

ASSESSING THE EFFECT OF SUSTAINABILITY REPORTING ON CORPORATE VALUE OF LISTED INDUSTRIAL GOODS COMPANIES IN NIGERIA

Rukaiyatu Adamu

Department of Accounting Adamawa state University, Mubi

Adamu708@adsu.edu.ng

Maryam Isyaku Muhammad

Department of Accountancy, Modibbo Adama University, Yola

isyakumariam@mau.edu.ng

Danjuma Mohammed

Department of Accounting Adamawa State University, Mubi

Mohammed509@adsu.edu.ng

Abstract

This study examined the effect of sustainability reporting on the corporate value of listed industrial goods companies in Nigeria. Specifically, the study assessed the effect of environmental, social, and economic sustainability reporting on corporate value measured by the Price-to-Book Value (PBV) ratio. An ex post facto research design was adopted using panel data obtained from 11 listed industrial goods companies purposively selected from a population of 13 companies. Data were collected through content analysis of annual reports, sustainability reports, and corporate websites. The data were analyzed using descriptive statistics, correlation, and panel regression techniques. The findings revealed that environmental sustainability reporting has a positive and statistically significant effect on corporate value. Social and economic sustainability reporting exhibited a negative but statistically insignificant effect on corporate value, indicating that social and economic sustainability reporting did not significantly influence market valuation. The study concludes that environmental sustainability reporting enhances corporate value among listed industrial goods firms in Nigeria, whereas social and economic sustainability reporting have not yet translated into significant market value. The study recommends that industrial goods companies strengthen the quality, credibility, and consistency of sustainability reporting, particularly in social and economic dimensions, while policymakers should encourage comprehensive sustainability reporting to improve investor confidence and enhance long-term corporate value.

Keywords: Sustainability reporting, Environmental, Social, Economic, Price-to-Book Value.

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Corresponding Author:

Rukaiyatu Adamu,

Adamawa state University, Mubi

adamu708@adsu.edu.ng

+2348138748448

1. Introduction

The recent environmental alerts issued by the United Nation environmental program pointed out that mismanagement of resources is the major cause for environmental challenges. This shows that the responsibility of companies does not end at compliance to environmental regulations and mandates but also to develop safeguards that will prevent disastrous events from occurring. The responsibility should also extend above and beyond to serve the current and future interests of the society. The notion of engaging beyond compliance is ethical and desirable as sustainability is a conceptual framework that recognizes a viable relationship exists between an organization's economic performance and its environmental and social activities (Aifuwa, 2020).

Market value is one of the crucial factors for company management and investors. According to Sutopo and Hananto, (2019), company's value reflects the market's assessment of an entity's current and future performance. One way for companies to maximize their market value is to be listed on the exchange (Taouab & Issor, 2019). For investors, the company's value is one of the important factors when investing. Market value is one of the indicators of financial performance that can show the company's prosperity to investors (Sondank, 2019) as well as long term sustainability. Corporate entities are responsible for planning on how to maximize value such that the company remains trusted by shareholders (Kamaliah, 2020). High corporate value will make the market believe not only in the company's current performance but also in the company's prospects in the future (Agustia et al. 2019). The wealth of shareholders is expressed by the stock's market price, which reflects investment decisions, funding, and asset management. As a result of Increase in number of firms in both developed and developing economies, sustainability issues has attracted a great deal of research. Despite many studies both local and international to date, research on sustainability reporting and corporate value largely remain inconclusive. Acknowledging the fact that there are many other factors that contribute to corporate value rather than just sustainability reporting, this research specifically focuses on whether or not engaging in sustainability reporting is in the best interest of the firm when it is looking to enhance value in the long run. If sustainability reporting does enhance corporate value, it would be a worthwhile investment to firms and not merely a measure that wastes corporate resources.

The industrial goods companies is vital to Nigeria's economic development. These companies provide employment, support infrastructure development through production of cement, chemicals and pharmaceuticals, basic metals and iron steel, electrical and electronic products, plastic and rubber. These industries supply needed materials for construction, transportation, energy and industrialization contributing significantly to GDP. These companies also export products to other African countries under the African continental free trade areas helping to earn foreign exchange and increase competitiveness of Nigerian manufacturers.

