Sustainability Reporting and Firm Performance: The Moderating Role of Firm Size in Listed Nigerian Consumer Goods Firms

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ABSTRACT

This study investigates the relationship between sustainability reporting and firm performance in Nigerian consumer goods firms, focusing on the moderating role of firm size. Using panel data from 16 firms spanning 2014 to 2023, panel regression analysis was employed to evaluate the effects of sustainability disclosures on sales turnover. The findings reveal that social sustainability disclosure has a significant negative effect on sales turnover, suggesting that the financial burden of these initiatives may outweigh their potential benefits. Environmental sustainability disclosure has a negative but statistically insignificant effect on sales turnover, suggesting no direct measurable impact. The moderating role of firm size on the relationship between social and environmental disclosures and sales turnover is not statistically significant, though positive coefficients suggest a potential buffering effect. These findings suggest that while sustainability disclosures enhance corporate legitimacy, they may not yield immediate financial benefits in emerging markets. The study recommends firm-specific sustainability strategies, regulatory incentives, and enhanced stakeholder engagement to align sustainability efforts with financial performance. It contributes to the literature by highlighting the complex interplay between sustainability disclosures, firm size, and financial performance in the context of developing economies.

Keywords: Sustainability reporting, social sustainability disclosure, Environmental sustainability disclosure, Firm size and Sales turnover

INTRODUCTION

Sustainability has become a strategic imperative in contemporary business practice, driven by mounting global concerns over environmental degradation, climate change, and social inequality. Regulatory pressures, evolving consumer expectations, and the demands of socially responsible investors have compelled firms to incorporate environmental, social, and governance (ESG) considerations into their strategic agendas (Nkwoji, 2021). Frameworks such as the Global Reporting Initiative (GRI) have further institutionalized sustainability reporting, fostering corporate transparency, stakeholder trust, and regulatory compliance (Eze, Nweze, & Enekwe, 2016).

In Nigeria, the consumer goods sector, comprising industries such as food and beverages, personal care, and household products, holds considerable economic and social significance, yet exerts substantial environmental pressure through pollution, waste generation, and resource depletion (Okudo & Amahalu, 2023). Although the sector is a major employer, it grapples with labour rights issues, supply chain inefficiencies, and regulatory lapses. As stakeholder awareness and activism grow, firms are under increasing pressure to adopt sustainability initiatives, particularly in the areas of environmental and social responsibility (Jepkogei, Chumba, & Bongoko, 2015).

Despite this pressure, the implementation of sustainability practices in Nigeria remains inconsistent due to financial limitations, weak infrastructure, and lax regulatory enforcement. While some firms voluntarily disclose environmental and social initiatives to strengthen reputation and attract ethical investors, others view

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such disclosures as cost-prohibitive and of limited strategic value (Okafor, 2018). This uneven and largely voluntary reporting culture hampers objective assessments of sustainability's influence on firm outcomes. Moreover, extant empirical evidence on the relationship between sustainability disclosures and corporate performance is inconclusive, some studies suggest positive effects such as improved efficiency and competitive positioning, while others highlight negligible or adverse outcomes due to the financial burden of implementation (Jepkogei et al., 2015).

A notable limitation in the literature is the insufficient consideration of firm-specific characteristics, particularly firm size, that may moderate the relationship between sustainability practices and firm performance. Larger firms, with superior financial and managerial resources, are more likely to engage in and benefit from environmental and social reporting, whereas smaller firms often lack the capacity to do so, especially in developing economies where structural and institutional constraints are pronounced (Nkwoji, 2021). The exclusion of firm size as a moderating variable diminishes the explanatory power of existing models and restricts their applicability across firm types. In addition, while research on sustainability has largely focused on sectors such as oil and gas, finance, and manufacturing, the consumer goods sector has received limited scholarly attention despite its high environmental and social impact (Okudo & Amahalu, 2023). This gap is particularly concerning given the sector's role in national development and its visibility to the public.

This study seeks to address these gaps by empirically examining the relationship between sustainability disclosures, specifically environmental and social reporting, and firm performance within Nigeria's consumer goods sector, while introducing firm size as a moderating variable. Using panel data from listed firms between 2014 and 2023, the study employs environmental and social sustainability disclosures as proxies for sustainability and uses sales turnover to measure firm performance. The study's primary contribution lies in advancing the literature through the integration of firm size as a moderating construct, offering practical insights for corporate managers, policymakers, and stakeholders committed to sustainable development in emerging markets.

Research Objective

The main objective of this study is to examine sustainability reporting and financial performance, with a focus on the moderating role of firm size in listed Nigerian consumer goods firms. The specific objectives are:

i. To investigate the effect of social sustainability disclosures sales turnover.

ii. To evaluate the impact of environmental sustainability disclosures on sales turnover.

iii. To examine the role of firm size in influencing sales turnover.

iv. To assess the moderating effect of firm size on the relationship between environmental sustainability disclosures and sales turnover.

Research Hypothesis

To achieve the stated objective of the study, the following hypotheses, stated in null form, were tested:

H_{01}: Social sustainability disclosures have no significant effect on sales turnover.

H_{02}: Environmental sustainability disclosures have no significant effect on sales turnover.

H_{03}: Firm size does not significantly moderate the relationship between social sustainability disclosures and sales turnover.

H_{04}: Firm size does not significantly moderate the relationship between environmental sustainability disclosures and sales turnover.

