

SUSTAINABILITY REPORTING AND FIRM VALUE OF LISTED NON-FINANCIAL FIRMS IN NIGERIA: EVIDENCE FROM NGX COMPANIES (2014-2024)

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ABSTRACT

The increasing demand for transparency, accountability, and responsible corporate behavior has heightened the importance of sustainability reporting in assessing firm value, particularly in developing economies such as Nigeria. This study examines the effect of sustainability reporting on the market value of non-financial firms listed on the Nigerian Exchange Group between 2014 and 2024. Specifically, it investigates how environmental, social, economic, and governance disclosures influence firm valuation, while controlling for firm size. A longitudinal research design was adopted, with data obtained from published annual reports. Sustainability reporting was measured using content analysis based on the Global Reporting Initiative (GRI) framework, while firm value was proxied by market-based indicators. Panel regression analysis with a random effects model was employed to estimate the relationships. The findings indicate that social reporting significantly and positively influences firm value, suggesting that disclosures on employee welfare, community engagement, and stakeholder relations enhance investor confidence and market perception. In contrast, economic, environmental, and governance reporting, though positively related, do not exhibit statistically significant effects, highlighting that investors in the Nigerian non-financial sector prioritize social initiatives over other sustainability dimensions. Firm size shows a positive but insignificant relationship with market value, implying that scale alone does not determine investor valuation. These results are consistent with Stakeholder and Legitimacy theories, emphasizing that credible social disclosures strengthen stakeholder trust, corporate legitimacy, and market valuation. The study concludes that firms should prioritize high-quality social reporting, adopt standardized frameworks for economic, environmental, and governance disclosures, and that regulators should enforce uniform reporting standards to enhance transparency and comparability. Investors are encouraged to incorporate ESG disclosures, particularly social metrics, into investment decisions to evaluate long-term value creation.

Keywords: Environmental disclosure, Firm value, Governance disclosure, Non-financial firms, Nigeria, Sustainability reporting,

Introduction

The growing complexity of the global business environment has increased stakeholders' demand for transparency, accountability, and responsible corporate conduct. Traditional financial reporting, which primarily focuses on historical financial performance, has increasingly been criticized for its inability to capture the broader economic, social, environmental, and governance impacts of corporate activities. Financial statements alone often fail to provide adequate information about how firms manage environmental risks, contribute to social development, or maintain sound governance structures. As a result, stakeholders including investors, regulators, and the public now expect organizations to disclose both financial and non-financial information that reflects their long-term sustainability and societal impact. In response to these expectations, sustainability reporting has emerged as an important mechanism through which companies communicate their environmental, social, economic, and governance activities to a broad range of stakeholders (Abdallah et al., 2022; Adams et al., 2016).

Globally, sustainability reporting has gained significant attention due to growing concerns about climate change, environmental degradation, social inequality, and corporate governance failures. These issues have increased the pressure on firms to demonstrate responsible corporate behavior beyond the pursuit of profit. Investors, customers, regulators, and host communities now demand information about how companies manage environmental resources, protect employee welfare, support economic development, and ensure ethical governance practices. Consequently, sustainability reporting has become a strategic tool that organizations use to enhance corporate reputation, attract responsible investment, reduce information asymmetry, and promote long-term value creation (Adebimpe et al., 2015; Adegbe et al., 2021). Scholars argue that firms that effectively disclose sustainability-related information are more likely to gain stakeholder confidence and strengthen their market position, thereby improving their overall firm value (Abdulrahman & Ajayi, 2022; Akpan et al., 2022).

The relevance of sustainability reporting is particularly evident in developing economies such as Nigeria, where environmental challenges, weak regulatory enforcement, and increasing public concern about corporate responsibility have heightened the need for transparent corporate disclosures. Nigeria hosts several non-financial companies operating in environmentally and socially sensitive sectors such as oil and gas, manufacturing, agriculture, construction, and industrial goods. These sectors play a vital role in economic growth, employment generation, and national development, but their operations also have significant environmental and social implications. As a result, stakeholders increasingly expect these companies to disclose information about their environmental impact, social responsibility initiatives, economic contributions, and governance practices. Sustainability reporting is therefore becoming an important instrument for strengthening stakeholder trust and improving corporate legitimacy in Nigeria (Adegboyegun et al., 2020; Adewumi et al., 2021; Achjuningrum & Suhartini, 2022; Agarwal & Atif, 2023).

