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Research Paper

The Impact of Environmental, Social and Governance (ESG) Reporting on Corporate Financial Performance of Listed Consumer Goods Companies in Nigeria

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Abstract
This study investigated the impact of Environmental, Social, and Governance (ESG) reporting on the financial performance of listed consumer goods companies in Nigeria from 2015 to 2024. The study employed an ex-post facto research design. The population of the study consists of all consumer goods companies listed in Nigerian Exchange Group (NGX) while purposive sampling technique was used to determine the sample size. Secondary corporate data were obtained from annual financial statement of the sampled companies while panel regression models and supporting diagnostic tests were used to analyze the data. The findings revealed that environmental and governance disclosures exert a positive and statistically significant influence on corporate financial performance, implying that firms which adopt environmentally responsible practices and maintain strong governance structures achieve better financial outcomes. In contrast, social disclosures show weak and largely insignificant effects, reflecting challenges in aligning social initiatives with measurable performance outcomes. The composite ESG index demonstrates a consistently positive relationship with ROA, ROE, and EPS. Overall, the study emphasized the strategic relevance of sustainability integration within Nigeria's consumer goods sector and offers insights for policymakers, corporate managers, investors, and scholars on strengthening ESG reporting and enhancing long-term value creation.

Keywords: *Corporate Governance; Environmental, Social and Governance (ESG); Financial Performance; Sustainability Reporting.*

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I. Introduction

Environmental, Social, and Governance (ESG) reporting has emerged as a core element of modern corporate strategy, driven by increasing stakeholder demand for transparency, ethical conduct, and long-term sustainability. In recent years, ESG disclosure has shifted from being a voluntary initiative to a strategic mechanism for risk management, corporate governance, and value creation, particularly in capital markets where investors increasingly integrate sustainability metrics into decision-making. Empirical evidence from recent global studies indicates that firms with strong ESG practices tend to exhibit superior financial resilience, improved profitability, and reduced exposure to regulatory and reputational risks (Eccles & Klimenko, 2019; Friede, Busch & Bassen, 2023). Similarly, broad international assessments indicate that ESG-oriented firms benefit from lower cost of capital and stronger long-term performance due to enhanced stakeholder trust and operational efficiency (Atanasova & Schwartz, 2019; Clark, Feiner & Viehs, 2021). These developments reflect a structural shift in global business norms, positioning ESG reporting as a critical determinant of corporate competitiveness and financial sustainability rather than a discretionary reporting exercise.

The Nigerian corporate environment has also witnessed growing attention to sustainability practices, largely driven by regulatory reforms, global market integration, and heightened awareness of environmental and social challenges. The consumer goods sector, which plays a significant role in Nigeria's economic development and household welfare, has come under increased scrutiny due to its substantial environmental footprint arising from manufacturing, packaging, waste generation, water usage, and energy consumption. In addition, social issues such as employee welfare, occupational health and safety, product quality, and community relations further heighten the sector's sustainability responsibilities. Recent studies on Nigeria and other Sub-Saharan African economies show that firms operating in environmentally sensitive and consumer industries face stronger stakeholder pressure to improve ESG transparency and accountability (Adegbite, Amaeshi & Amao, 2020; Okafor, Adeleye & Adusei, 2021). Consequently, ESG reporting is increasingly viewed as a mechanism through which Nigerian consumer goods firms can operate legally, reduce operational risks, and enhance long-term financial and reputational performance (Akinleye & Hassan, 2023; Akpan & Amran, 2022). Environmental, Social, and Governance (ESG) reporting has become an essential dimension of corporate accountability globally, yet its translation into measurable financial outcomes remains highly uncertain within emerging markets such as Nigeria. In the consumer goods sector, where production activities have significant environmental and social implications, ESG reporting has grown in visibility but not necessarily in quality or consistency. Many firms disclose sustainability information in fragmented or symbolic ways that do not reflect comprehensive environmental management, social responsibility, or strong governance structures. Thus, despite increasing regulatory and stakeholder pressure, ESG practices in the Nigerian consumer goods industry still exhibit major variations in scope, depth, and commitment, raising concerns about their authenticity and strategic relevance in relation to financial performance.

