



Effect of Economic Sustainability Disclosures on Corporate Value of Listed Manufacturing Companies in Nigeria

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Abstract

This study examined the effect of economic sustainability disclosure on the corporate value of listed manufacturing companies in Nigeria. The study adopted an ex-post facto research design. The population comprised all 42 manufacturing firms listed on the Nigerian Exchange Group as at 2024, and a census approach was employed. Secondary data were obtained from annual reports and financial statements covering a ten-year period (2015–2024). The study utilized panel data analysis using the Generalized Method of Moments (GMM) to address issues of endogeneity and dynamic relationships among variables. Corporate value was measured using Tobin's Q, while economic sustainability disclosure was measured using a GRI-based disclosure index. Firm size was included as a control variable. The results revealed that economic sustainability disclosure has a positive and statistically significant effect on the corporate value of listed manufacturing firms in Nigeria. The findings further show that firm size also significantly influences corporate value, while corporate value exhibits persistence over time. It is therefore recommended that manufacturing firms improve their sustainability disclosure practices to strengthen market perception and firm valuation.

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Introduction

Corporate value represents the fundamental objective of business organizations and serves as a critical indicator of investors' expectations regarding a firm's future performance, risk exposure, and long-term sustainability. Traditionally, corporate value has been evaluated using financial indicators such as profitability, earnings per share, and market capitalization. However, the evolving dynamics of global capital markets suggest that financial metrics alone are no longer sufficient to fully capture a firm's value creation potential (Nguyen, 2020) ^[11]. In recent years, there has been a growing recognition that non-financial factors play a significant role in shaping corporate value. Elements such as environmental responsibility, social engagement, and governance practices collectively referred to as sustainability or ESG factors have become increasingly relevant in investment decision-making processes. These factors provide deeper insights into a firm's operational resilience, ethical standards, and long-term strategic positioning (Mahmood *et al.*, 2025) ^[9]. Consequently, corporate disclosures have expanded beyond traditional financial reporting to include sustainability-related information, enabling stakeholders to make more informed evaluations of firm performance and future prospects. This shift reflects a broader transition toward integrated reporting, where both financial and non-financial information are considered essential components of corporate transparency and accountability.

Economic sustainability disclosures provide detailed information about a firm's economic performance and contributions, including revenue generation, value added, tax payments, employment creation, and investment in infrastructure. These disclosures enable stakeholders to assess the firm's ability to generate sustainable economic value over time (Global Reporting Initiative [GRI], 2021).

By improving transparency, such disclosures help reduce information asymmetry between management and investors, thereby enhancing investor confidence and potentially increasing corporate value (Healy & Palepu, 2001).

Furthermore, economic sustainability disclosures serve as important signals of financial stability and strategic management. Firms that consistently disclose high-quality economic information are often perceived as more transparent and less risky, which may positively influence their market valuation (Clark, Feiner, & Viehs, 2015). This aligns with signaling theory, which suggests that firms voluntarily disclose relevant information to differentiate themselves from less transparent competitors.

In the context of developing economies such as Nigeria, where issues of corporate transparency, regulatory enforcement, and revenue accountability remain significant, economic sustainability disclosures are particularly important. For listed manufacturing companies, these disclosures provide insights into how firms contribute to economic development through industrial growth, employment generation, and tax compliance. Despite these potential benefits, the level of sustainability disclosure among Nigerian firms remains uneven, raising concerns about its impact on corporate value and investor perception (Adegbe et al., 2020).

Therefore, examining the effect of economic sustainability disclosures on corporate value is essential for understanding how non-financial reporting influences firm valuation in emerging markets. This study seeks to bridge this gap by focusing on listed manufacturing companies in Nigeria, where sustainability reporting practices are still evolving and require empirical validation.

Literature Review

Concept of Corporate Value

Corporate value refers to the overall worth of a firm as perceived by investors, reflecting both its current financial performance and its future growth prospects. It represents a central objective of corporate organizations, as it captures the ability of a firm to generate wealth for its shareholders while maintaining long-term sustainability. In finance and accounting literature, corporate value is often associated with market-based measures, as these reflect investors' expectations and perceptions about the firm's performance and risk profile (Fama & French, 1998).

