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CORPORATE VOLUNTARY DISCLOSURES AND VALUE OF QUOTED INDUSTRIAL COMPANIES IN NIGERIA

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Abstract

The study examines the effect of voluntary disclosures on value of quoted industrial companies in Nigeria. Specifically, voluntary environmental, social and risk disclosures on firm value. The study adopts ex-post facto research design. The population of the study comprises of all the thirteen (13) industrial companies quoted on the Nigerian Exchange Group as at 2025. The whole companies were used for the purpose of data collection. The data were collected from the annual reports of the sampled companies for a period of ten (10) years. This study measures firm value using Tobins Q. While, environmental and social disclosures were measured using estimates from GRI (2016) indicators as index of the percentage of the number of items disclosed to the total number of items expected to be disclosed and risk disclosure was measured using dichotomous 1 and 0 for disclosure and non-disclosure respectively. The study employs multiple regression technique for analysis. The result of the pooled OLS regression as favoured by the Hausman Specification Test revealed that voluntary environmental and social disclosures have positive and significant effect on firm value while voluntary risk disclosure has positive insignificant effect on risk disclosure of quoted industrial companies in Nigeria. The study concluded that voluntary disclosures are additional corporate disclosures in satisfying information needs of stakeholders thus improving the overall value of industrial companies in Nigeria. The conclusion, the study recommends that the financial reporting council of Nigeria makes it mandatory for industrial companies to report their environmental and social information in their annual financial statements.

Keywords: Environmental, Social, Risk, Disclosures, Nigeria

INTRODUCTION

The demand for increased disclosure of information in the financial statements required for economic decision making and other social needs by various stakeholders around the globe has increased to unprecedented levels. This change in stakeholder's attitude is propelled by the series of corporate reporting scandals at the start of the 21th century, the financial crisis in 2007 and other recent failures of giant companies especially in Europe and Asia. These corporate malpractices have been considered as proof of the failure of the then prevailing models of corporate governance, and of the dangers of lack of disclosure.



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Voluntary disclosure benefits investors, companies, and the economy; for example, it helps investors make better capital allocation decisions and lowers firms' cost of capital, the latter of which also benefits the general economy. It may also reduce conflicts of interest in widely held firms. Voluntary disclosure is also affected by shareholder demands. Voluntary disclosure is the provision of information by a company's management beyond requirements such as generally accepted accounting principles and Securities and Exchange Commission rules, where the information is believed to be relevant to users' decision-making's annual reports (Al-Akra & Ali, 2012).

In the long run, the goal of the company is to maximize the firm value. A higher firm value shows the prosperity level of the company owner as it has become the main concern for the investors (Nyugen & Bui, 2018). The prosperity level of shareholders and investors are reflected from the firm value. In other words, the firm value becomes the performance indicator for finance managers (Salvatore, 2005). The conclusion as to whether adequate voluntary disclosure by companies sway firm value is still debatable. However, from a theoretical perspective, disclosure, whether it is imposed on the firm by regulation or supplied voluntarily by the firm, is beneficial for shareholders if it creates value.

From the perspective of environmental awareness, the campaign for sustainable economic development is redirecting the attention of corporate organizations towards environmental sensitivity. The need for sustainability has caused an emergence of many global institutions enunciating varying norms that guide human interaction with the environment (Ngwakwe, 2018 and Omaliko, et al., 2020). Environmental disclosure practices therefore, consider how a company performs as a supervisor of nature.

The corporate disaster resulting from non-transparent financial reporting, many companies' loss their values in the capital market while others collapsed or went into extinction automatically. In Nigeria, for example companies like Cadbury Nigeria Plc, Intercontinental Bank Plc, Afribank Nigeria Plc, Oando Plc, African Petroleum Plc, Oceanic bank Plc to mention a few, either lost their market values or wound up in the process. Therefore, it has become pertinent to assess how the levels of information disclosure affect the value of firms.



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In Nigeria, most of the studies focused predominantly on financial performance and normally, focus on a single dimension as against adopting in a variety of voluntary reporting practices. Basically, Omaliko and Okpala (2020), Oyedokun, et al. (2019), Oladeji and Agbesanya (2019), Uwuigbe (2018), Fodio, et al. (2013). However, a common phenomenon with these studies is that they all adopted a single dimension of corporate disclosure using either environmental, social, economic or governance while this current study considers that a gap which needs to be filled by holistically, studying the combination of three dimensions of environmental, social and risk disclosures. Hence, the combined effect of these dimensions in this current study is expected to yield an effective result dissimilar to prior researches. Unlike the previous studies, this current study considered the entire industrial companies quoted on the Nigerian Exchange Group (NXG), which is unique compared to others as they are sub-sector based. This gives the study the advantage of having recommendations that can be applied to all companies within the industrial sector.

