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I. Title page
II. Abstract (150-250 words)
III. Keywords (3-5)
IV. Introduction
V. Literature Review
VI. Methodology
VII. Results and Discussion
VIII. Conclusion and Recommendations
IX. References (APA 7th Edition)
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IBIANG FAITH IKPI
Dept of Auditing and Forensic Accounting, ANAN University Kwall
07062922597, Email:faithibiang4@gmail.com

MUSA ADEIZA FAROUK
ANAN University Kwall

KWAGHE BABA JASON
Dept of Financial Mgt, ANAN University Kwall

DAGWOM YOHANNA DANG
ANAN University Kwall

ABSTRACT

This study investigates the nexus between Environmental, Social, and Governance (ESG) reporting and capital market performance in Nigeria, inspired by the growing faith-driven demand for corporate accountability and transparency. Despite the global surge in ESG compliance, the Nigerian context remains underexplored, particularly concerning its effects on stock market metrics. The study's main objective is to empirically examine how ESG disclosures influence the performance of listed companies on the Nigerian Exchange Group. Anchored on stakeholder theory, the study employed an ex-post facto research design. The population comprised all 59 non-financial firms listed on the Nigerian Exchange between 2014 and 2023. A sample of 43 firms was purposively selected based on the availability of ESG disclosures. Secondary data were collected from annual reports, and ESG scores were computed using a weighted index approach. Market Capitalization was proxied by Tobin's Q and stock return. Data were analyzed using panel regression models. The findings reveal a positive and significant relationship between ESG reporting and market value, with governance indicators exerting the most substantial influence. the study concludes that while environmental disclosure significantly enhances firm value in Nigeria's capital markets, the effects of social and governance disclosures are more nuanced. The study recommends that regulators strengthen ESG disclosure guidelines and that firms adopt integrated sustainability frameworks. Faith-based investment circles are also urged to promote ethical investing, aligning profit motives with societal values.

Keywords: *ESG reporting, capital market, Tobin's Q, stock return, Nigeria.*

1.0 Introduction

In recent years, the growing emphasis on Environmental, Social, and Governance (ESG) practices has reshaped corporate finance, spurred by global demand for ethical and sustainable business operations. ESG reporting is increasingly recognized as a crucial element of corporate strategy, driven by the need to enhance transparency and build long-term stakeholder trust (Kim & Li, 2021; Sabbaghi, 2023). While ESG's relevance is widely acknowledged in developed markets, its impact on firm performance remains underexplored in emerging economies like Nigeria, where regulatory structures and investor awareness are still evolving.

Prior studies have examined the relationship between ESG disclosures and corporate outcomes, suggesting that ESG practices can influence firm value, risk, and market behavior (Fu et al., 2023; García & Orsato, 2020). However, the influence of ESG reporting—disaggregated into environmental

(ENVD), social (SOCD), and governance (GOVD) disclosures—on capital market performance, particularly market capitalization (MCAP), is less established in the Nigerian context. Empirical results have been mixed, with some studies finding a strong link between environmental disclosure and firm value, while others report insignificant or even negative impacts from social and governance dimensions, particularly in emerging markets with weaker institutional environments (Popova, 2023; Dkhili, 2023).

The key issues at the heart of this study involve understanding the nuances of ESG disclosures in Nigeria's manufacturing sector and determining their effect on market capitalization—a key measure of capital market performance. While ESG reporting has been linked to enhanced corporate value in various international contexts (Fu et al., 2023; Zhao et al., 2023), Nigerian firms face unique challenges, including weaker regulatory frameworks and varying investor priorities. The study seeks to bridge this gap by providing empirical evidence on how environmental, social, and governance disclosures affect the capital market performance of Nigerian manufacturing firms, thereby contributing to the global conversation on ESG's role in shaping corporate performance. The main objective of this study is to investigate the relationship between ESG reporting and capital market performance, focusing on listed manufacturing firms in Nigeria. Specifically, the study aims to assess the impact of environmental, social, and governance disclosures on market capitalization from 2014 to 2023. Previous research has shown that ESG factors play a crucial role in firm performance, but the extent of their impact varies across different markets and industries (Fu et al., 2023; Sun, 2023). This study adds to the literature by offering insights from an emerging market where ESG practices are still developing, providing a comparative analysis with more mature markets (Korinth & Lueg, 2022). Additionally, this study offers an opportunity to explore how Nigerian firms' ESG disclosures align with global trends in sustainability and corporate governance, given the evolving regulatory landscape in the region.