Traditionally, corporate value has been measured using financial indicators such as earnings per share (EPS), return on assets (ROA), and market capitalization. However, these accounting-based measures have been criticized for their inability to fully capture intangible assets and long-term value creation drivers, such as innovation, brand reputation, and sustainability practices (Lev, 2021). As a result, more comprehensive market-based measures such as Tobin's Q have gained prominence in empirical studies. Tobin's Q, defined as the ratio of the market value of a firm to the replacement cost of its assets, is widely used because it incorporates both financial and non-financial information into firm valuation (Tobin, 1969).

In recent years, the concept of corporate value has evolved to include non-financial dimensions, particularly sustainability-related factors. Investors are increasingly considering environmental, social, and governance (ESG) performance when evaluating firms, as these factors influence long-term risk, operational efficiency, and corporate reputation (Eccles,

et al 2024). Consequently, firms that demonstrate strong sustainability practices are often associated with higher corporate value due to improved stakeholder trust and reduced uncertainty.

Furthermore, corporate value is closely linked to information disclosure and transparency. According to disclosure theory, firms that provide high-quality and timely information reduce information asymmetry between managers and investors, leading to more accurate valuation in capital markets (Healy & Palepu, 2021). This implies that both financial and non-financial disclosures, including sustainability reporting, play a significant role in shaping corporate value.

In the context of emerging economies such as Nigeria, the measurement and determinants of corporate value are particularly important due to market imperfections, weak regulatory frameworks, and information asymmetry. Empirical studies suggest that corporate value in Nigeria is influenced not only by financial performance but also by firm-specific characteristics such as size, leverage, and governance structure (Adegbe et al 2013). However, the role of sustainability disclosures especially economic sustainability disclosures remains an area that requires further empirical investigation.

Economic Sustainability Disclosure

Economic sustainability disclosure refers to the reporting of information that reflects a firm's economic performance, financial stability, and its contributions to the broader economy. It is one of the key dimensions of sustainability reporting, alongside environmental and social disclosures, and focuses on how organizations create and distribute economic value over time. This type of disclosure enables stakeholders to assess whether a firm's operations are financially viable, responsible, and capable of sustaining long-term growth (Global Reporting Initiative [GRI], 2021). Economic sustainability disclosures typically include information on revenue generation, operating costs, value added, employee wages and benefits, tax payments, community investments, and infrastructure development. These elements provide insight into how firms generate wealth and allocate resources among stakeholders, including shareholders, employees, governments, and local communities (GRI, 2021). By disclosing such information, firms demonstrate accountability and transparency in their economic activities.

From a theoretical perspective, economic sustainability disclosure is closely linked to stakeholder and signaling theories. Stakeholder theory suggests that organizations are accountable not only to shareholders but also to a wider group of stakeholders who are interested in the firm's economic contributions and long-term viability (Freeman, 1984). Thus, disclosing economic sustainability information helps firms meet stakeholders' expectations and build trust. Similarly, signaling theory posits that firms voluntarily disclose relevant economic information to signal financial strength, operational efficiency, and future growth prospects to investors, thereby reducing information asymmetry (Spence, 1973).

Empirically, economic sustainability disclosure has been associated with improved corporate outcomes. Firms that provide comprehensive and transparent economic disclosures are often perceived as less risky and more stable, which can enhance investor confidence and positively influence corporate value (Clark, Feiner, & Viehs, 2015). Additionally,

such disclosures can improve access to capital, as investors increasingly prefer firms that demonstrate responsible economic practices and long-term value creation.

In emerging markets such as Nigeria, economic sustainability disclosure is particularly important due to concerns about corporate transparency, tax accountability, and economic development. For listed manufacturing companies, these disclosures highlight their contributions to industrial growth, employment generation, and government revenue. However, the level and quality of economic sustainability disclosure in Nigeria remain inconsistent, often due to weak regulatory enforcement and varying adoption of global reporting standards (Adegbe et al., 2020).

Despite its growing importance, economic sustainability disclosure is still underexplored compared to environmental and social reporting. This creates a gap in the literature, particularly in developing economies, where understanding its effect on corporate value is essential. Therefore, examining economic sustainability disclosure provides valuable insights into how firms communicate their economic impact and how such communication influences investor perception and firm valuation.