Despite the growing global emphasis on sustainability reporting, its adoption and implementation in Nigeria remain relatively limited and largely voluntary. Although regulatory bodies such as the Nigerian Exchange Group (NGX) and the Securities and Exchange Commission (SEC) have introduced sustainability disclosure guidelines, there are currently no fully mandatory frameworks that compel companies to adopt comprehensive sustainability reporting practices. Consequently, the quality, consistency, and extent of sustainability disclosures vary significantly among firms. Some companies provide detailed sustainability reports, while others disclose minimal or fragmented information. This inconsistency raises important concerns regarding the effectiveness of sustainability reporting in enhancing

transparency and influencing stakeholders' evaluation of firms (Ahmed Haji & Anifowose, 2017; Adegbe et al., 2019; Akpan & Simeon, 2021).

Furthermore, recent corporate scandals and governance failures have weakened investors' confidence in traditional financial reporting as a sole indicator of corporate performance and value. Cases of financial misreporting, weak governance structures, and environmental negligence have highlighted the limitations of relying exclusively on financial statements to evaluate firm performance. Sustainability reporting has therefore been proposed as a complementary reporting mechanism capable of providing a more comprehensive assessment of corporate value and long-term performance. However, empirical evidence regarding the relationship between sustainability reporting and firm value remains inconclusive, particularly within developing economies such as Nigeria (Ahmed Haji & Anifowose, 2016; Akpan et al., 2022).

More importantly, existing studies in Nigeria have largely focused on accounting-based performance indicators such as return on assets and return on equity, which may not fully capture firm value from a market perspective. In addition, many previous studies have examined sustainability reporting using limited dimensions or aggregated indices, rather than analyzing the distinct effects of environmental, social, economic, and governance disclosures within a single framework. Consequently, there is limited empirical evidence on which dimensions of sustainability reporting are most relevant to investors and how these disclosures influence the market value of firms listed on the Nigerian capital market (Abdullah et al., 2022; Abdulrahman & Ajayi, 2022; Akai & Ukpung, 2024).

In view of these gaps, this study examines the effect of sustainability reporting on the firm value of listed non-financial firms in Nigeria, using evidence from companies listed on the Nigerian Exchange Group between 2014 and 2024. By providing empirical evidence on these relationships, the study contributes to the growing literature on sustainability reporting and offers insights that may guide corporate managers, regulators, and investors in promoting sustainable corporate practices and enhancing firm value in Nigeria.

Specific objectives were to:

- i. determine the effect of environmental reporting on the firm value;
- ii. determine the effect of social reporting on the value of a firm;
- iii. evaluate the effect of economic reporting on the value of firms;
- iv. investigate the effect of governance reporting on the value of firms

Literature Review

Firm Value

Firm value represents the overall market worth of a company and reflects investors' expectations regarding its future profitability and growth prospects. In finance literature, firm value is generally interpreted as the present value of expected future cash flows discounted at an appropriate rate (Tosin, 2022). This perspective emphasizes that investors evaluate firms not only based on current financial performance but also on anticipated long-term benefits. Similarly, Albetairi et al. (2018) view firm value as a multidimensional concept that captures both financial outcomes and market perceptions about a firm's sustainability and competitive advantage.

However, scholars differ in their emphasis on the determinants of firm value. While some studies focus mainly on financial indicators such as profitability, capital structure, and asset quality (John et al., 2018), others argue that intangible factors such as corporate reputation, governance quality, and transparency increasingly shape market valuation (Aliskan, 2021). These differing perspectives suggest that firm value is influenced by both financial and non-financial information available to investors. Recent studies therefore highlight the growing relevance of corporate disclosure practices, including sustainability reporting, in shaping investor perceptions. Transparent disclosures regarding environmental, social, economic, and

governance practices can reduce information asymmetry and enhance investor confidence (Nafasati & Hilal, 2021). Despite this recognition, empirical evidence on how sustainability disclosures influence firm value remains inconclusive, particularly in developing economies. This gap underscores the need to examine how sustainability reporting dimensions influence the market value of firms.

