



Sustainability Accounting Disclosure and Financial Performance of Listed Consumer Goods Companies in Nigeria

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ABSTRACT

Original Research Article

This study investigated whether sustainability accounting disclosures influence the financial performance of consumer goods companies quoted on the Nigerian Exchange Group (NGX). Particular attention was given to environmental, social, and governance (ESG) disclosures and their respective effects on Return on Assets (ROA). An ex post facto research design was employed, using secondary information extracted from audited annual financial statements and sustainability reports of five purposively selected companies covering the 2020–2024 period. The selected firms were Nestlé Nigeria Plc, Cadbury Nigeria Plc, Coca-Cola HBC Nigeria Plc, Guinness Nigeria Plc, and Dangote Sugar Refinery Plc, resulting in a balanced panel dataset comprising 25 firm-year observations. Disclosure indices for environmental, social, and governance information were constructed in line with the GRI Universal Standards (2021). The data were analyzed using descriptive statistics and panel-data regression techniques. Both Fixed Effects and Random Effects estimations were performed, while the Hausman specification test was applied to determine the more appropriate model. Findings from the selected Random Effects model indicated that environmental disclosure was positively associated with ROA, although the relationship was not statistically significant. Social disclosure recorded a negative and statistically insignificant relationship with ROA, whereas governance disclosure demonstrated a statistically significant relationship with financial performance. The study consequently underscores the need for listed consumer goods companies to enhance the quality and scope of sustainability-related reporting, with particular emphasis on governance disclosures as an important factor in strengthening corporate financial performance.

Keywords: Sustainability Accounting Disclosure, Environmental Disclosure, Social Disclosure, Governance Disclosure, Financial Performance, Return on Assets.

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Introduction

Sustainability accounting disclosure has become an increasingly important feature of contemporary company reporting as stakeholders demand greater openness on the environmental, social and governance impacts of business operations. Corporate reporting is therefore no longer restricted to conventional financial outcomes; organisations are also required to report on how they manage environmental hazards, employee well-being, community

interests, governance processes and other sustainability issues. This increased focus has been pushed by global concerns such as climate change, the depletion of natural resources, corporate accountability and the search for sustainable development. This has also been supported by the growing uptake of recognised sustainability reporting standards, in particular the Global Reporting Initiative (GRI) Standards and the International Sustainability Standards Board (ISSB) reporting standards.

Within Nigeria, sustainability reporting has received increasing attention from the Financial Reporting Council of Nigeria (FRCN), the Nigerian Exchange Group (NGX) and the Nigerian Code of Corporate Governance. The consumer goods industry is economically important because of its contribution to employment, production and government revenue, but it also generates environmental and social effects through energy consumption, water use, waste generation and community interaction. These characteristics make sustainability disclosure particularly relevant to the sector.

The earlier findings on the association between sustainability disclosure and financial success are inconclusive, and the current investigation reveals an empirical concern that remains unsolved. Some research shows favourable associations, some inconsequential, and some negative relationships. It further points out that comparatively few Nigerian research have concentrated especially on listed consumer goods, food and beverage companies utilising recent observations. Thus, the study examines the impact of environmental, social and governance disclosure on financial performance assessed by ROA among selected listed consumer goods companies in Nigeria throughout the period 2020-2024.

Statement of the Problem

The central problem addressed by the study is the paucity of empirical evidence on whether sustainability accounting disclosure produces measurable financial benefits for Nigerian consumer goods companies. Much of the earlier evidence is drawn from developed economies or broad industry samples, and reported findings are inconsistent. In the Nigerian context, limited sector-specific evidence makes it difficult for managers and other stakeholders to determine whether sustainability-related investments and disclosures contribute to financial performance or primarily serve reputation, legitimacy and accountability purposes. The study further argues that the evolving sustainability-reporting environment increases the need for recent evidence.

Aim and Specific Objectives

The broad aim of the study was to examine the effect of sustainability accounting disclosure on the financial performance of listed consumer goods companies in Nigeria. The study pursued three specific objectives:

- to examine the effect of environmental disclosure on the financial performance of listed consumer goods companies in Nigeria;
- to determine the effect of social disclosure on the financial performance of listed consumer goods companies in Nigeria; and
- to assess the effect of governance disclosure on the financial performance of listed consumer goods companies in Nigeria.

