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Assessing the Impact of Environmental, Social and Governance (ESG) Disclosures on Shareholders' Wealth Maximization

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Abstract

This study examined the impact of Environmental, Social, and Governance (ESG) disclosures on the maximization of shareholder wealth among industrial goods companies listed on the Nigerian Exchange Group between 2016 and 2025. In the context of Nigeria, many businesses have historically overlooked environmental sustainability, social responsibility, and stakeholder engagement, raising concerns about the long-term implications for economic and social development. The study employed an ex post facto research design, utilizing secondary data and a purposive sampling technique to select twelve industrial goods firms. ESG disclosure, the independent variable, was operationalized through environmental, social, and governance performance disclosures, while shareholder wealth, the dependent variable, was measured using Economic Value Added (EVA) and Market Value Added (MVA). The hypotheses were tested using the ordinary least squares regression technique with EViews 10. The analysis revealed that environmental and social performance disclosures had positive but statistically insignificant effects on EVA, while governance performance disclosure significantly enhanced EVA. Similarly, environmental and governance disclosures positively influenced MVA, with governance disclosure showing statistical significance, whereas social disclosure had a minimal and insignificant effect. Overall, the findings indicated that ESG disclosures have a limited impact on shareholder wealth in Nigeria's industrial goods sector. The study recommended that companies actively develop, implement, and publicly report ESG policies, particularly those that are environmentally sustainable and socially responsible, as these practices may gradually strengthen shareholder value and promote long-term corporate sustainability.

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Introduction

More and more investors are seeing how ESG performance may help lower risk and make money. More and more, stakeholders and decision makers are looking beyond profit when making business decisions. They are using the environmental, social, and governance (ESG) information of a firm or organization to help them make those decisions. They think that businesses that include ESG risks and opportunities in their main operations and business plans are more likely to provide long-term and sustainable value to their stakeholders. Lubis and Rokhim (2021) say that a risk management approach that takes ESG factors into account gives the company useful information to find new risks that come up because of big trends like climate change, new laws, and changes in technology. It also helps the company set up internal responsibilities and systems to deal with these risks and improve performance over time. Investors and asset managers now think that ESG can have a big effect on the long-term profitability of their investment portfolios. They also want ESG analysis to be a regular part of the work of investing (OECD, 2017). Most institutional and individual investors now think about ESG factors while making investing decisions. Because of this, businesses are shifting their focus from making as much money as possible in the near term to meeting long-term environmental, social, and governance (ESG) goals. Most business leaders are increasingly aware of how important ESG issues are becoming. These issues can affect a company's financial health and its reputation in the marketplace.
ESG stands for environment, social, and governance. It is an investment idea and a way to grade firms based on their environmental, social, and governance performance instead of their financial performance. Hassani and Banini (2022) observed that investors can evaluate the role of corporations in fostering sustainable economic development and meeting social responsibility by examining corporate ESG disclosures. Environment (E) looks at how business operations and investments affect the environment, like how they use resources and release pollutants. Social (S) is all about how well the firm and its stakeholders work together and stay in balance. Governance (G) is about the company's internal governance structure and rules (Duuren et al., 2016). Professional investors look at ESG-related information not to improve their own reputation, but to see if a firm is managing risk well and setting its strategy for long-term profits. Recent polls of investors have repeatedly shown that the need to maximize financial returns and improve risk management are two of the main reasons why they want to integrate ESG. Companies used to solely care about making money for their shareholders, but now they also care about making money for all of their stakeholders and growing in a way that takes into account their environmental, social, and governance (ESG) performance. Sustainability concerns have also become an important part of making financial decisions for all types of assets (Liu et al., 2022). Investors are becoming more concerned in how companies plan to be sustainable and how they deal with and reduce ESG risks while still making money.
The literature evaluation indicates that an organization's capacity to efficiently integrate its resources into activities that optimize wealth or improve its alignment with firm value is essential for its sustainability and survival. The managers are supposed to help the organization reach its goals by giving it resources or useful information for making decisions. Techniques for evaluating input and output have shown that a company's financial and non-financial gains depend on how well it can align its resources with the requirements of its stakeholders, even when there is no monetary gain. According to research, pressure from

stakeholders has a big effect on ESG disclosures. They also said that the importance of ESG disclosures changes a lot from one industry to the next. Multinational companies can help spread a culture of ESG disclosure, especially if they have done so in their home country. Research shows that local environmental reporting depends a much on the government, customers, shareholders, and environmental activists.