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CONCEPTUAL REVIEW

Sustainability Disclosure

Sustainability reporting is a structured process through which organizations disclose their economic, environmental, and social impacts, with the aim of promoting transparency, accountability, and alignment with sustainable development goals. According to the Global Reporting Initiative (GRI, 2021), it involves measuring and communicating an organization's performance in relation to sustainability objectives. The International Federation of Accountants (IFAC, 2020) emphasizes the public dimension of such disclosures, noting that they address the broader effects of corporate activities beyond financial outcomes. Similarly, the International Integrated Reporting Council (IIRC, 2021) incorporates sustainability reporting into a broader integrated reporting framework that reflects how governance, strategy, and performance interact to create value over time.

Sustainability reporting has emerged in response to the growing demand for non-financial information that captures an organization's role in society and the environment. Traditional financial statements often overlook critical externalities such as environmental degradation, labour conditions, and governance practices. Sustainability reports bridge this gap by providing stakeholders, including investors, regulators, and communities, with data on how firms manage issues like climate change, social equity, and ethical governance (Eccles & Krzus, 2018). These disclosures are particularly useful for assessing corporate responsibility, ethical performance, and long-term viability in a global economy increasingly influenced by environmental and social risks.

To enable objective measurement, sustainability reporting relies on specific proxies that represent key dimensions, these are: Environmental, Social and Governance disclosures. These metrics are typically reported within standardized frameworks such as the GRI Standards, the Sustainability Accounting Standards Board (SASB), and the Task Force on Climate-related Financial Disclosures (TCFD), which enhance comparability and credibility across reporting entities (KPMG, 2022). Ultimately, sustainability reporting has evolved from a voluntary, often marketing-driven exercise into a strategic and increasingly regulated practice central to effective corporate governance and stakeholder engagement.

Social Sustainability Disclosure

Social sustainability reporting refers to the disclosure of information related to an organization's impact on social systems, including its relationships with employees, communities, consumers, and broader society. According to the Global Reporting Initiative (GRI), social sustainability reporting involves measuring and communicating the social dimensions of an organization's performance, including labour practices, human rights, product responsibility, and community involvement (GRI, 2021). This form of reporting enables stakeholders to assess how well a firm is managing its social responsibilities and contributing to the well-being of various social groups.

The concept has gained prominence as businesses are increasingly held accountable not only for financial outcomes but also for their social and ethical behaviour. Elkington (1997) emphasized the "triple bottom line" approach, advocating that companies measure success in terms of people, planet, and profit. In this regard, social sustainability reporting allows firms to demonstrate their commitment to ethical labour practices, diversity and inclusion, fair treatment of stakeholders, and community development initiatives (Freeman, 1984; Porter & Kramer, 2011). It also serves as a legitimacy tool, helping firms align with societal expectations and build trust among stakeholders (Suchman, 1995).

Metrics of social sustainability disclosure are typically drawn from established frameworks such as the GRI Standards, which provide detailed indicators under categories like labour practices, human rights, society, and product responsibility (GRI, 2021). Commonly reported metrics include employee turnover rates, gender diversity ratios, workplace health and safety statistics, training and education hours, and the existence of grievance mechanisms. Additionally, disclosures often cover community investment expenditures, fair marketing practices, and compliance with laws related to anti-discrimination and child labour. These indicators help stakeholders evaluate how organizations support human capital development, ensure equity, and contribute positively to society. By using standardized metrics, firms enhance the comparability, transparency, and credibility of their social sustainability efforts (Adams, 2002; Michelon et al., 2013).

Environmental Sustainability Disclosure

Environmental sustainability reporting refers to the process by which organizations disclose information about their environmental performance and impacts. According to the Global Reporting Initiative (2021), it involves the systematic communication of data regarding a company's efforts to manage and mitigate its environmental footprint, such as resource consumption, emissions, waste, and biodiversity impact. The goal is to increase transparency and accountability while supporting stakeholders, including investors, regulators, and the public—in assessing the sustainability practices of an organization (Cheng et al., 2014). Environmental sustainability reporting has gained prominence with the global shift toward sustainable development and responsible corporate citizenship, especially in light of climate change and growing environmental regulations (IFRS, 2021).

The adoption of standardized environmental reporting frameworks, such as the GRI Standards and the Carbon Disclosure Project (CDP), has helped improve the quality, comparability, and reliability of disclosures (Global Reporting Initiative, 2021; Carbon Disclosure Project, 2021). These frameworks guide companies on what to report and how to measure key environmental indicators, thereby aligning sustainability with strategic business objectives. Research also indicates that robust environmental reporting may lead to better financial outcomes, as it enhances corporate reputation, lowers capital costs, and strengthens stakeholder trust (Setó-Pamies & Papa Oikonomou, 2021; Michelon et al., 2013).

Environmental disclosure metrics typically cover both qualitative and quantitative indicators that reflect an organization's environmental performance. Key metrics include greenhouse gas (GHG) emissions (Scope 1, 2, and 3), energy consumption (renewable vs. non-renewable), water usage and discharge, waste generation and management, environmental compliance violations, and biodiversity conservation efforts (GRI, 2021). Additionally, firms may report their carbon footprint, environmental investments, and use of environmentally friendly technologies (Aliyu & Apedzan, 2022). The presence and quality of environmental disclosures can be assessed using content analysis techniques, scoring systems, or environmental disclosure indices that evaluate the depth and breadth of information shared (Michelon et al., 2013). These metrics not only serve as performance indicators but also as tools for benchmarking, regulatory compliance, and sustainability strategy development.

