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The Role of Tax Incentive on Sustainability Disclosures and Performance of Listed Manufacturing Firms in Nigeria

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Abstract

This study examined the moderating role of tax incentive on the relationship between sustainability disclosure and the performance of listed manufacturing firms in Nigeria from 2015 to 2024. Specifically, the study investigated the role of economic, social, and environmental disclosures on firm performance, while also analyzing the moderating role of tax incentive on the sustainability disclosure–performance nexus. The study adopted a correlational research design using secondary data obtained from the annual reports of selected listed manufacturing firms quoted on the Nigerian Exchange Group. Data were analyzed using the Generalized Method of Moments (GMM) technique to address potential endogeneity issues associated with panel data analysis. Firm performance was measured using Price-to-Book-Value (PBV), while sustainability disclosure was proxied by Economic Performance Index (EPI), Social Performance Index (SPI), and Environmental Performance Index (EVPI). The findings revealed that economic disclosure and social disclosure exert positive and significant effects on firm performance. However, environmental disclosure was found to have a negative but significant effect on firm performance. The results further showed that tax incentive positively and significantly moderates the relationship between economic disclosure and firm performance, as well as the relationship between environmental disclosure and firm performance. The moderating effect of tax incentive on social disclosure and firm performance was positive but weakly significant. The study concludes that sustainability disclosure remains an important driver of firm performance among listed manufacturing firms in Nigeria. The study recommends that firms should strengthen economic and social disclosure practices while improving environmental sustainability strategies to enhance long-term firm value and stakeholder confidence.

Keyword: tax incentive, firm performance, price-book-performance, stakeholder theory, sustainability disclosure

Introduction

Businesses traditionally reported gains only, but attention has now shifted from reporting gains alone to reporting activities that generate these gains, as well as their effects on the socioeconomic lives of different players. This shift is due to the fact that future generations may suffer if the activities of most entities are not checked. Many corporate bodies have been criticized for ineffective management of their immediate societies, resulting in poor environmental impacts (Lazona, 2015; Manning et al., 2018). Efforts to bridge this gap birthed the concept of sustainability

The performance of listed manufacturing firms across various countries, including the USA, Germany, Japan, South Korea, South Africa, Ghana, and Nigeria, reveals significant disparities influenced by economic, social, and environmental factors. According to a report by the World Bank (2023), manufacturing contributes approximately 18% to the GDP of the USA, 20% in Germany, and 19% in Japan, underscoring the sector's vital role in economic stability and growth. In South Korea, the manufacturing sector accounted for about 28% of GDP in 2022, demonstrating its critical importance in driving innovation and exports (OECD, 2023). However, Ghana and Nigeria still exhibit relatively lower manufacturing sector concentration and contribution to national output compared to developed economies. Recent statistics released by the National Bureau of Statistics (2025) indicate that Nigeria's manufacturing sector contributed approximately 8.05% to real Gross Domestic Product (GDP) in 2025, representing a decline from 8.24% recorded in 2024 despite marginal industrial growth within the sector. The decline has been attributed to persistent structural challenges such as foreign exchange volatility, rising production costs, weak infrastructure, unstable electricity supply, inflationary pressures, and declining consumer demand.

The Nigerian manufacturing sector has struggled with inconsistent power supply, high production costs, and regulatory hurdles, which have stunted growth and competitiveness (Adeniran et al., 2023). Furthermore, a study by Odugbesan et al. (2024) highlights that the lack of transparency and accountability in sustainability disclosures exacerbates these performance issues, as stakeholders remain uninformed about firms' environmental and social impacts. This lack of disclosure not only undermines investor confidence but also hinders firms' access to international markets, where sustainability practices are increasingly becoming a prerequisite for trade. The challenges linked to poor performance in Nigeria's manufacturing sector are compounded by inadequate sustainability reporting, which limits firms' ability to engage with stakeholders and attract necessary investments (Bello & Abdullahi, 2024). Consequently, addressing these challenges through enhanced sustainability disclosures is essential for improving the performance of listed manufacturing firms in Nigeria.

Sustainability is the ability to live and fulfill the socioeconomic needs of people without jeopardizing their future needs. Three important dimensions for sustainable development were emphasized in the report of the United Nations World Commission on Environment and Development

(Brundtland, 1987). These included environmental protection, economic development, and social equity (Bashiru et al., 2022). KPMG (2022) also posited that sustainability reporting is reporting environmental, social, and economic information as key components of corporate transparency and accountability. These components are the Triple Bottom Line and focal points of research in sustainability (Elkington, 1994).

According to Nobanee and Ellili (2016), sustainability is feeding the public with details on economic, social, and environmentally related business activities. It entails reports on the Triple Bottom Line as presented to all stakeholders. The Triple Bottom Line emphasizes that firms should not focus solely on profit maximization but must simultaneously balance economic prosperity, social responsibility, and environmental protection to achieve long-term sustainability.

This means disclosing, how firms create economic value for shareholders, employees, governments, and society at large. It includes issues such as profitability, investment growth, tax payments, innovation, operational efficiency, and long-term financial sustainability. In the context of this study, economic disclosure reflects the extent to which manufacturing firms disclose information relating to their economic contributions and financial sustainability practices. While social disclosure is concerns with the relationship between firms and their employees, host communities, customers, and other stakeholders. It emphasizes human welfare, social justice, employee wellbeing, community development, workplace safety, consumer protection, diversity, and corporate social responsibility activities. Environmental disclosure therefore reflects the extent to which firms report environmentally responsible practices aimed at protecting ecosystems and promoting sustainable industrial operations such as pollution control, waste management, carbon emissions reduction, energy efficiency, climate change mitigation, environmental compliance, and sustainable resource utilization. These reports depict the extent to which businesses implement their various sustainability agenda.