The analysis of empirical studies revealed that the Non-industrial products sector appeared to be overlooked, as the majority of studies concentrated on banks, ICT firms, pharmaceutical companies, and manufacturing entities (Nguyen et al., 2022; Shaikh, 2022; Taiwo et al., 2022; Wu et al., 2022). It was also noted that the earlier research employed several performance metrics such as EPS, ROA, ROE, Tobin's Q, market capitalization, and others (Cheng et al., 2023; Iliemena et al., 2023; Parikh et al., 2023; Carnini et al., 2022; Friske et al., 2022). Additionally, it was observed that certain prior empirical investigations utilized solely one metric of shareholder wealth—EVA (Parikh et al., 2023; Dočekalová et al., 2022; Schiessl et al., 2022) and MVA (Taiwo et al., 2022; Zumente & Bistrova, 2021). There was no consensus among prior studies regarding the impact of ESG disclosure on shareholders' wealth due to conflicting results. This study was conducted to examine the impact of ESG disclosure on the wealth of shareholders in industrial products firms, utilizing two metrics of shareholder wealth, in response to the found gaps.

The primary aim of this study was to investigate the impact of ESG disclosure on the wealth of shareholders in publicly traded industrial goods companies in Nigeria. The precise aims of this study were to:

1. Investigate the impact of environmental performance disclosure on the economic value added of listed industrial goods businesses in Nigeria.
2. To find out how social performance disclosure affects the economic value added of listed industrial goods businesses in Nigeria.
3. To ascertain the impact of governance performance disclosure on the economic value added of publicly listed industrial goods businesses in Nigeria.

To address the aforementioned research problems, the subsequent hypotheses were developed and examined in this study:

$H_0$1: The disclosure of environmental performance does not significantly impact the economic value added of publicly traded industrial products firms in Nigeria.

$H_0$2: Social performance disclosure does not significantly impact the economic value added of publicly listed industrial products companies in Nigeria.

$H_0$3: The disclosure of governance performance does not significantly impact the economic value added of publicly listed industrial products companies in Nigeria.

Methodology

This study adopted *ex-post facto* research design based on the secondary data collated from annual financial reports of selected listed industrial good firms in Nigeria. This design was suitable for this study since the event had already taken place therefore, the information already existed**.** This study encompassed all industrial goods companies listed on the Nigerian Exchange Group from 2016 to 2025. The Nigerian Exchange Group factbook says that as of December 2025, there were 13 listed industrial goods businesses in Nigeria. To achieve a homogeneous sample size, companies listed after the study period of 2013 were excluded. This led to the exclusion of Bua Cement, resulting in a final sample size of 12 listed industrial goods enterprises for the study. Consequently, the adopted sample method was purposive sampling.

This study utilized a secondary data source that has been validated in previous research. Secondary data was chosen because it is reliable, acceptable, and easy to get. The information for the industrial companies in the sample came from the Nigerian Exchange Group's fact books and the yearly financial reports of the companies that were relevant to the study. We used content analysis to get data for the ESG disclosure proxies.

This project utilized content analysis to gather data, specifically about the proxies for environmental performance disclosure, social performance disclosure, and governance performance disclosure. Content analysis is a systematic approach that transforms qualitative data into quantitative data to facilitate analysis (Clarke & Gibson-Sweet, 1999). This method is a research strategy that helps make valid and repeatable conclusions from data. It also assumes that the amount of information shared shows how important the topic is to the reporting entity (Campbell et al., 2003). Content analysis can use word counts, sentence counts, average lines, and page proportions. The researcher can pick the strategy that works best for them (Hasan, et al., 2021). The annual report of the oil companies being researched provided the data for the ESG factors. The researcher used a disclosure checklist that they had made to get the data.