Firm Size

Firm size is a widely examined construct in business and economic literature, often used to explain variations in organizational behaviour, financial performance, and sustainability reporting practices. It typically refers to the scale or magnitude of a company's operations and is measured using various proxies such as total assets, number of employees, sales turnover, or market capitalization (Jhumani, 2014; Kansal et al., 2014). While there is no universally accepted definition, the choice of proxy often depends on the context and objectives of the research. For instance, total assets and revenue are common measures in accounting and finance studies, while number of employees may be more relevant in labour economics.

The relevance of firm size lies in its influence on a company's capacity to implement strategic initiatives, absorb risks, and comply with regulatory requirements. Larger firms tend to possess more resources and infrastructure, enabling them to engage in extensive reporting practices, including sustainability disclosures (Maryana & Yenni, 2021). These organizations often face greater scrutiny from stakeholders and are more visible in the public domain, which increases the likelihood of voluntary disclosures to maintain legitimacy and corporate image (Nguyen, 2020). In contrast, smaller firms may lack the financial and managerial capacity to engage in detailed reporting, even though they might be equally committed to sustainability.

Moreover, firm size has been recognized as a moderating variable in the relationship between sustainability reporting and financial performance. Studies have shown that the positive impact of sustainability disclosures on performance is often more pronounced in large firms due to their superior capabilities and stakeholder engagement strategies (Gogo et al., 2023; Siregar & Bachtiar, 2010). Thus, firm size not only determines the extent of disclosure but also shapes the outcomes of such practices, making it a critical factor in corporate governance and sustainability research.

Firm Performance

Firm performance is a multidimensional concept that reflects how effectively a company achieves its objectives, particularly in generating profits and sustaining growth. It is commonly assessed through financial indicators such as profitability, return on assets, market share, and sales turnover. According to Richard et al. (2009), firm performance encompasses both financial outcomes and operational efficiency, serving as a key benchmark for stakeholders, including investors, managers, and regulators. Financial metrics provide tangible evidence of a firm's market position and strategic success, with sales turnover emerging as a particularly important indicator.

Sales turnover, also referred to as revenue or sales revenue, is the total value of goods or services sold by a firm within a specific period (Atrill & McLaney, 2019). It serves as a direct measure of market demand, operational capacity, and consumer acceptance of a firm's products. High sales turnover typically indicates effective marketing strategies, competitive pricing, and strong brand recognition, all of which contribute to improved financial performance. Moreover, it reflects the firm’s ability to convert its assets and resources into cash flows, thereby influencing other performance metrics such as profit margins and return on investment (López et al., 2007).

Scholars and practitioners often emphasize sales turnover as a primary performance metric due to its role in sustaining business operations and facilitating growth. It not only supports operational costs and investments but also signals investor confidence and market competitiveness (Nguyen & Tran, 2021). Consequently, firms prioritize strategies that boost turnover, such as expanding product lines, enhancing customer experience, and entering new markets. While sales turnover alone does not capture the entire scope of firm performance, it remains a critical component that directly influences both short-term profitability and long-term sustainability.

THEORETICAL FRAMEWORK

Legitimacy Theory is a central concept in organizational studies that explains how organizations align their actions with societal norms and values to secure acceptance and support from stakeholders. Legitimacy, as defined by Suchman (1995), is a generalized perception that an organization’s actions are appropriate within a socially constructed framework of norms and beliefs. This perception is vital, as it influences stakeholders’ willingness to provide resources and support, affecting organizational survival and success.

Drawing on Max Weber’s foundational work, legitimacy is understood as the belief in the rightful authority of institutions. Organizations pursue legitimacy through strategies such as aligning with societal expectations, symbolic actions like corporate social responsibility (CSR), and transparent communication via sustainability disclosures (O’Donovan, 2002). These efforts not only signal ethical behaviour but also reinforce public trust and stakeholder engagement (Adams, 2002).

Legitimacy Theory is particularly useful in examining the relationship between sustainability disclosure and financial outcomes, including sales turnover. By disclosing environmental, social, and governance (ESG) performance, firms enhance their legitimacy, which can translate into greater customer loyalty, brand reputation, and ultimately, improved sales (Nguyen & Tran, 2021; Patel, 2018). The theory thus provides a robust framework for understanding how strategic transparency aligns corporate behaviour with societal expectations, yielding both reputational and economic benefits.

Empirical Review

Okutu and Adegbie (2024) investigated the relationship between sustainability disclosure and financial performance among oil and gas companies listed in Nigeria. Using an ex-post facto research design, the study analysed secondary data from ten firms and employed regression analysis to determine the impact of sustainability disclosure on financial performance. The results showed that sustainability reporting positively influenced financial performance to a modest extent, with return on equity positively correlated with environmental sustainability, while social sustainability had an insignificant positive correlation with return on investment. The study recommended that Nigerian oil and gas companies prioritize public disclosure of sustainability efforts to enhance financial performance.

Ogah, Lambe, and Aza (2024) investigated the impact of governance and social sustainability reporting on the financial performance of listed oil and gas firms in Nigeria. Using an ex-post facto research design and secondary data from nine firms over the period 2011 to 2022, the study employed panel regression analysis. The results indicated a positive and significant effect of governance and social sustainability reporting on return on equity. The study concluded that mandatory compliance with sustainability reporting standards could enhance financial performance and recommended establishing guidelines for sustainability reporting assessment.