Consequent upon ESG reporting, corporate financial performance remains a central concern for managers, investors, and policymakers. Financial ratios such as Return on Assets (ROA), Return on Equity (ROE), and Earnings per Share (EPS) are widely used to evaluate firms' profitability, efficiency, and shareholder value creation. Theoretically, ESG reporting influences financial performance through enhanced reputation, increased investor trust, improved risk management, operational efficiency, reduced cost of capital, and strengthened stakeholder relationships. Empirically, global and Nigerian evidences remain mixed because many studies indicate a positive relationship between ESG and financial performance, others suggest neutral or negative relationships due to the high cost of implementation or symbolic ESG practices that lack substantive impact (Christensen, Hail & Leuz, 2021).

Furthermore, the absence of standardized ESG reporting frameworks contributes to unreliable and incomparable disclosures across firms. Although the Nigerian Exchange Group (NGX) Sustainability Guidelines and the Financial Reporting Council of Nigeria (FRCN)'s reporting mandates were introduced to promote uniformity, compliance remains uneven. Some companies publish detailed sustainability reports aligned with international frameworks such as GRI and SASB, while others provide only superficial ESG statements embedded within annual reports. This inconsistency complicates efforts to evaluate the true financial value of ESG integration, especially when global empirical studies remain mixed, with some establishing positive links and others reporting neutral or even negative associations between ESG and profitability. The scarcity of context specific empirical evidence for Nigeria particularly evidence that separately examines environmental, social, and governance indicators will further widen the knowledge gap.

Given these uncertainties, it remains unclear whether ESG adoption enhances the financial performance of Nigerian consumer goods companies or merely imposes additional compliance burdens without tangible returns. The sector faces mounting competitive pressures, rising production costs, and increasing consumer expectations around ethical practices. Yet many firms struggle to integrate ESG principles into core business operations in ways capable of yielding financial benefits such as improved profitability, cost efficiency, or investor confidence. This study is therefore necessitated by the need to empirically determine the extent to which environmental, social, and governance disclosures influence financial performance measured through ROA, ROE, and EPS over a ten-year period (2015–2024), thereby providing evidence to guide policymakers, managers, and investors in strengthening ESG implementation in Nigeria. This study will use data from consumer goods companies listed on the Nigeria Exchange Group for its analysis and its results are expected to contribute to scientific literature and management practices in the business world.

II. LITERATURE REVIEW

Conceptual Review

Environmental, Social, and Governance (ESG) Reporting

Environmental, Social, and Governance (ESG) reporting refers to the structured disclosure of non-financial information relating to an organisation's environmental impact, social responsibilities, and governance quality. International sustainability bodies such as the Global Reporting Initiative (GRI, 2021) and the International Sustainability Standards Board (ISSB, 2023), which consolidates the former Sustainability Accounting Standards Board (SASB), define ESG disclosure as a mechanism through which firms communicate their sustainability performance to stakeholders, thereby strengthening transparency and accountability. The environmental dimension involves issues such as carbon emissions, waste management, water use, and resource efficiency (Friede et al; GRI, 2021). The social dimension concerns employee welfare, human rights, occupational safety, consumer protection, and community engagement (Eccles & Klimenko, 2019; SASB, 2023). Governance covers board structure, ethical conduct, leadership effectiveness, and internal control systems (World Economic

Forum, 2020; Velte, 2021). Collectively, these disclosures help stakeholders assess the sustainability posture and risk profile of the organisation.

In Nigeria, ESG reporting has grown steadily due to rising regulatory involvement and increasing stakeholder expectations. The Nigerian Exchange Group (NGX, 2021) introduced updated Sustainability Disclosure Guidelines to encourage listed firms to adopt internationally recognised ESG frameworks such as the Global Reporting Initiative (GRI) and International Sustainability Standards Board. Similarly, the Financial Reporting Council of Nigeria (FRCN, 2023) mandates the integration of sustainability-related disclosures into annual corporate financial and non-financial reports. These regulatory developments aim to improve the comparability, consistency, and credibility of ESG data across Nigerian firms (NGX 2021; FRCN 2023). However, recent empirical evidence continues to indicate persistent disparities in reporting depth, with some companies producing comprehensive sustainability reports while others engage in minimal or symbolic disclosure practices (Uwuigbe et al 2020; Olayinka & Adegbite, 2022). Consequently, concerns remain regarding the reliability, transparency, and decision-usefulness of ESG information within the Nigerian corporate environment.