Empirical Review

Empirical studies on sustainability disclosure and corporate value have expanded significantly in recent years, particularly in emerging economies where transparency and accountability are still evolving. However, findings remain mixed, with evidence showing positive, negative, and insignificant relationships depending on context, methodology, and measurement approaches.

A recent study by Eze, Okoye, and Amahalu (2025) examined the effect of sustainability disclosure comprising economic, environmental, and social dimensions on the market capitalization of listed manufacturing firms in Nigeria. Using panel regression analysis on data from 2015 to 2024, the study found that economic sustainability disclosure has a strong positive and significant effect on firm value, indicating that firms that provide more comprehensive economic information tend to attract higher investor confidence and market valuation.

Similarly, Nnedu et al (2025) investigated the impact of sustainability disclosure on the financial performance of listed consumer goods firms in Nigeria. Their findings revealed that sustainability reporting, including the economic dimension, significantly improves financial performance indicators such as return on assets (ROA). The study concluded that sustainability disclosures enhance operational efficiency, stakeholder relations, and long-term profitability, thereby contributing indirectly to firm value.

In another related study, Aliyu et al (2025) examined the effect of economic and social sustainability reporting on the firm value of listed manufacturing companies in Nigeria, incorporating information asymmetry as a moderating variable. The results showed that economic sustainability disclosure has a positive but statistically insignificant effect on firm value, suggesting that while economic reporting is beneficial, its impact may depend on other factors such as the level of transparency and market efficiency.

Beyond Nigeria, broader empirical evidence also highlights the importance of sustainability disclosure. For instance, studies on ESG reporting indicate that sustainability disclosures can enhance firm value by improving corporate reputation, reducing risk, and strengthening investor trust.

However, some findings suggest that the effect may not always be direct or immediate, as sustainability practices often yield long-term benefits rather than short-term financial gains (Yeye & Egbunike, 2023).

Furthermore, Igbinovia and Agbadua (2023) found that ESG disclosure does not always have a significant direct effect on firm value in Nigerian manufacturing firms, but its impact becomes significant when moderated by firm-specific factors such as profitability and competitive advantage. This implies that sustainability disclosure alone may not drive value unless it is effectively integrated into the firm's strategic and financial performance framework.

KR and Prasad (2023) ^[8] investigated whether GRI compliance moderates the relationship between sustainability disclosure and firm value. Their results confirm that compliance strengthens the positive effect of sustainability reporting on firm value, suggesting that structured reporting frameworks enhance credibility and investor confidence. Similarly, Nguyen (2020) ^[11] found that firms with higher levels of sustainability reporting exhibit greater market valuation, reflecting the reduction of information asymmetry between managers and investors.

Friske et al (2023) ^[7] applied signaling theory to voluntary sustainability reporting and found a positive impact on firm value. They concluded that credible voluntary disclosures signal managerial quality and long-term strategic orientation to investors. In a related study, Mahmood et al. (2025) ^[9] demonstrated that ESG disclosure significantly improves firm value in European markets, with governance disclosures exerting the most pronounced effect. Nguyen and Duong (2025) ^[25] examined Vietnam's listed companies and reported that sustainability reporting positively influences firm value both directly and indirectly via improved financial performance and risk management.

Van et al. (2025) studied ASEAN+3 firms and found that reporting quality moderates the sustainability-firm value relationship, highlighting that not all disclosures are equally impactful; the credibility and consistency of reporting are critical. Arévalo et al. (2025) ^[6], focusing on Latin American energy and mining industries, similarly reported that environmental disclosures significantly enhance firm value by improving stakeholder perception and reducing environmental risk. Malik and Abidin (2025) ^[10] extended this evidence to Indonesia's largest private banks, finding that sustainability disclosure positively affects firm value, with governance and environmental disclosures having the strongest impact.

Taiwo et al. (2022) ^[18] examined quoted Nigerian companies and found that sustainability reporting positively affects market value growth. Abiodun, Siyanbola, and Odewole (2025) ^[11] observed that integrated reporting, which incorporates sustainability information, enhances enterprise value in consumer goods companies. Amadi (2025) ^[5] showed that corporate social responsibility (CSR) sustainability expenditure is positively associated with market value of listed oil and gas firms.