Aniagboso and Orjinta (2023) investigated the impact of sustainability reporting on the financial performance of quoted pharmaceutical companies in Nigeria over a ten-year period from 2012 to 2021. Using an ex-post facto and longitudinal research design, the study assessed sustainability disclosure through employee health and safety, social, environmental, and governance disclosures, while financial performance was measured using return on investment. The analysis revealed that employee health and safety and social disclosures had a positive and significant effect on financial performance, whereas environmental and governance disclosures showed a negative but insignificant impact.

Bridget (2023) examined the link between environmental sustainability reporting and financial performance of consumer goods firms in Nigeria. The study used the Kinder Lydenberg Domini (KLD) social-environmental performance rating system to measure environmental sustainability reporting and employed return on equity (ROE), net assets per share (NAPS), and return on assets (ROA) as proxies for financial performance. Adopting an ex-post facto design, data were collected from annual reports of consumer goods firms from 2016 to 2020 and analysed using an OLS regression model. The findings showed a significant positive relationship between environmental sustainability reporting and financial performance, suggesting that such reporting enhances firm performance.

Akinadewo et al. (2023) explored the impact of sustainability reporting practices on the financial performance of listed industrial goods firms in Nigeria. Using an ex-post facto research design, the study analysed secondary data from ten firms over a decade (2011-2020) through panel data analysis. The results indicated that environmental sustainability practices significantly and positively influenced financial performance, while economic and community involvement practices had positive but insignificant effects. The study concluded that environmental sustainability reporting notably affects financial performance and recommended integrating these practices to enhance firm performance.

Aliyu and Apedzan (2022) assessed the effect of sustainability reporting on the financial performance of Nigerian listed non-financial companies over a ten-year period (2010-2019). The study used an ex-post facto design and analysed data from seventy-five companies using Tobin's Q as a proxy for financial performance. The results revealed a significant negative effect of environmental reporting on financial performance, while governance reporting had a positive but insignificant effect, and social reporting had a negative and insignificant effect. This study's findings suggest complexities in the relationship between sustainability reporting and financial performance, highlighting areas for further investigation.

Asha and Amiya (2023) conducted an evaluation of sustainability practices and firm performance, focusing on listed companies in India. Using stakeholder theory as the theoretical framework, the study assessed the corporate sustainability practices of sixty-five listed Indian firms with ESG scores from the Refinitiv database and firm performance using ROA scores from the Prowess IQ database. The findings indicated a significant positive impact of sustainability practices on firm performance, with social and governance activities showing significant positive associations, while environmental activities had a negative and insignificant association.

The study suggested potential areas for improvement in environmental sustainability and the need for further investigation.

Anisah and Silfia (2023) rigorously analysed the impact of sustainability report disclosures on the financial performance of companies listed on the IDX30 Index of the Indonesian Stock Exchange. Using the Global Reporting Initiative (GRI) G4 standard, the study assessed the extent of economic, environmental, and social disclosures over the period from 2018 to 2022. The findings indicated that economic disclosures had a significant positive effect on Return on Assets (ROA), while environmental disclosures had no significant impact, and social disclosures had a significant negative effect. The study highlighted the need for companies to balance sustainability initiatives with financial performance goals and provided valuable insights for investor decision-making.

Ighoroje (2023) investigated the effect of environmental performance disclosure on the profitability of listed firms in the Oil and Gas industry in Nigeria. The ex-post facto study used a panel model involving five firms and covering ten years (2011-2020). The analysis showed that environmental performance disclosure accounted for 18% of the variations in productivity. Specific findings revealed that environmental prevention cost had a negative and insignificant effect on profit, environmental evaluation costs disclosure had a negative and significant effect, and environmental internal failure costs disclosure had a negative and insignificant effect on profit. The study concluded that environmental performance disclosure is not a key determinant of productivity for oil and gas firms in Nigeria.

Ogunode and Adegbie (2022) examined the linkage between environmental disclosure practices and sustainable performance in Nigerian manufacturing companies. The study utilized an ex-post facto research design with a sample of forty-eight listed manufacturing firms. The findings indicated that environmental disclosures had a negative effect on Return on Assets (ROA), Debt to Assets Ratio (DTA), and Market Price per Share (MPS). Conversely, social disclosures, firm size, and firm age had significant positive influences on sustainable performance. The study recommended that manufacturing companies should enhance social engagements and corporate social responsibility initiatives to improve overall performance sustainably.

Fasua and Osifo (2020) explored the effects of corporate performance on environmental accounting disclosure in Nigeria. The study analysed data from annual reports of eighteen randomly selected quoted firms using panel regression analysis. The findings showed statistically significant positive relationships between Environmental Accounting (EA) and Return on Asset (ROA) and Net Profit Margin (NPM), while there was a significant negative relationship between EA and Earnings per Share (EPS). The study recommended government tax credits for compliant organizations and compulsory environmental reporting to inform stakeholders properly.

METHODOLOGY

An Ex-post Facto research design was used in the study, and secondary data from the annual reports and accounts of sampled companies were collected. Using the purposive sampling technique, a total of 16 companies were selected from the 21 consumer goods firms listed on the Nigerian Exchange Group as of December 31, 2024. These consumer goods firms were chosen based on the criteria that they had been listed from 2014 to 2023 and had their sustainability reports available, either included in the annual reports or provided separately. Secondary data were gathered from annual reports and sustainability reports for the years 2014 through 2023.