This study addresses a geographical gap and an evidence gap in the literature by focusing on Nigeria's manufacturing sector, where ESG practices are still developing. There is limited empirical evidence on how ESG disclosures influence capital market performance in Nigeria, despite the growing international momentum behind sustainability reporting. Additionally, there is a variable gap, as many prior studies examine ESG as a composite index rather than evaluating the distinct effects of its three pillars. Methodologically, this study contributes by applying System Generalized Method of Moments (GMM) to address endogeneity issues, marking a methodological gap in existing literature which often relies on simpler OLS regression.

Objective of the Study

The main objective of this study is to investigate the effect of ESG reporting on capital market performance of listed manufacturing firms in Nigeria. Specifically, it aims to:

a) Examine the effect of environmental disclosures on market capitalization;
b) Assess the relationship between social disclosures and market capitalization; and
c) Evaluate the influence of governance disclosures on market capitalization.

Hypotheses of the Study

To achieve the study's objectives, the following null hypotheses are proposed:

a) Ho1: Environmental reporting does not have a significant effect on capital market performance in listed manufacturing firms.
b) Ho2: Social reporting does not have a significant effect on capital market performance in listed manufacturing firms.
c) H03: Governance reporting does not have a significant effect on capital market performance in listed manufacturing firms.

2.1 Conceptual Review

This section reviews the concepts used in this study

2.1.1 ESG Reporting

Environmental, Social, and Governance (ESG) reporting refers to the disclosure of information related to a company's sustainability practices in three key dimensions: environmental stewardship, social responsibility, and governance structure. It has gained prominence as stakeholders, particularly investors, demand greater transparency and accountability in corporate practices.

Environmental Reporting (ENVD) involves the disclosure of activities that influence the ecological footprint of a company. This includes greenhouse gas emissions, energy use, waste management, and environmental policies. In manufacturing industries—often considered environmentally intensive—these disclosures are critical to understanding long-term risk exposure and regulatory compliance. As Fu et al. (2023) noted, environmental reporting signals a firm's proactive approach to mitigating environmental risks.

Social Reporting (SOCD) captures how firms manage relationships with employees, suppliers, customers, and communities. It includes information on employee welfare, diversity and inclusion, human rights, labor standards, and community engagement. Although such practices are traditionally viewed as ethical imperatives, they are increasingly linked to long-term financial performance and stakeholder trust (Shaikh, 2022).

Governance Reporting (GOVD) encompasses information on board structure, ownership, executive compensation, risk management, and shareholder rights. Governance disclosures aim to reduce information asymmetry and agency conflicts, ensuring that firms are managed in the best interests of their stakeholders (Zhao et al., 2023).

2.1.2 Capital Market Performance

Capital market performance generally reflects how a company is valued and traded in capital markets. One of the primary indicators of this performance is market capitalization (MCAP), which represents the total market value of a company's outstanding shares. In this study, MCAP is employed as the dependent variable to assess the extent to which ESG practices influence investor valuation and market behavior. A higher MCAP may indicate investor confidence and greater future growth expectations, potentially linked to superior ESG disclosures.

2.2 Empirical Review

Several studies have explored the relationship between ESG reporting and corporate performance, with varying results depending on the context, industry, and market development level. This section reviews the key findings, methodologies, and gaps in prior studies, with an emphasis on emerging markets and Nigeria.

Several empirical studies have examined the relationship between Environmental, Social, and Governance (ESG) practices and capital market performance across different countries and industries. Aboud and Diab (2019) investigated the financial and market consequences of ESG ratings using a sample of UK firms and found that high ESG ratings positively influence firm valuation and stock performance. They employed panel regression analysis on a sample of FTSE 350 companies and recommended that firms invest in improving ESG transparency to attract investors. Similarly, Alsayegh, Rahman, and Homayoun (2020) analyzed the transformational impact of ESG disclosures on corporate sustainability using data from listed firms in Gulf countries. Their regression-based analysis indicated a strong positive relationship between ESG performance and corporate sustainability, urging companies to integrate ESG in their strategic planning.

Fu, Wang, and Yu (2023) conducted a study using Chinese A-share listed firms to explore the mechanism through which ESG performance affects corporate value. With a sample of over 500 firms and structural equation modeling as the analytical tool, they found that ESG contributes to long-term value creation through enhanced stakeholder trust and operational efficiency. In a related study, Dkhili (2023) explored how ESG influences market performance with competitive advantage as a moderating variable. Using panel data regression on firms in emerging markets, the findings revealed that ESG investments improve firm performance, especially when firms maintain a strong competitive position.

Bae et al. (2021) studied the role of CSR and ESG activities during the COVID-19 crisis using international firm-level data. Their findings showed that firms with strong pre-pandemic ESG profiles experienced better stock returns and less volatility, highlighting ESG's risk-mitigating role. In India, Digar (2023) used a sample of 100 NSE-listed companies and regression analysis to examine ESG's impact on firm performance. The study found a positive correlation between ESG scores and financial performance and recommended enhancing ESG initiatives to improve corporate reputation.