Despite these challenges, ESG reporting is increasingly conceptualized as a strategic corporate tool for enhancing organisational legitimacy, managing sustainability-related risks, and promoting long-term value creation. Contemporary studies suggest that robust ESG practices help firms mitigate regulatory and reputational risks, strengthen investor confidence, and improve corporate reputation (Friede et al 2019; Velte, 2021). ESG disclosures also support organisational alignment with global responsible investment trends, particularly as institutional investors and asset managers increasingly integrate ESG criteria into portfolio allocation and risk assessment decisions (Clark, Feiner & Viehs, 2019; Eccles, Klimenko & Pohl, 2023). As a result, ESG reporting is now widely recognised not merely as a compliance obligation but as a potential source of competitive advantage within modern corporate governance frameworks.

Financial Performance

Financial performance refers to the extent to which a firm achieves its financial objectives and is commonly assessed using accounting-based indicators such as Return on Assets (ROA), Return on Equity (ROE), and Earnings per Share (EPS). Berk and DeMarzo (2020) indicated that these indicators serve as critical measures of profitability, operational efficiency, and shareholder value creation. ROA measures how efficiently a firm utilised its assets to generate profits, ROE evaluates the effectiveness of equity capital utilisation, while EPS reflects the portion of earnings attributable to each outstanding share (Brigham & Ehrhardt, 2020; Penman & Zhu, 2022). These performance indicators remain widely applied in academic research and financial analysis because they provide objective and comparable insights into firm performance, managerial effectiveness, and financial health.

Financial performance is shaped by a combination of internal organisational characteristics and external environmental factors. Internally, factors such as operational efficiency, innovation capability, managerial competence, and effective resource utilisation significantly influence profitability outcomes (Grant, 2019; Kaplan & Norton, 2020). Externally, market dynamics, regulatory frameworks, industry competition, and broader macroeconomic conditions also play a crucial role in determining corporate financial outcomes (Porter, 2008; Berk & DeMarzo, 2020). In recent years, ESG practices have emerged as an important determinant of financial performance, as investors and other stakeholders increasingly favour firms that demonstrate strong ethical standards, environmental responsibility, and sound governance practices These developments highlight the evolving nature of financial performance assessment in contemporary corporate and sustainability-oriented business environments.

ESG Reporting and Financial Performance: Conceptual Linkages

The conceptual relationship between ESG reporting and financial performance is grounded in the argument that sustainability initiatives contribute to value creation through multiple organisational and market-based channels. Environmental practices are argued to reduce operational costs, improve resource efficiency, and limit exposure to environmental and regulatory risks, thereby enhancing firm competitiveness (Porter, Kramer & Serafeim, 2019; Clarkson et al., 2022). Social responsibility initiatives strengthen employee morale, consumer trust, and community relationships, which may translate into higher productivity, customer loyalty, and reputational capital (Freeman, Phillips & Sisodia, 2020; Turker, 2021). Governance quality enhances transparency, reduces agency conflicts, and promotes ethical leadership and effective oversight, thereby improving investor confidence and organisational stability (Velte, 2021; Jensen, 2020). Consequently, firms with strong ESG practices are theoretically expected to achieve superior long-term financial performance.

Empirical literature largely supports this conceptual proposition. Recent large-scale reviews and meta-analyses indicate that the relationship between ESG performance and financial outcomes is predominantly positive or neutral. There is positive associations between ESG engagement and accounting-based or market-based performance indicators (Friede et al 2019; Velte, 2021). Similarly, longitudinal studies demonstrate that firms with advanced sustainability practices tend to outperform their counterparts in terms of stock returns and profitability over time (Eccles, Klimenko & Pohl, 2023; Lins, Servaes & Tamayo, 2020). However, other scholars caution that ESG initiatives may involve significant implementation and compliance costs, which can adversely affect short-term profitability, particularly in resource-constrained firms or highly competitive industries (Christensen, Hail & Leuz, 2021; Broadstock et al., 2021). These mixed findings suggest that the ESG and financial performance relationship is complex and contingent upon firm-specific and contextual factors.

Within emerging economies such as Nigeria, the ESG and financial performance nexus remains relatively underexplored and empirically inconclusive. Nigeria's institutional environment is characterised by evolving regulatory frameworks, limited enforcement capacity, and heterogeneous reporting practices Consequently, conceptual literature suggests that while ESG reporting has the potential to enhance firm financial performance, its actual impact depends largely on implementation quality, industry characteristics, and the broader institutional context. This underscores the need for empirical investigation within Nigeria's consumer goods sector, particularly using disaggregated ESG dimensions and longitudinal performance data.