Panel data regression was employed in this study to analyse the data. The study examines the relationship between two independent variables and one dependent variable. Financial performance, which is the dependent variable, was measured in terms of sales turnover. The independent variables are environmental sustainability disclosure and social sustainability disclosure. This study adopts the panel estimation regression model of Umar and Mustapha (2021) to examine the effect of sustainability reporting on the sales turnover of listed consumer goods firms in Nigeria, with firm size as a moderating variable. The adapted model is specified as follows:

Base Model:

$ROE_{it} = \beta_0 + \beta_1 SOC_{it} + \beta_2 ECO_{it} + \beta_3 ENV_{it} + \epsilon_{it}$

Where:

ROE = Return on Equity

SOC= Social performance disclosure

ECO= Economic performance disclosure

ENV= Environmental performance disclosure

Adapted Model:

$ST_{it} = \beta_{0it} + \beta_1 SOSRR_{it} + \beta_2 EVSRR_{it} + \beta_3 FMZ_{it} + \varepsilon_{it}$

Moderated Model:

$ST_{it} = \beta_{0it} + \beta_1 SOSR_{it} + \beta_2 EVSR_{it} + \beta_3 FMZ_{it} + \beta_4 (SOSR\_FMZ)_{it} + \beta_5 (EVSR\_FMZ)_{it} + \varepsilon_{it}$

Where:

ST = Sales Turnover (Sales Volume)

SOSR = Social Sustainability Reporting

EVSR = Environmental Sustainability Reporting

FMZ= Firm Size

EVSR_FMZ = Environmental Sustainability Reporting Moderated

SOSR_FMZ= Social Sustainability Reporting Moderated

$\beta 0$ = Regression intercept (constant)

β_1, β_2, = Coefficient of the main effects of sustainability disclosures

β_3 = Coefficient of the main effect of firm size

$\beta_{4,}$ β_5 = Coefficients of the interaction effects between the sustainability disclosures and firm size

ε_{it} = Error Term

"i" and "t" represent the cross sections and time series respectively.

Table 1: Variables, Definition, Measurement and Sources

Type of Variable	Variables	Definition	Measurement	Source
Dependent variable	Sales Turnover	Sales turnover is the total revenue generated by a firm from its sales activities over a specific period.	Reported sales figures from financial statements of firms.	(Tran & Pham, 2022)

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Independent Variable	Economic Reporting	It is an analysis of how a system interacts with the economy as a whole and whether, for financial purposes, the actions being done can be continued indefinitely or will have to be stopped at some stage in the future	(a) "when all information is disclosed, a score of 1 will be given" (b) "when almost all information (that is, above average) is reported, 0.75 will be given" (c) "when the information is partially (that is average) reported, 0.5 will be given" (d) "when the information is briefly disclosed (that is less than average), 0.25 will be given; and" (e) "when no information is disclosed, 0 will be scored."	Festus et al (2020)
	Social Reporting	This is a report on the constructive management and recognition of company effects on personnel, value chain employees, consumers and local communities.		Festus et al (2020)
Moderating Variable	Firm size	This is measured as natural logarithm of total assets	Logarithm of Assets	Dioha, Mohammed and Okpanachi (2018)

Source: Variables, Definition, Measurement and Sources: Researcher (2025)

DATA ANALYSIS AND DISCUSSION

Descriptive Statistics

The descriptive statistics reveal significant variability in sales turnover, sustainability disclosures, and firm size. Sales turnover (ST) has a mean of approximately ₦188 million, with wide-ranging values from ₦227,301 to ₦1.62 billion, indicating substantial disparities in financial performance across and within firms. Social sustainability reporting (SOSR) averages 0.319 on a scale of 0 to 1, with moderate variability between firms and smaller changes over time within firms. Environmental sustainability reporting (EVSR) has a mean of 0.145 and shows similar patterns, with higher variability between firms and more consistency within firms, though occasional data anomalies are evident.

Firm size (FMZ), measured as the logarithm of size, is relatively stable, with an average of 18.10 and a standard deviation of 1.61. Variability primarily occurs between firms, with less fluctuation within firms over time. These findings suggest that financial performance and firm size differ substantially among firms, while sustainability disclosures are more influenced by organizational policies than temporal factors. Overall, sustainability practices show moderate consistency, while financial metrics reflect greater disparity across observations.

Table 2: Descriptive Statistics Results

Variable		Mean	Std. Dev.	Min	Max	Observations
ST	overall	1.88000000	2.82000000	2.27301	1.620000000	N = 160
	between		2.50000000	1.427048	8.57000000	n = 16
	within		1.43000000	-5.59000000	1.070000000	T = 10
SOSR	overall	0.3191588	0.1243803	0	0.6563	N = 160
	between		0.1033771	0.1514	0.5219	n = 16
	within		0.0734067	0.0535187	0.4754288	T = 10
EVSR	overall	0.1445331	0.1808614	0	0.625	N = 160
	between		0.1467569	0	0.5	n = 16
	within		0.1113211	-0.1304869	0.4736731	T = 10
FMZ	overall	18.10259	1.612004	13.398	20.8162	N = 160
	between		1.545811	15.30718	20.06603	n = 16
	within		0.5867544	16.06132	19.76802	T = 10

Source: Source: Descriptive Statistics Result using STATA 17: Researcher (2025)

Unit Root Test

Using the Levin-Lin-Chu Test, or LLC, this study determined if the variables were stationary. This aids in testing for unit root which is present in the panel sample. For the sixteen (16) sampled consumer goods firms in Nigeria, Table 2 shows the results of the LLC test statistics for the levels of the panel series data for the period of 2014–2023. The result indicates that the null hypothesis of the common unit root is rejected as the p-value of the test is less than 0.05. This in turn implies that the data the variable were stationary at levels and as a result there is no need for cointegration.