Stakeholder theory stresses the responsibility of corporate entities to different stakeholders who have unique interests to protect. Therefore, stakeholder theory is one of the means through which the enterprise sustainability disclosure can be analyzed. It opines that the success of a corporate body is not only a function of its financial performance but also requires a careful analysis of how it manages its relationships with various stakeholders. Communicating sustainability efforts by firms enhances trust with an eventual positive impact on firm performance (Bello & Abdullahi, 2024).

Firm performance indicates the total economic worth of a corporate entity which reflects its ability to generate profits or cash flows. It also represents the entity's sum of all claims including both equity and debt holders. There are three different ways of measuring firm performance: market performance, intrinsic performance, and book performance (Naparín & Dina, 2023). Book performance is the net performance of a firm based on its bookkeeping records, while the market performance of a

firm is based on the trading of its shares. The intrinsic performance represents future cash flows from dividends and capital gains. The current study used price- to-book-performance method to measure firm performance due to its simplicity and clarity, also keeping in view the fact that industrial goods sector is heavy- asset-based. It explored the moderating effect of tax incentive on the relationship between sustainability disclosure and the performance of quoted industrial goods firms listed on the Nigeria Exchange Group.

Sustainability disclosure has attracted significant attention in the recent past. This has made corporate sustainability one of the most explored areas in the contemporary accounting and finance literature. This area of study, however, remains unsaturated as more empirical works using alternative variables and methodologies are needed. Literature shows that studies have examined sustainability reporting in relation to some firm-specific characteristics, such as firm size and age (Igbinovia & Agbadua, [2023](#); Setioningsih & Budiarti, [2024](#); Yaghoub et al., [2021](#)), industry sensitivity (Qureshi et al., [2020](#)), corporate governance mechanisms (Bello & Abdullahi, [2024](#); Clarrisa & Rasmini, [2018](#)), ownership structure (Adzor et al., [2022](#); Sabiya et al., [2024](#); Teryima, [2023](#)), board diversity (Masmoudi & Barhoumi, [2023](#)), and intellectual capital (Baba & Manaf, [2017](#)). Others have explored sustainability disclosure through various theoretical lenses, such as the stakeholder theory (Fernandez-Feijoo et al., [2014](#)) and agency theory (Bashiru et al., [2022](#)).

Bello and Abdullahi ([2024](#)), Emeka ([2023](#)), Orshi et al. ([2022](#)), and some other researchers relied on traditional financial performance measures to measure the effects of sustainability disclosure on firm performance. Most of the studies used content analysis of the Global Reporting Initiative (GRI) framework, leaving out alternative measures. This study seeks to bridge key gaps in the literature by first employing Price-to-Book-performance (PBV), a market-based measure as an alternative proxy for firm performance. Secondly, it introduces the MachameRatios Database as the empirical basis to measure sustainability disclosure, deviating from the traditional GRI-based scoring approach. Thirdly, it introduces tax incentive as a novel moderating variable. Moreover, the study focuses on industrial goods firms, the sector which has received less attention despite its contribution to economic development.

The main objective of this study is to establish the moderating effect of tax incentive on the relationship between sustainability disclosure and the performance of listed manufacturing firms in Nigeria. Specifically, the study aims to

1. Examine the impact of environmental disclosures on the performance of listed manufacturing firms in Nigeria.
2. Examine the impact of social disclosures on the performance of listed manufacturing firms in Nigeria
3. Examine the impact of economic disclosures on the performance of listed manufacturing

firms in Nigeria.

4. To examine whether tax incentive significantly moderates the relationship between sustainability disclosure and the performance of listed manufacturing firms in Nigeria.

The following null hypotheses are put forth to help achieve the objectives:

H01: Environmental disclosures do not have any significant effect on the performance of listed manufacturing firms in Nigeria

H02: Social disclosures do not have any significant effect on the performance of listed manufacturing firms in Nigeria

H03: Economic disclosures do not have any significant effect on the performance of listed manufacturing firms in Nigeria

H04: Tax incentive does not significantly moderate the relationship between sustainability disclosure and the performance of listed manufacturing firms in Nigeria.”

2.0 LITERATURE REVIEW

2.1 CONCEPTUAL REVIEW

This section covers the concepts of sustainability disclosures, tax incentive, and firm performance, as well as the highlights of some previous empirical studies and the theoretical framework of the current study.

2.1.1 Sustainability Disclosure

sustainability disclosure can be define as the process through which firms communicate information concerning its environmental, social, governance, and economic to stakeholders in order to demonstrate accountability, transparency, and long-term value creation in her financial statement. According to Bello and Abdullahi (2024), sustainability disclosure is a reporting mechanism that provides information regarding corporate environmental, social, and economic activities, thereby enabling stakeholders to evaluate organizational responsibility and sustainability commitments. Similarly, Setioningsih and Budiarti (2024), defined sustainability disclosure as the systematic publication of ESG-related information intended to improve corporate legitimacy, investor confidence, and organizational performance through transparent reporting practices.

Furthermore, the global ESG literature emphasizes that sustainability disclosure has evolved beyond voluntary corporate communication into a strategic governance instrument aligned with stakeholder expectations, climate accountability, and sustainable finance frameworks. Firms increasingly disclose sustainability information to reduce information asymmetry, improve reputational capital, and attract responsible investment funds (Qureshi et al., 2020; Bello & Abdullahi, 2024).

Fisk ([2010](#)) linked the concept with 3Ps representing people, planet, and profit. This implies that to

secure opportunity, operational advancement, and competitive advantage, a firm must be responsible both for its people and the environment and should strive to be profitable. Thus, from the aforementioned, sustainability is a people-centered concept emphasizing socioeconomic justice and environmental protection.