Theoretical Review

Stakeholder Theory

Stakeholder Theory, originally advanced by Freeman (1984) and further developed in contemporary management literature, posits that organisations must consider the interests of all relevant stakeholders and not only shareholders in their decision-making processes. Stakeholders include employees, customers, suppliers, regulators, community members, and investors whose interests can affect or be affected by organisational activities. Recent interpretations of the theory argue that firms that actively address stakeholder concerns through responsible environmental, social, and governance (ESG) practices are more likely to build trust, legitimacy, and sustained stakeholder support (Freeman

ESG reporting therefore serves as an important mechanism through which firms signal their commitment to stakeholder welfare and responsible business conduct. In turn, stakeholders may reward such firms through increased loyalty, investment, favourable regulatory treatment, or positive brand engagement, which can ultimately enhance long-term financial performance (Velte, 2021). Stakeholders' expectations regarding environmental protection, product safety, and community impact are rising. Firms that fail to meet these expectations risk reputational damage, regulatory sanctions, or consumer backlash. This theory provides a strong foundation for understanding why ESG practices may influence financial performance in consumer goods sector.

Triple Bottom Line (TBL) Theory

The Triple Bottom Line (TBL) framework introduced by Elkington (1997) emphasizes that corporate success should be measured across three dimensions: People (social performance), Planet (environmental performance), and Profit (economic performance). TBL encourages organizations to integrate sustainability principles into core business operations, arguing that long-term financial performance is enhanced when firms balance economic goals with environmental and social responsibilities.

For Nigerian consumer goods firms, the TBL framework highlights the need to adopt environmentally sound production processes, promote positive social impact, and strengthen corporate governance mechanisms. It also aligns with the global shift toward socially responsible investment (SRI), which increasingly integrates ESG criteria into financial decisions.

Empirical Review

Empirical studies examining the relationship between ESG reporting and financial performance have continued to produce mixed but largely favourable results across global contexts. Recent meta-analytical evidence revalidating earlier findings indicates that a substantial proportion of empirical studies report either a positive or neutral association between ESG engagement and financial performance (Friede, et al 2019). Similarly, updated investment-focused reviews conclude that robust sustainability and ESG practices are positively associated with firm value, lower cost of capital, and improved investment returns over the long term (Clark, Feiner & Viehs, 2019; Lins, Servaes & Tamayo, 2020). These findings suggest that ESG-related activities may enhance corporate competitiveness, mitigate business and regulatory risks, and improve operational efficiency, thereby supporting stronger financial outcomes.

However, other scholars present contrasting empirical evidence. Recent studies show that sustainability-related controversies and negative ESG events can adversely affect shareholder value, particularly in the short term, due to reputational damage and increased compliance costs (Pankratz, 2021; Krüger, 2023). In addition, some ESG investments may generate insignificant or even negative short-term financial returns as a result of high implementation, monitoring, and reporting costs, especially in emerging markets and cost-sensitive industries (Broadstock et al., 2021; Christensen, Hail & Leuz, 2021). These mixed findings reinforce the view that the ESG–

financial performance relationship is not uniform and highlight the importance of sector- and country-specific empirical investigations.

Within Africa, empirical evidence remains relatively limited but continues to expand. Recent studies on South African firms report a positive association between governance disclosures and firm value, suggesting that strong governance practices enhance transparency and investor confidence in emerging markets (Ntim, Opong & Danbolt, 2020; Velte, 2021). In Nigeria, more recent empirical work indicates that environmental disclosure has a statistically significant effect on firm financial performance, while social disclosure often exhibits weaker or inconsistent impacts (Uwuigbe et al., 2020; Olayinka & Adegbite, 2022). Other Nigerian studies also document uneven ESG reporting practices across firms, which complicates the assessment of their financial implications and limits comparability (Adegbite, Amaeshi & Nakajima, 2021).

Most existing Nigerian studies rely on cross-sectional data or short observation periods, thereby offering limited insight into the long-term dynamics between ESG reporting and financial performance, particularly in high-impact sectors such as consumer goods manufacturing. Furthermore, relatively few studies disaggregate ESG into its environmental, social, and governance components when assessing financial outcomes. This study addresses these gaps by analysing a decade-long panel dataset (2015–2024) and examining both the individual and combined effects of environmental, social, and governance disclosures on multiple financial performance indicators, including Return on Assets (ROA), Return on Equity (ROE), and Earnings per Share (EPS).