Table 3: Unit Root Test

Variables	Statistics	Probability	Order of Integration	Remarks
ST	-6.0227	0.000	1(0)	Reject H0
SOSR	-3.0985	0.0010	1(0)	Reject H0
EVSR	-3.0985	0.0010	1(0)	Reject H0
FMZ	-15.446	0.0000	1(0)	Reject H0

Source: Unit Root Test Results Result using STATA 17: Researcher (2025)

Correlation Analysis

The correlation matrix as seen in Table 4 below, provides insights into the relationships between sales turnover (ST), social sustainability disclosures (SOSR), environmental sustainability disclosures (EVSR), and firm size (FMZ). Sales turnover exhibits a moderate positive correlation with firm size (0.6778), indicating that larger firms tend to have higher sales turnover. However, its correlations with social sustainability disclosures (0.1400) and environmental sustainability disclosures (0.1185) are weak, suggesting minimal direct association between sales performance and sustainability reporting.

The relationship between SOSR and EVSR is relatively strong (0.6153), indicating that firms with higher social sustainability disclosures are likely to also engage in robust environmental reporting. Firm size shows a

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moderate positive correlation with both SOSR (0.5241) and EVSR (0.4090), implying that larger firms are more likely to disclose both social and environmental sustainability information. Overall, the matrix highlights a stronger link between firm size and the studied variables, with sustainability disclosures showing closer interrelations than their direct connection to sales turnover.

Table 4: Correlation Matrix

(obs=160)				
	ST	**SOSR**	**EVSR**	**FMZ**
ST	1			
SOSR	0.14	1		
EVSR	0.1185	0.6153	1	
FMZ	0.6778	0.5241	0.409	1

Source: Correlation Analysis Result using STATA 17: Researcher (2025)

Regression Analysis

The regression analysis in Table 5 explores the relationship between sales turnover (ST) and sustainability disclosures (social and environmental), with a focus on the moderating role of firm size (FMZ). In the initial model, which excludes interaction terms, the predictors (SOSR, EVSR, and FMZ) explain approximately 52.6% of the variation in sales turnover (R-squared = 0.5259). Social sustainability disclosures (SOSR) have a significant negative effect on sales turnover (Coef. = -5.9100, p = 0.001), suggesting that firms with higher social disclosures tend to experience reduced sales turnover, possibly due to the costs associated with corporate social responsibility initiatives. Environmental sustainability disclosures (EVSR) do not show a significant relationship with sales turnover (Coef. = -1.0100, p = 0.359), indicating that environmental reporting alone does not directly impact firm performance. Firm size (FMZ) exhibits a strong positive and significant effect (Coef. = 1.4700, p < 0.001), implying that larger firms generally achieve higher sales turnover, likely due to their market strength and resource availability.

When the interaction terms SOSR_FMZ and EVSR_FMZ are introduced in the second model, the moderation effects of firm size (FMZ) on sustainability disclosures and sales turnover reveal key changes. The coefficient of SOSR_FMZ (1.6800, p = 0.103) is positive, indicating that firm size helps to mitigate the negative impact of social sustainability disclosures on sales turnover. However, the effect is statistically insignificant, meaning that while larger firms may leverage social disclosures better than smaller firms, the improvement is not strong enough to significantly alter the relationship. Similarly, the coefficient of EVSR_FMZ (1.5100, p = 0.099) is also positive, suggesting that firm size moderates the effect of environmental sustainability disclosures on sales turnover. However, like SOSR_FMZ, this interaction is also statistically insignificant, implying that although larger firms might have better capacity to manage environmental disclosures, the moderation effect does not substantially influence sales turnover. These findings suggest that while firm size plays a role in adjusting the financial impact of sustainability disclosures, the effect is not strong enough to significantly enhance firm performance in the Nigerian consumer goods sector.

Table 5: Regression Analysis

Source	**SS**	**DF**	**MS**	**Number of obs =**	160	
Model	6.633300	3	2.21110	**F(3, 156) =**	57.69	
Residual	5.979100	156	3.83280	**Prob > F =**	0.000	
Total	1.261200	159	7.93230	**R-Squared =**	0.5259	
				Adj R-Squared	0.5259	

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				=		
				Root MSE =	2	
ST	**Coef.**	**Std. Err.**	**T**	**Prob > [t]**	**95% Conf.**	**Interval**
SOSR	-5.9100	1.7100	-3.45	0.001	-9.2900	-2.5300
EVSR	-1.0100	1.1000	-0.92	0.359	-3.1800	1.1600
FMZ	1.4700	1.1400	12.89	0.000	1.2400	1.6900
_cons	-2.7000	1.1890	-11.99	0.000	-2.6400	-1.900
Source	**SS**	**DF**	**MS**	**Number of obs =**	160	
Model	7.1200	5	1.4200	**F(3, 156) =**	39.90	
Residual	5.4900	154	3.5700	**Prob > F =**	0.00000	
Total	1.2600	159	7.9300	**R-Squared =**	0.5644	
				Adj R-Squared =	0.5502	
				Root MSE =	1.9000	
ST	**Coef.**	**Std. Err.**	**T**	**Prob > [t]**	**[95% Conf.**	**Interval**
SOSR	-3.7100	1.9100	-1.95	0.054	-7.4800	5.8100
EVSR	-3.0000	1.7200	-1.74	0.084	-6.4100	4.0700
FMZ	9.9300	2.4700	4.02	0.000	5.0500	1.4800
SOSR_FMZ	1.6800	1.0200	1.64	0.103	-3.4400	3.6900
EVSR_FMZ	1.5100	9.1000	1.66	0.099	-2.8900	3.3100
_cons	-1.3900	4.4600	-3.12	0.002	-2.2700	-5.0900