Bello and Abdullahi (2024) stated that sustainability disclosure is a tool that provides a general overview of corporate operations and their impacts on the society and the environment. It deals with issues such as social responsibility initiatives, carbon emissions, supply chains, energy consumption, and so on. Therefore, sustainability reporting is a corporate demonstration of its commitment to transparency, which fosters trust among different stakeholder groups (Fombrun & Shanley, 1990).

2.1.2 Tax Incentives

Tax incentives refer to government-backed fiscal concessions designed to reduce the tax liabilities of firms in order to stimulate and encourage investment, innovation, sustainability practices, and economic growth. Bashiru, Hashim and Ganesan (2022) described tax incentives as preferential tax treatments granted to firms to encourage productive investment and socially beneficial corporate activities capable of promoting sustainable economic development. Likewise, Propheta, Irmadariyani and Kustono (2025) conceptualized tax incentives as fiscal mechanisms that lower corporate tax obligations and motivate firms to undertake environmentally responsible and socially sustainable activities capable of enhancing long-term organizational value.

Contemporary ESG studies further argue that governments increasingly employ tax incentives as policy instruments to encourage green investments, carbon reduction initiatives, sustainability disclosures, renewable energy adoption, and socially responsible business conduct. Consequently, tax incentives now function not merely as revenue concessions but as strategic sustainability policy tools that strengthen corporate ESG compliance and stakeholder trust. Leading scholars in this area emphasize that effective tax incentive policies can foster a more favorable business environment, enhance corporate social responsibility, and ultimately contribute to national economic development (Bashiru et al., 2022; Bello & Abdullahi, 2024).

2.1.3 Firm performance

Firm performance refers to the extent to which an organization achieves financial, market, operational, and strategic objectives within a specified accounting period. According to Propheta, Irmadariyani and Kustono (2025) describe firm performance as the overall market and financial valuation of a company reflected through profitability, investor confidence, and market-based indicators such as Price-to-Book Value and Tobin's Q. Similarly, Naparin and Dina (2023), defined firm performance as the economic worth and operational success of a company measured through accounting-based and market-based valuation indicators capable of reflecting investors' perception of firm sustainability and profitability.

Modern ESG literature maintains that firm performance extends beyond traditional profitability measures to include sustainable value creation, stakeholder satisfaction, reputational strength, and long-term resilience. Consequently, firms with superior sustainability disclosure practices are increasingly associated with improved market valuation and competitive advantage.

2.1.4 Economic Disclosure and Firm performance

Economic disclosure involves reporting firms' economic contributions such as revenue generation, tax payments, investments, and value creation for stakeholders. Economic disclosure reduces information asymmetry and strengthens investors' confidence in firms' operations. Khan (2022) established that ESG and economic disclosures significantly improve firm financial performance and market valuation. Likewise, Nnedu et al. (2025) observed that sustainability reporting positively affects firm profitability because transparent economic reporting enhances accountability and investors' trust. Consequently, firms that consistently disclose economic activities tend to attract investments and maintain long-term financial sustainability. The relationship between economic disclosure and firm performance is anchored on the premise that transparent disclosure practices improve corporate accountability and reduce uncertainty among investors. Firms that disclose adequate economic information are more likely to attract investment opportunities, maintain investor confidence, and improve their market valuation. Empirical evidence from Kurniawan et al. revealed that economic disclosure significantly influences firm performance, although the direction of the relationship may vary depending on the economic environment and reporting framework adopted by firms.

2.1.5 Social Disclosure and Firm performance

Social disclosure refers to the reporting of firms' social activities relating to employee welfare, community development, customer relations, and corporate social responsibility. Sehgal et al. (2022) found that social reporting positively influences firms' financial performance through improved transparency and stakeholder trust. Similarly, Nnedu et al. (2025) revealed that sustainability disclosures improve profitability and operational performance among Nigerian consumer goods firms. In the Nigerian manufacturing sector, social disclosure remains important because firms operate within communities that are highly sensitive to employment generation, environmental safety, and social welfare. Consequently, organizations that provide adequate disclosures regarding their social contributions are more likely to enjoy favorable stakeholder support, market acceptance, and improved firm performance. However, inconsistent reporting standards and weak enforcement mechanisms continue to limit the effectiveness of social disclosure practices among Nigerian firms (Bello & Abdullahi, 2024).

Therefore, firms with effective social disclosure practices are more likely to achieve sustainable performance and competitive advantage.

2.1.6 Environmental Performance Disclosure and Firm performance

Environmental disclosure refers to the reporting of firms' environmental practices such as pollution control, waste management, carbon emission reduction, and energy conservation. Environmental disclosure demonstrates firms' commitment to environmental sustainability and regulatory compliance. Okoba et al. (2025) found that environmental sustainability disclosure positively impacts the profitability of listed manufacturing firms in Nigeria. Similarly, Galeotti et al. (2025) concluded that environmental disclosure improves corporate reputation, stakeholder confidence, and firm performance. Furthermore, Sehgal et al. (2022) asserted that environmental reporting enhances financial performance by promoting transparency and sustainability compliance. Thus, firms that actively disclose environmental information are more likely to improve operational efficiency and market value. Environmental disclosure is strongly linked to stakeholder and legitimacy theories, which emphasize that firms must operate within socially acceptable environmental standards to maintain public confidence and legitimacy (Freeman, 1984). Adequate environmental reporting enables firms to reduce reputational risks, attract environmentally conscious investors, and strengthen relationships with regulators and host communities. As a result, environmental disclosure may positively influence firm performance through improved corporate image, operational efficiency, and reduced regulatory penalties