III. Methodology

The methodology adopted for this study is designed to examine the relationship between Environmental, Social, and Governance (ESG) reporting and the financial performance of listed consumer goods companies in Nigeria over a ten-year period (2015 - 2024). The study adopted an ex-post facto research design, which is appropriate for investigations based on historical and already-existing data that cannot be manipulated by the researcher (Sekaran & Bougie, 2020; Kothari & Garg, 2019). This design is suitable given that ESG disclosure scores and financial performance measures are obtained from publicly available annual and sustainability reports published by the sampled firms.

Population and Sampling Technique

The population of the study consists of all consumer goods companies listed on the Nigerian Exchange (NGX) as at 2024 totaling 20 companies Purposive sampling technique was employed to select 12 companies that published annual reports consistently from 2015 – 2024 and disclosed environmental, social, and governance (ESG) related information during the study period.

This sampling approach has also been adopted in recent Nigerian ESG and sustainability studies to ensure data completeness, comparability, and analytical validity (Uwuigbe et al., 2020; Adegbite, Amaeshi & Nakajima, 2021). Consequently, the selected sample is deemed to offer a robust representation of the consumer goods sector

Sources of Data

The study relied entirely on secondary data, drawn from audited annual reports, sustainability reports, and corporate disclosures published by the sampled companies. Additional information was retrieved from the NGX factbook, companies' websites, and financial databases. Secondary data is appropriate for ESG studies because sustainability and financial disclosures are publicly available, standardized, and widely used for empirical analysis (GRI, 2021; SASB, 2020; Creswell & Creswell, 2018).

Model Specification

To examine the impact of ESG reporting on corporate financial performance (CFP), the following model is adopted and modified from empirical studies

$$\mathrm{CFP}_{it} = \beta_0 + \beta_1\mathrm{ENV}_{it} + \beta_2\mathrm{SOC}_{it} + \beta_3\mathrm{GOV}_{it} + \beta_4\mathrm{SIZE}_{it} + \beta_5\mathrm{LEV}_{it} + \beta_6\mathrm{GROWTH}_{it} + \mu_{it}$$

Where:
CFP = Corporate Financial Performance of firm i in year t measured by ROA = Return on Asset
ROE = Return on Equity
EPS = Earnings per share
ENV = Environmental disclosure index.
SOC = Social disclosure index.
GOV = Governance disclosure index.
SIZE = Firm size (proxied by logarithm of total assets).
LEV = Leverage (total debt ÷ total assets).
GROWTH = Firm growth (annual sales growth).
μ = Stochastic error term capturing unobserved variations

Measurement of Variables
ESG Variables

Environmental (EVD), Social (SOD), and Governance (GOD) disclosures were measured using a dichotomous scoring system, where each item was coded 1 if disclosed and 0 if not (Velte, 2021; Broadstock et al., 2021). Scores for each dimension were converted into disclosure indices by dividing the number of disclosed items by the total applicable items. This content-analytic approach is widely used in ESG research due to its objectivity, transparency, and replicability (Helfaya & Whittington, 2019; Uwuigbe et al., 2020). It effectively captures variations in disclosure intensity across firms and time, making it suitable for assessing ESG practices in Nigeria's consumer goods sector.

Financial Performance Variables

Financial performance was measured using three indicators:
Return on Assets (ROA) = Profit After Tax/Total Assets
Return on Equity (ROE) = Profit After Tax/Shareholders' Equity
Earnings per Share (EPS) = Profit After Tax/Number of Outstanding Shares

IV. Result and Discussion

Table 4.1: Descriptive Statistics of the Variables

Variable	Mean	Median	Standard Deviation	Minimum	Maximum	Skewness	Kurtosis
ENV	0.60	0.58	0.15	0.30	0.90	0.45	2.65
SOC	0.55	0.53	0.18	0.25	0.80	0.38	2.42
GOV	0.70	0.68	0.17	0.40	0.94	0.50	2.81
ESG	0.61	0.60	0.14	0.38	0.84	0.40	2.55
ROA	0.10	0.09	0.05	0.01	0.18	0.60	2.75
ROE	0.20	0.19	0.10	0.05	0.35	0.52	2.68
EPS	3.00	2.85	1.50	0.56	5.89	0.70	2.90

Source: Author's Computation (2025)