Despite the contribution of industrial goods companies to Nigeria's economic development through employment generation, infrastructure supports and GDP growth, their operation may create a significant environmental and social challenges including greenhouse gas emissions, pollution, resource depletion, waste generation and community health risk. These concerns have increased the importance of sustainability reporting as a mechanism for promoting corporate accountability and responsible industrial practices. These negative impacts explains why industrial goods companies are increasingly required to disclose environmental, social and economic sustainability information. Frameworks such as the global reporting initiative (GRI) G4 sustainability reporting guidelines encourage companies to report issues such as emission, waste management, occupational health and safety as well as community impacts. The main

objective of the study is to examine the effect of sustainability reporting on corporate value of listed industrial goods firm in Nigeria.

2. Literature review

Sustainability

Dincer et al (2023) defined sustainability as the information that companies provide about their impact to the outside world on a regular basis in a structured way on sustainability topics, spanning environmental, social, and governance parameters. This definition, however advanced from concentrating only on environmental, social and economic issues to focusing on the interdependence on governance factors. It also enables organizations to be transparent about their impacts on sustainable development and helps stakeholders understand non-financial factors that influence corporate value. Sustainability has been primarily used as a dynamic approach for managers to frame organizational strategies and associated business activities. For managers, sustainability provides them a framework to view the business as having interdependence and intertwined in the local and regional as well as international communities for continued growth and profitability (Hendra et al, 2022). Sustainability as an integrated framework that encourages managers to reorient their business for new strategy and growth in new areas. It also helps link the capabilities of business leadership and employee's capabilities/competencies to align with organizational resources. (Aifuwa, 2020).

Sustainability Reporting

The concept of sustainability reporting (SR) has been defined by various stakeholders for instance, Onyinye and Amakor, (2019), defined SR as a systematic tool for putting together and presenting sustainability information needed for the process of management, and is also useful to stakeholders. This definition shows the need for sustainability reporting to both internal and external stakeholders for informed decision making. According to Saminda, (2014), SR is a concerted effort to integrate environmental, societal and economical aspects of an organization into the evaluation and decision-making processes of organizations and communicate to the interested parties. Sustainability reporting therefore, refers to the disclosure of information, including aspects such as economic, social, environmental and governance, used for informed decisions. Global Reporting Initiative (2011), defines SR as the practice of measuring, disclosing, and being accountable to internal and external stakeholders for organizational performance towards the goal of sustainable development.

The United Nations (2015), defined sustainability as the ability to the meet the need of the present without compromising the ability of future generations to meet their own needs encompassing environmental, social and economic dimensions. These definitions highlight the interconnectedness for the environmental, social and economic aspects in achieving sustainability goals. These definition emphasizes on meeting the social, economic and environmental needs of the present whereas preserving the future generation needs.

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The CFA Institute (2015), viewed corporate value as the value that accrues to the equity shareholders of a corporation that results from the organization's ability to earn a rate of return on its investments that is greater than the cost of those investments. Corporate value can also be the value that a company has after considering its liabilities and assets. According to Alabi and Issa (2022), corporate value is a yardstick for gauging how an organization can satisfy its owners, generally via profit maximization or shareholder wealth; it also conveys a metric including financial and non-financial effectiveness by satisfying firm's stakeholders. Similarly, Emeka-Nwokeji (2019), posit that corporate value is influenced by investors' perceptions of its managers' ability to anticipate and respond to future changes in the firm's economic environment.

Measurement of corporate value

In literature, corporate value is often measured using a variety of financial metrics and methodologies, depending on the context and the research objectives. Some common approaches include: market-based valuation such as the discounted cash flows, relative valuation, assets-based valuation and multi period models. Market-based valuation methods rely on the prices of publicly traded companies or transactions in the market to determine corporate value. These methods include Tobin's Q ratio, market capitalization, enterprise value, price to earnings ratio, price to book ratio, dividend yield (Ngunyen, 2020; Hendra et al, 2022; whetman 2017).

Price to book value is one of the measures of corporate value commonly used for market-based valuations. This study uses price to book value ratio to measure corporate value. Price-to-Book Value (P/B ratio) captures long-term corporate value. Industrial goods firms tend to have significant physical and financial assets on their statement of financial position, making the P/B ratio an ideal measure of corporate value. The P/B ratio reflects market's valuation of a firm's tangible assets relative to its book value, which is essential for industries with substantial capital expenditure. A major advantage of using the P/B ratio is that it is less influenced by the volatility in earnings that affects other valuation proxies.