Ruan and Liu (2021) also investigated ESG activities and firm performance in China. Their research, involving a sample of over 300 firms and using panel data econometrics, affirmed that environmental and social practices significantly drive firm profitability. Korinth and Lueg (2022), in their study of German capital markets, found a U-shaped relationship between ESG ratings and risk, implying that both low and high ESG scores are associated with lower financial risk. Their methodology involved non-linear regression models applied to stock market data.

Zhao, Gao, and Zhang (2023) analyzed the effect of CEO power on ESG performance and firm risk in Chinese firms. Using regression analysis and a sample of 200 listed companies, the study concluded that CEO power can either enhance or impair ESG effectiveness depending on governance quality. Lastly, Shaikh (2022) offered international evidence using data from multiple countries and found a consistent positive association between ESG practices and firm performance. The author recommended mandatory ESG disclosure to foster sustainable capital market development.

From the foregoing empirical evidence, it is clear that ESG practices play a significant role in enhancing firm performance and capital market outcomes across various economies and industries. However, while these studies provide valuable insights, most are concentrated in developed or large emerging markets such as the UK, China, India, and Gulf countries, with minimal focus on the Nigerian capital market. This limits contextual relevance, as Nigeria's regulatory frameworks, investor behaviour, and ESG awareness differ considerably. Many reviewed works draw their populations from listed firms in highly regulated, ESG-mature environments, which may not reflect

Nigeria's weaker institutional and disclosure frameworks. Sampling procedures often rely on readily available ESG-rated firms, potentially excluding a large segment of under-reported or non-disclosing companies. Methodologically, panel regression and SEM dominate, yet few address endogeneity, survivorship bias, or unbalanced panels—raising concerns about causal inference and robustness. Furthermore, while global evidence affirms positive effects across all three ESG pillars, findings from Nigeria suggest a more nuanced reality: environmental disclosures appear to have matured enough to influence investor behaviour, whereas social and governance disclosures are often undervalued or misinterpreted due to institutional weaknesses and regulatory gaps. These methodological and contextual shortcomings constrain the generalisability of existing findings to Nigeria. This gap underscores the need for a focused, context-specific empirical investigation that applies robust econometric techniques—such as System GMM, to address endogeneity and deliver insights tailored to the peculiarities of Nigeria's corporate environment. This study responds to that need, offering practical implications for firms, regulators, and investors pursuing ESG-driven investment strategies.

2.3 Theoretical Review

The relationship between ESG reporting and capital market performance can be understood through several interrelated theories that provide insight into how and why sustainability disclosures might influence firm value and investor decisions. Three prominent theories that underpin this relationship are Stakeholder Theory, Legitimacy Theory, and Resource-Based Theory.

Stakeholder Theory, propounded by Edward Freeman in 1984, emphasizes that firms must balance the interests of all stakeholders—employees, investors, customers, regulators, and the broader community to achieve long-term success. This theory suggests that businesses that actively engage in ESG reporting are more likely to gain the trust and support of their stakeholders, which can translate into reputational benefits, improved risk management, and ultimately, enhanced market valuation. However, one of the limitations of this theory is its practical implementation, as satisfying all stakeholder groups can lead to conflicting objectives and challenges in performance measurement. In the context of this study, Stakeholder Theory supports the notion that firms disclosing ESG practices are better positioned to attract investors and strengthen their market performance.

Legitimacy Theory, developed by Dowling and Pfeffer in 1975, asserts that organizations seek to align their operations with prevailing societal norms and values in order to maintain legitimacy and secure continued access to resources. According to this perspective, ESG disclosures are a strategic tool for companies to demonstrate conformity with societal expectations, especially in regions with evolving regulatory frameworks like Nigeria. While the theory effectively explains the motivation behind voluntary ESG disclosures, its limitation lies in the potential for firms to engage in symbolic rather than substantive compliance, making it difficult to distinguish genuine ESG efforts from those aimed solely at public perception. Within the Nigerian context, Legitimacy Theory provides a lens for understanding why companies may engage in ESG reporting as a means of maintaining market credibility and public trust, particularly in the absence of strict enforcement mechanisms.

Resource-Based Theory, introduced by Jay Barney in 1991, provides another important framework. It posits that a firm's competitive advantage stems from the strategic deployment of internal resources that are valuable, rare, inimitable, and non-substitutable (VRIN). ESG capabilities—such as transparent environmental practices or robust governance structures can be considered intangible strategic resources that enhance a firm's market position and investor appeal. The theory implies that firms that leverage ESG reporting effectively can differentiate themselves in the capital market, signalling long-term sustainability and ethical management. Nonetheless, a key limitation of Resource-Based Theory is its internal focus, which tends to overlook external institutional and regulatory influences that may also impact ESG effectiveness. For this study, the theory supports the idea that strong ESG performance can serve as a strategic asset in improving market capitalization, particularly in emerging markets where such capabilities are still developing.