Source: Regression Analysis Result using STATA 17: Researcher (2025)

DISCUSSION OF FINDINGS

The findings from the regression analysis offer critical insights into the nexus between social and environmental sustainability disclosures and sales turnover, while also examining the moderating effect of firm size. Interpreted through the lens of Legitimacy Theory, which posits that organizations disclose sustainability information to align with societal values and secure legitimacy (Suchman, 1995), these results underscore the nuanced relationship between sustainability initiatives and firm performance. Specifically, while such disclosures may bolster legitimacy, they do not automatically translate into immediate financial rewards, especially within emerging markets like Nigeria where market and regulatory frameworks may not yet adequately incentivize sustainability practices.

Social Sustainability Disclosures and Sales Turnover (H_{01})

The rejection of H_{01} confirms a significant negative relationship between social sustainability disclosures (SOSR) and sales turnover ($\beta = -5.9100$, $t = -3.45$, $p = 0.001$). This suggests that firms increasing their social

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sustainability initiatives may experience a decline in short-term sales revenue. The implication is that while such initiatives may enhance long-term reputational capital and social legitimacy, they may impose operational costs that are not immediately offset by financial gains. In the context of Legitimacy Theory, firms may engage in social disclosures to meet stakeholder expectations, but without a mature consumer consciousness or supportive market incentives, these efforts may not yield tangible financial benefits in the short run.

This finding aligns with the works of Anisah and Silfia (2023), and Aliyu and Apedzan (2022), who also observed negative or insignificant relationships in similar emerging markets. Conversely, the positive associations found in studies like Asha and Amiya (2023) underscore the context-dependent nature of these outcomes, suggesting that variations in institutional maturity, consumer awareness, and regulatory environments significantly mediate these dynamics.

Environmental Sustainability Disclosures and Sales Turnover (H_{02})

The acceptance of H_{02} indicates that environmental sustainability disclosures (EVSR) do not significantly affect sales turnover ($\beta = -1.0100$, $t = -0.92$, $p = 0.359$). This outcome implies that, in the Nigerian consumer goods sector, environmental reporting is not currently a strong determinant of sales performance. Within the framework of Legitimacy Theory, this may suggest that while environmental disclosures serve to fulfil normative expectations or regulatory compliance, they are not yet sufficiently valued by consumers or other market actors to influence sales outcomes.

This aligns with Michelon, Boesso, and Kumar (2013), and the findings of Aliyu and Apedzan (2022), who emphasize that environmental disclosures often lack financial relevance unless embedded within broader stakeholder strategies. The contrast with Bridget (2023), who observed a positive effect within the same country, reinforces the likelihood that industry characteristics and perceived environmental risk exposure shape how environmental initiatives impact financial performance.

Moderating Role of Firm Size on Social Sustainability Disclosures (H_{03})

The acceptance of H_{03} reveals that firm size does not significantly moderate the relationship between social sustainability disclosures and sales turnover. Although the coefficient of SOSR attenuates from -5.9100 to -3.7100 and the p-value increases to 0.054, approaching significance, the interaction term (SOSR_FMZ) remains insignificant ($\beta = 1.6800$, $p = 0.103$). This suggests that firm size does not fundamentally alter the effect of social disclosures on sales turnover.

In line with Anisah and Silfia (2023), this finding implies that both large and small firms in Nigeria may encounter similar constraints in converting social initiatives into financial value. Contrary evidence from Gogo, Uwikor, and Nnah (2023), who argue that larger firms are better positioned to capitalize on social sustainability, suggests that firm size alone is insufficient unless coupled with effective stakeholder engagement and market responsiveness.

Moderating Role of Firm Size on Environmental Sustainability Disclosures (H_{04})

Finally, the results for H_{04} indicate that firm size does not significantly moderate the relationship between environmental sustainability disclosures and sales turnover. Although the interaction term (EVSR_FMZ) shows a coefficient of 1.5100 with a p-value of 0.099, it remains statistically insignificant. While the inclusion of the moderator marginally improves the explanatory power, the lack of significance suggests that scale-related advantages do not necessarily enhance the financial impact of environmental disclosures in the consumer goods sector.

This aligns with Aliyu and Apedzan (2022), and stands in contrast to Akinadewo et al. (2023), who suggest that larger firms may derive more benefit from environmental strategies. The lack of consistent regulatory enforcement in Nigeria likely diminishes the strategic utility of environmental disclosures, making them more of a compliance obligation than a value-adding mechanism, particularly in low-risk industries like consumer goods.

