EFFECT OF SUSTAINABILITY REPORTING ON SHARE PRICES OF LISTED FINANCIAL FIRMS IN NIGERIA

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ABSTRACT
This study examines the effect of sustainability reporting specifically environmental, social, and governance (ESG) disclosures on the share prices of listed financial firms in Nigeria. The study focuses on firms listed on the Nigerian Exchange Group (NGX) over the period from 2014 to 2023. Adopting a longitudinal research design, data were collected from 47 financial firms that consistently disclosed sustainability reports for at least three consecutive years within the study period. Panel regression analysis was employed as the technique of data analysis. The findings reveal that both environmental and governance disclosures have a significant and positive effect on the share prices of listed financial firms. However, social disclosures were found to have an insignificant impact on share prices. Additionally, firm size exhibited a strong positive influence on share prices, suggesting that larger firms enjoy greater investor confidence and market valuation. The study concludes that enhanced sustainability reporting, particularly in environmental and governance areas, contributes to increased firm value in the Nigerian financial sector. It recommends that financial firms improve the quality and consistency of their sustainability disclosures and that regulatory bodies strengthen guidelines and enforcement to promote transparency and investor confidence.
Keywords: Sustainability reporting, environmental reporting, social reporting, governance reporting, share price
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1. INTRODUCTION
Sustainability reporting has emerged as a critical tool for organizations worldwide to communicate their environmental, social, and governance (ESG) performance to stakeholders. In recent years, there has been a growing emphasis on the importance of sustainability practices, particularly in the financial sector, where firms are increasingly expected to demonstrate their commitment to sustainable development. This shift is driven by the recognition that sustainable business practices not only contribute to long-term value creation but also enhance corporate reputation, stakeholder trust, and financial performance (Eccles et al., 2014; Dhaliwal et al., 2011).
In Nigeria, the financial sector plays a pivotal role in the economy, serving as a catalyst for economic growth and development. As such, the adoption of sustainability reporting by listed financial firms has gained traction, with many firms integrating ESG considerations into their business strategies (Okoye & Ezejiofor, 2013). However, the extent to which sustainability reporting influences the share prices of these firms remains an area of interest for investors, regulators, and other stakeholders (Ofoegbu et al., 2018).

In the Nigerian context, the impact of sustainability performance on share prices remains underexplored, particularly among financial firms (Fatai et al., 2021; Onoh et al., 2022; Olafusi et al., 2022; Oboro & Onuora, 2022). Most prior studies have relied on accounting-based performance measures, such as return on assets (ROA) or return on equity (ROE), to assess the financial implications of sustainability practices. While these measures provide valuable insights, they do not fully capture market-based performance, such as share price movements, which reflect investor perceptions and expectations about a firm's future prospects (Adegboye et al., 2020). Furthermore, many of these studies have employed ordinary least squares (OLS) regression, which limits their ability to account for industry-specific and firm-specific dynamics that may influence the relationship between sustainability performance and financial outcomes.

This study addresses these gaps by examining the effect of sustainability reporting on the share prices of listed financial firms in Nigeria using panel regression analysis. Unlike OLS, panel regression allows for the control of unobserved heterogeneity across firms and industries, providing a more robust framework for analyzing the relationship between sustainability performance and share prices. This methodological advancement contributes to the growing body of literature on sustainability reporting and its financial implications, particularly in emerging markets like Nigeria. By focusing on share prices as a market-based measure of firm value, this study provides a more comprehensive understanding of how sustainability practices influence investor behavior and market perceptions.

2. LITERATURE REVIEW

Environmental Reporting

Environmental reporting refers to the disclosure of a company's environmental performance and the impact of its operations on the environment (Hassan & Guo, 2017). Companies with strong environmental reporting practices are often viewed favorably by stakeholders, potentially attracting more investors and customers who value sustainability. A strong reputation can translate into higher stock prices and market capitalization, thus increasing corporate value (Reimsbach & Hahn, 2016). Investors and financial institutions increasingly consider Environmental, Social, and Governance (ESG) factors when making investment decisions. Firms with robust environmental reporting may gain preferential access to capital, lowering the cost of capital and enhancing their overall market value (Pizzi et al., 2021).

On the other hand, environmental reporting can also have a negative impact on corporate value in certain situations. One such situation is the costs of compliance and reporting. Environmental reporting requires significant resources and can incur high compliance costs, particularly for firms operating in industries with complex environmental regulations. These expenses may reduce profitability and, if stakeholders perceive them as a burden, they could negatively affect the company's market value (Fatai et al., 2021). Additionally, there is the risk of perceived greenwashing. If stakeholders believe that a company's environmental reporting is superficial or exaggerated, a practice often referred to as "greenwashing," it could damage the company's reputation instead of enhancing it. In such cases, the loss of trust can lead to lower stock prices and a decline in corporate value (Olafusi et al., 2022). Based on the mixed findings, the hypothesis can be formulated as:

H_{01} Environmental reporting has no significant effect on the share prices of listed financial firms in Nigeria.

