

SUSTAINABILITY REPORTING AND FINANCIAL PERFORMANCE OF LISTED CONSUMER GOODS COMPANIES IN NIGERIA

UCHE-OGBONNAYA NNENNA CORDELIA

M.Sc. Scholar, Department of Accounting, College of Management Sciences
Mickael Okpara University of Agriculture, Umudike, Abia State, Nigeria
ucnelly20@gmail.com

VICTOR IKECHUKWU OKAFOR

Department of Accounting, College of Management Sciences
Mickael Okpara University of Agriculture, Umudike, Abia State, Nigeria
ORCID: 0009-0002-0431-7809

&

EMMANUEL CHUKWUMA EBE

Department of Accounting, College of Management Sciences
Mickael Okpara University of Agriculture, Umudike, Abia State, Nigeria
ORCID: 0000-0003-2752-558X

ABSTRACT

This study investigates the effect of sustainability reporting on the financial performance of listed consumer goods companies in Nigeria. Specifically, the study examined the influence of environmental, economic, and social responsibility reporting on financial performance, measured by Return on Assets (ROA). At the same time, firm size was included as a control variable. The study adopted an ex post facto research design and utilized secondary data obtained from the annual reports of selected consumer goods companies. The population comprised 20 listed consumer goods companies in Nigeria, from which 10 companies were selected through judgmental sampling. Data relating to sustainability disclosures were collected through content analysis based on the Global Reporting Initiative (GRI) framework. The study employed panel regression analysis to evaluate the relationship between sustainability reporting and financial performance. The findings revealed that environmental reporting, economic reporting, and social reporting had no significant effect on the Return on Assets of the sampled companies. The results indicate that sustainability reporting practices alone may not be sufficient to influence the financial performance of consumer goods companies in Nigeria. Consequently, the study concluded that environmental, economic, and social disclosures do not necessarily translate into improved profitability among listed consumer goods companies. Based on these findings, the study recommended that companies should incorporate sustainability performance indicators into executive compensation schemes to encourage management commitment to sustainable business practices. The study also recommended that companies should actively engage stakeholders such as investors, customers, and non-governmental organizations in the sustainability reporting process to enhance the relevance, credibility, and usefulness of disclosed information. The findings imply that although sustainability reporting promotes transparency and accountability, other organizational and market factors may play a more significant role in determining financial performance.

Keywords: Sustainability Reporting; Environmental Responsibility; Social Responsibility; Financial Performance.

Introduction

Sustainability has become an important aspect of modern business operations as organizations increasingly face stakeholder demands to operate responsibly, transparently, and in ways that support long-term economic, social, and environmental well-being. As a result, sustainability reporting has gained prominence as a mechanism for companies to communicate their environmental, social, and economic activities to stakeholders. Beyond meeting disclosure requirements, sustainability reporting serves as a strategic tool that helps organizations align their business objectives with sustainable development goals while enhancing corporate accountability and long-term performance (Eccles & Krzus, 2018). Sustainability reporting is closely linked to the concepts of Corporate Social Responsibility (CSR) and Environmental, Social, and Governance (ESG) practices. It involves the disclosure of both qualitative and quantitative information regarding a firm's efforts to manage its environmental impact, social responsibilities, and economic contributions. According to the Global Reporting Initiative (GRI, 2020), sustainability reporting promotes transparency and accountability, enabling investors, regulators, customers, and other stakeholders to make informed decisions regarding corporate activities and performance.

Across the world, sustainability reporting has become increasingly common among corporations, particularly in developed economies where regulatory frameworks and stakeholder expectations are more established. In Nigeria, however, the adoption of sustainability reporting remains at a developing stage. Although institutions such as the Financial Reporting Council of Nigeria (FRCN) and the

Securities and Exchange Commission (SEC) have introduced guidelines to encourage sustainability disclosures, compliance remains largely voluntary, resulting in varying levels of reporting quality and consistency among companies (FRCN, 2018). Nigeria's economic and environmental conditions make sustainability reporting particularly important. The country's reliance on resource-intensive industries, especially oil and gas, has generated concerns regarding environmental degradation and social challenges. Consequently, companies are increasingly expected to demonstrate their commitment to sustainable development through transparent reporting practices. In addition, Nigeria's commitment to the United Nations Sustainable Development Goals (SDGs) has intensified pressure on organizations to adopt sustainable business practices that support environmental protection, social welfare, and economic growth (Amaeshi et al., 2016).

The relationship between sustainability reporting and firm performance has attracted significant attention from researchers and practitioners. Firm performance is commonly evaluated using financial indicators such as Return on Assets (ROA), Return on Equity (ROE), and market value. Existing studies suggest that sustainability reporting can improve corporate reputation, strengthen stakeholder trust, enhance risk management practices, and increase investor confidence, all of which may contribute to improved financial performance (Dhaliwal et al., 2021). Furthermore, sustainability initiatives can promote innovation, operational efficiency, and employee commitment, thereby supporting long-term organizational success.

Despite these potential benefits, empirical findings on the relationship

between sustainability reporting and firm performance remain inconclusive. While studies conducted in developed countries often report a positive association between sustainability disclosures and financial outcomes, evidence from developing economies such as Nigeria is mixed. Factors such as weak regulatory enforcement, limited stakeholder awareness, inadequate reporting standards, and varying organizational capacities may influence the effectiveness of sustainability reporting and its impact on firm performance. Although many Nigerian companies, particularly those in the banking, manufacturing, and oil and gas sectors, have embraced sustainability reporting, the quality and depth of disclosures differ significantly. Some organizations adopt internationally recognized frameworks such as the GRI Standards and Integrated Reporting, while others provide minimal sustainability information. Challenges, including inadequate technical expertise, limited regulatory monitoring, economic uncertainty, and the perception of sustainability reporting as an additional cost, often hinder effective implementation (Ezeagba et al., 2017).