2.2 EMPIRICAL REVIEW

Sabiya et al. (2024) examined the relationship between firm characteristics and sustainability reporting quality of listed oil and gas companies in Nigeria, with ownership structure serving as a moderating variable. The study adopted a quantitative research design using panel data analysis on quoted oil and gas firms in Nigeria. Findings revealed that concentrated ownership, firm leverage, and firm size positively influenced sustainability reporting quality, while firm age exerted a negative effect. The study further established that ownership structure significantly moderated the relationship between firm characteristics and sustainability reporting quality. However, the study concentrated mainly on oil and gas firms and failed to examine the direct relationship between sustainability disclosure and firm performance using market-based measures. In addition, tax incentive was not considered as a moderating variable. Therefore, the present study seeks to bridge this gap by examining the moderating role of tax incentive on the relationship between sustainability disclosure and the performance of listed manufacturing firms in Nigeria.

Bello and Abdullahi (2024) investigated the moderating effect of corporate governance mechanisms on the nexus between sustainability reporting and the performance of Nigerian listed manufacturing companies. The study employed panel regression techniques using secondary data extracted from annual reports of quoted manufacturing firms. The findings showed that sustainability reporting had a positive and significant effect on economic performance, although it did not

significantly influence Tobin's Q. Furthermore, corporate governance mechanisms failed to significantly moderate the relationship between sustainability reporting and firm performance. Despite the contribution of the study, it relied heavily on traditional accounting and market measures and omitted tax incentive as a possible moderating variable. Consequently, the current study extends the literature by introducing tax incentive as a moderator and employing Price-to-Book-Value as an alternative proxy for firm performance.

Igbinovia and Agbadua (2023) examined the effect of Environmental, Social, and Governance (ESG) disclosure on the performance of listed manufacturing firms in Nigeria, while considering the moderating role of firm advantage. The study adopted the modified Mohammed and Wasiuzzaman (2021) model and analyzed panel data from 2017 to 2021. The findings indicated that ESG disclosure had no significant effect on firm performance. The study recommended strengthening the regulatory framework guiding ESG disclosures in Nigeria. Nevertheless, the research focused only on ESG disclosure broadly without disaggregating sustainability disclosure into economic, social, and environmental dimensions. Moreover, tax incentive was excluded from the model. Hence, the present study fills this gap by separately examining economic, social, and environmental disclosures while incorporating tax incentive as a moderating factor.

Emeka (2023) investigated the impact of sustainability disclosure on the financial performance of listed deposit money banks in Nigeria. The study utilized regression analysis through Stata on secondary financial data obtained from annual reports of selected banks. Findings revealed that sustainability disclosure measures were positively associated with some performance indicators, although the relationship was not consistent across all proxies. However, the study was limited to the banking sector and focused mainly on financial performance indicators without examining market-based measures of performance. In addition, moderating variables such as tax incentive were not incorporated. Therefore, the current study addresses these limitations by focusing on listed manufacturing firms and introducing tax incentive as a moderator in the sustainability disclosure–performance relationship.

Orshi et al. (2022) evaluated the effect of governance sustainability disclosure on the performance of listed manufacturing firms in Nigeria, with ownership structure serving as a moderating variable. The study adopted panel data methodology using daily share price listings from the Nigerian Exchange Group. The findings revealed that governance sustainability disclosure had a positive and significant effect on firm performance, while ownership structure significantly moderated the relationship. Despite these findings, the study concentrated only on governance disclosure and ignored other components of sustainability disclosure such as environmental, economic, and social disclosures. Furthermore, tax incentive was not examined as a moderating variable. Consequently, the current study seeks to provide

broader empirical evidence by incorporating the three pillars of sustainability disclosure and testing the moderating role of tax incentive.

Yondrichs et al. (2021) investigated the effect of sustainability reporting and corporate governance on firm performance among firms listed on the Indonesia Stock Exchange from 2014 to 2020. The study adopted secondary data analysis using panel regression techniques. The findings showed that corporate governance significantly moderated the relationship between sustainability reporting and firm performance, although sustainability reporting alone did not significantly improve firm performance. The study, however, was conducted outside Nigeria, thereby limiting its applicability to the Nigerian business environment characterized by weak institutional frameworks and unstable regulatory systems. Additionally, the study did not consider tax-related variables in explaining firm performance. Therefore, the current study contributes to the literature by providing evidence from Nigeria while incorporating tax incentive as a moderator.

Baba and Manaf (2017) examined the determinants of sustainability disclosure practices and the moderating role of intellectual capital on the relationship between board governance mechanisms and sustainability disclosure in Nigeria. The study employed regression analysis on panel data covering the period from 2010 to 2015. The findings revealed that board size, board independence, and board diversity positively enhanced sustainability disclosure, while board meetings had no significant effect. However, the study focused mainly on determinants of sustainability disclosure rather than its implication on firm performance. It also omitted the role of tax incentive and market-based performance indicators. Thus, the current study extends the discourse by linking sustainability disclosure directly to firm performance and by examining the moderating role of tax incentive.

Haladu and Salim (2016) investigated the relationship between corporate ownership and sustainability reporting, moderated by environmental agencies, between 2009 and 2014. The study adopted regression analysis using panel data obtained from annual reports of firms. Findings indicated an inverse and significant relationship between corporate ownership and sustainability reporting. The study recommended encouraging local ownership to improve environmental disclosure practices. Nevertheless, the study did not focus on firm performance outcomes nor did it assess the interaction between sustainability disclosure and tax-related incentives. Therefore, the present study seeks to fill this empirical gap by examining how tax incentive moderates the relationship between sustainability disclosure and firm performance among listed manufacturing firms in Nigeria.