Accordingly, this study fills the gaps mentioned above by examining the effect of voluntary disclosures on value of quoted industrial companies in Nigeria.

The following hypotheses was formulated to guide the study:

H₀₁: environmental disclosure has no significant effect on firm value of quoted industrial companies in Nigeria

H₀₂: social disclosure has no significant effect on firm value of quoted industrial companies in Nigeria

H₀₃: risk disclosure has no significant effect on firm value of quoted industrial companies in Nigeria

LITERATURE REVIEW

Concept of Voluntary Disclosures

Voluntary disclosures are information disclosed in the company's annual report in excess of requirement which represent free choices of the company's management in order to provide the users with the information related to their decision making (Meek, et al., 1995, Eng & Mak, 2003; Cheng & Courtenay, 2006; Chen & Jaggi, 2000). In addition to the regulated financial report, some



companies include voluntary communications such as management forecast, analyst's presentation and conference calls, press releases, internet and other corporate reports as well as voluntary disclosures such as financial analysts, industry experts and the financial press (Healy & Palepu, 2001).

Voluntary disclosure is able to measure by the amount and detail of non-mandatory information in the company's annual report (Eng & Mak, 2003). In the study of (Meek et al. 1995), they mentioned the understanding of the voluntary disclosure in Multinational Corporation could be useful for preparers to provide complete information to be competitive for funds on stock market and for users of disclosed information to analyze financial statement as well as for policy-making bodies to deliberate disclosure regulations.

Environmental Disclosure

Evidence from the review of extant literature has shown that there is a plethora of definitions and concepts of environmental disclosures. A call for companies' environmental impact assessment and disclosure has assumed enormous dimensions over the decades. This clarion call aimed at providing a sustainable environment that will be conducive to the human and corporate organizations to operate efficiently (Elshabasy, 2017; Votsi, et al., 2017; and Trireksani & Djajadikerta (2016). Environmental Disclosure is a means through which a company reports its environmental activities to the stakeholders (Hendri & Puteri, 2015). Through environmental disclosure, firms project their corporate governance effectiveness in promoting sustainability, accountability, and transparency (Egbunike & Tarilaiye, 2017; Akrouf & Othman (2016); Ajibodade & Uwuigbe, 2013). The environmental issues and their care are modern topics. This is despite the many legislations and organizations that demand and are committed to preserving the environment. However, this is not enough unless community members realize the importance of the environment and protect it. Therefore, it is incumbent on society to work and contribute to changing the environmental behavior of individuals and organizations and to raise awareness of environmental problems (Ayasrah, 2018).



Social Disclosure

Social disclosure includes a content of social activities undertaken by the company, what have been done and how they are carried out. Corporate Social Responsibility (CSR) is defined as the moral responsibility of a company to stakeholders, especially communities or communities around the work area and its operations, a company can be said to be socially responsible if it has a vision of operational performance that not only realizes profit, but also take a role in improving the welfare of the community or its social environment (Barnea, et al., 2013). Social reporting emphasis workplace health and safety, employee retention, labour rights, human rights, wages and working conditions at outsources operation. Rodriguez and Fernandez (2015) stated that the company's concern increased in the focus of social issues, while maximizing the economy performance to satisfy shareholders and undertake social responsibility for the benefit of society. By revealing the social aspects of the sustainability report mean the company will also support many issues of the international organization concern.

Social responsibility is not only for external, but also internal stakeholders. The responsibility to the internal side means the company is required to pay attention to employee health and safety, equality of opportunity in competition between male and female employees, and human rights aspects. Meanwhile, to external parties, the company is required to promote anti-corruption policies, anti-competitive and monopolistic practices that can harm the stakeholders and labeling products for the health and safety of customers. According to Ernst & Young Global Limited (2014), implementation and report on social responsibility towards stakeholders can not only increase the price of company's stock, but also improve the welfare and employee loyalty, lower turnover rate of employees that can lead to increased productivity. When the productivity increases, the company can further enhance the image or company's value in the eyes of all stakeholders.