Table 4.1 presents the descriptive statistics of all variables used in the study. The Environmental Index (ENV) has a mean value of 0.60 and a standard deviation of 0.15, indicating that sampled firms exhibit moderate levels of environmental disclosure with noticeable but not excessive variability. The values range from 0.30 to 0.90, showing that while some firms score high on environmental responsibility, others lag behind. The Social Index (SOC) has a mean of 0.55 and a standard deviation of 0.18, with minimum and maximum values of 0.25 and 0.80 respectively. This suggests that social disclosure is relatively lower on average and more widely dispersed compared to environmental reporting. Governance disclosure (GOV) shows the strongest performance with a mean of 0.70 (SD = 0.17) and values ranging from 0.40 to 0.94, demonstrating that governance-related information is generally better disclosed and more consistent among firms in the consumer goods sector.

The composite ESG Index records a mean of 0.61 and a standard deviation of 0.14, with values between 0.38 and 0.84. This indicates that overall ESG practices are moderately applied, with relatively limited dispersion. Regarding financial performance, the Return on Assets (ROA) averages 0.10 (SD = 0.05), with minimum and maximum values of 0.01 and 0.18, showing that the firms generate modest efficiency in converting assets into earnings. Return on Equity (ROE) has a mean of 0.20 (SD = 0.10), reflecting moderate profitability relative to shareholders' equity, with values ranging from 0.05 to 0.35. Earnings per Share (EPS) has a mean of 3.00, a relatively high standard deviation (1.50), and a range of 0.56 to 5.89, indicating substantial disparities in earnings across firms, likely due to differences in firm size, profitability, and capital structure.

The skewness values for all variables are positive (ranging between 0.38 and 0.70), implying that the distributions are slightly right-skewed, meaning that most firms fall below the mean for ESG and financial indicators while a few firms record exceptionally high values. Their kurtosis values are close to 3, indicating approximately normal distributions with moderate peakness and tail weight. Overall, the descriptive statistics reveal consistent governance performance, relatively weaker social disclosure, and moderate environmental practices. Financial performance indicators also exhibit stable averages with notable variation across firms, providing a solid foundation for subsequent correlation and regression analyses.

Panel Regression Results

Panel regression analysis was employed to examine the effect of Environmental (ENV), Social (SOC), and Governance (GOV) disclosures on corporate financial performance (ROA, ROE, and EPS) of listed consumer goods firms in Nigeria over the period 2015-2024. Both fixed and random effects models were estimated, and the Hausman specification test was used to determine the appropriate model for interpretation.

Table 4.3: Panel Regression Results

Dependent Variable	ENV (β1)	SOC (β2)	GOV (β3)	ESG (β4)	Firm Size	Leverage	Growth	R²	F-Stat.	Prob. > F
ROA	0.112** (0.045)	0.037 (0.052)	0.154** (0.061)	0.128** (0.057)	0.091*	-0.084*	0.065	0.42	5.38	0.000
ROE	0.134** (0.056)	0.042 (0.063)	0.179** (0.071)	0.152** (0.065)	0.103**	-0.097*	0.073	0.48	6.11	0.000
EPS	0.245** (0.089)	0.058 (0.093)	0.302** (0.101)	0.274** (0.094)	0.176**	-0.135*	0.098*	0.51	6.77	0.000

*Notes: Standard errors in parentheses. **p < 0.05, p < 0.10
Source: Author's computation (2025)

The regression results show that environmental disclosure (ENV) has a positive and significant impact on all measures of financial performance ROA ($\beta = 0.112$, $p < 0.05$), ROE ($\beta = 0.134$, $p < 0.05$), and EPS ($\beta = 0.245$, $p < 0.05$). This indicates that firms with stronger environmental reporting tend to achieve better profitability and higher shareholder value. Governance disclosure (GOV) also shows a significant positive effect on ROA, ROE, and EPS, confirming that strong governance practices support improved firm performance.

In contrast, social disclosure (SOC) displays weak and statistically insignificant effects across all financial indicators. This suggests that social initiatives may not yield immediate financial benefits in the Nigerian consumer goods sector. However, the composite ESG index demonstrates a consistent, significant positive influence on all performance measures, highlighting the value of integrating environmental, social, and governance practices holistically.

The control variables behave as expected: firm size positively affects performance, leverage exerts a negative influence, and growth shows a mild positive effect on ROE and EPS. The models show moderate explanatory power, with R^2 values ranging from 0.42 to 0.51, while the F-statistics confirm overall significance at the 1% level.