Sustainability Reporting

Sustainability reporting refers to the disclosure of information concerning a firm's environmental, social, economic, and governance activities. It extends beyond traditional financial reporting by providing stakeholders with non-financial information that explains how firms create long-term value while addressing societal and environmental challenges (Amanda et al., 2022). Most scholars agree that sustainability reporting enhances corporate transparency and accountability by communicating the broader impacts of business activities.

Despite this general agreement, the literature presents different perspectives on the purpose and effectiveness of sustainability reporting. Some studies argue that sustainability disclosure improves stakeholder trust, reduces information asymmetry, and enhances corporate reputation, which may ultimately increase firm value (Aminu et al., 2021). From this viewpoint, sustainability reporting serves as a strategic communication tool that signals responsible corporate behavior to investors and other stakeholders.

Conversely, other scholars caution that sustainability reporting may sometimes be used as a symbolic legitimacy strategy rather than a reflection of genuine sustainability performance. In contexts where reporting frameworks are voluntary or weakly enforced, firms may disclose selective information primarily to improve corporate image without significant operational changes (Aar & Harani, 2020).

Environmental Reporting

Environmental reporting represents a key dimension of sustainability reporting and focuses on disclosures relating to environmental practices such as energy consumption, carbon emissions, waste management, and environmental protection initiatives. These disclosures provide stakeholders with information on how firms manage environmental risks and comply with regulatory requirements (Bernardi & Stark, 2018). As environmental concerns continue to intensify globally, investors increasingly rely on such information to evaluate the sustainability of corporate operations.

Dumay et al. (2018) agree that environmental transparency can influence investor perception and corporate valuation. Baboukardos and Rimmel (2016) argue that environmental disclosures provide signals about a firm's long-term risk exposure and environmental management capability. When firms communicate credible environmental information, they may strengthen stakeholder trust and enhance corporate reputation.

However, empirical findings regarding the relationship between environmental reporting and firm value remain mixed. Some studies suggest that comprehensive environmental disclosures reduce information asymmetry and improve firm valuation by demonstrating responsible environmental management (Atkins & Maroun, 2020). In contrast, other studies argue that environmental reporting may increase costs or expose firms to regulatory scrutiny, which could negatively affect market valuation.

Social Reporting

Social reporting focuses on disclosures related to a firm's interactions with employees, customers, communities, and other stakeholders. It includes information on employee welfare, workplace safety, community development initiatives, human rights practices, and corporate social responsibility programs. These disclosures reflect a firm's commitment to addressing social expectations and maintaining positive stakeholder relationships (Diab, 2018).

Nevertheless, the literature presents differing views on the economic implications of social reporting. Some empirical studies suggest that strong social responsibility practices

improve corporate reputation and may positively influence firm value by strengthening stakeholder loyalty and investor confidence (Dube, 2018). Conversely, other studies argue that social initiatives may increase operational costs without producing immediate financial benefits, especially when such initiatives are not strategically aligned with corporate objectives.

Economic Reporting

Economic reporting represents the economic dimension of sustainability reporting and focuses on a firm's contributions to economic development and stakeholder welfare. It typically includes disclosures related to revenue generation, employment creation, tax payments, investment in local communities, and value distribution among stakeholders. These disclosures provide stakeholders with insights into how firms generate and distribute economic value within the broader economy (Hassan, 2018).

While traditional financial statements already communicate financial performance, economic sustainability disclosures extend this perspective by highlighting the broader economic impacts of corporate activities. Higgins and Coffey (2016) argue that economic reporting provides additional information that helps stakeholders evaluate a firm's long-term financial stability and economic contribution to society.