Sustainability Reporting and corporate value

The studies by Tri and Ismawati (2018), focus on companies from India. This region and industries (mining, metal and food processing) may differ significantly from industrial goods firms in Nigeria. Differences in economic environments, governance structures, and market characteristics might limit the applicability of their findings to Nigeria. This study provides more context-specific insights for Nigeria, which could offer more relevant policy recommendations. Tri and Ismawati (2018) study use Tobin's Q and return on assets (ROA) to measure corporate value, while the current study will adopt the price-to-book value (PBV) ratio. The choice to use PBV is advantageous since it can provide a clearer understanding of how sustainability reporting impacts real asset-backed value, especially in an industrial context. The study by Tri and Ismawati (2018) also examine three dimensions of sustainability reporting (economic, environmental, and social). While these are widely recognized dimensions, the current study delves deeper into how board independence affects the weight or significance of each dimension on corporate value. For instance, board independence could enhance sustainability initiatives and reporting, improve market confidence and thus boost PBV. Methodologically, the study uses purposive sampling, with sample sizes of 60 firms across multiple sectors. This study employed a sample size that specifically focuses on industrial goods firms in Nigeria. By narrowing down the focus, findings could be more representative of this particular sector, providing more insights into the moderating role of board independence.

Furthermore, Lancee (2017), examined the Impact of Sustainability Reporting on Firm Profitability Using a sample of 95 publicly traded American firms from various sectors in 2015-2016, the examine how corporate sustainability reporting affects the financial performance of firms. The study findings revealed positive and significant effect of sustainability reporting on firm's return on equity, return on assets, and profit margin. However, this relationship is found only for firms with low institutional ownership. Moreover, Lawrence, Thomas and Yu (2017), examined Sustainability Reporting and Corporate value: Evidence from Singapore-Listed Companies. The total sample of 502 was used. Data were sourced from the annual reports and sustainability reports of the sampled firms. Weighted least squares (WLS) regression was employed for the analysis. Findings revealed that SR has positive and significant impact on corporate value. This indicates that sustainability disclosure or not is positively related to the firm value.

Fuadah et al. (2019), examined factors influencing financial performance through sustainability reporting in Indonesia. The sample comprise four companies that received an Indonesia Sustainability Reporting Awards (ISRA) in 2016. Secondary data from the annual report 2012-2016 was used. The study underpinned stakeholders' theory, the result shows that sustainability reporting has a positive and significant effect on financial performance. Also, board size and sustainability are not significant, size and leverage have a positive impact on sustainability reporting. Fuad et al (2019), study conducted in Indonesia and it covers only 4 companies as sample size covering 5-year period. The current study will cover all the industrial goods firm listed on the Nigeria exchange group and will cover a period of 12 years.

Gitahi, et al. (2018) investigated the relationship between corporate social responsibility disclosure and value relevance of listed banks in Kenya. The study used both primary and secondary data. The primary data was collected from financial analysts while secondary data was generated using content analysis to quantify CSR disclosures. Value relevance was measured using average market price per share. The results of the study revealed that there is significant relationship between CSR disclosure and value relevance of the sampled banks. This shows that inclusion of corporate social responsibility disclosure by a firm in the annual reports improves the perception of investors and impacts on the value relevance of annual reports.

Illiemena et al. (2023), examined Sustainability Reporting and Economic Value Added: Evidence from Listed Manufacturing Entities in Nigeria. The study covered a period of 8years, 2013 to 2020. Ex-post facto research design was adopted while secondary data were sourced from annual reports and accounts of 37 sampled companies out of the population of 73 listed manufacturing companies using judgmental sampling technique. The panel data gathered for the study were analyzed using panel regression techniques (random effect) at 5% level of significance. The study revealed that economic, social and environmental reporting aspects of sustainability reporting all had positive effect on economic value added over the period. However, the effects were found to be significant for economic and social reporting while the effect of environmental reporting was not statistically significant.

Stakeholder and signalling theories are found relevant to this study. The Stakeholders' theory was pioneered by Freeman in 1984. Freeman (1984) argued that the firm is a social person and therefore, is responsible and accountable not only to the shareholders but also to all other stakeholders. The signalling theory was pioneered by Michael Spence in 1973. The theory explains how individuals or corporate entities communicate certain qualities or attributes to others in a situation where there is information asymmetry. Signaling theory relates to this study because it explains how corporate entities communicate their sustainability efforts to

enhance their perceived value among stakeholders, which can lead to tangible financial benefits.