The Stakeholder Theory by Edward Freeman (1984) is most applicable to this study as it emphasizes the need for firms to manage the interests of all stakeholders—investors, employees, communities, and regulators. ESG reporting reflects a firm's commitment to stakeholder concerns, such as environmental sustainability, ethical labor practices, and transparent governance. In Nigeria's manufacturing sector, where ESG regulation is still developing, firms that disclose ESG practices build trust, attract investors, and improve market valuation. This aligns with the study's finding that environmental disclosure significantly enhances market capitalization. The theory also accommodates the complex stakeholder expectations in emerging markets. It supports the idea that stakeholder engagement through ESG transparency is essential for long-term success. Thus, it offers a solid justification for the study's framework.

3.0 Methodology

This study adopted an *ex post facto* research design, which is appropriate for analyzing historical data to determine the relationship between ESG reporting and capital market performance without manipulating any variables. This design allows the researcher to examine the effect of existing ESG disclosures on market capitalization over a specified time period. The population of the study consists of 59 non financial firms listed on the Nigerian Exchange Group. These firms represent the target entities from which relevant financial and ESG data were extracted for analysis. A total of 43 manufacturing firms were selected from the population using a filtering sampling technique. This technique involved selecting firms that consistently reported ESG-related information and provided adequate financial data throughout the study period from 2014 to 2023. The selection ensured the inclusion of firms with complete and reliable disclosure practices. Secondary data were utilized for this study, sourced from published annual reports, financial statements, and ESG disclosures of the selected manufacturing firms. These data sources provided consistent and verifiable information for the 10-year analysis period. The data for this study is secondary in nature, collected from publicly available sources such as annual reports, financial statements, and ESG disclosures of the sampled firms. The study period spans ten years, allowing for a comprehensive analysis of the long-term effects of ESG reporting on capital market performance. The dependent variable in this study is market capitalization (MCAP), which serves as the measure of capital market performance. The independent variables are environmental reporting (ENVD), social reporting (SOCD), and governance reporting (GOVD), which represent the three pillars of ESG disclosures. Firm size (FSIZ) is included as a control variable to account for the potential influence of a firm's scale on its market capitalization. The study employed the *System Generalized Method of Moments (GMM)* regression technique for data analysis. This method is well-suited for dynamic panel data and effectively addresses issues of endogeneity, autocorrelation, and heteroscedasticity, which are common in firm-level financial data.

Model Specifications:

The model used in the study assessed the impact of environmental (ENVD), social (SOCD), and governance (GOVD) disclosures on market capitalization (MCAP), while controlling for firm size (FSIZ). The dynamic model incorporated lagged values of the dependent variable and was estimated using both first difference and level equations, as specified in the system GMM framework.

The system GMM method, which uses both first-difference and level equations, is particularly suited for panel data analysis where time-invariant firm characteristics could potentially bias the results. The model specification for the study is presented as follows:

Table 1: Descriptive Statistics

Variable	Obs	Mean	Std. Dev.	Min	Max
Mcap	430	7.026	1.132	4.930	11.990
Socd	430	0.337	0.181	0.000	0.860
Envd	430	0.144	0.260	0.000	1.000
Govd	430	0.388	0.208	0.000	0.830
Fsiz	430	7.316	0.893	5.120	9.520

Source: Authors (2025)