Nevertheless, growing support from regulators and market institutions has strengthened sustainability reporting practices in Nigeria. The Nigerian Exchange Group (NGX) introduced Sustainability Disclosure Guidelines to encourage listed companies to adopt global best practices, while the Central Bank of Nigeria (CBN) has incorporated sustainability principles into banking operations and risk management requirements (NGX, 2019). Given these developments, it is essential to evaluate whether sustainability reporting contributes to improved financial performance among Nigerian companies.

Therefore, this study examines the effect of sustainability reporting on the financial performance of consumer goods companies in Nigeria, with a view to providing useful insights for policymakers, investors, and corporate managers.

Specifically, below are the objectives of this study:

- i. To examine the effect of environmental reporting on the return on assets of listed consumer goods companies in Nigeria.
- ii. To ascertain the effect of economic reporting on the return on assets of listed consumer goods companies in Nigeria.
- iii. To determine the effect of social reporting on the return on assets of listed consumer goods companies in Nigeria.

Research Questions

- i. What is the effect of environmental reporting on the return on assets of listed consumer goods companies in Nigeria?
- ii. What is the effect of economic reporting on the return on assets of listed consumer goods companies in Nigeria?
- iii. What is the effect of social reporting on the return on assets of listed consumer goods companies in Nigeria?

Research Hypotheses

H01: Environmental reporting has no significant effect on the return on assets of listed consumer goods companies in Nigeria.

H02: Economic reporting has no significant effect on the return on assets of listed consumer goods companies in Nigeria.

H03: Social reporting has no significant effect on the return on assets of listed consumer goods companies in Nigeria.

Conceptual Framework Sustainability Reporting

Sustainability reporting is a corporate disclosure practice that extends beyond traditional financial reporting by providing information on the economic, environmental, and social impacts of an organization's activities. It enables companies to communicate their commitment to sustainable development and accountability to both internal and external stakeholders. Sustainability reporting promotes transparency, enhances corporate reputation, and assists stakeholders in making informed decisions regarding a firm's long-term sustainability and performance (Emeka-Nwokeji, 2019; Hassan & Musa, 2021). The concept is closely associated with Corporate Social Responsibility (CSR) and Environmental, Social, and Governance (ESG) practices. It involves the disclosure of non-financial information relating to a firm's economic contributions, environmental stewardship, social responsibilities, and governance practices. Scholars have noted that the increasing inclusion of ESG information in annual reports demonstrates organizations' responsiveness to stakeholder expectations and growing sustainability concerns (Thayaraj & Karunarathne, 2021).

Globally, the Global Reporting Initiative (GRI) provides one of the most

widely accepted frameworks for sustainability reporting. The GRI framework guides organizations in reporting their sustainability performance through standardized economic, environmental, social, and governance indicators. According to the GRI (2011), sustainability reporting involves measuring, disclosing, and being accountable for organizational performance toward sustainable development goals. Economic sustainability focuses on the efficient utilization of resources and the organization's contribution to economic systems and stakeholder welfare. Social sustainability addresses issues such as human rights, labor practices, employee welfare, workplace safety, ethics, anti-corruption measures, community development, and stakeholder relations. Environmental sustainability relates to the management and reduction of environmental impacts arising from business operations. Overall, sustainability reporting serves as an important mechanism for enhancing transparency, building stakeholder trust, strengthening ethical reputation, and supporting long-term organizational sustainability. Investors increasingly value such disclosures because they provide insights into a firm's ability to achieve sustainable growth beyond short-term profit maximization.

Table 1: Sustainability reporting indicators

Environmental	Social	Economic
Energy	Community involvement	Economic performance
Water	Anti-corruption behavior	Market presence
Carbon emission	Human right	Indirect economic impact
Waste management	Employee health and safety	Value and supply chain
Compliance	Labour and industrial relation	Risk management
Product and service stewardship	Training and development	
Biodiversity	Philanthropy	
Transportation	Diversity and equal opportunity	

Source: Global Reporting Initiatives (GRI) 2011.

Effect of Environmental Reporting on Financial Performance

Environmental reporting refers to the disclosure of information relating to an organization's environmental activities, policies, costs, and initiatives aimed at minimizing the adverse effects of business operations on the environment. It forms an important component of sustainability reporting and enables organizations to communicate their environmental responsibilities to stakeholders. According to Makari and Jagongo (2013), environmental accounting involves identifying, measuring, and reporting environmental and social costs incurred by organizations in the course of environmental conservation and protection activities. Similarly, Muhammed (2018) described environmental accounting as the disclosure of both financial and non-financial information concerning the environmental impact of organizational activities and the measures taken to address such impacts. Environmental reporting therefore serves as a means through which companies demonstrate compliance with environmental principles and their commitment to sustainable development (Solomon, 2020).

In recent years, stakeholders have become increasingly concerned about environmental issues such as pollution control, waste management, energy conservation, climate change mitigation, and biodiversity protection. Consequently, organizations are expected to disclose environmental information that reflects their efforts toward environmental sustainability. Corporate environmental reports provide information on environmental policies, resource utilization, emission reduction strategies, and environmental protection initiatives adopted by companies (Norhasimah et al., 2015). Such disclosures

enhance transparency and allow stakeholders to evaluate the environmental performance of organizations. Environmental reporting can influence financial performance through several channels. First, companies that demonstrate environmental responsibility often enjoy improved corporate reputation and stakeholder confidence, which may attract investors and customers. Second, environmental initiatives such as energy efficiency, waste reduction, and resource conservation can reduce operational costs and improve profitability. Third, environmental reporting can strengthen regulatory compliance and reduce the risk of penalties, litigation, and reputational damage. These benefits can contribute positively to financial performance indicators such as Return on Assets (ROA), Return on Equity (ROE), and market value.