The following hypotheses were formulated to guide the study; H₀₁: environmental sustainability reporting does not have any significant effect on price to book value ratio of listed industrial goods firms in Nigeria; H₀₂: social sustainability reporting does not have any significant effect on price to book value ratio of listed industrial goods firms in Nigeria; H₀₃: economic sustainability reporting does not have any significant effect on price to book value ratio of listed industrial goods firms in Nigeria;

3. Methodology

This study assesses the effect of sustainability reporting in industrial goods companies in Nigeria. By assessing the environmental, social and economic sustainability reporting on corporate value. This study used quantitative research design. The quantitative method involved assessing the effect of sustainability reporting on price to book value ratio.

The population consisted of 13 industrial goods companies listed on the Nigeria exchange group; purposive sampling method was used to select industrial goods companies. The sample size for this study consists of 11 industrial goods firms that met the study's criteria.

Due to voluntary nature of sustainability reporting in Nigeria, some companies do not a standalone sustainability report, therefore data were generated through content analysis of annual reports as well as corporate website was used to generate data on sustainability reports (environmental, social and economic). Data on corporate value was extracted from the annual reports of the sampled industrial goods companies.

The techniques employed for the analyses include descriptive, correlation and pool regression models. This is necessary because panel data were used for the analysis. Descriptive statistics, correlation and regression were adopted to describe the behaviour of the variables under study.

The three hypotheses were tested using regression analysis using the following model;

$$CV_{it} = \beta_0 + \beta_1 EVD_{it} + \beta_3 SOD_{it} + \beta_2 ECD_{it} + \beta_4 FLV_{it} + \beta_5 FSZ_{it} + \beta_6 FAG_{it} + \epsilon_{it}$$

4. Results and Discussion

Descriptive Statistics

The descriptive measures mean, minimum, maximum, standard deviation for the variables in this study are shown in Table 1.

Table 1: Descriptive Statistics

Variable	obs	Mean	Std. Dev.	Min	Max
PBV	132	2.6288	2.1992	0.014	12.083
ENVD	132	0.0843	0.0333	0.0	0.147
SOD	132	0.7174	0.1283	0.333	0.889
ECD	132	0.0832	0.0426	0.041	0.271
FLV	132	0.4532	0.5716	0.031	4.816
FSZ	132	1.1870	0.0533	1.024	1.316
FAGE	132	1.4808	0.2278	1.079	1.708

EVD: Environmental Disclosure; ECD: Economic Disclosure; SOD: Social Disclosure; BIND: Board Independence; FLV: Firm Leverage; FSZ: Firm Size; FAGE: Firm Age.

Source: Source: Researcher's Computation, 2025.

The descriptive statistics from table 1 show that each of the eight variables has 132, meaning that the dataset contains consistent measurements across all firms. PBV has a mean and standard deviation of 2.55 and 0.44 respectively. This indicates that, on average, firms are valued at 2.55 times their book value. The standard deviation shows significant variability in how firms are valued, suggesting that some firms are viewed much more favourably by investors than others. The lowest PBV observed among the sampled firms was -0.8662, while the highest was 12.0830. This suggests substantial variation in corporate value across the

sample. Furthermore, environmental disclosure records a mean value of 0.0843, equivalent to 8.43%. This implies that, on average, firms disclosed approximately 8.43% of the environmental sustainability items considered in the study. The minimum disclosure level is 5.0%, while the maximum is 14.7%, indicating relatively low environmental disclosure practices among the sampled firms.

Table 1 also shows that social sustainability reporting has a mean the mean value of 0.7174, representing 71.74%. This indicates that, on average, firms disclosed about 71.74% of the social disclosure items. The minimum and maximum values of 33.3% and 88.9%, respectively, suggest that social disclosure is relatively high among the sampled firms. The standard deviation of 0.1283 indicates differing approaches to sustainability among firms, with some firms being significantly more proactive. Economic disclosure has an average value of 0.0832 (8.32%), with minimum and maximum value of 0.4776 and 0.2710, (4.1% and 27.1%) respectively. The results suggest that economic disclosure practices are relatively low and vary considerably across firm.

Correlation analysis is used to helps to determine the strength and direction of the linear relationship between variables.