Table 1 provide insight into the central tendencies and dispersion of the data for capital market performance and the various disclosure variables being examined in the study. For the dependent variable, market capitalization (MCAP), the mean value is 7.026, indicating the average market value of the listed manufacturing firms in Nigeria. The standard deviation of 1.132 suggests a moderate variation in market capitalization across firms, meaning there is a noticeable difference between firms with the lowest MCAP, which is 4.930, and those with the highest, which is 11.990. This implies that while most firms hover around a certain market size, a few firms are significantly larger or smaller. For social disclosure (SOCD), the mean value of 0.337 indicates that, on average, firms in this sector provide social disclosure at a level of about 33.7% of the possible maximum. The standard deviation of 0.181 shows a relatively moderate variation in SOCD across firms. The minimum value is 0, meaning some firms provide no social disclosure, while the maximum is 0.860, reflecting firms that are more transparent in disclosing their social performance. This suggests that there is a broad range of engagement in social responsibility reporting among firms, with some lagging behind others in this area. The mean for environmental disclosure (ENVD) is 0.144, which highlights that environmental disclosure among the firms is relatively low on average, with only about 14.4% of the maximum possible disclosure level. The standard deviation of 0.260 suggests a wide variation in the level of environmental reporting, with some firms providing no disclosure at all, as indicated by the minimum value of 0, while others are more proactive, reaching the maximum value of 1.000. This large variation may indicate that environmental concerns are not yet a consistent reporting priority for many firms in the sector. Governance disclosure (GOVD) has a mean value of 0.388, suggesting that, on average, firms are disclosing about 38.8% of the potential maximum for governance practices. The standard deviation of 0.208 shows a moderate level of variability across firms in their governance disclosures, ranging from some firms with no disclosure (minimum value of 0) to others with significant governance transparency, as reflected by the maximum value of 0.830. This variation highlights that some firms are better at disclosing governance-related information, possibly due to greater adherence to corporate governance codes or pressures from stakeholders. Lastly, the control variable firm size (FSIZ) has a mean value of 7.316, indicating that the average firm size, measured perhaps in terms of total assets or revenues, is relatively large. The standard deviation of 0.893 indicates moderate variability across firms, with the smallest firm having a size of 5.120 and the largest reaching 9.520. This range suggests a diverse sample of firms in terms of size, which may affect how they perform in the capital market and the extent of their disclosures across social, environmental, and governance aspects. Overall, the descriptive statistics reveal meaningful variation in the key variables of the study, which sets the stage for further analysis to understand how these factors influence capital market performance.

4.2 Correlation Analysis

Following the descriptive statistics, a correlation analysis was conducted to examine the pairwise relationships among the study variables. This analysis helps identify the strength and direction of associations between environmental, social, and governance disclosures, firm size, and market capitalisation, as well as detect potential multicollinearity issues prior to regression analysis.

Table 2: Correlation Analysis

Variables	(1)	(2)	(3)	(4)	(5)
(1) mcap	1.000				
(2) socd	0.558	1.000			
(3) envd	0.477	0.507	1.000		
(4) govd	0.584	0.717	0.375	1.000	
(5) fsiz	0.883	0.524	0.472	0.542	1.000

Source: Authors (2025)

Next, we present the results of the correlation analysis in Table 2. The result show that there exists a positive association between the independent variable of social disclosure (0.558) and the dependent variable of market capitalization during the period under study. This suggests that firms with higher social disclosure tend to have higher market capitalization. Similarly, the result shows that there is a positive association between environmental disclosure (0.477) and market capitalization, indicating that firms that engage in greater environmental disclosure may also tend to have larger market capitalization. Governance disclosure (0.584) is also positively associated with market capitalization, highlighting that greater transparency in governance practices is linked with higher market capitalization among the firms. In the case of the control variable, firm size (0.883) has a strong positive association with market capitalization, suggesting that larger firms, as measured by total assets or revenues, are more likely to have higher market capitalization. This strong correlation between firm size and market capitalization could reflect the fact that larger firms generally have greater visibility and resources, which may drive investor confidence and higher valuations in the capital market. Among the independent variables, the correlation between social disclosure and governance disclosure (0.717) is relatively high, indicating that firms with more comprehensive social disclosures also tend to have stronger governance disclosures. There is also a moderate positive correlation between social disclosure and environmental disclosure (0.507), as well as between governance disclosure and environmental disclosure (0.375). This suggests that firms that disclose more in one area, such as governance, are likely to be more transparent in other areas, such as social and environmental issues. The results further indicate that firm size is positively correlated with social disclosure (0.524), environmental disclosure (0.472), and governance disclosure (0.542), meaning that larger firms tend to provide more extensive voluntary disclosures across all three areas. These associations reflect a general tendency for bigger firms to have more resources and perhaps more stakeholder pressure to engage in broader disclosures, which may be important for building market confidence. Overall, the correlations suggest that there are positive relationships among the variables, and none of the associations appear excessively high, reducing concerns about multicollinearity. However, these correlations only describe the strength and direction of associations, without implying any causal effects.

4.3 Regression Results

Table 4.3: Regression Results

Variables	(1) OLS	(2) GMM I	(3) GMM II
socd	0.530**	0.065	0.008
	(0.017)	(0.689)	(0.885)
envd	-0.013	0.287***	0.282***
	(0.918)	(0.001)	(0.000)
govd	0.266	-0.447***	-0.406***
	(0.139)	(0.000)	(0.000)
fsiz	1.018***	0.183***	0.177***
	(0.000)	(0.006)	(0.000)
L.mcap		1.154***	1.156***
		(0.000)	(0.000)
Intercept	-0.703***	-2.287***	-2.247***
	(0.005)	(0.000)	(0.000)
Observations	430	387	387
Overall R^2	0.775		
Hettest	10.29{0.001}		
AR1			-3.971{0.000}
AR2			-0.750{0.606}
VIF	1.92		

*Notes: p-values are in parentheses. *** p<.01, ** p<.05*

Source: Authors (2025)