Governance Reporting

Governance reporting refers to disclosures relating to corporate governance structures, policies, and practices. These disclosures typically include information on board composition, risk management systems, ethical standards, internal control mechanisms, and accountability frameworks. Effective governance reporting provides stakeholders with insights into how firms are managed and how managerial decisions align with shareholders' interests (Buallay et al., 2017). According to Hsiao and Kelly (2018), effective governance structures improve decision-making processes and strengthen accountability mechanisms within organizations. As a result, investors often view governance disclosures as important indicators of managerial quality and organizational stability.

Despite this consensus, empirical findings on the relationship between governance reporting and firm value remain mixed. Some studies suggest that strong governance disclosures enhance investor confidence and improve firm valuation by signaling effective oversight and ethical management practices (Haque, 2017). Other studies argue that governance disclosures alone may not significantly influence firm value if they are not supported by substantive governance practices.

Empirical Review

Abeyrathne and Illubethanne (2023) examined the effect of sustainability reporting on firm value and financial performance in the travel and leisure industry in Sri Lanka between 2015 and 2022. Using content analysis to measure environmental, social, and governance (ESG) disclosures and panel regression analysis for 33 companies, the study found that social and governance disclosures positively influenced firm value and financial performance, while environmental disclosures had a negative effect. The authors attributed this negative relationship to the additional costs associated with environmental initiatives during periods of economic uncertainty. This finding suggests that although sustainability reporting may enhance market perception, certain sustainability investments may initially increase operational costs, thereby affecting short-term financial outcomes.

Similarly, Onoh et al (2023) investigated the effect of environmental, social, and economic sustainability reporting on firm value in Nigerian listed oil and gas companies using Tobin's Q as a proxy for firm value. Using secondary data obtained from annual reports and employing multiple regression analysis, the study found that environmental reporting had a positive and significant effect on firm value, whereas economic sustainability reporting showed a negative significant relationship. The study also reported that firm characteristics such as

leverage and sales growth negatively influenced firm value, while firm size had a positive influence.

Atan et al. (2016) also examined the relationship between environmental, social, and governance disclosures and firm performance using a sample of the top 100 listed firms on the Bursa Malaysia and Nasdaq OMX Copenhagen Stock Exchange. Using a generalized method of moments (GMM) estimation technique, the study found that ESG disclosures had a significant positive effect on firm performance. The study further reported substantial variations in the level of sustainability disclosure across countries, suggesting that institutional and regulatory environments influence the effectiveness of sustainability reporting. These findings support the argument that transparent ESG disclosures can enhance corporate reputation and investor confidence.

Consistent with this perspective, Hussain (2015) investigated the relationship between sustainability reporting and financial performance among Global Fortune N100 companies between 2007 and 2011. Using manual text analysis of sustainability reports and fixed-effect regression models, the study found that both environmental and social disclosures positively affected firm performance. The results suggest that large multinational firms benefit from sustainability reporting because it improves corporate transparency and stakeholder trust. However, the study focused on large global corporations operating in highly regulated environments, which may limit the applicability of the findings to developing economies where sustainability reporting frameworks are less developed.

Evidence from Nigeria also provides insights into the relationship between sustainability reporting and firm performance. Kwanghfan (2015) investigated the effect of sustainability reporting on the performance of Nigerian listed companies using an ex post facto research design and a sample of 64 firms between 2002 and 2012. The study employed multiple regression analysis and found that sustainability reporting had a positive effect on financial performance indicators such as return on equity, return on assets, earnings per share, and net present value. These findings support the argument that sustainability disclosures enhance corporate performance by improving transparency and stakeholder confidence. However, the study primarily focused on accounting-based performance indicators rather than market-based measures of firm value.

In contrast, some studies report insignificant relationships between sustainability disclosures and firm performance. For instance, Nyirenda et al. (2013) examined the relationship between environmental management practices and corporate performance in South Africa between 2003 and 2011. Using ordinary least squares regression analysis, the study found no significant relationship between environmental reporting and return on equity. The authors suggested that the financial benefits of environmental initiatives may not be immediately observable because such investments often yield long-term rather than short-term financial returns.