Overall, environmental and governance disclosures emerge as the strongest predictors of financial performance, whereas social disclosure plays a limited role in the short term.

Hypotheses Testing

Panel Regression Results for Different Models

Hypothesis One (H_o1): Environmental reporting has no significant impact on financial performance.

Variables	Coefficient	Std. Error	t-Statistic	p-Value
Dependent Variable: ROA				
Environmental Disclosure (ENV)	0.112	0.045	2.49	0.014**
Social Disclosure (SOC)	0.037	0.052	0.71	0.480
Governance Disclosure (GOV)	0.154	0.061	2.52	0.012**
ESG (Composite Index)	0.128	0.057	2.25	0.026**
Firm Size	0.091	0.048	1.90	0.060*
Leverage	-0.084	0.043	-1.95	0.054*
Growth	0.065	0.039	1.67	0.097*
R²	**0.42**			
F-Statistic	**5.38**			**0.000**

The regression results indicate that environmental disclosure (ENV) has a positive and statistically significant effect on ROA ($\beta = 0.112$, $p < 0.05$), ROE ($\beta = 0.134$, $p < 0.05$), and EPS ($\beta = 0.245$, $p < 0.05$). Since the coefficients are significant, the null hypothesis (H_o1) is rejected, confirming that environmental reporting significantly enhances financial performance.

Hypothesis Two (H_o2): Social reporting has no significant impact on financial performance.

Variables	Coefficient	Std. Error	t-Statistic	p-Value
Dependent Variable: ROE				
Environmental Disclosure (ENV)	0.134	0.056	2.39	0.018**
Social Disclosure (SOC)	0.042	0.063	0.67	0.503
Governance Disclosure (GOV)	0.179	0.071	2.52	0.012**
ESG (Composite Index)	0.152	0.065	2.34	0.021**
Firm Size	0.103	0.051	2.02	0.045**
Leverage	-0.097	0.049	-1.98	0.049**
Growth	0.073	0.043	1.70	0.092*
R²	**0.48**			
F-Statistic	**6.11**			**0.000**

The regression results indicate that environmental disclosure (ENV) has a positive and statistically significant effect on ROA ($\beta = 0.037$, $p < 0.05$), ROE ($\beta = 0.042$, $p < 0.05$), and EPS ($\beta = 0.058$, $p < 0.05$). The coefficients for social disclosure (SOC) across all models were positive but not statistically significant ($p > 0.10$).

This implies that social reporting does not exert a direct significant effect on firm performance. Therefore, the null hypothesis (H_o2) is accepted.

Hypothesis Three (H_o3): Governance reporting has no significant impact on financial performance.

Variables	Coefficient	Std. Error	t-Statistic	p-Value
Dependent Variable: EPS				
Environmental Disclosure (ENV)	0.245	0.089	2.75	0.008**
Social Disclosure (SOC)	0.058	0.093	0.62	0.537
Governance Disclosure (GOV)	0.302	0.101	2.99	0.004**
ESG (Composite Index)	0.274	0.094	2.91	0.006**
Firm Size	0.176	0.073	2.41	0.017**
Leverage	-0.135	0.067	-2.01	0.046**
Growth	0.098	0.058	1.69	0.094*
R^2	**0.51**			
F-Statistic	**6.77**			**0.000**

The regression results indicate that governance disclosure (GOV) has a positive and statistically significant effect on ROA ($\beta = 0.154$, $p < 0.05$), ROE ($\beta = 0.179$, $p < 0.05$), and EPS ($\beta = 0.302$, $p < 0.05$). Since the coefficients are significant, the null hypothesis (H_o3) is rejected, confirming that governance reporting significantly enhances financial performance. This indicates that governance practices strongly support financial performance. Accordingly, H_o3 is rejected.

V. Discussion of Findings

The findings provide clear evidence on how ESG reporting influences financial performance among listed consumer goods firms in Nigeria. Overall, environmental and governance disclosures significantly enhance firm performance, whereas social disclosure exhibits limited financial relevance.

The positive and significant effect of environmental reporting on ROA, ROE, and EPS indicates that firms adopting and disclosing environmental initiatives such as emission control, waste management, and energy efficiency benefit from reduced operational costs, enhanced stakeholder trust, and lower regulatory risk. This result aligns with recent studies showing that environmental practices improve profitability in Nigerian firms (Akinleye & Hassan, 2023; Okafor, Adeleye & Adusei, 2022). It also supports stakeholder theory, which posits that fulfilling environmental expectations strengthens organisational legitimacy and fosters long-term value creation (Freeman, Phillips & Sisodia, 2020).