Conceptual and Theoretical Review

Sustainability accounting disclosure is the use of financial and non-financial data associated with an organisation's Environmental, Social and Governance (ESG) performance. Environmental reporting can include topics like greenhouse gas emissions, energy usage and efficiency, water resources, waste disposal, pollution reduction, and biodiversity conservation. Social disclosure involves aspects of employee welfare, workplace health and safety, workforce diversity, human rights, consumer responsibility, and community development. Governance disclosure, by contrast, covers issues like the composition and structure of the board, ethical behaviour, risk management, internal control systems, executive remuneration, safeguarding shareholders' interests and adherence to pertinent laws and regulations.

Theoretical basis of the study is Stakeholder Theory, Legitimacy Theory and Institutional Theory. Stakeholder Theory holds that companies must be accountable to a wide variety of stakeholders and that good sustainability reporting will enhance stakeholder trust and confidence. In the context of Legitimacy Theory, the disclosure process helps the organizations to justify their actions as being in line with the existing social norms and expectations and thus enhance their accepted legitimacy and social acceptance. Institutional Theory, however, views sustainability reporting as an institutional phenomenon in response to institutional pressures from regulators, investors, professional associations and internationally recognized reporting standards. Together, these theoretical approaches can be used to examine whether sustainability accounting disclosure affects the financial performance of the corporate organization.

Empirical Review and Research Gap

The empirical review shows varied results. Aifuwa, Saidu and Osariemen (2023) discovered that environmental disclosure has a favourable impact on the profitability of Nigerian listed industrial enterprises. Bako (2023) also highlighted the significance of governance disclosure to financial success among listed consumer goods companies. Okoye, Eze and Nwankwo (2024) found that environmental disclosure had a positive and statistically insignificant link with financial performance and governance disclosure had a substantial influence on listed food and beverage companies. Christensen, Hail and Leuz were cited as saying that high-quality sustainability reporting can increase information transparency, minimise information asymmetry, and improve investor confidence and long-term firm value.

The study highlights gaps in the available literature in terms of context, sector, time, variable and methodology. Recent research on the simultaneous effects of environmental, social and governance disclosure on the financial performance of Nigerian listed consumer products or food and beverage companies is lacking. The present study tackles this gap by

focusing on five listed corporations throughout 2020-2024 and using panel-data approaches.

Methodology

This study used an ex post facto research design as the analysis was based on past business data without changing the variables. The population consists of the food and beverages companies listed on the NGX for the period 2020-2024. We employed a purposive sample of enterprises that consistently released audited annual reports and sustainability-related disclosures during the period. The final sample consists of five firms which are Nestlé Nigeria Plc, Cadbury Nigeria Plc, Coca-Cola HBC Nigeria Plc, Guinness Nigeria Plc and Dangote Sugar Refinery Plc. By following five firms across five years, we produced a balanced panel of 25 firm-year observations.

Return on Assets (ROA) was used as a measure of financial performance. Sustainability disclosure information was collected systematically by content analysing sustainability and governance reports. The environmental disclosure was based on information relating to energy, waste, emissions, water and environmental protection. The social disclosure covered employee welfare, occupational health and safety, community development, customer responsibility and human rights. The governance disclosure covered board structure, internal control, risk management, ethics, shareholder

protection and regulatory compliance. Disclosure indices were constructed based on the GRI Universal Standards (2021).

The model was specified as a panel regression relating ROA to environmental disclosure, social disclosure and governance disclosure, with firm size and financial leverage included as control variables in the revised model:

$$ROA_{it} = \beta_0 + \beta_1 ED_{it} + \beta_2 SD_{it} + \beta_3 GD_{it} + \beta_4 FS_{it} + \beta_5 L + \epsilon_{it}$$

The descriptive statistics were mean, standard deviation, minimum, maximum, skewness and kurtosis. Inferential analysis employed both Fixed Effects and Random Effects models, with the Hausman specification test utilised to choose the most suitable estimator. The study was carried out using EViews 9. Statistical significance was tested at the 5% level.

Results and Discussion

The descriptive results were based on 25 observations. ROA had a mean of 7.435, while environmental disclosure, social disclosure and governance disclosure had means of 4.486, 9.023 and 3.597 respectively. The data showed variation across firms and years, with ROA ranging from -17.010 to 31.850. The study also reported that the variables displayed differing degrees of skewness and kurtosis.