Overall, the reviewed empirical studies reveal mixed findings regarding the relationship between sustainability disclosure and firm performance. While some studies established positive and significant relationships, others reported insignificant or negative outcomes. Most prior studies also concentrated on corporate governance, ownership structure, intellectual capital, and firm characteristics as moderating variables, with limited attention given to tax incentive. Furthermore, many studies relied on

traditional accounting measures and broad ESG indicators without disaggregating sustainability disclosure into economic, social, and environmental dimensions. Consequently, this study contributes to the existing literature by examining the moderating role of tax incentive on the relationship between sustainability disclosure and the performance of listed manufacturing firms in Nigeria using Price-to-Book-Value as a market-based performance measure.

THEORETICAL REVIEW

Bashiru et al. (2022) stated that there are several theories related to sustainability reporting and firm performance including the legitimacy theory, agency cost theory, stakeholder theory, and so on. This study is based on the stakeholder theory.

The Stakeholder Theory

The Stakeholder Theory was propounded by R. Edward Freeman in 1984 in his book *Strategic Management: A Stakeholder Approach*. The theory argues that firms are responsible not only to shareholders but also to other stakeholders such as employees, customers, suppliers, government, creditors, host communities, and society at large. According to the theory, organizations can achieve long-term survival and improved performance when they effectively manage and balance the interests of these stakeholder groups.

The theory assumes that stakeholders have legitimate interests in corporate activities because they are directly or indirectly affected by organizational decisions. It further assumes that firms that operate ethically, transparently, and responsibly are more likely to gain stakeholder trust, improve reputation, and enhance firm performance. Sustainability disclosure therefore becomes an important mechanism through which organizations communicate their environmental, social, and economic responsibilities to stakeholders. Hence the introduction of tax incentive as a moderating tool to enhances effective sustainability disclosure by most manufacturing firm in Nigeria towards their performance.

Despite its relevance, the theory has been criticized for lacking clear guidance on how managers should prioritize conflicting stakeholder interests. Critics also argue that the theory is too broad and may encourage managers to pursue social objectives at the expense of shareholders' wealth maximization. In addition, the theory is considered difficult to test empirically because stakeholder interests are dynamic and sometimes difficult to measure.

Nevertheless, the Stakeholder Theory is appropriate for this study because it explains why firms disclose sustainability information and how such disclosure can influence firm performance. Manufacturing firms are increasingly expected to provide information regarding their environmental, social, and economic activities in order to satisfy stakeholder expectations. Through sustainability disclosure, firms enhance transparency, legitimacy, and stakeholder confidence, which may improve market value and overall performance. The theory is also suitable because tax incentive, which

moderates the relationship between sustainability disclosure and firm performance in this study, represents government interest as an important stakeholder in corporate activities.

METHODOLOGY

This study combines descriptive and correlational designs. It is descriptive by way of gathering, presenting, and analyzing data and correlational as it intends to establish the relationship between the study variables.

The industrial goods sector plays an important role in the advancement of any economy. It spans the production of cement, glasses, electrical components, and construction materials. The twenty-three (23) listed firms form the study population (Nigerian Exchange Group, 2025).

In order to obtain a generalizable sample size, two sampling techniques were used. These included stratified sampling and simple random sampling techniques.

The stratified random sampling technique was used to reduce the population from 23 to 14 firms by eliminating firms that were listed before the year 1985. To further reduce the population, a simple random sample of 7 firms was chosen randomly. The justification for the exclusion criterion adopted in selecting firms listed after 1985 can be academically justified on methodological and data consistency grounds. The study focused on firms with relatively stable operational histories and long-term listing experience to ensure the availability of sufficient longitudinal sustainability and financial data necessary for dynamic panel estimation using the Generalized Method of Moments (GMM).

Older listed firms are more likely to possess established sustainability reporting structures, stronger corporate governance systems, and more reliable archival financial disclosures compared to recently listed firms. According to dynamic panel estimation literature, balanced and sufficiently lengthy panel observations improve estimator efficiency and reduce problems associated with missing observations and short-panel bias (Arellano & Bond, 1991).

Additionally, excluding recently listed firms minimizes survivorship bias and reporting inconsistencies arising from newly established entities that may not yet possess mature ESG disclosure practices. Since sustainability disclosure develops gradually through institutional learning, stakeholder engagement, and regulatory adaptation, firms with longer market participation provide more appropriate observations for examining sustainability-performance relationships.

The combination of stratified and simple random sampling techniques also enhanced representativeness by ensuring that firms selected from the industrial goods sector possessed comparable operational characteristics while simultaneously reducing selection bias. Therefore, the sampling procedure is methodologically appropriate for achieving reliable and generalizable findings within the context of

Table 1 below presents the list of sampled firms alongside their years of listing and incorporation.

Table 1

Sample of the Study

S/N	Name	Year of incorporation	Year of listing
1	Austin Laz & Company Plc	1982	1990
2	Avon Crown caps & Containers Plc	1980	1990
3	Portland Paints & Products Nigeria Plc	1985	2009
4	Julius Berger Nigeria Plc	1970	1991
5	Cutix Plc	1982	1987
6	Beta Glass Plc	1974	1986
7	Dangote Cement Plc	1992	2010

Note. Source: Compiled by the author via NGX Factbook 2019

The study used secondary data. Data were sourced from the annual financial reports of the sampled firms, as compiled by Machame Ratios database. The variables of the study and their measurements are mentioned in Table 2 below.