Social Reporting

Social Reporting refers to the disclosure of a company's social performance and its impact on society, including aspects such as labor practices, community engagement, human rights, and corporate philanthropy (Schreck & Raithel, 2017). The impact of social reporting on corporate value can be inconsistent. Companies that exhibit a strong commitment to social responsibility and engage in transparent social reporting are frequently regarded more favorably by stakeholders. Enhanced reputations can attract socially responsible investors, increase consumer loyalty, and improve employee satisfaction, all of which these companies can benefit from. Consequently, these organizations may experience increased stock prices, enhanced market capitalization, and increased access to capital, which would have a beneficial effect on their corporate value (Albitar, et al 2020). Nevertheless, social reporting may also have adverse consequences. One such issue is the expenses associated with the implementation of social initiatives, such as employee welfare schemes or community development programs. In industries with narrow margins, these expenses may potentially diminish profitability and exhaust financial resources, thereby diminishing market value (Khan, et al., 2021).

Furthermore, a company's reputation may be harmed if social reporting is perceived as insincere or as a marketing strategy, which is commonly referred to as "social washing." Stakeholders may perceive the company as dishonest, which could result in a decrease in investor confidence, a decline in stock prices, and a loss of trust, thereby eroding corporate value (Olafusi et al., 2022). The hypothesis can be formulated as follows, based on the conflicting findings:

H_{02} Social reporting has no significant effect on the share price of listed financial firms in Nigeria.

Governance Reporting

Governance Reporting refers to the disclosure of a company's governance practices, structures, and policies, including information about board composition, leadership, executive compensation, audit committees, risk management, and shareholder rights (Aureli, et al 2020). Effective governance reporting can enhance organizational value by bolstering investor confidence, as it indicates that the company is well-managed and dedicated to ethical principles. Investors tend to have greater confidence in companies exhibiting transparent governance processes, resulting in augmented investment, elevated stock prices, and enhanced market capitalization (Jamil et al , 2021). Moreover, firms with robust governance frameworks are less prone to fraud, mismanagement, or other risks that may jeopardize their financial stability, thereby enhancing their long-term profitability and company value (Wahyudi et al., 2021). Nonetheless, governance reporting may potentially exert adverse effects in specific circumstances. Inadequate governance disclosures or a lack of openness over critical choices may elicit worries among stakeholders, resulting in diminished investor trust and corporate valuation. Poor governance standards, including excessive CEO compensation, insufficient board diversity, and inadequate conflict of interest management, can jeopardize a company's reputation and market standing. Moreover, the expenses related to establishing robust governance systems, such as audit committees or compliance programs, may be regarded as onerous, thereby diminishing profitability and, subsequently, company value (Olafusi et al., 2022). Based on the mixed findings, the hypothesis can be formulated as:

H_{03}: Governance reporting has no significant effect on the share prices of listed financial firms in Nigeria.

3. METHODOLOGY

Theoretical Framework

Stakeholder Theory

Stakeholder Theory was proposed by Freeman in 1984. Stakeholder theory asserts that corporations are responsible to a diverse array of stakeholders, rather than solely to shareholders. The stakeholders encompass employees, customers, suppliers, local communities, and regulatory agencies, all of whom possess a vested interest in the company's operations and performance. This idea posits that sustainability reporting, encompassing environmental, social, and governance disclosures, facilitates the management of stakeholder relationships and addresses their concerns, so enhancing a company's reputation and, eventually, its market value. Transparent ESG reporting enables companies to match their operations with stakeholder expectations, so cultivating trust and attracting investment, which can enhance corporate value. This study employed a longitudinal research design. The population of this study is forty - seven (47) listed financial service companies on the Nigerian Exchange Group (NGX) as at December 31st, 2023 Census sampling technique was used. The entire population is taken into account in view of the fact that the size is relatively small. In addition, all the data needed for the study are available.

Panel regression was utilized as the principal method for data analysis. This approach facilitates the analysis of both cross-sectional and time-series data, yielding insights into the interactions among the variables throughout the study duration.