In Nigeria, environmental reporting remains largely voluntary, creating significant variations in the quality and extent of disclosures among companies. While multinational corporations often disclose environmental information due to international reporting requirements and affiliations with foreign stock exchanges, many local companies provide limited environmental disclosures. (Okechukwu et al., 2020) observed that environmental information disclosed by many companies often lacks depth and may not adequately reflect actual environmental performance. This situation is partly attributed to weak regulatory enforcement and the absence of mandatory sustainability reporting requirements. Notwithstanding the potential benefits of environmental reporting, some scholars argue that environmental disclosures may not always meet stakeholder expectations. Yadav, Han, and Rho (2016) contend that management may

selectively disclose favorable environmental information while withholding negative information, thereby creating a disclosure gap between actual and reported environmental performance. Such practices can reduce the credibility and usefulness of environmental reports and limit their impact on firm performance. Nevertheless, environmental reporting remains an essential component of sustainability reporting and is increasingly recognized as a strategic tool for enhancing corporate accountability and long-term financial success.

Effect of Economic Reporting on Financial Performance

Economic reporting is another key dimension of sustainability reporting that focuses on disclosing the economic value generated and distributed by an organization. According to the Global Reporting Initiative (GRI, 2011), economic sustainability indicators include revenues, operating costs, employee compensation, taxes paid, dividend payments, government grants, community investments, and expenditures related to climate change management. These disclosures provide information on how organizations contribute to economic development and create value for stakeholders at both local and international levels. Economic reporting plays a significant role in assessing an organization's financial stability and sustainability. Through transparent disclosure of economic activities, companies provide stakeholders with information regarding their financial contributions to employees, governments, investors, suppliers, and host communities. Such disclosures enhance stakeholder confidence and demonstrate the organization's commitment to responsible economic practices. Furthermore, economic reporting promotes accountability by ensuring that

financial resources are managed efficiently and in accordance with applicable regulations and standards.

International Financial Reporting Standards (IFRS) provide guidelines for measuring and reporting many economic sustainability indicators. For example, IAS 18 addresses revenue recognition, IAS 2 focuses on inventory and operating costs, IAS 19 deals with employee benefits, IAS 12 covers taxation, and IAS 20 addresses government grants. These standards contribute to the reliability and comparability of economic disclosures across organizations. The relationship between economic reporting and financial performance is based on the premise that transparent disclosure of economic activities can improve investor confidence, reduce information asymmetry, and enhance access to capital. Organizations that effectively communicate their economic contributions and resource utilization are more likely to gain stakeholder trust, attract investments, and improve their competitive position. Deloitte Global Services Limited (2016) noted that revenue, which represents the economic benefits derived from business activities, serves as a fundamental indicator of organizational performance and sustainability. Consequently, comprehensive economic reporting can contribute positively to financial performance by strengthening stakeholder relationships and supporting long-term value creation.

Effect of Social Reporting on Financial Performance

Social reporting refers to the process through which organizations disclose information regarding their social responsibilities, stakeholder relationships, and contributions to society. It focuses on how companies manage interactions with employees, customers, suppliers, local

communities, regulators, and other stakeholder groups. Social reporting typically includes disclosures on employee welfare, occupational health and safety, training and development programs, diversity and inclusion initiatives, human rights compliance, community investments, anti-corruption practices, customer satisfaction, and responsible supply chain management (Global Reporting Initiative [GRI], 2021; Laskar & Maji, 2018). Through such disclosures, organizations demonstrate their commitment to social sustainability and ethical business practices. The growing importance of social reporting is rooted in stakeholder theory, which suggests that organizations must address the interests of various stakeholder groups to achieve long-term success (Freeman, 1984). Effective social performance management can strengthen stakeholder relationships, enhance organizational legitimacy, and contribute to sustainable business growth. According to the Center for Corporate Citizenship and Laskar and Maji (2018), organizations that effectively address social issues are better positioned to reduce operational risks, improve stakeholder confidence, and enhance firm value. Similarly, Carroll (1991) argued that corporate social responsibility extends beyond economic and legal obligations to include ethical and philanthropic responsibilities that contribute to societal well-being.

Social sustainability initiatives often generate economic benefits for companies. Investments in employee development, workplace safety, and fair labor practices can increase employee motivation, productivity, and retention rates, thereby reducing recruitment and training costs (Aguinis & Glavas, 2012). Community engagement activities and corporate

philanthropy can improve public perception and strengthen a firm's social license to operate, while transparent stakeholder communication enhances trust and corporate reputation (Eccles, Ioannou, & Serafeim, 2014). Furthermore, effective anti-corruption policies and human rights practices can minimize legal and reputational risks, leading to improved operational efficiency and financial outcomes (GRI, 2021). Social reporting also serves as a mechanism for accountability and transparency. By disclosing information on social initiatives and performance indicators, companies provide stakeholders with insights into how they manage social challenges and create shared value (Gray, Kouhy, & Lavers, 1995). Information relating to employee training, occupational health and safety, workforce diversity, stakeholder engagement, customer welfare, and anti-corruption measures allows investors and other stakeholders to assess an organization's commitment to responsible business conduct. Companies that consistently report and improve their social performance are more likely to maintain stakeholder support and achieve competitive advantages in increasingly socially conscious markets (Porter & Kramer, 2011).

In the face of these potential benefits, empirical findings on the relationship between social reporting and financial performance remain inconclusive. Several studies have reported a positive association between social responsibility disclosures and firm performance, suggesting that socially responsible companies enjoy enhanced reputation, customer loyalty, and investor confidence (Margolis & Walsh, 2003; Eccles et al., 2014). However, other studies have found weak, insignificant, or even negative relationships. For example, Nelling and

Webb (2009) observed that corporate social responsibility exhibited a positive relationship with financial performance when estimated using ordinary least squares regression, but the relationship became statistically insignificant when firm-specific effects were controlled using fixed-effects models. Similarly, McWilliams and Siegel (2000) argued that the relationship may vary depending on firm characteristics, industry dynamics, and investment levels in social initiatives.

These mixed findings indicate that the financial implications of social reporting may be influenced by factors such as industry type, stakeholder expectations, regulatory frameworks, corporate governance structures, and the quality and credibility of disclosures (Dhaliwal, Li, Tsang, & Yang, 2011; Laskar&Maji, 2018). Nevertheless, social reporting remains a critical component of sustainability reporting because it promotes transparency, strengthens stakeholder trust, and enhances corporate accountability. By effectively addressing social concerns and communicating these efforts through comprehensive disclosures, organizations can improve their reputation, reduce operational and reputational risks, and potentially enhance long-term financial performance and sustainability.