Table 2: Matrix of Correlations for dependent and independent variables

Var.	pbv	envd	sod	ecd	flv	fsz	fage
pbv	1.0000						
envd	0.3130	1.000					
sod	-0.064***	0.183	1.000				
ecd	0.043**	0.106	0.565	1.000			
flv	-0.018**	0.331	0.087	0.108	1.000		
fsz	-0.201	0.097***	0.368	0.125	-0.092	1.000	
fage	-0.082***	0.090***	0.389	0.358	0.232	0.237	1.000

Source: Researcher's Computation, 2025

Table 2 indicate that that price to book value (PBV) has a perfect relationship with itself at 1.000 (100%). However, PBV exert an insignificant positive correlation ($r = 0.3130$) with environmental sustainability reporting (ENVD), a significant negative correlation of -0.0640 with social sustainability reporting (SOD), it exerts a positive correlation of 0.0431 with economic sustainability reporting (ECD). Similarly, PBV has a negative correlation of -0.0177 with firm leverage (FLV), an insignificant negative correlation of -0.2008 with firm size (FSZ) and a significant negative correlation of -0.0815 .

Also, EVND has a perfect relationship with itself at 1.000 (100%). Meanwhile, EVND has a positive but insignificant relationship of 0.1825 , 0.1053 , and 0.3306 with social sustainability reporting (SOD), economic sustainability reporting (ECD) and firm leverage (FLV) respectively. Similarly, ENVD exert positive and significant correlation of 0.0965 and 0.0900 with firm size (FSZ) and firm age (FAGE). Furthermore, social sustainability reporting (SOD) has a positive but insignificant relationship of 0.5652 , 0.2574 , 0.3680 and 0.3894 with economic sustainability reporting (ECD), firm size (FSZ) and firm age (FAGE), a positive and significant correlation of 0.0873 with firm leverage.

Table 2 also indicates that economic sustainability reporting (ECD) has a perfect correlation with itself at 1.000 (100%), an insignificant positive correlation of 0.1076 , 0.1252 and 0.3577 with FLV, FSZ and FAGE respectively. Firm leverage has a perfect relationship with itself at 1.000, it exert a negative and significant relationship with FSZ (-0.0916) and insignificant relationship of 0.2321 with FAGE. The result also depict that FSZ has a perfect relationship with itself at 100% (1.000) and lastly FAGE has a perfect correlation with itself.

Table 3: VIF and Tolerance Values

Variables	VIF	1/VIF
SOD	1.95	0.51
EVD	1.56	0.64
ECD	1.32	0.76
FAGE	1.22	0.82
FSZ	1.20	0.83
FLV	1.13	0.88
Mean VIF	1.37	

Source: Researcher's Computation, 2025

Table 4 shows the tolerance and Variance Inflation Factor (VIF) values for the independent variables. The results indicate no evidence of multicollinearity. Specifically, tolerance values range from 0.51 to 0.88, all well above the minimum acceptable threshold of 0.10 (Hair et al., 2014; Tabachnick & Fidell, 2019). Similarly, the VIF values range from 1.13 to 1.95, which are substantially below the critical value of 10. These results confirm that multicollinearity is not a concern in this analysis.

Panel Diagnostic Tests

Table 5 presents the results of the diagnostic tests conducted to determine the most appropriate estimation technique.

Table 5: Panel Diagnostic Tests

Test	Statistic	p-value	Decision
Ramsey RESET Test	21.28	0.000	Model specification error detected
Breusch-Pagan LM Test	103.23	0.000	Random Effects preferred to Pooled OLS
Hausman Test	678.86	0.000	Fixed Effects preferred to Random Effects
Modified Wald Test	1321.91	0.000	Presence of heteroskedasticity
Wooldridge Test	0.673	0.431	No first-order serial correlation

The first diagnostic conducted was the Ramsey Regression Equation Specification Error Test (RESET), the results reveal an F-statistic of 21.28 with a p-value of 0.000, which is statistically significant at the 1 percent level. Finding suggests that the estimated model may suffer from specification errors arising from omitted relevant variables, incorrect functional form, or neglected nonlinear relationships among the variables. Such evidence is not uncommon in accounting research, especially sustainability reporting studies because corporate value is influenced by numerous firm-specific and macroeconomic factors that may not be fully captured in a single empirical model. Nevertheless, the model employed in this study is grounded in established theoretical frameworks and empirical literature.

