinonso, O. V., Eze, B. U., & Okoro, C. T. (2025). Environmental sustainability reporting and financial performance: Moderating role of firm size in Nigerian consumer goods sector. *Nigerian Journal of Management Studies*, 19(2), 33–50.
8. Dan, U. I., Opara, M. C., & Eke, P. N. (2025). Sustainability disclosures and market value of industrial goods firms in Nigeria. *Journal of Applied Finance & Accounting*, 11(3), 67–82.
9. Driss, M., & Jaballah, K. (2025). Corporate social responsibility disclosures and financial performance: Evidence from Saudi Arabian non-financial firms. *Middle East Journal of Management*, 12(4), 310–328.
10. Eccles, R. G., & Krzus, M. P. (2018). *The integrated reporting movement: Meaning, momentum, motives, and materiality*. John Wiley & Sons.
11. Egbadju, L., & Korolo, O. (2025). Corporate governance financial expertise and firm performance: Evidence from Nigerian non-financial firms. *African Journal of Economic and Management Studies*, 16(2), 145–163.
12. Elaitan, W. O., Mohammed, S., & Bala, A. (2025). Sustainability reporting and financial performance: Evidence from Nigerian manufacturing firms. *Journal of Accounting and Taxation*, 17(1), 22–38.
13. Erin, O., Adegboye, A., & Bamigboye, O. A. (2021). Corporate governance and sustainability reporting quality: Evidence from Nigeria. *Journal of Financial Reporting and Accounting*, 19(4), 789–810.
14. Ezeokafor, A. R., & Amahalu, N. N. (2019). Corporate social responsibility reporting and firm value in Nigeria: A stakeholder perspective. *International Journal of Research in Business and Social Science*, 8(5), 92–104.
15. Fadipe, A. O., Lawal, T., & Yusuf, M. (2025). Environmental reporting and investor decision-making: Evidence from Nigerian listed firms. *Journal of Cleaner Production*, 310, 127–145.
16. Freeman, R. E. (1984). *Strategic management: A stakeholder approach*. Pitman.
17. Girón, A., Kazemikhasragh, A., & Cicchiello, A. F. (2020). Environmental disclosure and financial performance: The role of corporate governance. *Sustainability*, 12(22), 1–18.
18. Gitahi, J., Mwangi, M., & Kariuki, P. (2018). Social sustainability reporting and corporate reputation: Evidence from East Africa. *Journal of Business Ethics*, 152(3), 705–720.
19. Global Reporting Initiative (GRI). (2021). GRI standards 2021. <https://www.globalreporting.org/>
20. Global Reporting Initiative (GRI). (2023). GRI 1: Foundation 2021. <https://www.globalreporting.org/>
21. Guerrero-Villegas, J., Pérez-Calero, L., & Giráldez-Puig, P. (2018). The influence of board characteristics on sustainability reporting: Evidence from Latin American companies. *Sustainability*, 10(10), 1–20.
22. Hassan, S. U., & Musa, A. B. (2024). Governance sustainability reporting and investor confidence: Evidence from Nigerian listed companies. *Corporate Governance: The International Journal of Business in Society*, 24(2), 201–220.
23. Hilton, T., & Bupe, J. (2024). Governance disclosure and corporate resilience: A review of emerging market practices. *Journal of Corporate Governance Research*, 8(1), 45–63.
24. Hope, O. K. (2020). Sustainability reporting and firm risk: International evidence. *Journal of Accounting and Public Policy*, 39(3), 1–22.

25. Ioannou, I., & Serafeim, G. (2019). The consequences of mandatory corporate sustainability reporting. Harvard Business School Research Working Paper, (11-100).
26. Jerry, M. K., Okafor, R. G., & Nwankwo, C. (2025). ESG disclosures and firm value in Nigerian consumer goods sector: A disaggregated analysis. *African Development Review*, 37(2), 210–228.
27. Khan, M., Hassan, M. K., & Marston, C. (2022). Board expertise and ESG performance: International evidence. *Journal of Corporate Finance*, 72, 1–22.
28. Kolawole, A., Adegbite, E., & Nakpodia, F. (2023). Sustainability reporting regulation in Nigeria: Progress and challenges. *Journal of Business Law*, 2023(3), 234–256.
29. Laskar, N. (2018). Impact of corporate sustainability reporting on firm performance: Evidence from Asia. *Asian Review of Accounting*, 26(4), 462–484.
30. Lawal, T., Fadipe, A. O., & Yusuf, M. (2024). The evolution of sustainability reporting in Nigeria: Trends and future directions. *Journal of Financial Regulation and Compliance*, 32(1), 89–107.
31. Mahmood, Z., Kouser, R., & Ali, W. (2018). Does corporate governance affect sustainability reporting? Evidence from Pakistan. *Journal of Cleaner Production*, 195, 1447–1455.
32. Nnedu, C. M. (2025). Sustainability reporting and firm performance in Nigeria: A sectoral analysis. *International Journal of Economics and Financial Issues*, 15(2), 55–70.
33. Nwekwo, C. D., Eze, T. C., & Okafor, C. (2025). Sustainability reporting and corporate performance: The Nigerian evidence. *Journal of Accounting in Emerging Economies*, 15(3), 421–440.
34. Obeng, V. A., Ahmed, K., & Cahan, S. F. (2020). Integrated reporting and firm value: The moderating role of board characteristics. *Journal of International Financial Management & Accounting*, 31(3), 365–398.
35. Okolie, A. O., Eze, T. C., & Uche, C. O. (2024). Board characteristics and sustainability reporting quality: Evidence from Nigerian listed firms. *Corporate Ownership & Control*, 21(3), 178–192.
36. Onyeogubalu, C. I., Okoye, P. V., & Eze, M. O. (2025). Board financial expertise and tax avoidance: Evidence from Nigerian consumer goods firms. *Journal of Taxation and Economic Development*, 24(1), 33–49.
37. Onu, C. A., Okoro, E. G., & Ike, G. A. (2024). Board gender diversity and sustainability reporting: The Nigerian context. *Gender in Management: An International Journal*, 39(4), 501–520.
38. Osevwe-Okoroyibo, S., & Okoye, E. I. (2025). Environmental and governance sustainability reporting and value relevance of accounting information in Nigeria. *International Journal of Disclosure and Governance*, 22(2), 134–152.
39. Ovsniuk, M., & Afanasieva, O. (2025). Sustainability accounting practices in Ukrainian businesses: Challenges and prospects. *Journal of Eastern European and Central Asian Research*, 12(1), 89–104.
40. Wahl, A., Charifzadeh, M., & Dyllick, T. (2020). Stakeholder perceptions of integrated reporting: Evidence from a global survey. *Journal of Applied Accounting Research*, 21(2), 265–288.