Governance reporting similarly exerts a strong positive influence on financial performance, underscoring the role of transparency, accountability, and board effectiveness in enhancing firm outcomes. This finding concurs with Velte (2021) and Akpan and Amran (2022), who emphasize governance as a critical driver of financial value and sustainability integration. From a legitimacy theory perspective, robust governance structures maintain stakeholder confidence and reinforce trust, thereby boosting financial performance.

Conversely, social disclosure shows no significant impact on any financial performance measure. This aligns with Okoye, Egbunike, and Nwobu (2022), who observed that social initiatives in Nigeria are often philanthropic in nature and insufficiently embedded in corporate strategy, limiting their measurable financial effects. While social responsibility may enhance reputation, it generally does not produce immediate financial returns within the consumer goods sector.

The composite ESG index, however, demonstrates a positive and significant effect across all financial indicators. This suggests that integrated ESG reporting delivers synergistic benefits that surpass those of individual components. This outcome is consistent with global empirical evidence showing that firms with well-integrated ESG strategies achieve superior financial performance (Friede et al 2019; Eccles et al 2023).

In summary, environmental and governance disclosures are the primary ESG drivers of financial performance among Nigerian consumer goods firms, while social reporting requires deeper strategic alignment to yield measurable financial benefits in the Nigerian context.

VI. Conclusion

This study examined the effect of Environmental, Social, and Governance (ESG) reporting on the financial performance of listed consumer goods firms in Nigeria over a ten-year period. Using panel regression analysis, the study evaluated how the individual ESG components and the composite ESG index—relate to key financial indicators (ROA, ROE, and EPS). The findings provide strong evidence that ESG reporting plays an important role in shaping corporate financial outcomes, although the impact varies across the different ESG dimensions.

The results show that environmental and governance disclosures are significant drivers of financial performance. Firms that report more extensively on environmental practices benefit from improved profitability, operational efficiency, and stakeholder trust, while strong governance mechanisms enhance transparency, accountability, and investor confidence. These findings suggest that environmental stewardship and sound governance structures are critical pathways through which Nigerian consumer goods firms strengthen their competitive advantage and financial resilience.

Conversely, social disclosure did not demonstrate a significant direct effect on financial performance. This indicates that social initiatives often philanthropic or compliance-based may not translate into immediate financial gains, especially in an emerging market context where social investments are frequently disconnected from core business strategy. Nonetheless, their long-term reputational benefits remain relevant and may require stronger strategic integration to yield measurable financial value.

Importantly, the composite ESG index exerted a positive and significant effect across all financial performance indicators, highlighting the value of combining environmental, social, and governance practices into a unified sustainability framework. This confirms that integrated ESG adoption creates synergistic benefits greater than the individual components alone.

Overall, the study concludes that Nigerian consumer goods firms stand to gain financially from robust ESG reporting, particularly in the areas of environmental management and corporate governance. These results underscore the growing importance of sustainability practices for firm performance in developing economies and highlight the need for more structured, transparent, and strategically aligned ESG disclosures across the sector.

VII. Recommendations

Based on the findings of this study, the following recommendations are proposed to enhance ESG reporting practices and improve financial performance among listed consumer goods firms in Nigeria:

i. Since environmental disclosure significantly improves ROA, ROE, and EPS, firms should invest more in environmental management systems, including waste reduction, energy efficiency, emission control, and sustainable sourcing. Companies should also adopt internationally recognized reporting frameworks such as the Global Reporting Initiative (GRI) to improve the quality and comparability of environmental disclosures.

ii. Given the strong positive impact of governance reporting on firm performance, firms should strengthen governance practices by promoting board independence, improving audit committee effectiveness, and enhancing transparency. Regulators should intensify enforcement of corporate governance codes to ensure consistency across the sector.

iii. Although social disclosure did not show a significant financial effect, firms should not abandon social initiatives. Instead, they should embed social responsibility into their business models linking community investment, employee welfare, and consumer protection directly to operational priorities. Strategic alignment will help social practices yield measurable long-term benefits.

iv. Companies should institutionalize internal ESG reporting systems, provide regular staff training, and engage independent verifiers to audit sustainability disclosures. This will minimize reporting bias and enhance the reliability of ESG information.

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