Sector-specific studies reinforce these findings. Olakojo et al. (2025) ^[14] reported that environmental sustainability reporting improves market performance of listed manufacturing firms in Nigeria. Yahaya (2025) ^[20] found that environmental reporting significantly affects firm value in the Nigerian manufacturing sector, with information asymmetry moderating this relationship. Similarly, Olaitan and Azeez (2025) ^[13] concluded that sustainability reporting positively

influences financial performance of selected manufacturing firms, highlighting the economic benefits of disclosure.

Research on ESG as a composite construct also supports these findings. Ajape, Adelowotan, and Adegbayibi (2025)^[2] reported that ESG disclosure enhances corporate value among Nigerian listed companies, while Suleiman, Baba, and Suleiman (2025)^[17] observed a positive effect of ESG reporting on market value of listed deposit money banks. Onwubiko *et al.* (2025)^[15] and Ali-Momoh *et al.* (2025) further demonstrated that sustainability or sustainability cost disclosures improve financial and operational performance of Nigerian firms. Osongbule *et al.* (2025)^[16] highlighted a similar positive association between ESG disclosures and market valuation of service companies.

Theoretical Framework

This study is anchored on three major theories that explain the relationship between economic sustainability disclosure and corporate value: Stakeholder Theory, Legitimacy Theory, and Signaling Theory. These theories provide a foundation for understanding why firms disclose economic sustainability information and how such disclosures influence investor perception and firm valuation.

Stakeholder Theory

Stakeholder Theory, originally developed by R. Edward Freeman in 1984, posits that organizations are accountable not only to shareholders but also to a wide range of stakeholders, including employees, customers, governments, and host communities. The theory emphasizes that firms must consider the interests of all stakeholders in their decision-making processes to achieve long-term success.

In the context of economic sustainability disclosure, firms provide information about their economic contributions such as revenue generation, tax payments, and employment creation to satisfy stakeholders' expectations. By doing so, organizations build trust, enhance their reputation, and strengthen relationships with key stakeholders. These outcomes can positively influence corporate value, as stakeholders are more likely to support firms that demonstrate transparency and accountability (Freeman, 1984).

Legitimacy Theory

Legitimacy Theory suggests that organizations continuously seek to operate within the norms, values, and expectations of the society in which they operate. Firms disclose information to legitimize their activities and maintain societal approval. When there is a gap between societal expectations and corporate actions, organizations may use disclosures to bridge this gap and restore legitimacy (Suchman, 1995).

Economic sustainability disclosure plays a vital role in this process by showing how firms contribute to economic development and societal well-being. For instance, disclosing tax contributions and community investments demonstrates that the firm is fulfilling its social contract with society. In emerging economies such as Nigeria, where public scrutiny of corporate activities is increasing, such disclosures help firms maintain legitimacy and enhance their corporate image, which can ultimately improve firm value.

Signaling Theory

Signaling Theory, introduced by Michael Spence (1973), explains how firms communicate relevant information to reduce information asymmetry between management and external stakeholders, particularly investors. According to this theory, firms voluntarily disclose information to signal their quality, performance, and future prospects.

Economic sustainability disclosures serve as important signals of a firm's financial strength, operational efficiency, and long-term viability. Firms that provide comprehensive and transparent economic information are perceived as less risky and more stable, which can attract investors and enhance market valuation. Conversely, firms that fail to disclose such information may be viewed with skepticism, leading to lower investor confidence and reduced corporate value (Spence, 1973).

These three theories are interrelated and jointly provide a robust framework for this study. Stakeholder Theory explains why firms disclose economic sustainability information to meet stakeholder expectations. Legitimacy Theory explains how such disclosures help firms maintain societal approval and reputation. Signaling Theory explains how disclosures influence investor perception and corporate value.

Methodology

This study adopted an ex-post facto research design, which is appropriate because it relies on historical data and does not involve manipulation of variables. The design is suitable for examining the relationship between economic sustainability disclosures and corporate value using already existing financial and non-financial data.

The population of this study comprises all manufacturing companies listed on the Nigerian Exchange Group (NGX) as at the end of 2024. According to NGX records, there are 42 listed manufacturing firms operating across various sub-sectors, including consumer goods, industrial goods, and pharmaceuticals. Due to the relatively manageable size of the population, this study adopted a census sampling technique, whereby all firms were included in the analysis to ensure comprehensive coverage and eliminate sampling bias.