The researcher created a checklist that was used to collect the data for ESG disclosure. The Global Reporting Initiative's disclosure criteria were used to develop this checklist. We figured out the environmental, social, and governance disclosure indices by looking at how many times something happened and how much was said about it. The researcher assigned a value of "1" to an indication if it was present in the company's financial statement and a value of "0" if it was not. The index score was calculated by dividing the total number of occurrences by the entire number of possible scores.

$$\text{Disclosure index} = \frac{\text{Actual disclosure}}{\text{Expected disclosure}}$$

The data set underwent preliminary regression studies, encompassing descriptive statistics and correlation analyses. The researcher used descriptive statistics to look at the data's mean, maximum, minimum, and standard deviation to see what it was like. We used correlation analysis to look at how the variables were related and to see if there was any collinearity among the variables of interest. The ordinary least squares regression analysis technique was utilized to ascertain the impact of ESG reporting on shareholders' wealth and to determine the direction of the effect, if it exists.

Decision Rule: The p-Values were used to decide whether to accept or reject the null hypothesis. If the p-values are greater than 0.05, the null hypotheses should be rejected. If the p-values are less than 0.05, the null hypotheses should be accepted.

Model specification

The econometric model employed in this study was derived from the framework established by Schiessl et al. (2022) and Bifulco et al. (2023), then adjusted to align with the specific requirements of this research, as illustrated below; Shareholder wealth = f(ESG disclosure)

EVA = f(Environmental performance disclosure, social performance disclosure, governance performance disclosure)

MVA = f(Environmental performance disclosure, social performance disclosure, governance performance disclosure)

$EVA_{it} = \beta_0 + \beta_1 ENPD_{it} + \beta_2 SOPD_{it} + \beta_3 GOPD_{it} + \mu_{it}$ (1) $MVA_{it} = \beta_0 + \beta_1 ENPD_{it} + \beta_2 SOPD_{it} + \beta_3 GOPD_{it} + \mu_{it}$ (2) Where:

EVA = Economic value added
MVA = market value added
ENPD = Environmental performance disclosure
SOPD = Social performance disclosure
GOPD = Governance performance disclosure
β_0 = Constant
β_1- β_3 = Slope Coefficient
μ = Stochastic disturbance
i = i^{th} industrial goods firms
t = time period

Results

This part of the study gave some basic information about both the explanatory and dependent variables that were of interest. The mean, standard deviation, maximum, and minimum were used to describe each variable. Table 1 shows the study's descriptive statistics.

Table 1 Descriptive statistics of the effect of ESG disclosures on shareholders' wealth of listed industrial goods firms in Nigeria

	EVA	MVA	ENPD	SOPD	GOPD
Mean	9044190.01	417209820.	0.639636	0.665182	0.731727
Median	97090.3606	392443.700	0.640000	0.670000	0.770000
Maximum	205005927.	3063874299	0.820000	0.870000	1.000000
Minimum	-50376511.4	-336754201.	0.430000	0.470000	0.540000
Std. Dev.	31321021.1	936566660.	0.122272	0.130058	0.128341
Skewness	3.89383822	1.81241216	-0.136925	0.046727	-0.041683
Kurtosis	21.2640430	4.55720236	1.798617	1.817826	1.961937
Jarque-Bera	1806.856	71.33606	6.958944	6.445401	4.970741
Probability	0.000000	0.000000	0.030824	0.039847	0.083295
Sum	9.95E+08	4.59E+10	70.36000	73.17000	80.49000
Sum Sq. Dev.	1.07E+17	9.56E+19	1.629585	1.843746	1.795372
Observations	110	110	110	110	110

Source: Author's computation (2025)

The descriptive statistics of the variables in this study may be seen in Table 1 above. The table reveals that the lowest economic value added (EVA) in the industrial goods sector between 2013 and 2022 was -N50,376,511,400. The biggest amount was N205,005,927,000, while the average for the sector was N9,044,190,010. The standard deviation, which shows how spread out the data is, was N31,321,021,100. This means that the added economic value in the industrial products sector was rather high. Now let's talk about the disclosures. For environmental performance disclosure (ENPD), the highest score was 0.82 (23 out of 28 things), the lowest score was 0.43 (12 items), the average score was 0.64 (approximately 18 items), and the standard deviation was 0.12 (3 items). Based on these numbers, it's safe to infer that the sector's environmental performance disclosure isn't very good. It looks like a mixed bag, with certain areas of environmental performance disclosure that could be better. Also, social performance disclosure (SOPD) had a minimum score of 0.47 (7 out of 15 items), a maximum score of 0.87 (13 items), an average score of 0.67 (10 items), and a standard deviation of 0.13 (2 items). But these numbers show that the same thing is true for environmental performance: there is opportunity for improvement. Lastly, the governance performance disclosure (GOPD) had an average score of 0.73 (9 things), a low score of 0.54 (7 items), a high score of 1.00 (13 of 13 items), and a standard deviation of 0.13 (2 items). Based on these numbers, it looks that the sector's governance performance disclosure was rather well over the research period.