CONCLUSION

This study finds that social sustainability disclosures are significantly and negatively associated with sales turnover, while environmental disclosures exhibit no significant effect. These results suggest that in the Nigerian consumer goods sector, sustainability reporting. particularly on social issues, may entail costs that are not immediately offset by financial gains, and that environmental disclosures are not yet leveraged as strategic tools for enhancing firm performance.

The negative effect of social sustainability disclosures implies that such initiatives may currently lack market support or consumer responsiveness, undermining their financial utility despite their legitimacy-enhancing intent. The insignificant impact of environmental disclosures further indicates that these practices are more likely compliance-oriented than strategically integrated into business models. Importantly, the moderating effect of firm size is not statistically significant in either case, although its inclusion improves the explanatory strength of the model, pointing to its relevance as a contextual variable rather than a direct influencer.

These findings highlight the complex and context-dependent nature of sustainability reporting in emerging economies. While Legitimacy Theory provides a useful lens to interpret firms' motivations for engaging in sustainability disclosures, the limited financial impact observed suggests a disconnect between legitimacy-seeking behaviours and market-based rewards. This underscores the need for firms to adopt more strategically aligned sustainability initiatives, ones that not only address societal expectations but also resonate with consumers and investors.

RECOMMENDATIONS

Grounded in Legitimacy Theory, which posits that firms engage in sustainability reporting to align with societal expectations and maintain social license to operate (Suchman, 1995), the findings of this study highlight the need for context-specific strategies to enhance both legitimacy and financial performance. Although social and environmental disclosures appear insufficient in yielding immediate financial gains in the Nigerian consumer goods sector, they remain crucial for institutional legitimacy, stakeholder engagement, and long-term reputational capital.

For smaller firms, a gradual and resource-conscious approach to sustainability is recommended. These firms can improve perceived legitimacy by initiating low-cost, high-visibility practices such as energy-efficient lighting, basic waste segregation, or foundational employee welfare schemes. Aligning with Legitimacy Theory, even modest efforts toward sustainability can demonstrate responsiveness to societal norms, thus fostering stakeholder goodwill. Support from NGOs and government agencies, particularly through technical assistance or seed grants, can reduce the financial burden of these initiatives. In this way, small firms maintain legitimacy without compromising financial stability.

Larger firms, endowed with greater resources and visibility, should adopt a more integrated and strategic approach to sustainability. These firms are better positioned to institutionalize sustainability through dedicated budgets, cross-functional teams, and investment in advanced technologies. According to Legitimacy Theory, the actions of prominent firms are more heavily scrutinized by the public and investors. Hence, they must demonstrate sustained commitment to ESG practices to uphold their legitimacy. Furthermore, transparent and frequent sustainability disclosures, including measurable targets and outcomes, can enhance stakeholder trust, differentiate the brand, and attract ethically conscious investors.

At the policy level, the Nigerian government should create a supportive ecosystem that enables firms to convert sustainability practices into both reputational and financial gains. Financial instruments such as green bonds, tax rebates for ESG investments, and subsidized loans for environmental innovations would encourage firms to act not just out of compliance but as a means of enhancing legitimacy and performance. Inspired by India's Perform, Achieve, and Trade (PAT) scheme, Nigeria could implement a market-based mechanism to reward energy-saving firms through tradeable certificates. Such initiatives reinforce societal approval and regulatory endorsement, key elements in building organizational legitimacy.

To institutionalize sustainability disclosures, regulators like the Securities and Exchange Commission (SEC) and the Financial Reporting Council (FRC) should adopt a tiered reporting mandate that considers firm size and sectoral risk. This would ensure proportional compliance costs while promoting transparency across the board. Moreover, standardizing ESG metrics and requiring third-party assurance would enhance the credibility of disclosures, strengthening both legitimacy and investor confidence.

Industry collaboration is also essential. Regulators should facilitate the creation of sector-specific sustainability coalitions, enabling firms to share best practices, pool resources, and co-develop environmental solutions. This collective approach reinforces legitimacy by demonstrating industry-wide accountability and responsiveness to societal concerns. Brazil's National Policy on Solid Waste provides a viable model for Nigeria, where coordinated efforts across public and private sectors have yielded measurable sustainability outcomes.

Finally, investors and capital markets must play an active role in reinforcing the legitimacy-performance nexus. Institutional investors should prioritize firms with strong ESG credentials, while the Nigerian Stock Exchange could introduce a Sustainability Index, akin to South Africa's JSE SRI Index, to reward firms that uphold high sustainability standards. Linking access to capital with ESG performance not only strengthens corporate legitimacy but also incentivizes firms to embed sustainability into their core strategies.

In conclusion, a legitimacy-centered sustainability strategy, tailored by firm size, supported by government policy, validated through regulation, and reinforced by investor behaviour, will help Nigerian firms transition from compliance-driven disclosures to meaningful, value-creating sustainability practices. Such alignment is essential not only for financial resilience but also for long-term institutional legitimacy in an evolving global business environment.

Suggestions For Further Studies

Future research should explore the mechanisms through which firm size influences the relationship between sustainability disclosures and financial performance, such as resource allocation efficiency and stakeholder engagement strategies.

Investigate other potential moderating variables, such as corporate governance structures, market competitiveness, and regulatory enforcement, to provide a more nuanced understanding of how sustainability disclosures impact financial performance. Strong governance mechanisms may enhance the credibility of disclosures, while competitive market conditions could amplify or diminish their financial effects.

Conduct longitudinal studies to capture the long-term effects of sustainability disclosures on financial performance across different firm sizes, industries, and regional economic contexts.

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