We also present the regression results in Table 3. Table 3 presents the results obtained from the estimation of the models in this study. In the OLS regression column, the overall R-squared value is 0.775, which implies that 77.5% of the variability in the dependent variable, market capitalization (MCAP), can be explained by the independent variables of social disclosure (SOCD), environmental disclosure (ENVD), governance disclosure (GOVD), and the control variable of firm size (FSIZ). This high R-squared value suggests a strong fit of the model under the ordinary least squares (OLS) method, meaning the independent and control variables have a substantial ability to explain the variation in the market capitalization of listed manufacturing firms during the study period. However, the unexplained portion of the variation is captured by the error term. The Breusch-Pagan heteroscedasticity test, as shown by the Hettest statistic (10.29) with a p-value of 0.001, indicates the presence of heteroscedasticity in the OLS model. This suggests that the assumption of homoscedasticity is violated, implying that the errors in the model do not have constant variance. As a result, relying solely on the OLS estimates may lead to inefficient estimates, potentially affecting the validity of the conclusions drawn from the standard errors. Consequently, the study proceeds with a more robust estimation technique to correct for this issue.

The Variance Inflation Factor (VIF) for the OLS model is 1.92, which is well below the commonly accepted threshold of 10. This indicates that multicollinearity is not a significant problem in this model. The independent variables do not exhibit strong linear relationships with one another, meaning that none of the variables need to be excluded due to collinearity concerns. This ensures that the model's estimates are reliable with respect to the relationships among the independent variables. In the GMM I and GMM II columns, the Arellano-Bond test for autocorrelation is reported. The AR1 statistic shows a significant negative value of -3.971 with a p-value of 0.000, indicating the presence of first-order autocorrelation. However, the AR2 statistic is insignificant with a value of -0.750 and a p-value of 0.606, suggesting that there is no second-order autocorrelation in the error terms. This is an important validation for the dynamic panel GMM model, as the absence of second-order autocorrelation confirms that the instruments used in the model are valid and that the model specification is appropriate for capturing the dynamics of the data. The results overall suggest that while the OLS model provides a strong fit based on the R-squared value, the presence of heteroscedasticity and autocorrelation necessitates the use of the more robust GMM estimation technique to address potential biases. The GMM I and GMM II models account for these issues, providing more reliable estimates for hypothesis testing and statistical inference.

Table 4.3 shows that environmental disclosure (ENVD) in the GMM II model has a coefficient of 0.282, with a p-value of 0.000, indicating statistical significance at the 1% level. This result suggests that environmental disclosure has a significant and positive effect on market capitalization. The findings align with the studies by Angir (2024) and Grishunin et al. (2022), who emphasize that firms with robust environmental reporting can enhance their market value by improving investor trust and signaling long-term sustainability. The significant positive impact of ENVD suggests that firms disclosing more environmental information are likely to attract investors who are increasingly concerned about environmental risks. Such disclosures help mitigate potential uncertainties, enhance transparency, and highlight the firm's commitment to responsible environmental practices, ultimately leading to better market performance.

In contrast, social disclosure (SOCD) has a coefficient of 0.008, with a p-value of 0.885, indicating that it is not statistically significant in the GMM II model. This result implies that social disclosure does not have a notable effect on market capitalization in this context. This finding contrasts with studies such as those by Sharma et al. (2022) and Farooq (2015), which suggest that social disclosures can enhance firm value by improving corporate reputation and fostering positive stakeholder relationships. The lack of significance in this study may reflect the lower prioritization of social disclosure by investors in Nigeria's manufacturing sector, where financial performance and environmental risks may be more pressing concerns. It also suggests that, while social reporting can be beneficial in certain contexts, its impact on market performance may not be as direct or influential as environmental disclosures in this particular setting.

However, the GMM II model shows that governance disclosure (GOVD) has a coefficient of -0.406, with a p-value of 0.000, indicating statistical significance at the 1% level. This result suggests that governance disclosure has a negative and significant effect on market capitalization. This finding contrasts with the studies by Mervelskemper & Streit (2016) and Yu & Luu (2021), who argue that strong governance practices are typically associated with improved firm performance and higher market value. The negative relationship observed in this study may suggest that in the context of Nigerian manufacturing firms, governance disclosures are potentially viewed as reactive measures, possibly revealing governance issues or challenges rather than signaling strengths. This could lead to reduced investor confidence, as governance problems may be perceived as a risk to long-term stability. Alternatively, it might reflect investor skepticism about the efficacy of governance reforms, especially if such disclosures are mandated by regulation rather than voluntary, thereby diminishing their positive impact on market performance.