Theoretical Review

Agency Theory

This study is anchored in the Agency Theory developed by Michael C. Jensen and William H. Meckling in 1976. The theory originated from the theory of the firm advanced by Armen Alchian and Harold Demsetz in 1972. Agency Theory explains the relationship between principals (shareholders or owners) and agents (managers) who are employed to manage organizational resources and operations on behalf of the owners. The theory assumes

that both parties seek to maximize their own interests, which may result in conflicts when managers pursue personal goals that differ from shareholders' objectives. Agency problems often arise because managers possess more information about the firm's activities than shareholders, creating information asymmetry. This imbalance may lead to opportunistic behavior, inefficient resource allocation, and increased monitoring costs incurred by owners to ensure that managers act in the best interest of the organization. According to Mitnick (2015), agency relationships involve costs associated with supervising managerial actions and ensuring accountability due to imperfect information and uncertainty.

Agency Theory is particularly relevant to sustainability reporting because sustainability disclosures help reduce information asymmetry between management and stakeholders. Through transparent reporting of environmental, economic, and social activities, companies provide stakeholders with relevant information regarding their sustainability performance and long-term value creation. Such disclosures improve corporate transparency, strengthen accountability, and reduce the costs associated with monitoring managerial behavior. Furthermore, effective sustainability reporting can enhance investor confidence, improve corporate reputation, and support better financial performance. Consequently, the theory suggests that sustainability reporting serves as a mechanism for aligning the interests of managers and shareholders by promoting transparency, reducing agency conflicts, and facilitating informed decision-making. Therefore, Agency Theory provides a suitable framework for explaining the relationship between sustainability reporting and the financial performance of listed manufacturing companies in Nigeria.

Empirical Review

Empirical studies on sustainability reporting and financial performance have produced mixed findings across different countries, industries, and periods. While some studies report a positive relationship between sustainability disclosures and firm performance, others find insignificant or even negative effects. These inconsistencies suggest that the impact of sustainability reporting may depend on industry characteristics, regulatory environments, stakeholder expectations, and the quality of disclosures.

One of the most recent studies was conducted by Offiaeli, Salawu, and Nwobu (2025), who examined the effect of sustainability reporting on the financial performance of listed consumer goods companies in Nigeria. The study adopted an ex-post facto research design and utilized secondary data obtained from the audited annual reports of ten listed consumer goods companies covering the period 2014–2023. Sustainability reporting, measured using Global Reporting Initiative (GRI) indicators, served as the independent variable, while Return on Assets (ROA) and Net Profit Margin (NPM) represented financial performance. Using the Panel Ordinary Least Squares (POLS) estimation technique, the study found that sustainability reporting had a positive but statistically insignificant effect on both ROA and NPM. Consequently, the researchers concluded that sustainability reporting did not significantly influence the financial performance of the sampled companies.

Similarly, Nnedu, Okpanachi, and Achema (2025) investigated the relationship between sustainability reporting and firm performance among Nigerian consumer goods companies, with firm size serving as a moderating variable. The study employed

panel data from sixteen companies over the period 2014–2023 and analyzed the data using panel regression techniques. The findings showed that social sustainability disclosure exerted a significant negative effect on sales turnover, indicating that the costs associated with implementing social sustainability initiatives may outweigh the immediate financial benefits. Environmental sustainability disclosure was also found to have a negative but statistically insignificant effect on sales turnover. Although firm size exhibited a positive moderating influence, its effect was not statistically significant. The study concluded that sustainability disclosures may not always translate into improved sales performance in the short run.

Adejola, Joseph, and Ojuola (2024) examined the effect of sustainability reporting on the financial performance of agriculture and natural resource companies listed in Nigeria. Data were obtained from the annual reports of nine selected companies covering the period 2014–2023. The researchers utilized panel least squares regression analysis through E-Views software. The findings revealed that both economic and social sustainability reporting had negative and insignificant effects on financial performance. Based on the results, the study concluded that sustainability reporting had no significant impact on the performance of agriculture and natural resource companies in Nigeria. The authors recommended that managers should strengthen initiatives that improve economic and social sustainability attributes in order to enhance organizational performance.

Outside Nigeria, Islam, Uddin, and Hossain (2024) investigated the effect of environmental reporting on the performance of companies listed on the Dhaka Stock Exchange in Bangladesh. The study employed data from 177 listed companies

obtained through annual reports. Multiple regression analysis was used to evaluate the relationship between environmental disclosure and firm performance. The results showed that environmental reporting positively and significantly affected market performance measured by Tobin's Q. However, environmental disclosure did not significantly affect accounting-based measures of performance such as Return on Equity (ROE) and Earnings per Share (EPS). The study therefore suggested that environmental reporting may improve market perceptions and investor confidence even when it does not immediately enhance accounting profitability.

Onoh, Kayadi, and Ndubuisi (2023) assessed the effect of sustainability reporting on firm value among listed oil and gas companies in Nigeria. The study focused on environmental, economic, and social sustainability disclosures, while firm value was proxied by Tobin's Q. Using data extracted from annual reports and analyzed through multiple regression techniques, the study found that environmental sustainability reporting had a positive and significant effect on firm value. In contrast, economic sustainability reporting exerted a significant negative effect on firm value. The study further revealed that firm characteristics such as sales growth and leverage negatively influenced firm value, while firm size had a positive effect. The researchers concluded that compliance with sustainability reporting standards could enhance investor confidence and improve organizational value.

Another important contribution was made by Wu et al. (2023), who investigated the relationship between Corporate Social Responsibility (CSR) and firm value in China. The study utilized data from 314 companies listed on China's A-share market

between 2010 and 2017. Applying a fixed-effects regression model, the researchers identified a U-shaped relationship between CSR activities and firm value. This finding implies that initial investments in CSR may reduce firm value due to associated costs, but as CSR efforts become more established and effective, they begin to generate positive returns. The study also found that although internationalization positively influenced firm value, it did not significantly moderate the relationship between CSR and firm value.