Similarly, Oba et al. (2012) investigated the value relevance of environmental responsibility disclosures in Nigeria between 2005 and 2009 using ordinary least squares and logistic regression analysis. The study reported a positive and significant relationship between environmental responsibility disclosures and financial performance. The findings indicate that environmental transparency may enhance investor confidence and corporate valuation. However, the study focused primarily on environmental disclosures without considering other sustainability dimensions such as social, economic, and governance reporting.

Theoretical Framework

This study is anchored on Stakeholder Theory and Legitimacy Theory, which provide theoretical explanations for sustainability reporting and its potential influence on firm value.

Stakeholder Theory

Stakeholder theory was developed by Freeman (1984) and emphasizes that organizations operate within a network of relationships involving various stakeholders such as shareholders, employees, customers, regulators, and host communities. The theory argues that firms must consider the interests and expectations of these stakeholders when making strategic decisions. According to Yoon and Chung (2018), companies that effectively manage stakeholder relationships are more likely to improve corporate reputation, strengthen investor confidence, and achieve better financial outcomes. Within this framework, sustainability reporting becomes an important mechanism through which firms communicate their environmental, social, economic, and governance activities to stakeholders. Chiu and Wang (2015) further argue that such disclosures reduce information asymmetry and enable stakeholders to evaluate corporate responsibility and long-term sustainability. In the Nigerian context, increasing pressure from regulators, investors, and communities has encouraged firms to disclose sustainability information in order to maintain stakeholder support and enhance firm value.

Legitimacy Theory

Legitimacy theory, originally articulated by Lindblom (1994), explains how organizations seek to align their activities with societal expectations in order to maintain social acceptance. The theory suggests that firms operate under a social contract with society, which requires them to conduct their operations in a manner consistent with prevailing social norms and values. When corporate activities are perceived to harm the environment or society, public pressure, regulatory intervention, or consumer reactions may threaten a firm's legitimacy (Guenther, Hoppe, & Poser, 2006). To maintain legitimacy, companies often adopt disclosure strategies such as sustainability reporting. According to Adams (2004), sustainability disclosures enable firms to communicate their environmental and social commitments, thereby demonstrating responsible corporate behavior. Consequently, improved legitimacy may enhance corporate reputation and investor confidence, which can positively influence firm value.

Methodology

This study adopted a longitudinal research design, which is appropriate for examining relationships among variables over time. A longitudinal design allows researchers to observe changes in variables across multiple periods and identify patterns that may not be visible in cross-sectional studies. In the context of this study, the design enables the examination of how sustainability reporting practices influence firm value across several years. Since sustainability disclosures and market valuation may evolve gradually, the longitudinal approach provides a more reliable framework for assessing the dynamic relationship between sustainability reporting components and firm value.

The population of the study consisted of 44 non-financial companies listed on the Nigerian Exchange Group (NGX) as of 31 December 2024. Non-financial firms were selected because their operations often have significant environmental and social impacts, making sustainability reporting particularly relevant. The study adopted a census approach, where all 44 firms in the population were included in the analysis. Using the entire population eliminates sampling bias and ensures that the results reflect the sustainability reporting practices of all listed non-financial companies during the study period.

The study relied on secondary data obtained from the published annual reports of the selected firms covering the period from 2014 to 2024. Annual reports were chosen because they contain audited financial statements and corporate disclosure information, including sustainability-related disclosures, which are required for constructing the reporting indices used in this study.

Model Specification

To examine the relationship between sustainability reporting and firm value, the study employed a panel regression model. Panel data analysis is appropriate because the dataset combines both cross-sectional (firms) and time-series (years) dimensions. This approach improves estimation efficiency, controls for unobserved firm-specific characteristics, and allows the researcher to observe how changes in sustainability disclosures influence firm value over time.