This study relied on secondary data obtained from the annual reports and sustainability reports of the selected firms. Additional data were sourced from the NGX database and other relevant financial repositories. Data were collected for a ten-year period spanning 2015 to 2024, providing a balanced panel dataset suitable for longitudinal analysis.

For data analysis, the study employed panel data regression techniques, specifically the Generalized Method of Moments (GMM). The GMM approach is appropriate because it addresses potential econometric issues such as endogeneity, omitted variable bias, and unobserved heterogeneity. It is particularly useful in dynamic panel settings where the lagged dependent variable is included as an explanatory variable.

Model Specification

The dynamic panel GMM model, including firm size as a control variable, is specified as follows:

$$CV_{it} = \beta_0 + \beta_1 CV_{it-1} + \beta_2 ESD_{it} + \beta_3 FSIZE_{it} + \mu_i + \varepsilon_{it}$$

Where:

CV_{it} = Corporate Value of firm i at time t (proxied by Tobin's Q or market capitalization)

CV_{it-1} = Lagged value of corporate value (captures dynamic effect)

ESD_{it} = Economic Sustainability Disclosure

$FSIZE_{it}$ = Firm Size (control variable, measured as natural logarithm of total assets)

β_0 = Constant term

$\beta_1 - \beta_3$ = Coefficients of the explanatory variables

μ_i = Unobserved firm-specific effect

ϵ_{it} = Error term

Table 1: Variables Measurements

Variable Type	Variable	Measurement / Proxy	Source
Dependent Variable	Corporate Value (CV)	Tobin's Q = (Market Value of Equity + Total Debt) / Total Assets	Tobin (1969); Fama & French (1998)
Independent Variable	Economic Sustainability Disclosure (ESD)	Economic disclosure index based on GRI economic indicators (1 = disclosed, 0 = not disclosed; aggregated score)	Global Reporting Initiative (GRI, 2021)
Control Variable	Firm Size (FSIZE)	Natural logarithm of total assets (lnTA)	Rajan & Zingales (1995)

Source: Authors Compilation 2026

Table 2: Descriptive Statistics of Variables

Variable	Observation (Obs)	Mean	Standard Deviation	Minimum	Maximum
CV	420	1.85	0.76	0.62	4.1
ESD	420	0.54	0.21	0.1	0.95
FSIZE	420	7.32	1.14	5.1	9.85

Source: STATA output 2026

The descriptive statistics of the variables used in the study are presented to provide an overview of their distribution and characteristics. The result shows that corporate value (CV) has a mean value of 1.85 with a standard deviation of 0.76, indicating a moderate level of variation in the market valuation of listed manufacturing firms in Nigeria. The minimum and maximum values of 0.62 and 4.10 respectively suggest that while some firms have relatively low market value, others are highly valued in the stock market.

For economic sustainability disclosure (ESD), the mean value is 0.54 with a standard deviation of 0.21. This implies that, on average, firms disclose about 54% of the expected economic sustainability indicators. The relatively moderate

standard deviation indicates some level of consistency in disclosure practices among the firms, although differences still exist across companies. The minimum value of 0.10 and maximum value of 0.95 further show a wide variation in the extent of disclosure among the sampled firms.

Firm size (FSIZE), measured as the natural logarithm of total assets, records a mean value of 7.32 and a standard deviation of 1.14. This suggests that the sampled manufacturing firms are relatively large on average, although there is noticeable variation in size across the firms. The minimum and maximum values of 5.10 and 9.85 respectively confirm the presence of both smaller and larger firms within the sample.

Table 3: correlation matrix of the study variables.

Variables	CV	ESD	FSIZE
CV	1		
ESD	0.482	1	
FSIZE	0.395	0.421	1

Source: STATA output 2025

Table 3 presents the Pearson correlation matrix of the study variables. The correlation analysis was conducted to examine the degree of association among corporate value (CV), economic sustainability disclosure (ESD), and firm size (FSIZE). The result provides initial evidence on the direction and strength of relationships between the variables before conducting regression analysis.

The correlation coefficients indicate that economic sustainability disclosure (ESD) has a positive relationship with corporate value (CV), suggesting that higher levels of economic sustainability disclosure are associated with improved firm value among listed manufacturing companies in Nigeria. This implies that firms that disclose more

economic sustainability information tends to be more valued by investors in the capital market. Similarly, firm size (FSIZE) shows a positive association with corporate value (CV), indicating that larger firms are generally associated with higher market valuation. This may be attributed to economies of scale, stronger market presence, and higher investor confidence in larger firms.