Hassan and Musa (2022) examined the relationship between sustainability reporting indicators and firm value among non-financial companies listed on the Nigerian Exchange. Drawing on Legitimacy Theory, the study utilized secondary data from forty companies covering the period 2013–2020. The researchers employed static panel regression analysis after conducting diagnostic tests for multicollinearity and heteroscedasticity. The findings revealed that economic and social sustainability disclosures had positive and significant effects on firm value, while environmental sustainability reporting did not significantly influence firm value. The study concluded that sustainability reporting, particularly economic and social disclosures, contributes positively to corporate value. Consequently, the authors recommended increased investment in research and development, employee welfare, community development, and training initiatives.

In a related study, Umoren and Ukpong (2022) investigated the corporate determinants of sustainability reporting among Nigerian listed companies. The study focused on firm size, profitability, board size, and board diversity as explanatory variables. Using an ex-post facto research design and content analysis methodology,

data were collected from annual reports and analyzed through multiple regression techniques. The findings indicated that firm size, board size, board diversity, and industrial sector positively and significantly influenced sustainability reporting practices. However, profitability showed a negative and insignificant relationship with sustainability reporting. The study emphasized the importance of sound corporate governance mechanisms in enhancing sustainability disclosures.

Mangwa and Jagongo (2022) explored the relationship between green finance and financial performance among commercial banks listed in Kenya. The study adopted an empirical approach using secondary data and examined environmental credits, emission allowances, and carbon asset finance as measures of green finance. Financial performance was measured using Return on Assets (ROA), Return on Equity (ROE), and Return on Investment (ROI). Panel regression analysis was employed to analyze the data. The study highlighted the growing importance of environmental sustainability initiatives in enhancing financial outcomes and identified several conceptual and contextual gaps that warrant further research.

Overall, the reviewed studies indicate that sustainability reporting has become an important area of corporate reporting and performance evaluation. However, empirical evidence regarding its effect on financial performance remains inconclusive. While some studies report positive and significant relationships between sustainability disclosures and firm performance, others reveal insignificant or negative effects. Most Nigerian studies have produced mixed results, suggesting that the effectiveness of sustainability reporting may depend on factors such as industry

characteristics, firm size, disclosure quality, regulatory enforcement, and stakeholder expectations. These inconsistencies create a research gap and justify further investigation into the effect of sustainability reporting on the financial performance of listed manufacturing companies in Nigeria.

Methodology

This study adopted an ex post facto research design and utilized content analysis to measure the sustainability reporting variables. The research employed a combination of cross-sectional and time-series data obtained from the annual reports of consumer goods companies listed on the Nigerian Exchange Group (NGX). The population comprised all 20 consumer goods companies listed on the NGX as of December 2024. Using a purposive sampling technique, ten (10) companies were selected as the sample for the study based on the availability and adequacy of relevant data. The study relied exclusively on secondary data, which were sourced from the audited annual reports of the sampled companies covering ten years from 2015 to 2024. To ensure reliability and consistency, the data were cross-checked with information obtained from NGX annual reports. The objective was to examine the relationship between sustainability reporting and the financial performance of listed consumer goods companies in Nigeria. For data analysis, the study employed panel data regression techniques because the dataset contained observations across companies and over time. The analytical procedures included panel unit root tests, fixed effect regression, random effect regression, and histogram normality tests to assess the properties of the data and determine the most appropriate estimation model. The study further modified Ohlson's (1995) valuation model to investigate the effect of

sustainability reporting on financial performance. This model provided the framework for testing the study hypotheses and evaluating the influence of sustainability reporting practices on the operational and financial performance of listed consumer goods companies in Nigeria.

$$ROA = \beta_0 + \beta_1ENVR + \beta_2ECR + \beta_3SOR + \beta_4FSIZE + e \text{----- (i)}$$

Where:

ROA = Return on Assets;

ENVR = Environmental Sustainability;

ECR = Economic Sustainability;

SOR= Social Sustainability;

FSIZE = Firm size

β_0 = the constant;

$\beta_1, \beta_2, \beta_3, \beta_4$ = The Regression Coefficients;

t = year;

e = the error term used in the regression model.

Decision Rule

The decision rule was to accept the null hypothesis if the P-values were significant at an alpha level of 0.05 (5%). If $P \leq 0.05$, reject the null hypothesis; otherwise, accept the null hypothesis.

Results and Discussion

Table 2: Descriptive Statistics

	ROA	FSIZE	SOR	ECR	ENVR
Mean	0.425405	7.402858	0.809722	0.960000	0.759722
Median	0.444444	7.727025	0.875000	1.000000	0.750000
Maximum	0.666667	8.493746	1.000000	1.000000	1.000000
Minimum	0.125000	5.301941	0.500000	0.600000	0.500000
Std. Dev.	0.125012	0.861802	0.137988	0.095752	0.128774
Skewness	-0.296212	-0.994013	-0.523014	-2.372239	-0.589901
Kurtosis	2.978114	2.681195	2.377804	7.899654	2.192308
Jarque-Bera	1.317922	15.20206	5.554876	174.4376	7.666121
Probability	0.517389	0.000500	0.062198	0.000000	0.021643
Sum	38.28648	666.2573	72.87500	86.40000	68.37500
Sum Sq. Dev.	1.390896	66.10051	1.694618	0.816000	1.475868
Observations	100	100	100	100	100

Source: Extracted from Appendix 1

Table 2 presents the descriptive statistics of the study variables, namely Return on Assets (ROA), Firm Size (FSIZE), Social Reporting (SOR), Economic Reporting (ECR), and Environmental Reporting (ENVR). The results show that the mean values are 0.4254 for ROA, 7.4029 for FSIZE, 0.8097 for SOR, 0.9600 for ECR, and 0.7597 for ENVR, indicating the average performance levels and sustainability disclosure practices of the sampled companies. The minimum and maximum values further reveal variation across companies, with ROA ranging from

0.1250 to 0.6667, FSIZE from 5.3019 to 8.4937, SOR from 0.5000 to 1.0000, ECR from 0.6000 to 1.0000, and ENVR from 0.5000 to 1.0000, showing differences in financial performance and sustainability reporting intensity.