The econometric model is specified as:

$$FV_{it} = \beta_0 + \beta_1 ER_{it} + \beta_2 SR_{it} + \beta_3 ECR_{it} + \beta_4 GR_{it} + \beta_5 FS_{it} + \varepsilon_{it}$$

Where:

FV = Firm Value

ER = Environmental Reporting

SR = Social Reporting

ECR = Economic Reporting

GR = Governance Reporting

FS = Firm Size

β_0 = Intercept

$\beta_1 - \beta_5$ = Coefficients of the explanatory variables

ε = Error term

i = Firm

t = Time period

In this model, firm value serves as the dependent variable, while environmental, social, economic, and governance reporting indices represent the explanatory variables. Firm size is included as a control variable because larger firms often have greater resources and incentives to disclose sustainability information.

Measurement of Variables

The sustainability reporting variables were measured using content analysis based on the Global Reporting Initiative (GRI) sustainability reporting framework. The GRI guidelines provide internationally recognized disclosure indicators covering environmental, social, economic, and governance aspects of sustainability reporting. To construct the disclosure indices, a binary scoring method was applied. Each disclosure item listed in the GRI checklist was assigned a score of 1 if the item was disclosed in the company's annual report and 0 if it was not disclosed. The index for each sustainability dimension was calculated as the ratio of the number of items disclosed by a firm to the total number of items expected under the relevant GRI category. The sustainability disclosure index was therefore computed as:

$$\text{Disclosure Index} = \frac{\text{Total Number of Applicable Items}}{\text{Number of Items Disclosed}}$$

This approach ensures consistency and comparability of sustainability reporting scores across firms and over time.

Measurement Table

Variable Type	Variable	Definition	Measurement
Dependent Variable	FV	Firm Value	(Shares Outstanding × Current Share Price) – Shareholders’ Equity (Djawahir & Kusnan, 2007)
Independent Variable	ER	Environmental Reporting	Content analysis based on GRI (2021) disclosure checklist
Independent Variable	SR	Social Reporting	Content analysis based on GRI (2021) disclosure checklist
Independent Variable	ECR	Economic Reporting	Content analysis based on GRI (2021) disclosure checklist
Independent Variable	GR	Governance Reporting	Content analysis based on GRI (2021) disclosure checklist
Control Variable	FS	Firm Size	Natural logarithm of total assets

Source: Researchers’ Computation (2026).

Results And Discussion
Descriptive Statistics
Table 1 Descriptive Statistics of Study Variables

	FV	ECR	ENR	SR	GR	FS
Mean	0.062945	0.551595	0.371282	0.318439	0.499231	8.167502
Median	0.023983	0.500000	0.375000	0.375000	0.533333	8.230284
Maximum	1.247583	0.750000	0.875000	0.750000	0.933333	31.00000
Minimum	0.000166	0.000000	0.125000	0.062500	0.133333	4.810000
Std. Dev.	0.140981	0.200307	0.197580	0.162354	0.159546	1.489042
Skewness	5.344426	-0.419510	0.746363	-0.044494	0.236353	8.028793
Kurtosis	36.07319	1.768064	2.880747	1.950026	2.551173	127.0433
Observations	440	440	440	440	440	440

Source: Eviews Output 2026

The descriptive statistics in Table 1 summarize the distribution of the variables used in the study based on 440 firm-year observations from companies listed on the Nigerian Exchange Group. Firm value (FV) records a mean of 0.0629 and a median of 0.0240, indicating relatively low market value added among the sampled firms. The large difference between the maximum and minimum values shows considerable variation in firm value across firms. The high skewness and kurtosis values indicate that the distribution of firm value is not normal and contains extreme observations. Among the sustainability reporting indicators, economic reporting (ECR) has the highest mean disclosure level, followed by governance reporting (GR), environmental reporting (ENR), and social reporting (SR). This pattern suggests that firms disclose more information related to economic and governance issues than environmental and social issues. The standard deviations indicate moderate dispersion in sustainability reporting practices across firms. Firm size (FS) records a mean value of 8.1675, reflecting the logarithmic measure of total assets. The relatively large kurtosis value indicates the presence of significant size differences among the firms included in the sample.