Furthermore, the correlation between economic sustainability disclosure (ESD) and firm size (FSIZE) is also positive, suggesting that larger firms are more likely to engage in higher levels of sustainability disclosure due to better resources, improved governance structures, and regulatory compliance capacity.

Table 4: GMM diagnostics

Diagnostic Test	Statistic	Probability Value
Hansen J-Statistic (Overidentification Test)	12.45	0.31
Arellano-Bond AR(1) Test	-2.41	0.016
Arellano-Bond AR(2) Test	-1.12	0.262
Number of Instruments	18	—
Wald Chi-Square	46.78	0

Source: STATA output 2026

The diagnostic results of the Generalized Method of Moments (GMM) estimation are presented in Table 4. The Hansen J-statistic test for over-identifying restrictions yields a probability value of 0.31, which is greater than 0.05. This indicates that the instruments used in the model are valid and appropriate for the analysis, as they are not correlated with the error term.

The Arellano-Bond test for autocorrelation shows that the AR(1) test is statistically significant ($p = 0.016$), which is expected in first-differenced equations. However, the AR(2) test is not significant ($p = 0.262$), indicating that there is no

second-order serial correlation in the model. This confirms the reliability and consistency of the GMM estimates.

The Wald Chi-Square statistic is significant ($p = 0.000$), implying that the overall model is statistically significant and that the independent variables jointly explain variations in corporate value.

Additionally, the number of instruments (18) is within an acceptable range, suggesting that the model does not suffer from instrument proliferation, which could otherwise bias the results.

Table 5: GMM Tests Result

Variable	Coefficient	Standard Error	Z-Statistic	Probability Value
CV(-1)	0.421	0.092	4.58	0.000 ***
ESD	0.368	0.115	3.2	0.001 ***
FSIZE	0.214	0.087	2.46	0.014 **
Constant	0.562	0.231	2.43	0.015 **

Source: STATA output 2025

The results of the Generalized Method of Moments (GMM) regression presented in Table 5 show the dynamic relationship between economic sustainability disclosure and corporate value of listed manufacturing firms in Nigeria.

The lagged dependent variable, CV(-1), is positive and statistically significant at 1% level ($\beta = 0.421$, $p = 0.000$), indicating that corporate value is persistent over time. This suggests that past firm value significantly influences current firm value, confirming the dynamic nature of corporate valuation.

Economic sustainability disclosure (ESD) has a positive and statistically significant effect on corporate value ($\beta = 0.368$, $p = 0.001$). This implies that an increase in economic sustainability disclosure leads to an improvement in corporate value. In practical terms, firms that disclose more economic sustainability information tend to be more attractive to investors, thereby increasing their market valuation.

Firm size (FSIZE) also shows a positive and significant relationship with corporate value ($\beta = 0.214$, $p = 0.014$). This indicates that larger firms are associated with higher corporate value, likely due to stronger financial capacity, market presence, and investor confidence. Overall, the model is statistically significant as shown by the Wald Chi-square value ($p = 0.000$). Diagnostic statistics confirm the validity of the instruments and absence of second-order serial correlation, making the results reliable for inference.

Conclusion and Recommendations

This study examined the effect of economic sustainability disclosure on the corporate value of listed manufacturing companies in Nigeria using a dynamic panel data approach (GMM). Based on the empirical findings, the study concludes that economic sustainability disclosure has a positive and statistically significant effect on corporate value. This implies

that firms that provide higher levels of economic sustainability information tend to enjoy improved market valuation, as such disclosures enhance transparency, reduce information asymmetry, and strengthen investor confidence. The study also established that firm size has a significant positive relationship with corporate value, indicating that larger firms are more likely to achieve higher market valuation due to stronger resource capacity and market presence. Furthermore, the results confirm that corporate value is dynamic in nature, as past performance significantly influences current firm value. Based on the findings of this study, it is recommended that listed manufacturing companies in Nigeria should enhance and consistently improve their economic sustainability disclosure practices in line with recognized reporting standards such as the Global Reporting Initiative (GRI), as this will strengthen transparency, reduce information asymmetry, and ultimately improve corporate value.

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