The skewness statistics indicate that all variables are negatively skewed, implying that their distributions are tilted to the left, with more observations above the mean than below it. This suggests that most companies performed slightly better than the average in the dataset. The kurtosis results show that ECR is leptokurtic with a value

above 3, indicating a more peaked distribution with higher concentration of values around the mean, while ROA, FSIZE, SOR, and ENVR are platykurtic, meaning they have flatter distributions and less concentration around the mean. The Jarque-Bera normality test further shows mixed results. ROA and SOR have p-values greater than 0.05, indicating that they are normally distributed, while FSIZE, ECR, and ENVR

have p-values less than 0.05, suggesting deviations from normality. However, the post-estimation diagnostic test confirms that the variables collectively satisfy the normality assumption required for regression analysis. Overall, the descriptive statistics indicate acceptable data quality and variability, making the dataset suitable for further econometric analysis.

Regression Result

Effect of sustainability reporting (ENVR, ECR and SOR) on return on assets of listed consumer goods companies in Nigeria

Table 3: Model Summary

Dependent variable: ROA

Test Summary	Chi-Sq. Statistic	Chi-Sq. d.f.	Prob.	
Cross-section random	1.479344	4	0.0303	
Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	-0.216816	0.853029	-0.254172	0.8000
ENVR	0.674641	0.566888	1.190078	0.2377
ECR	0.253636	0.366709	0.691655	0.4912
SOR	-0.116206	0.197161	-0.589396	0.5573
FSIZE	0.041836	0.077404	0.540491	0.5904
R-squared	0.278373	Mean dependent var		0.759722
Adjusted R-squared	0.165911	S.D. dependent var		0.128774
S.E. of regression	0.117607	Sum squared resid		1.065027
F-statistic	2.475271	Durbin-Watson stat		1.728984
Prob(F-statistic)	0.008576			

Source: E-View Output Extracted from Appendix 3A and 3B

Table 3 presents the regression results on the effect of sustainability reporting variables, environmental reporting (ENVR), economic reporting (ECR), and social reporting (SOR), on return on assets (ROA) of listed manufacturing companies in Nigeria. To determine the most appropriate estimation technique, a Hausman test was conducted, with results indicating a probability value of 0.0303 and a Chi-square statistic of 1.479344. Since the result was significant, the fixed effect model was selected for analysis in order to control for

unobserved firm-specific factors that may influence the relationship between sustainability reporting and financial performance. The model summary shows an R^2 value of 0.278373, indicating that approximately 27.8% of the variation in ROA is explained by sustainability reporting variables (ENVR, ECR, and SOR), while the remaining 72.2% is attributed to other factors not captured in the model. The adjusted R^2 value of 0.166 suggests moderate explanatory power, indicating that the model's predictive strength decreases

slightly after adjustment for additional variables. The constant term indicates a negative intercept of -0.216816, implying that ROA would decline in the absence of the explanatory variables due to other external factors.

The coefficient results reveal that environmental reporting has a positive effect on ROA (0.674641), economic reporting also shows a positive effect (0.253636), while social reporting has a negative effect (-0.116206). However, the overall model is statistically significant based on the Fisher statistic ($F = 2.475271$, $p = 0.008576$), though the Durbin-Watson statistic of 1.728984 suggests no serious autocorrelation issues. Hypothesis testing shows that all three sustainability dimensions are statistically insignificant in influencing ROA. For environmental reporting ($p = 0.2377$), economic reporting ($p = 0.4912$), and social reporting ($p = 0.5573$), all p-values are greater than 0.05, leading to failure to reject the null hypotheses. This implies that none of the sustainability reporting components has a significant effect on ROA. These findings align with prior studies such as Asuquo et al. (2018), Akabom et al. (2018), and Nobanee and Nejla (2017), which also reported insignificant relationships between sustainability disclosures and financial performance in similar contexts. Overall, the results suggest that while sustainability reporting may influence firm outcomes in theory, its direct impact on profitability in Nigerian manufacturing companies remains limited.

Conclusion

Sustainability reporting serves as a communication tool through which organizations disclose the economic, social, and environmental impacts of their activities to both internal and external stakeholders. It provides information on a firm's

performance in these three key areas and is widely considered to enhance corporate reputation, strengthen stakeholder trust, improve transparency and accountability, and support better risk management practices, all of which can contribute to improved corporate performance.

This study examined the effect of sustainability reporting on the financial performance of listed consumer goods companies in Nigeria. Sustainability reporting was measured using environmental reporting, economic reporting, and social reporting, while financial performance was proxied by return on assets (ROA). The study covered ten listed consumer goods companies over ten years from 2015 to 2024. Data collected from annual reports were analyzed using panel multiple regression techniques. The findings revealed that environmental, economic, and social reporting do not significantly influence the financial performance of listed manufacturing companies in Nigeria. Consequently, the study concludes that sustainability reporting practices, while important for disclosure and accountability, do not necessarily translate into improved financial performance in the Nigerian consumer goods sector.

Recommendations

Based on the findings and the conclusion of the study, the following recommendations were made:

- (i) Companies should link executive compensation to sustainability performance to align the interests of executives with those of stakeholders. This linkage will encourage executives to prioritize sustainability considerations in their decision-making. This will therefore increase the return on assets of manufacturing companies in Nigeria.

- (ii) Companies should engage stakeholders, including investors, customers, and NGOs, in the sustainability reporting process to ensure that the reported information meets their needs and expectations. This engagement will enhance the relevance and usefulness of sustainability reporting, which would enhance a firm's return on assets.
- (iii) Companies should use sustainability reporting to identify opportunities for innovation and cost savings. By analyzing their sustainability performance, companies can identify areas for improvement and develop new products, services, and processes that reduce environmental impacts and improve performance while reducing costs.