Model Specification

The model is stated as follows:

$$SPit = \beta 0 + \beta 1ERit + \beta 2SRit + \beta 3GRit + +\beta 4FS + \varepsilon it$$

Where:

SP= Firm Value

β = coefficient of parameter estimate

b0 = intercept (constant)

ER= Environmental Reporting

SR= Social Reporting

GR= Governance Sustainability Reporting

FS= Firm Size

ε Error Term

i=Cross-sectional

t= time series

Table 1: Variables Measurement

Variables	Measurement	Sources
SP	The price at which a company's stock is currently traded on the stock exchange. It reflects the company's market valuation at a given moment.	Imberma & Lovenheim 2016
ER	Content Analysis based on the Global Reporting Initiative (GRI, 2021) Checklist.	Yardımcı & Durak. (2022)
SR	Content analysis based on the Global Reporting Initiative (GRI, 2021) Checklist.	Yardımcı & Durak. (2022)

ECR	Content analysis based on the Global Reporting Initiative (GRI, 2021) Checklist.	Yardımcı & Durak. (2022)
GSR	Content analysis based on Global Reporting Initiative (GRI, 2021) Checklist	Yardımcı & Durak. (2022)
Control	natural log of total assets	Dang & Yang (2018)

4. RESULTS AND DISCUSSION

Table 2: Descriptive Statistics

Variable	Mean	SD	Min	Max
SP	18.27437	15.70115	1.49	57.95
ER	.211432	.0993625	.044118	.607843
SR	.2756593	.2533884	.000118	.921875
GR	.3515029	.1999913	.04902	.977941
FS	7.075	.3027527	6.2	7.9

Source: Output from Stata, 2025

Table 2 presents the descriptive statistics for the variables used in the study. The average share price (SP) of the listed financial firms in Nigeria is ₦18.27, with a standard deviation of 15.70, indicating a high level of variability in share prices among the firms. The minimum share price observed is ₦1.49, while the maximum is ₦57.95. This wide range suggests significant differences in the market valuation of the sampled firms.

The mean score for Environmental Reporting (ER) is 0.2114, with a standard deviation of 0.0994. This implies that, on average, the listed financial firms disclose approximately 21.14% of the environmental sustainability indicators considered in the study. The minimum ER score is 0.0441 (4.41%), while the highest is 0.6078 (60.78%), reflecting substantial variation in environmental disclosure practices.

Social Reporting (SR) has an average score of 0.2757, indicating that firms disclose about 27.57% of the social sustainability indicators on average. The standard deviation is 0.2534, suggesting considerable differences across firms. The minimum SR score is 0.0001, meaning some firms provided almost no social disclosure, while the maximum score is 0.9219 (92.19%).

Governance Reporting (GR) records the highest mean score among the three sustainability dimensions, with an average of 0.3515 (35.15%) and a standard deviation of 0.2000. The minimum governance disclosure score is 0.0490, and the maximum is 0.9779, implying that some firms disclose nearly all governance indicators considered in the study.

Lastly, Firm Size (FS), measured as the natural logarithm of total assets, has a mean value of 7.075, with a standard deviation of 0.3028. The smallest firm in the sample has a size of 6.2, while the largest has a size of 7.9. The relatively low standard deviation indicates that the firms in the sample are somewhat comparable in size.

Table 3: Correlation Matrix

Variable	SP	ER	SR	GR	FS
SP	1.0000				
ER	-0.200	1.0000			
SR	0.085	-0.142	1.0000		
GR	0.081	0.764	-0.007	1.0000	
FS	0.076	-0.29	0.085	-0.204	1.0000

Source: Output from Stata, 2025

Table 3 presents the correlation coefficients among the study variables: Share Price (SP), Environmental Reporting (ER), Social Reporting (SR), Governance Reporting (GR), and Firm Size (FS).

The correlation between Share Price (SP) and Environmental Reporting (ER) is -0.200, indicating a weak negative relationship. This suggests that higher environmental disclosures are slightly associated with lower share prices, although the relationship is not strong. On the other hand, Social Reporting (SR) shows a weak positive correlation with Share Price, with a coefficient of 0.085, implying that increased social disclosures are marginally associated with higher share prices. Similarly, Governance Reporting (GR) has a weak positive correlation with Share Price, with a coefficient of 0.081. Firm Size (FS) also exhibits a weak positive relationship with Share Price, showing a correlation coefficient of 0.076.

Table 4. Multicollinearity Diagnostic Test

Variable	VIF	1/VIF
ER	2.53	0.394599
SR	1.07	0.936302
GR	2.48	0.403652
ECR	1.03	0.971088
FS	1.01	0.988715
Mean VIF |	1.62	

Source: Output from Stata, 2025

Table 4 displays the multicollinearity test results, showing a mean VIF of 1.62, well below the threshold of 10, indicating no significant multicollinearity among the explanatory variables. Tolerance values exceed 0.1, further validating the absence of multicollinearity. Thus, the regression results are deemed valid and reliable.