4.4 Test of Hypotheses, Findings and Implications

This section presents the test of hypotheses based on the regression results obtained using the System Generalized Method of Moments (GMM). The objective was to examine the effect of Environmental, Social, and Governance (ESG) disclosures on capital market performance, proxied by market capitalization, for listed manufacturing firms in Nigeria.

Test of Hypotheses

Hypothesis One (H_{01}):

Environmental reporting does not have a significant effect on capital market performance in listed manufacturing firms in Nigeria.

The GMM regression results indicate that environmental disclosure (ENVD) has a positive and statistically significant effect on market capitalization, with a coefficient of 0.282 and a p-value of 0.000. This result provides sufficient evidence to reject the null hypothesis at the 1% significance level. Therefore, it is concluded that environmental reporting significantly enhances the capital market performance of listed manufacturing firms in Nigeria. This finding aligns with global literature, suggesting that environmental transparency signals long-term sustainability, thereby attracting investor confidence and improving firm valuation.

Hypothesis Two (H_{02}):

Social reporting does not have a significant effect on capital market performance in listed manufacturing firms in Nigeria.

The coefficient for social disclosure (SOCD) in the GMM model is 0.008 with a p-value of 0.885, indicating statistical insignificance. Consequently, the null hypothesis cannot be rejected. This implies that social reporting does not have a significant impact on market capitalization in the context of Nigerian manufacturing firms. It suggests that investors may not be assigning substantial value to social disclosures when evaluating firms' market performance, possibly due to low awareness or weak emphasis on social responsibility in capital market decisions.

Hypothesis Three (H_{03}):

Governance reporting does not have a significant effect on capital market performance in listed manufacturing firms in Nigeria.

The regression result shows that governance disclosure (GOVD) has a negative and statistically significant effect on market capitalization, with a coefficient of -0.406 and a p-value of 0.000. Hence, the null hypothesis is rejected. The finding suggests that governance disclosures, contrary to expectations, may be interpreted negatively by investors. This could be due to disclosures revealing governance challenges or raising concerns over internal control weaknesses, particularly in a regulatory environment where such information is viewed with scepticism rather than as a sign of transparency.

4.5 Discussion Of Findings

This section synthesizes the results from the test of hypotheses with insights drawn from the reviewed empirical literature. The goal is to create a nexus between the study's findings and the broader body of knowledge while highlighting similarities and deviations across the Environmental, Social, and Governance (ESG) components.

Environmental Disclosure and Market Capitalization

The study found that environmental disclosure has a positive and significant impact on market capitalization among listed manufacturing firms in Nigeria. This finding is consistent with the empirical results of Fu, Wang, and Yu (2023), who observed that strong ESG performance enhances long-term corporate value in Chinese firms, with environmental practices fostering operational efficiency and stakeholder trust. Similarly, Ruan and Liu (2021) affirmed the role of environmental initiatives in boosting firm profitability in China, while Shaikh (2022) found a positive link between environmental practices and firm performance across multiple countries.

The convergence of findings across these studies and the current research suggests that environmental disclosure is increasingly recognized as a value-enhancing corporate practice, even in emerging economies like Nigeria. Investors appear to interpret robust environmental reporting as a proxy for risk management and future sustainability, leading to improved market valuation. This alignment implies that environmental sustainability has become a key metric for investors, regardless of market maturity.

Social Disclosure and Market Capitalization Contrary to expectations, the study revealed that social disclosure has no significant effect on market capitalization. This finding stands in contrast to studies such as Aboud and Diab (2019) and Digar (2023), which reported that social disclosures positively influence firm valuation and financial performance. Aboud and Diab (2019) found that companies with strong ESG ratings, which include social metrics, tend to have better stock performance in the UK. Digar (2023) also emphasized the role of social factors in improving corporate reputation and investor appeal in India.

The divergence in findings may be attributed to contextual differences in investor behavior and ESG awareness. While social factors such as employee welfare, diversity, and community engagement are valued in more developed or ESG-aware markets, they may not yet hold the same importance for investors in Nigeria's manufacturing sector. This could reflect a lack of prioritization of social issues or inadequate communication of social impacts in ways that resonate with capital market stakeholders. Additionally, the perceived non-financial nature of social disclosures might reduce their influence on immediate investment decisions in environments where financial outcomes are paramount.

Governance Disclosure and Market Capitalization

Surprisingly, the study found a significant negative relationship between governance disclosure and market capitalization. This finding is at odds with several international studies, including Mervelskemper & Streit (2016) and Yu & Luu (2021), which generally show that sound governance practices are positively linked to firm performance and investor confidence. Zhao, Gao, and Zhang (2023), however, offer a partial explanation through their finding that the effectiveness of governance disclosures can be contingent upon CEO power and governance quality. In their study, governance disclosures either mitigated or exacerbated firm risk depending on internal governance dynamics.