References

- Adejola, P., Joseph, O. and Ojuola, O. (2024) Sustainability reporting and financial performance of listed agriculture and natural resources companies in Nigeria. *International Journal of Social Science and Management Review*, 7(2), 16-32.
- Aguinis, H., & Glavas, A. (2012). What we know and don't know about corporate social responsibility: A review and research agenda. *Journal of Management*, 38(4), 932–968.
- Akabom, E. (2019). Who determines sustainability? *Journal of Fish Biology*, 94(6), 952-957.
- Akpan, D. C. & Simeon U. J. (2021). Corporate sustainability disclosures and cash flow return on investment of shareholders of oil and gas companies in Nigeria. *International Journal of Innovative Finance and Economics Research*, 9(3), 111-124.
- Amaeshi, K., Adi, B., Ogbechie, C., & Amao, O. (2006). Corporate social responsibility in Nigeria: Western mimicry or indigenous influences? *Journal of Corporate Citizenship*, 24, 83–99.
- Asaolu, T. O., Agboola, A. A., Ayoola, T. J., and Salawu, M. K. (2011). Sustainability reporting in the Nigerian oil and gas sector. *Journal of Environmental Management Conference*, 1(4), 12-20. <http://www.unaab.edu.ng>
- Asuquo, I. A., Dada, E. T., & Onyeogaziri, U.R. (2018). The effect of sustainability reporting on the corporate performance of selected quoted brewery companies in Nigeria. *International journal of business & law research* 6(3), 1-10.
- Atanda, F. Osemene, F. & Ogundana, H. (2021). Sustainability Reporting and Firm Value: Evidence from Selected Deposit Money Banks in Nigeria. *Global Journal of Accounting*. 7(1), 2021: 47-68.
- Azlan, A. Munir, A. Behzad, F., and Vani, T. (2024) Sustainability reporting toward corporate reputation and the consequences in terms of financial performance in the sensitive and non-sensitive industry, grounded by the stakeholder theory. *Accounting, Corporate Governance and Business Ethics Research Article*, 2(5), 40 - 59.
- Carroll, A. B. (1991). The pyramid of corporate social responsibility: Toward the moral management of organizational stakeholders. *Business Horizons*, 34(4), 39–48.

- Clark, G. L., Feiner, A., & Viehs, M. (2015). From the stockholder to the stakeholder: How sustainability can drive financial outperformance. University of Oxford.
- Dhaliwal, D. S., Li, O. Z., Tsang, A., & Yang, Y. G. (2011). Voluntary nonfinancial disclosure and the cost of equity capital: The initiation of corporate social responsibility reporting. *The Accounting Review*, 86(1), 59–100.
- Eccles, R. G., & Krzus, M. P. (2018). The Nordic model: An analysis of leading practices in ESG disclosure. *Nordic Journal of Business*.
- Eccles, R. G., Ioannou, I., & Serafeim, G. (2014). The impact of corporate sustainability on organizational processes and performance. *Management Science*, 60(11), 2835–2857.
- Emeka-Nwokeji, N. A. (2019). Nexus between corporate social responsibility disclosures and market value of listed nonfinancial companies in Nigeria. *International Journal for Innovative Research in Multidisciplinary Field*, 5(3), 247-255.
- Emeka-Nwokeji, N.A., & Osisioma, B.C. (2019). Sustainability reporting and market value of companies in an emerging economy: Evidence from Nigeria. *European Journal of Accounting, Auditing and Finance Research*, 7(3), 1-19.
- Ezeagba, C. E., John-Akamelu, C. R., & Umeoduagu, C. D. (2017). Environmental accounting disclosures and financial performance: A study of selected food and beverage companies in Nigeria. *International Journal of Academic Research in Business and Social Sciences*, 7(9), 162-174.
- Financial Reporting Council of Nigeria (FRCN). (2018). National Code of Corporate Governance. www.frcnigeria.gov.ng.
- Freeman, R. E. (1984). *Strategic management: A stakeholder approach*. Boston, MA: Pitman.
- Frias-Aceituno, J. V., Rodríguez-Ariza, L., & García-Sánchez, I. M. (2013). The role of the board in the dissemination of integrated corporate social reporting. *Corporate Social Responsibility and Environmental Management*, 20(4), 219-233.
- Global Reporting Initiative (2016). Reporting Principles and Standards Disclosures.
- Global Reporting Initiative (GRI) (2011). Sustainability reporting guidelines version 3.1. Retrieved from: <https://www.globalreporting.org/resource/library/G3.1-Guidelines-Incl-Technical-Protocol.pdf>.
- Global Reporting Initiative (GRI). (2020). Consolidated set of GRI sustainability reporting standards 2020. www.globalreporting.org
- Global Reporting Initiative (GRI). (2021). *GRI standards*. Amsterdam, Netherlands: Global Reporting Initiative.
- Gray, R., Kouhy, R., & Lavers, S. (1995). Corporate social and environmental reporting: A review of the literature and a longitudinal study of UK disclosure. *Accounting, Auditing & Accountability Journal*, 8(2), 47–77.
- Hassan, A. and Musa, W. (2021). Sustainability reporting and a firm's