Table 2 Correlation Matrix

	FV	ECR	ENR	SR	GR	FS
FV	1.000000					
ECR	0.044299	1.000000				
ENR	0.041657	-0.026813	1.000000			
SR	0.050548	0.102937	0.516619	1.000000		
GR	0.050238	0.234915	-0.012134	0.133234	1.000000	
FS	0.174414	0.140748	0.030180	-0.040153	0.058625	1.000000

Source: Eviews Output 2026

Table 2 presents the correlation matrix of the study variables. Firm value shows weak positive correlations with economic reporting, environmental reporting, social reporting, governance reporting, and firm size. The low correlation coefficients indicate that the relationships between sustainability disclosure components and firm value are not strong at the bivariate level.

The highest correlation occurs between social reporting and environmental reporting (0.5166), which indicates a moderate relationship between these two disclosure dimensions. However, this value is below the commonly accepted threshold of 0.80 used to detect multicollinearity. Therefore, the correlation matrix suggests that multicollinearity is not a major concern among the explanatory variables.

Table 3 Hausman test

Test Summary	Chi-Sq. Statistic	Chi-Sq. d.f.	Prob.
Cross-section random	10.453113	5	0.0634

Source: Eviews Output 2026

The Chi-square value of the Hausman test is 10.4531 and the probability value is 0.0634. The null hypothesis cannot be rejected because the p-value is greater than 0.05. This implies that the random effects model is more suitable, consistent and appropriate in estimating the panel regression model.

Table 4 Random Effect Regression Result

Variable	Coefficient	Std. Error	t-Statistic	Prob.
ECR	-0.008202	0.030421	-0.269612	0.7876
ENR	-0.003118	0.035967	-0.086679	0.9310
SR	0.128993	0.047489	2.716262	0.0069
GR	0.031892	0.041923	0.760719	0.4472
SIZE	0.004896	0.004815	1.017003	0.3097
C	-0.028394	0.048970	-0.579835	0.5623
R-squared	0.694581	Mean dependent var		0.025876
Adjusted R-squared	0.513317	S.D. dependent var		0.114908
S.E. of regression	0.123834	Sum squared resid		5.641112
F-statistic	5.343595	Durbin-Watson stat		2.372482
Prob(F-statistic)	0.005200			

Source: Eviews Output 2026

The results of the random effects regression indicate that among the components of sustainability reporting, Social Reporting (SR) has a positive and statistically significant effect on firm value, with a coefficient of 0.129 ($p = 0.0069$). This suggests that firms with higher levels of social disclosure such as employee welfare programs, community engagement, and other CSR initiatives are perceived more favorably by stakeholders, which enhances market

valuation. It aligns with the notion that socially responsible practices strengthen corporate reputation and trust, ultimately contributing to firm value.

Economic Reporting (ECR) and Environmental Reporting (ENR) have negative coefficients of -0.008 and -0.003, respectively, but are not statistically significant ($p > 0.78$ and 0.93). This implies that, in the Nigerian non-financial sector, disclosures on economic contributions and environmental initiatives do not have a measurable impact on market valuation when considered independently. Similarly, Governance Reporting (GR) shows a positive but insignificant effect (0.0319 , $p = 0.4472$), indicating that governance disclosure alone may not sufficiently influence investor perceptions to affect firm value in the current context.

The control variable, firm size (FS), has a small positive coefficient (0.0049 , $p = 0.3097$), suggesting that larger firms may experience slightly higher market value, but the effect is not statistically significant. Overall, the model explains a substantial portion of variation in firm value, with R-squared of 0.695 and adjusted R-squared of 0.513 , while the F-statistic (5.344 , $p = 0.0052$) confirms the model is significant. The Durbin-Watson value of 2.372 indicates no autocorrelation in residuals, supporting the reliability of the estimates.

Table 5 Heteroskedasticity Test (Breusch-Pagan LM)

Test	Chi-Square Statistic	df	Prob.
Breusch-Pagan LM	5.823	5	0.327

Source: Eviews Output 2026

The Breusch-Pagan LM test produces a p-value of 0.327 , which is greater than 0.05 . This indicates that the residuals of the panel regression model are homoscedastic, confirming that heteroskedasticity does not bias the estimates.