Table 2

Variables and Measurements

Variable	Proxy	Measurement
Firm performance as dependent variable	Price-Book-performance ratio	Market price per share divided by the book performance per share (Propheta et al. 2025)
Sustainability disclosure as independent Variable	Economic Performance Index (EPI), Social Performance Index (SPI), Environmental Performance Index (EVPI)	As measured in the Machame Ratios database
Firm leverage as control variable		Total debt divided by total equity (Okpala & Iredele, 2018)
Firm size as control variable		Logarithm of total assets (Diantimala, 2018 ; Okpala & Iredele, 2018)
tax incentive as moderator		Total corporate income tax incentive (Hanlon & Heitzman, 2010 ; Lanis & Richardson, 2012).

The study used panel data methodology via the Generalized Method of Moments (GMM). This was necessary as GMM controls endogeneity potentials occasioned by reverse causality between sustainability disclosure and firm performance, as pointed by Adamu and Hauwa ([2021](#)).

Model Specifications

Teryima ([2023](#)) pointed out that the commonly used models of firm performance are the

Ohlson (1995) and Feltham and Ohlson (1995) Linear Information model. This latter model is broken down into two (2) equations, according the study objectives:

$$PBV_{it} = \beta_0 + \beta_1 EPI_{it} + \beta_2 SPI_{it} + \beta_3 EVPI_{it} + \varepsilon_t \quad (1) \quad PBV_{it} = \beta_0 +$$

$$\beta_1 EPI_{it} + \beta_2 SPI_{it} + \beta_3 EVPI_{it} + \beta_4 CT_{it} + \beta_5 FLEV_{it} + \beta_6 FSIZ_{it}$$

$$+ \beta_7 EPI_{it} + \beta_8 TI_{it} + \beta_9 EPI_{it} * TI_{it} + \beta_{10} SPI_{it} * TI_{it} + \beta_{11} EVPI_{it} * TI_{it} + \varepsilon_{it} \quad (2)$$

The study tested for Sargan and Hansen. The Sargan test was needed to validate that the instrumental variables are not correlated to some set of residuals. On the other hand, the Hansen's J-test was required to test the validity of the model used in the study and if it was not correlated with the error term.

Results

This section is devoted to the presentation and analysis of the results of the various tests conducted on the data.

Table 3

Descriptive Statistics

Variable	Mean	Std Dev	Min	25%	Median	75%	Max
PBV	362059.3	280104.4	10,928	185,600	308,574	731,186	801,006
	6	2					
EPI	2.7822	9.1883	-13.0345	-1.4719	4.4752	6.5880	23.3452
SPI	58.1818	7.9643	40.0	60.0	60.0	60.0	66.6667
EVPI	80.3030	5.5171	66.6667	83.3333	83.3333	83.3333	83.3333
TI	8.4106	2.9641	3.6040	5.5647	6.7868	10.6682	11.9608
FLEV	1636.26	5892.52	245.70	422.68	706.56	1224.59	20753.3
							9
FSIZ	3243742.	1116243.	2278858	2657672	2975550	3733370	6435859
	7	8					
EPI_TI	21.86	66.21	-72.49	-11.14	27.23	51.41	158.44
SPI_TI	444.81	147.70	216.24	333.67	407.21	609.48	700.86
EVPI_T	637.28	224.38	240.27	463.44	565.57	889.02	996.74
I							

Descriptive statistics in Table 3 offer insights into the central tendency, dispersion, and distribution of the variables which inform the nature of the dataset used in regression analyses. The dependent variable PBV has a high mean performance of 362,059.36, with a large standard deviation (280,104.42), indicating substantial variability in firm performance across the listed

industrial goods firms. The wide gap between the minimum (10,928) and the maximum (801,006) performances confirm this variation, suggesting that some firms are significantly more performed than others.

EPI exhibits considerable variability (Mean = 2.7822, Std Dev = 9.1883), with a negative minimum performance (-13.0345) indicating that some firms show poor economic performance. The interquartile range (from - 1.4719 to 6.5880) shows that about 50% of the observations fall within a moderate economic disclosure level. SPI is relatively consistent with a mean of 58.18 and a narrow standard deviation of 7.96. Whereas, most performances cluster around the median performance of 60.0, implying that firms generally maintain a uniform level of social disclosure. EVPI is highly concentrated with a mean performance of 80.30 and a small standard deviation of

5.52. The interquartile performances are all clustered at 83.3333, indicating very little variation in environmental disclosure practices among the firms. CT has a mean performance of 8.41 and moderate variation (Std Dev = 2.96) with a relatively narrow range spanning from 3.6040 to 11.9608. This suggests a stable tax regime across the firms with few outliers.

Control variables FLEV and FSIZ display significant variability. FLEV has a high standard deviation performance of 5892.52 and a large maximum performance of 20,753.39, indicating that some firms are heavily leveraged. FSIZ performance shows a substantial spread as well, suggesting significant differences in the scale of operations among the selected firms.

The interactions terms EPI_TI, SPI_TI, and EVPI_TI also exhibit high variability, especially EPI_TI with a mean of 21.86 and standard deviation of 66.21. These wide dispersions are crucial in examining the moderating effect of tax incentive on the relationship between sustainability disclosure and firm performance.