Table 5: Breusch–Pagan/Cook–Weisberg test for heteroskedasticity

H0: Constant variance chi2(1) = 0.89	Prob > chi2 = 0.3100

Source: Output from Stata, 2025

Table 5 presents the heteroskedasticity test results, with a chi-square value of 0.89 and a p-value of 0.31. Since the p-value exceeds the 0.05 significance level, there is no evidence of heteroskedasticity. Thus, the null hypothesis is accepted, confirming the assumption of constant error variance.

Table 6 Hausman Specification Test

Variable	Fixed	Random	Difference	S.E.
ER	.2453929	.2560606	-.0106677	.078267
SR	.3046784	.2918709	.0128075	.0060927
GR	-.068654	-.0726595	.0040051	.0620493
ECR	.2449963	.2866985	-.0417022	.0901636
FS	.6723524	.6676748	.0046775	.0087934
	chi2(8) == 12.66	Prob>chi2 =0.1786		

Source: Output from Stata, 2025

The chi-square statistic of 12.66 with an associated p-value of 0.1786 indicates that the p-value exceeds the 0.05 significance level. Therefore, we fail to reject the null hypothesis, suggesting that the random effects model is consistent and efficient.

Table 7 Lagrangian multiplier test for random effects

	Var	sd = sqrt(Var)
Cv	.0920194	.3033469
E	.0336388	.1834089
u	.0180988	.1345317

The Lagrangian multiplier test results (chibar2(01) = 290.44, p = 0.0000) confirm the suitability of the random effects model for the models.

Table 8: Regression Results

Variable	Coefficient	Std. err.	Z	P>|z|
ER	.5885583	.2164887	2.72	0.007
SR	.0644199	.0459252	1.40	0.161
GR	2.805256	1.079429	2.60	0.011
FS	.5921551	.0300611	19.70	0.000
Sq=0.6382				
Wald chi2(9) = 449.98				0.0000

Source: Output from Stata, 2025

Table 8 presents the regression analysis examining the effect of sustainability reporting and firm size on the share prices of listed financial firms in Nigeria. The model reports a pseudo R-squared (Sq) value of 0.6382, indicating that approximately 63.82% of the variation in share prices is explained by the independent variables included in the model. The Wald chi-square statistic is 449.98 with a p-value of 0.0000, demonstrating that the model as a whole is statistically significant at the 1% level.

Looking at the individual predictors, Environmental Reporting (ER) has a positive and statistically significant effect on share price, with a coefficient of 0.5886 and a z-value of 2.72 (p = 0.007). This suggests that an increase in environmental disclosure is associated with an increase in share price, holding other factors constant.

Social Reporting (SR) has a positive but statistically insignificant effect on share price, with a coefficient of 0.0644, a z-value of 1.40, and a p-value of 0.161. This indicates that, although social reporting has a positive relationship with share price, the effect is not statistically significant at conventional levels.

Governance Reporting (GR) demonstrates a strong positive and significant effect on share price. The coefficient is 2.8053, with a z-value of 2.60 and a p-value of 0.011, suggesting that higher governance disclosures are significantly associated with higher share prices.

Finally, Firm Size (FS) shows a highly significant and positive effect on share price, with a coefficient of 0.5922 and a z-value of 19.70 (p = 0.000). This implies that larger firms tend to have higher share prices.

5 CONCLUSION AND RECOMMENDATIONS

This study examined the effect of sustainability reporting—specifically environmental, social, and governance disclosures—on the share prices of listed financial firms in Nigeria. The findings indicate that environmental reporting and governance reporting have significant and positive impacts on share prices. This suggests that investors value firms that demonstrate transparency and accountability in managing environmental and governance issues. In contrast, social reporting did not show a statistically significant influence on share prices, implying that social disclosures, as currently practiced by Nigerian financial firms, may not yet be a key factor in investment decisions. Based on the conclusion, the recommends that:

Listed financial firms should continue to strengthen their environmental and governance disclosures. Transparency in these areas not only improves public perception but also contributes positively to share price performance, as evidenced by the study's findings.

Although social reporting did not show a significant impact on share prices, firms are encouraged to improve the depth, quality, and relevance of social disclosures. This includes reporting on employee welfare, community engagement, and social responsibility initiatives in ways that can better inform stakeholders and potentially increase investor interest over time.

Regulators, such as the Financial Reporting Council of Nigeria (FRCN) and the Nigerian Stock Exchange (NGX), should enhance enforcement of sustainability reporting guidelines. Clearer standards and stricter compliance can foster greater uniformity and comparability in disclosures, thereby increasing their usefulness for investors.

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