- value: Empirical evidence from the non-financial sector. *Proceedings of the 7th Annual International Academic Conference on Accounting and Finance Disruptive Technology: Accounting Practices, Financial and Sustainability Reporting*.
- Ibrahim, Y., Mohammed, A., Agbi, S., Kaoje, N., & Abdulkarim, N. (2021). Effect of sustainability reporting on the financial performance of quoted Nigerian Oil and Gas companies. *Gusau Journal of Accounting and Finance*, 2(3), 1-18.
- Jensen, M. C., & Meckling, W. H. (1976). *Accounting for biodiversity*. London: Routledge.
- Laskar, N. and Maji, S. (2018). Disclosure of corporate sustainability performance and firm performance in Asia. *Asian Review of Accounting*, October, 1-32. <https://doi.org/10.1108/ARA-02-2017-0029>.
- Laskar, N., & Maji, S. G. (2018). Disclosure of corporate sustainability performance and firm performance in Asia. *Asian Review of Accounting*, 26(4), 414–443.
- Lindblom, C. K. (1994). *The implications of organizational legitimacy for corporate social performance and disclosure*. Paper presented at the Critical Perspectives on Accounting Conference, New York, NY.
- Luo, L., Tang, Q., & Lan, Y.-C. (2015). Comparison of propensity for carbon disclosure between developing and developed countries. *Accounting Research Journal*, 28(1), 6–34.
- Makari, D., and Jagongo, A. (2013). Environmental Accounting and firm profitability: An empirical analysis of selected companies listed in the Bombay Stock Exchange, India. *International Journal of Humanities and Social Science*, 3(18), 248-256.
- Mangwa, I. M., & Jagongo, A. O. (2022). Green financing and financial performance of listed commercial banks in Kenya. *International Journal of Recent Research in Commerce Economics and Management*, 9(1), 56-64.
- Margolis, J. D., & Walsh, J. P. (2003). Misery loves companies: Rethinking social initiatives by business. *Administrative Science Quarterly*, 48(2), 268–305.
- McWilliams, A., & Siegel, D. (2000). Corporate social responsibility and financial performance: Correlation or misspecification? *Strategic Management Journal*, 21(5), 603–609.
- Mishra, S., and Suar, D. (2010). Does Corporate Social Responsibility Influence Firm Performance of Indian Companies? *Journal of Business Ethics*.
- Muhammed, A. I. (2018). *Environmental Accounting*. Springer International Publishing AG, DOI:10.1007/978235141. <https://www.researchgate.net/publication/32090312>.
- Nelling, E., & Webb, E. (2009). Corporate social responsibility and financial performance: The virtuous circle revisited. *Review of Quantitative Finance and Accounting*, 32(2), 197–209.
- Nigerian Exchange Group (NGX). (2019). Sustainability Disclosure Guidelines. www.ngxgroup.com
- Nnamani, J. N. & Onyekwelu, U. L. (2017). Effect of Sustainability Accounting

- and Reporting on Financial Performance of Companies in Nigeria Brewery Sector. *European Journal of Business and Innovation Research*, 5(1), 1-15.
- Nobanee, H., & Ellili, N. (2017). Impact of economic, environmental, and social sustainability reporting on the financial performance of UAE banks. Available at SSRN: <https://ssrn.com/abstract=2971484> or <http://dx.doi.org/10.2139/ssrn.2971484>.
- Norhasimah (2016). The effects of environmental disclosure on financial performance in Malaysia. *Procedia Economics and Finance*, 35(1), 117-126.
- Norhasimah, M.N., Norhabibi, A.S.B., Adan, N.A., Sheh-Mohamed, Q.A.K., and Ali, I.M. (2015). The effects of environmental disclosure on financial performance in Malaysia. *Procedia Economics and Finance*, 35(2016), 117-126.
- Nwobu, L. (2015). The relationship between corporate sustainability reporting and profitability and shareholders' fund in Nigerian banks. *Journal of Accounting and Management*, 5(3), 1-12.
- Okechukwu, E. A. and Okeke-Muogbo, G. N. (2020). Effect of environmental and social responsibility sustainability disclosure on firm performance of quoted health care and consumer goods companies in Nigeria. 6(6), www.cird.online/EJFAI/.
- Okore, A.O. (2021). Effect of Environmental Cost on Performance of Manufacturing Companies in Nigeria. *Journal of Accounting and Financial Management*, 7(5) 2695-2211.
- Onoh, U, Kayadi, B. & Ndubuisi, O.C. (2023). Sustainability Reporting and Firm Value of Listed Oil and Gas Companies in Nigeria. *Journal of Development Economics and Finance*, 4(1), 177-223. <https://DOI:10.47509/JDEF.2023.v04i01.09>
- Porter, M. E., & Kramer, M. R. (2011). Creating shared value. *Harvard Business Review*, 89(1– 2), 62–77.
- Ratanacharoenchai, C., Rachapradit, P., and Nettayanun, S. (2017). Sustainability Reports and Their Effect on Firm Value in Thailand. *Proceedings of the 41st International Business Research Conference 20 - 21 April, Imperial College, London, UK*.
- Solomon, P.J. (2020). Environmental disclosure and financial performance of listed oil and gas companies in Nigeria: a review of the literature. *IOSR Journal of Business and Management (IOSR-JBM)* 22(9), 58-68 www.iosrjournals.org.
- Thayaraj, M.S. & Karunarathne, W.V.A.D. (2021). The Impact of Sustainability Reporting on Companies' Financial Performance. *Journal of Business and Technology*.
- Umoren, A. O. & Ukpong, E. G. (2022). Corporate attributes and sustainability reporting: A study of Nigerian listed companies. *IDORS Journal of Humanities and Social Sciences* 7(1), 8-22.
- Uwuigbe, U. & Jimoh, J. (2012). Corporate environmental disclosures in the Nigerian manufacturing industry: A study of selected companies. *An International Multidisciplinary Journal*, 6 (3), 71-83.

- Wu, R., Hossain, A., Teng, Z., & Shen, X. (2023). The Relationship between Corporate Social Responsibility and Firm Value of Chinese Companies: Exploring from the Degree of Internationalization. *Journal of Environmental and Public Health*. <https://doi.org/10.1155/2023/724979> 9.
- Yadav, P. L., Han, S. H. and Rho, J. J. (2016). "Impact of environmental performance on firm value for sustainable investment: evidence from large US companies", *Business Strategy and the Environment*, 25(6), 402-420.
- Yigit, B. & Mukhtar, K. (2017). The effect of corporate social responsibility on financial performance: Evidence from the banking industry in emerging economies. *Journal of Business Studies Quarterly*, 1(9), 22-44.