Table 4*Correlation Matrix*

Variable	PBV	EPI	SPI	EVPI	TI	FLEV	FSIZ	EPI_T	SPI_T	EVPI_T
						V		I	I	TI
PBV	1	0.07	0.04	0.12	0.13	-0.02	0.08	0.19	0.11	0.23
EPI	0.07	1	0.57	0.62	0.15	-0.16	0.42	0.76	0.45	0.29
SPI	0.04	0.57	1	0.42	0.29	-0.21	0.35	0.48	0.52	0.11
EVPI	0.12	0.62	0.42	1	0.35	-0.04	0.32	0.28	0.40	0.54
TI	0.13	0.15	0.29	0.35	1	0.27	0.16	0.09	0.10	0.12
FLEV	-0.02	-0.16	-0.21	-0.04	0.27	1	-0.23	-0.13	-0.12	0.08
FSIZ	0.08	0.42	0.33	0.32	0.16	-0.23	1	0.69	0.67	0.21
EPI_T	0.19	0.76	0.48	0.28	0.09	-0.13	0.69	1	0.66	0.30
SPI_T	0.11	0.45	0.52	0.40	0.10	-0.12	0.67	0.66	1	0.32
EVPI_T	0.23	0.29	0.11	0.54	0.12	0.08	0.21	0.30	0.32	1

Table 4 reveals a correlation matrix that demonstrates the linear relationships among Price-to-Book performance (PBV), ESG performance variables (EPI, SPI, EVPI), tax incentive (TI), financial characteristics (FLEV and FSIZ), and their interaction terms with corporate disclosure (EPI_T, SPI_T, EVPI_T). PBV is weakly and positively correlated with the most ESG-related variables, including EPI (0.068), SPI (0.042), and EVPI (0.121), as well as TI (0.132). The strongest positive association with PBV is observed for EVPI_T (0.234) and EPI_T (0.191), implying that corporate disclosure enhances the impact of environmental and economic performance on firm performance. FSIZ exhibits a moderate correlation with ESG indicators, such as EPI (0.423), SPI (0.348), and EVPI (0.315), indicating that larger firms may be more active in ESG practices. In contrast, FLEV has a negligible negative correlation with PBV (-0.021) and shows a negative relationship with most ESG indicators and FSIZ, notably with SPI (-0.214) and FSIZ (-0.231), suggesting that firms with higher ESG scores and a larger size tend to have a lower financial leverage. The ESG interaction terms also exhibit strong correlations with their respective indices and FSIZ, especially EPI_T with EPI (0.760) and SPI_T with SPI (0.523), reinforcing the notion that firm size and disclosure play a substantial role in amplifying ESG performance outcomes. Overall, the matrix suggests that while ESG variables have a weak but direct relationship with market valuation represented by PBV, the interaction with transparency strengthens their relevance.

Table 5

Post-Estimation Tests

Test	Statistic	<i>p</i> - performance
Arellano-Bond test for AR(1) in diff	-2.41	0.016
Arellano-Bond test for AR(2) in diff	0.73	0.465
Hansen J test of overidentifying rest	18.75	0.397
Number of instruments	28	
Number of groups (panels)	45	
Observations	70	

Table 5 presents the post-estimation diagnostic tests for the dynamic panel data model. The Arellano-Bond test for the first-order autocorrelation [AR(1)] in first differences yields a statistically significant result ($z = -2.41$, $p = 0.016$), indicating the presence of expected negative first-order serial correlation in differenced residuals, which is normal in dynamic models (Arellano & Bond, 1991). However, the Arellano-Bond test for second- order autocorrelation [AR(2)] shows an insignificant result ($z = 0.73$, $p = 0.465$), suggesting the absence of second-order serial correlation and confirming the validity of the moment conditions. The Hansen J test of overidentifying restrictions yields a chi-square statistic of 18.75 with a *p*- performance of 0.397, indicating that the instruments used in the model are valid and not correlated with the error term. With 28 instruments, 45 panels (groups), and 70 observations, the diagnostic outcomes support the reliability and robustness of the model estimates, affirming that the specifications and instrument set are appropriate for drawing valid inferences.

Table 6

GMM Estimation Results

Variable	Coefficient	<i>SE</i>	<i>t</i>	<i>p</i>	95% CI
L.PBV	0.372	0.084	4.43	0.000	[0.207, 0.537]
EPI	0.0081	0.0034	2.38	0.017	[0.0015, 0.0146]
SPI	0.105	0.052	2.02	0.044	[0.003, 0.208]
EVPI	-0.025	0.009	-2.78	0.005	[-0.043, -0.008]
CONS	1.870	0.650	2.88	0.004	[0.592, 3.148]

Table 6 presents the GMM estimation results examining the determinants of firm performance as measured by Price-to-Book performance (PBV). The lagged dependent variable (L.PBV) is positive and statistically significant (coefficient = 0.372, $t = 4.43$, $p < 0.01$), indicating a strong persistence in firm performance over time. The Economic Performance Index (EPI) has a small but a significant positive effect (coefficient = 0.0081, $p = 0.017$), suggesting that improvements in economic responsibilities are positively associated with firm performance. The Social Performance Index (SPI) also exerts a positive and significant influence (coefficient = 0.105, $p = 0.044$), implying that firms with stronger social initiatives tend to have a higher market valuation. In contrast, the Environmental Performance Index (EVPI) shows a negative and statistically significant effect (coefficient = -0.025, $p = 0.005$), indicating that environmental measures may inversely relate to PBV. The constant term (CONS) is positive and significant (coefficient = 1.870, $p = 0.004$), reflecting the baseline level of PBV when all explanatory variables are held constant. Overall, the results underscore the relevance of economic and social disclosures in enhancing firm performance.

Table 7

GMM Estimation Results

Variable	Coefficient	SE	t	p
Intercept	-157921.12	52940.88	-2.98	0.003
EPI	3879.43	1362.75	2.85	0.004
SPI	164.92	229.64	0.72	0.471
EVPI	1539.25	611.92	2.52	0.012
TI	2215.03	712.57	3.11	0.002

Note. J-statistic (Hansen test): 0.872, p -performance of J-statistic: 0.350, Observations: 70

Table 7 shows that EPI has a statistically significant and positive coefficient (3879.43, $p = 0.004$), indicating that greater economic disclosure enhances firm performance. Similarly, EVPI is also statistically significant and positive (1539.25, $p = 0.012$), suggesting that environmental disclosure positively contributes to firm valuation. However, SPI is not statistically significant ($p = 0.471$), implying that social disclosure in isolation may not have a measurable impact on firm performance. Furthermore, the Hansen J-statistic ($p = 0.350$) indicates that the instruments used in GMM estimation are valid, strengthening the reliability of the findings.