Table 2: Correlation analysis for the relationship between ESG disclosures and economic value added (EVA) of listed industrial goods firms in Nigeria

	EVA	ENPD	SOPD	GOPD
EVA	1.000000			
ENPD	0.157494	1.000000		
SOPD	0.038306	-0.027947	1.000000	
GOPD	0.302794	0.042988	-0.134405	1.000000

Source: Author's computation (2025)

The table 2 above showed a weak positive connection of 0.16 between environmental performance disclosure (ENPD) and economic value added (EVA). There was also no clear link (0.03) between economic value added and social performance disclosure (SOPD). Lastly, governance performance disclosure (GOPD) had a weak positive connection with economic value added (EVA), with a coefficient of 0.30.

Table 3: Regression analysis for the effect of ESG disclosures on Economic value added of listed industrial goods companies in Nigeria – Model 1

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	4.969534	1.167500	4.256559	0.0000
ENPD	0.583528	0.979783	1.595569	0.0528
SOPD	0.377454	0.937384	0.402668	0.6880
GOPD	0.000531	0.939501	2.000565	0.0096

R-squared	0.304900	Mean dependent var	5.593597
Adjusted R-squared	0.285227	S.D. dependent var	1.230100
S.E. of regression	1.244825	Akaike info criterion	3.312533
Sum squared resid	159.6076	Schwarz criterion	3.412452
Log likelihood	-173.2205	Hannan-Quinn criter.	3.353039

F-statistic	7.169055	Durbin-Watson stat	2.379968
Prob(F-statistic)	0.000250		

Source: Author's computation (2025)

The pooled OLS regression for model 1 above reveals an F-statistic of 7.169055 with a p-value of 0.000250. This means that the model is good for making statistical inferences and that, overall, ESG disclosures have a big impact on the economic value added of the companies being studied. The model produced an R-squared value of 0.304900, indicating that 30% of the variations in the dependent variable can be elucidated by the independent variables in this study. The mistake word, on the other hand, captures the component that isn't explained.

Test of hypotheses

The regression findings in table 3 are used to evaluate the following hypotheses:

Ho1: Disclosure of environmental performance does not significantly impact the economic value added of publicly traded industrial goods companies in Nigeria.

The regression findings in table 3 indicate that the impact of environmental performance disclosure (ENPD) on economic value added (EVA) yielded a coefficient of 0.583528, accompanied by a probability value of 0.0528 (>0.05). This signified the acceptance of the null hypothesis and the dismissal of the alternative. Consequently, disclosures of environmental performance do not significantly impact the economic value added of publicly listed industrial goods companies in Nigeria.

Ho2: Social performance disclosure does not significantly impact the economic value added of publicly listed industrial products firms in Nigeria.

Table 3 further showed that the effect of social performance disclosure (SOPD) on economic value added (EVA) had a coefficient of 0.377454 and a p-value of 0.6880. It was clear that the p-value was higher than the 0.05 significance level, which meant that the null hypothesis was accepted and the alternate hypothesis was rejected. The acceptance of the null hypothesis was further corroborated by the t-statistic of 0.402668, which was inferior than the critical value of t; 1.982383. Consequently, the disclosure of social performance does not exert a significant impact on the economic value added of the enterprises examined.

Ho3: Governance performance disclosure does not significantly impact the economic value added of publicly traded industrial goods companies in Nigeria.

The regression output from Model 1 later showed that governance performance disclosure (GOPD) had a big impact on the economic value added (GOPD) of the companies that were studied. The t-calculated value (2.000565) was higher than its critical value (1.982383), the probability value (0.0096) was higher than 0.05, and the coefficient (0.000531) was likewise higher than 0.05. In light of this, the null hypothesis was rejected and the alternative accepted, indicating that social performance disclosure significantly impacts the economic value added of publicly traded industrial goods companies in Nigeria.