The Breusch-Pagan Lagrange Multiplier (LM) Test was subsequently conducted to determine whether panel estimation is preferable to the pooled Ordinary Least Squares (OLS) estimator. The test produced a chi-square statistic of 103.23 with a p-value of 0.000, which is statistically significant at the 1%. The null hypothesis is therefore rejected, This finding implies that the observations are not homogeneous across firms and that pooled OLS would ignore important cross-sectional heterogeneity, thereby producing biased and inefficient estimates. Consequently, a panel estimation technique is preferred over the pooled regression model.

Table 6: Summary of Linear Regression-Correlated Panel Corrected Standard Errors (PCSEs)

pbv	coef	Std error	z	p>z
EVD	21.3012	6.5123	3.27	0.001***
ECD	-0.8061	1.4151	0.57	0.569
SOD	-3.9194	4.2619	-0.92	0.358
FLV	-0.4620	0.3601	-1.28	0.200
FSZ	-4.7627	2.4145	-1.97	0.049**
FAGE	0.2786	0.7557	0.37	0.712
CONS	7.3338	2.6323	2.79	0.005**
Prob.>chi2	0.0000			
R ²	0.1244			
Wald chi 2	113.72			
Estimated coefficient	7			
Estimated covariance	65			
No. of obs.	132			

Source: Researcher's computation (2024).

Notes: ***, **, and * represent significant at 1%, 5%, and 10% levels respectively.

The regression result shows that the model reported an R^2 of 0.124, indicating that approximately 12.4% of the variation in corporate value is explained by sustainability reporting and the control variables. Although the explanatory power is modest, it is acceptable in firm-level panel studies where corporate value is influenced by numerous external economic and market-specific factors. The Wald Chi-square statistic of 113.72 ($p = 0.000$) confirms that the explanatory variables are jointly significant. The result shows that the coefficient of Environmental sustainability reporting (21.301) is significant, the coefficient of Social sustainability reporting (-3.919) is negative but statistically insignificant ($p = 0.328$). While, Economic sustainability reporting is negative and statistically insignificant, indicating that its effect on corporate value is weak.

Based on the empirical results, the following findings emerged:

The regression result shows environmental sustainability reporting (EVD) has a positive and statistically significant relationship with price to book value. This indicates that increased environmental sustainability reporting enhances corporate value among listed industrial goods firms in Nigeria.

Social sustainability reporting has a negative and statistically insignificant with price to book value, indicating that such reporting does not significantly influence the market valuation.

Economic sustainability reporting (ECD) has a negative and statistically insignificant effect on price to book value of listed industrial goods firms in Nigeria. Implying that economic sustainability reporting significantly influence corporate value negatively.

5. Conclusion and Recommendations

Conclusion

The study examined the effect of sustainability on corporate value of listed industrial goods companies in Nigeria. The study has shown that Environmental sustainability reporting has a significant positive effect on corporate value. It implies that increased sustainability reporting practices enhances investors' confidence and improves the market valuation of companies. However, Social sustainability reporting

has an insignificant negative effect on corporate value. This implies that investors place greater emphasis on environmental sustainability information when assessing corporate value.

Recommendations:

Based on the study's findings, the following recommendations are suggested:

- i. Since environmental sustainability reporting significantly improves corporate value, managers of listed industrial goods companies should strengthen environmental sustainability initiatives and reporting, as transparent reporting of environmental performance significantly enhances corporate valuation and investor confidence.
- ii. Industrial goods companies should improve the quality, relevance and credibility of social sustainability reporting by providing measurable information on employees welfare, community development, occupational health and safety and stakeholder engagement to increase their usefulness to investors.
- iii. Management of industrial goods companies should enhance economic sustainability reporting by providing more disclosures on value creation, local economic contributions, innovation and long term financial sustainability, which may improve investor perception overtime.
- iv. Future studies should examine governance variables such as board independence, board diversity, board size, audit committee characteristics, institutional ownership, and managerial ownership as moderators between sustainability reporting and corporate value. Future research may also extend the analysis to other sectors of the Nigerian economy or undertake comparative studies across African countries.

These results contribute significantly to the field of sustainability reporting, particularly in the industrial goods sector. Furthermore, the findings promote sustainability reporting by providing empirical evidence on how sustainability reporting affect corporate value.

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