Variable	Coefficient	p-value	Interpretation
Environmental disclosure (ED)	0.776294	0.1753	Positive; not significant
Social disclosure (SD)	-0.118605	0.2003	Negative; not significant
Governance disclosure (GD)	-1.329058	0.0038	Significant; negative coefficient in reported REM

The R-squared for the Fixed Effects model was 0.4939. The reported R-squared for the Random Effects model was 0.7345 (weighted) and 0.6771 (adjusted). The overall Random Effects F-statistic was 4.08375 with a probability of 0.01276. This means that the explanatory factors were jointly significant at 5%. The Hausman test has a chi-square value of 18.96644 and a p-value of 0.0003. According to the choice rule presented in the study, the Random Effects model was chosen for interpretation.

The p-value for the first hypothesis is $0.1753 > 0.05$, thus we accepted the null hypothesis and concluded that there is no statistically significant association between environmental disclosure and ROA. For the second hypothesis, social disclosure had a p-value of 0.2003. The null hypothesis was retained, meaning there was no statistically significant influence on ROA. The third hypothesis found that governance disclosure had a p-value of 0.0038 which is less than 0.05, the null hypothesis was rejected and governance disclosure was shown to be statistically significant.

A point requiring careful interpretation is that the reported Random Effects coefficient for governance disclosure is

negative (-1.329058), although parts of the study narrative describe governance disclosure as improving financial performance. The numerical regression output supports statistical significance and a negative estimated coefficient, whereas the concluding narrative emphasizes governance as a strong determinant of performance. The summary therefore preserves both aspects without changing the reported results.

Conclusion

The study shows that sustainability accounting disclosure is a critical strategic reporting mechanism for listed consumer goods businesses in Nigeria, but the financial implications vary across the dimensions of disclosure. Environmental disclosure was positively associated with ROA but not statistically significant. Thus, environmental activities may not result in immediate measurable financial gains. There was also no statistical significance in social disclosure, suggesting that social activities like employee welfare, community development and client engagement might add more to long-term business value than short-term profits. The study found governance disclosure to be statistically significant and the

most important of the three disclosure characteristics in relation to financial performance.

Recommendations

The recommendations are aligned with the three specific objectives. First, listed consumer goods companies should improve the quality and completeness of environmental disclosures and link them to effective environmental management practices. Second, companies should strengthen the relevance and effectiveness of social disclosures, particularly in areas such as employee welfare, community development, customer responsibility and occupational health and safety. Third, companies should give greater attention to governance practices and governance disclosure, especially internal controls, risk management, board structure and accountability, because governance disclosure was statistically significant in the reported model.

Contribution and Significance

The paper provides recent empirical evidence on sustainability accounting disclosure and financial performance of selected listed consumer goods companies in Nigeria using panel data analysis for the period 2020–2024. It expands the debate to environmental, social and governance disclosures and places the study within the framework of the emerging sustainability reporting environment connected with the ISSB. The study is useful to managers and other stakeholders who seek evidence on the financial implications of sustainability disclosure in the Nigerian consumer products sector.

Limitations

The study was limited to five listed food and beverage companies hence limiting the generalisability to other industries and firms. The research was primarily based on secondary data from annual and sustainability reports and was therefore dependent on the quality and completeness of corporate disclosures. The study period of 2020–2024 may not fully represent the long-term effects as financial performance was measured only by ROA. The study thus admits that other accounting-based and market-based indicators may give further evidence.

Suggestions for Future Research

Future studies should include all listed food and beverage companies in Nigeria to increase the sample size and statistical power, extend the study period to capture longer-term effects, and examine other sectors such as banking, insurance, telecommunications, oil and gas, agriculture and healthcare. Future research may also investigate the moderating effects of corporate governance, firm size, ownership structure and leverage, and employ advanced

methods such as System GMM, Panel Quantile Regression or Structural Equation Modelling to provide more robust evidence.

Overall Summary

Overall, the study addresses an important Nigerian corporate-reporting issue by examining whether sustainability accounting disclosure translates into financial performance. Its evidence suggests that environmental and social disclosure did not have statistically significant effects on ROA over 2020–2024, while governance disclosure was statistically significant in the selected model. The study consequently supports continued improvement in sustainability reporting, with particular emphasis on governance-related practices and disclosures, while recognizing the need for larger samples, longer periods and more robust future analyses.

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