Discussion of Findings

The outcomes from the initial regression model in table 3 indicated that environmental performance disclosure; 0.583528[0.0528] exerts a non-statistically significant yet beneficial influence on the economic value added of publicly traded industrial goods companies in Nigeria. The positive coefficient indicates a direct correlation between environmental performance disclosure and EVA; nevertheless, it lacked adequate evidence to substantiate this correlation. Ogochukwu and Grace (2022) identified an insignificant negative relationship between environmental disclosure and shareholder wealth, while Sarumpaet (2005) found no correlation between environmental performance and corporate profitability. Contradictory findings are present in the literature, with Amahalu (2018) identifying a positive and significant relationship between environmental performance and economic value added, Ahmad et al. (2017) demonstrating that environmental performance disclosure positively influences firm performance, and Patten (2002) revealing a negative relationship between environmental performance disclosure and firm performance, among others.

The correlation between social performance disclosure and economic value added produced a favorable yet negligible outcome; 0.377454[0.6880]. This indicates that social performance disclosure does not significantly impact the economic value added of publicly traded industrial goods firms in Nigeria. This result contradicts the findings of Aras, Aybars, and Kutlu (2010), Lin et al. (2019), and Arafat, Warokka, and Dewi (2012), all of whom likewise identified no correlation. Abutaber and Maswadeh (2022) and Amahalu (2018) presented findings indicating that social responsibility disclosure positively influences EVA (significantly). Schiessl et al. (2022) discovered that CSR adversely impacts EVA, Hasan, Singh, and Kashiramka (2021) identified a negative correlation between social disclosure and firm performance, and Cormier et al. (2005), Branco and Rodrigues (2008), and Reverte (2009) all reported a negative association between social performance disclosure and profitability.

The statistical outcome on the impact of governance performance disclosure on economic value added indicated a substantial positive result; 0.000531[0.0096]. This research indicates that an increase in governance disclosure correlates with an enhancement in the economic value added of the examined firms. To put it another way, if these companies were to be more open about their finances, their economic value would go up a lot. Fama and Jensen (1983) assert that an effective corporate governance system is crucial for enhancing business performance in the shareholders' best interests, minimizing agency costs, and promoting corporate longevity. Ogochukwu and Grace (2022) also showed a strong positive link between governance disclosures and EVA. Similarly, Xie et al. (2019), Gompers et al. (2003), and Beiner et al. (2004) all identified a favorable correlation between governance disclosure and financial performance. Despite these, research by Rouf (2012) indicate a negative association between governance disclosure and financial performance, whereas Cheung et al. (2008) find no relationship.

Conclusion

Based on the results of this study, it was determined that ESG disclosures substantially impact the wealth of shareholders in listed industrial goods businesses in Nigeria. It was determined that environmental performance disclosure does not significantly influence economic value added but positively impacts market value added; social performance disclosure has no significant effect on the economic value added of listed industrial goods companies in Nigeria; and governance performance disclosure positively affects the economic value added of these firms.

These results about Environmental, Social, and Governance (ESG) disclosures showed how much they affect the value of shareholders. A comprehensive evaluation of these factors demonstrated that accountable and clear ESG disclosures significantly influence investor perceptions and financial results. Even while some ESG parts are more important than others, they all help create long-term value for shareholders. Companies that care about ESG issues not only meet evolving societal expectations, but they also have a chance to improve their reputations, attract ethical investors, and, in the long run, increase shareholder value. Consequently, it is prudent to assert that acknowledging the interrelationship of ESG factors and shareholder wealth is essential for companies aiming for enduring success in the contemporary corporate landscape.

Recommendations

Based on the results of empirical findings, the following recommendations were made for the study:

1. It was suggested that companies should continue to disclose their environmental responsibilities, even though it does not significantly impact economic value added as a measure of shareholders' wealth.
2. Since social performance disclosure does not significantly affect the economic market value added of the firms under study, these firms should reevaluate their social impact strategies and implement improvements, as this may ultimately enhance shareholders' wealth.
3. Given the significant impact on governance performance disclosure, firms should thoroughly disclose their corporate governance activities, as investors have greater confidence in this disclosure parameter.

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