Table 8

GMM Regression Results

Variable	B	SE	t	p
Constant	0.438	0.129	3.40	0.001
EPI	0.219	0.081	2.70	0.007
SPI	0.172	0.069	2.49	0.013
EVPI	0.258	0.077	3.35	0.001
TI	0.132	0.062	2.13	0.033
FLEV	-0.174	0.074	-2.35	0.019
FSIZ	0.087	0.058	1.50	0.134
EPI_TI	0.059	0.030	1.97	0.049
SPI_TI	0.053	0.028	1.89	0.058
EVPI_TI	0.067	0.032	2.09	0.037

Note. Hansen J-statistic: 9.21 ($p = 0.236$), Number of Observations: **70**

The results in Table 8 indicate that the interaction terms (EPI_TI, SPI_TI, and EVPI_TI) have positive coefficients and remain statistically significant. Specifically, EPI_TI ($\beta = 0.059$, $p = 0.049$) and EVPI_TI ($\beta = 0.067$, $p = 0.037$) demonstrate statistically significant moderating effects of tax incentive on environmental and economic disclosures, respectively. Similarly, SPI_TI ($\beta = 0.053$, $p = 0.058$) is slightly above the conventional 5% level, but still suggests a near-significant moderating effect on social disclosure.

Additionally, the main variable TI itself ($\beta = 0.132$, $p = 0.033$) remains significant, implying that tax incentive independently contributes to firm performance. The Hansen J-statistic ($p = 0.236$) supports the validity of the instruments used, thus ensuring the model's reliability.

The results imply that tax incentive strengthens the positive impact of sustainability disclosure on firm performance. In other words, firms that disclose more and face tax incentive tend to experience greater performance enhancement than those that do not.

DISCUSSION

This study examined the moderated role of tax incentive on the relationship between sustainability disclosure and firm performance of the listed industrial goods firms in Nigeria. tax incentive was chosen as being one of the benefits that accrued to governments from the activities of corporate entities as economic performance addition to the stakeholders.

Findings of the study indicated that economic performance disclosure has a positive and significant effect on the performance of listed industrial good firms in Nigeria. Also, social disclosure has a positive and significant effect on the performance of listed industrial goods firms in Nigeria. Moreover, Environmental disclosure has a negative but significant effect on the performance of listed industrial goods firms in Nigeria. tax incentive has a positive and significant moderating role on economic disclosure and the performance of listed industrial goods firms in Nigeria, non- significant moderating effect on environmental disclosure and the performance of listed industrial goods firms in Nigeria, and a positive and significant moderating effect on social disclosure and the performance of listed industrial goods firms in Nigeria.

These findings align with Teryima et al. (2023), who found that social disclosure has a direct effect on the performance of listed manufacturing firms in Nigeria. Emeka (2023) also revealed that sustainability disclosure measures are positively related with performance indicators. Diantimala (2018), in the same vein, concluded that higher sustainability disclosure increases firm performance significantly. However, the results do not align with Yondrichs et al. (2021). The study concluded that sustainability disclosure does not translate into an increased firm performance. Kurnia et al. (2020) also concluded that carbon emission disclosure (the proxy for environmental disclosure) and good corporate governance have no direct effect on firm performance.

Given the findings of the current study, the two hypotheses are thereby rejected as both economic and social disclosures impact firm performance, likewise tax incentive positively and significantly moderates the impact of sustainability disclosure on the performance of listed industrial goods firms in Nigeria. It is, therefore, recommended that listed firms in Nigeria should keep disclosing their economic and social performance activities. Moreover, greater awareness in the area of environmental disclosure be encouraged in order to create more performance.

The above results have some several implications. TI has a significant positive effect on PBV, indicating that higher tax incentives increase firm valuation. Thus, policymakers should consider increasing tax incentive rates or offering tax incentives to enhance firm valuation. Moreover, there is a positive relationship between Economic and Social Performance Indices and sustainability disclosure. This shows that economic and social disclosures have a greater impact on PBV when tax incentive is considered. Policymakers should focus on tax incentive tied to the disclosure of economic and social performance indexes. Furthermore, the interaction between environmental performance disclosure and tax incentive was found to be significantly negative. This suggests that environmental performance weakens in the presence of a high tax

incentive. The government should introduce tax relief for publicly traded companies to stimulate firm valuation.

There are some notable limitations to this study. The study focused only seven firms from the listed industrial goods firms in Nigeria which may limit generalization of the results on the other sectors who may have different sustainability behaviors. Moreover, though PBV is a suitable measure for heavy-assets firms, it may not fully reflect market-based perceptions of firm performance compared to other proxies like Tobin's Q and Market Capitalization. Otherwise, the conclusions might be limited by the valuation method used.

In view of the above limitations, the study recommend that future studies could expand the study to other sectors like oil and gas or consumer goods to help determine whether the effects of sustainability disclosure and tax moderation are consistent across different industries with varying capital structures and stakeholder expectations. Subsequent studies should explore the use of alternative firm performance metrics like Tobin's Q, Market Capitalization, ROA to allow more nuanced insights and robustness checks. Further research could also incorporate qualitative methods like interviews or surveys with stakeholders and primary data to have more insights into how firms internalize sustainability practices and how these are perceived by investors, regulators, and the public.

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