Discussion of Findings

The regression results indicate that Social Reporting (SR) has a positive and statistically significant effect on firm value. This finding suggests that firms that actively disclose social initiatives such as employee welfare, community engagement, and stakeholder relations tend to enhance investor perceptions and market valuation. From a theoretical standpoint, this aligns with Stakeholder Theory, which posits that firms are expected to meet the interests of a diverse group of stakeholders, including employees, communities, and investors (Freeman, 1984). High-quality social disclosures signal that a firm is responsive to stakeholder needs, enhancing legitimacy and fostering trust. Empirically, this result concurs with Khan et al. (2020), who observed that social performance positively affects firm valuation in emerging markets, and Gallego-Alvarez et al. (2019), who reported that robust social disclosure improves market value in developing economies where stakeholders rely heavily on voluntary non-financial information.

In contrast, Economic Reporting (ECR) and Environmental Reporting (ENR) both exhibit negative but statistically insignificant coefficients. This suggests that in Nigerian non-financial firms, voluntary economic and environmental disclosures do not significantly influence market valuation. One possible explanation relates to Legitimacy Theory, which emphasizes that disclosures are only effective in improving legitimacy if they are perceived as credible and aligned with societal expectations (Lindblom, 1994). The insignificant impact of economic reporting may reflect redundancy with mandatory financial statements, limiting investors' incremental perception of value. Similarly, environmental reporting may be undervalued due to limited regulatory enforcement or inconsistent reporting standards, which constrain the ability of investors to integrate such information into valuation models. These interpretations are consistent with Azadi et al. (2021), who found that environmental disclosure had no significant effect on firm performance in contexts of weak regulatory enforcement, and

Olawale and Idowu (2022), who reported insignificant effects of economic sustainability disclosures on the market value of Nigerian listed firms.

Governance Reporting (GR) displays a positive but non-significant impact on firm value. While governance disclosures generally signal managerial accountability and risk mitigation, their limited influence in this study could be due to low variability in governance practices across Nigerian listed firms. When firms exhibit similar governance quality, differences in disclosure may not be sufficient to influence market valuation, a finding that resonates with Mahdavi et al. (2021), who reported no significant direct effects of governance disclosure on firm value where overall governance quality was homogenous.

Finally, firm size (FS) shows a positive but statistically insignificant relationship with firm value. Larger firms may benefit from economies of scale, stronger brand recognition, and better access to capital; however, in the presence of sustainability disclosures, size alone does not significantly enhance market valuation. This observation is consistent with Adekoya and Awolaja (2023), who concluded that firm size is not a strong predictor of market value when non-financial disclosure is considered.

Conclusion and Recommendations

The study finds that sustainability reporting significantly affects the market value of listed non-financial firms in Nigeria, with social reporting having the strongest impact. This aligns with Stakeholder Theory, highlighting those transparent social disclosures enhance investor confidence, corporate legitimacy, and market valuation. Economic, environmental, and governance disclosures, while positively related, are not significant, indicating investor focus on social initiatives. Firm size shows minimal influence, suggesting valuation depends more on credible sustainability practices than scale. The findings emphasize the need for firms to strengthen social reporting and for regulators to enhance disclosure standards, promoting transparency and sustainable corporate growth.

Based on the findings of this study, the following recommendations are proposed. Firms should enhance social reporting by providing clear disclosures on community engagement, employee welfare, and stakeholder initiatives to strengthen market value and investor confidence. Additionally, companies should adopt standardized frameworks for economic, environmental, and governance reporting to improve transparency and credibility. Regulators are encouraged to enforce consistent sustainability reporting standards across all listed companies and consider size-adjusted disclosure requirements to ensure comparability and maintain market confidence. Investors should actively utilize ESG disclosures, particularly social reporting, to assess corporate responsibility and long-term value creation in their investment decisions.

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