The negative effect observed in the Nigerian context may suggest that governance disclosures are perceived as reactive or indicative of deeper internal issues rather than proactive governance strength. This perception could erode investor confidence, particularly in a regulatory environment where disclosures are often driven by compliance rather than voluntary transparency. It also aligns with Dkhili (2023) who cautioned that ESG effectiveness in emerging markets depends heavily on institutional quality and stakeholder trust—factors that may be underdeveloped in Nigeria.

5.0 Conclusion and Recommendations

The primary aim of the study was to empirically investigate the impact of these ESG disclosures—environmental disclosure (ENVD), social disclosure (SOCD), and governance disclosure (GOVD)—on the market capitalization (MCAP) of these firms over the period from 2014 to 2023, while controlling for firm size (FSIZ). The study sought to uncover the extent to which each of these dimensions of ESG reporting influences firm performance in the capital markets, providing insights into investor perceptions and market reactions to ESG transparency. Key findings from the analysis show that environmental disclosure (ENVD) has a significant and positive effect on market capitalization, highlighting the importance of environmental transparency in driving firm value. Social disclosure (SOCD), on the other hand, was found to have no significant effect on market performance, suggesting that investors may not yet fully value social reporting in this context. Governance disclosure (GOVD) demonstrated a significant negative relationship with market capitalization, implying that governance reporting, when it is reactive or mandated, might signal governance challenges that concern investors rather than build confidence. Firm size (FSIZ) consistently showed a strong positive effect on market capitalization, indicating that larger firms tend to have higher market values.

The key takeaway from the study is that while environmental reporting plays a critical role in enhancing firm performance in Nigeria's capital markets, social and governance disclosures are perceived differently. Environmental transparency boosts investor confidence, while governance disclosure, in this context, seems to raise concerns about governance issues. This study provides valuable empirical evidence for companies and regulators to understand the differing impacts of ESG disclosures and highlights the complexity of market perceptions regarding governance reporting. Based on the findings, a general recommendation for corporate managers and directors, policy makers, analysts, and investors is to recognize the growing importance of ESG disclosures in shaping firm value. Firms should strategically integrate ESG practices into their operations and disclosures, as these non-financial metrics are becoming more relevant to investors. To enhance market performance, firms should approach ESG not as a mere compliance requirement but as a strategic advantage that can foster trust and long-term value creation. For environmental disclosure (ENVD), corporate managers and directors should focus on strengthening their environmental reporting by providing clear, consistent, and actionable information about their environmental impact and sustainability initiatives. This will appeal to investors increasingly concerned about environmental risks. Policy makers and regulators should develop frameworks that incentivize firms to improve the quality and depth of environmental disclosures, while analysts and investors can use these disclosures as key indicators of firm sustainability and long-term performance.

In terms of social disclosure (SOCD), corporate managers should enhance their engagement in social responsibility activities, such as community development, employee welfare, and ethical business practices, even though it may not directly impact market capitalization. Policy makers and regulators should encourage the adoption of robust social reporting standards, ensuring transparency and comparability across firms. Analysts and investors, both potential and existing, should consider the long-term social impact of firms as part of their broader ESG evaluation, even if the immediate market response is not significant. Regarding governance disclosure (GOVD), it is essential for corporate managers and directors to move beyond basic compliance and embrace governance practices that genuinely reflect transparency and accountability. Governance reporting should not merely highlight risks but demonstrate how governance structures contribute to the firm's stability and growth. Policy makers should provide a clear and enforceable governance framework that goes beyond disclosure mandates to ensure substantive governance practices are adopted. Investors and analysts should critically assess governance disclosures to distinguish between reactive and proactive governance strategies, ensuring that the firms they invest in are equipped for long-term success.

This study contributes to knowledge in several key ways. Contextually, it adds to the body of literature on ESG disclosures in emerging markets, specifically focusing on Nigeria's manufacturing sector. In terms of variables, the study highlights the distinct roles that environmental, social, and governance disclosures play in influencing market capitalization. Methodologically, the use of dynamic panel data estimation techniques, such as the GMM, enhances the robustness of the findings by addressing potential issues of endogeneity and autocorrelation. Theoretically, the study contributes to the understanding of the stakeholder theory and legitimacy theory, showing how ESG practices can affect investor perceptions and market behavior. Empirically, the findings provide practical insights for corporate managers, regulators, and investors on the real-world impacts of ESG disclosures. For further studies, it is suggested that future research explore the impact of ESG disclosures across different sectors in Nigeria or other emerging markets. Additionally, further studies could investigate the moderating effects of external factors such as regulatory changes, market conditions, or firm-specific characteristics on the relationship between ESG disclosures and capital market performance. This could provide a deeper understanding of how external influences shape the market's response to ESG practices.

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