Risk Disclosure

Risk disclosure is the dissemination of any information that can make the reader able to know about any opportunity or prospect, or of any hazard, danger, harm, threat or exposure, that has already impacted upon the company or may impact upon the company in the future or of the management of any such opportunity, prospect, hazard, harm, threat or exposure (Linsley & Shrives, 2006). Also, Beretta and Bozzolan (2004,) defined risk disclosures as a communication



of information concerning firms' strategies, characteristics, operations, and other external factors that have the potential to affect expected results. Disclosure of risk is important because it helps stakeholders in getting the information needed to understand the risk profile and how the management manages risk. Disclosure of risk is also beneficial to monitor risk and detect potential problems so that they can take precaution to prevent the problem from occurring (Linsley & Shrides, 2006). Risk information is also useful for investors because it helps determine the risk profile of the company, reducing the information asymmetry, estimate the market value, and determining the investment decisions of portfolio (Abraham & Cox, 2007 and Hassan, 2009).

Risk Disclosure (RD) has been defined as the communication of information concerning a firm's strategies, operations and other external factors that do have the potential to affect its expected results, the disclosure of the firm specific variances of future cash flows (Jorgensen & Kirschenheiter, 2003) and the information that describes a firm's major risks and their expected economic impacts on future performance (Miihkinen, 2013; Linsley & Shrides, 2006). More specifically, Hassan (2009) implied that RD is set of information communicated in financial statements dealing with managers' estimates, judgments, reliance on market-based accounting policies such as impairment, derivative hedging, financial instruments, and fair value as well as the disclosure of concentrated operations, non-financial information about a firm's plan, recruiting strategy, and other operational, economic, political and financial risks.

Empirical Review

Charaumathi and Remesh (2020) investigates the effect of voluntary corporate disclosures on the firm value from the market value perspective. Financial reporting includes disclosures as prescribed by regulators, but few companies go beyond mandatory requirements and provide additional information voluntarily. This study empirically tests the extent of such voluntary disclosures using Corporate Voluntary Disclosure Index containing 81 items of both financial and non-financial information and panel data regression to test the hypotheses. The sample for this study is the non-financial companies in the BSE 100 Index and the period is five financial years from 2010–2011 to 2014–2015. This study finds a positive association between voluntary disclosures and firm value as measured by Tobin's Q. Especially the market gives a higher



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valuation for companies disclosing optional information on social and environmental, corporate governance and financial information.

Yang, et al. (2020) examined the impact of environmental information disclosure on the firm value of listed industrial firms: evidence from china. Based on a panel dataset composed of the listed industrial firms in China during 2006–2016, this paper used the difference-in-differences (DID) model and the propensity score matching (PSM) method to investigate whether the Environmental Information Disclosure Measure (for Trial Implementation; EIDMT) affects the firm value. The results showed that EIDMT exerts a significant impact on the listed industrial firms' value. Furthermore, using a PSM–DID model for eastern, central, and western China, the study found that EIDMT significantly affects the firm value in eastern and western China but has little impact on central China. This study although current was done in China advanced disclosure framework on environmental accounting as such the finding can used be used for the purpose of decision making in Nigeria.

Wu and Shen (2020) investigated the interrelations among environmental performance, environmental disclosure and corporate value as basic issues of firm environmental behavior. There are different arguments in prior literatures. The study measured the firm's value using Tobin Q at the end of the reporting year. This study used a cross-sectional regression of chemical firm of Chinese A stock market 2008. Of the 155 chemical firms listed before 2007, 10 firms are ST firm and thus were deleted. The final sample included 145 firms that meet all of the selection criteria. The data are from firm's annual reports, firm websites and Wind database. The result of the study using regression analysis showed that environmental disclosure does have significant effect on firm value while environmental performance does not have any positive influence. The current study considers the effect of other disclosure dimensions making it more robust than the previous studies.

Okpala and Iredele (2019) examined the effect of corporate social environmental disclosure (CSED) on the market value of eighty-four (84) listed firms in Nigeria, which were purposively selected from the period 2011 to 2016. The aggregate of (CSED) were regressed on Market Value (Tobin's Q), while Firm size, financial performance, board size, leverage, affiliation to foreign company and industry type were factored in as extraneous variables. Data were obtained through



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content analysis of annual reports of sampled firms and were analysed through descriptive statistics and regression analysis. The result of the descriptive analysis showed that the mean score for the CSED is above average and the standard deviation for almost all the variables is low which indicated that the deviation of the actual data from their mean is not significant. The OLS result revealed that CSED, firm size, financial performance, affiliation with foreign company. A study focusing on non-financial companies given their peculiarities is desirable hence, the need for the current study.

Theoretical Framework

Legitimacy Theory

Legitimacy theory is derived from the concept of organizational legitimacy. The theory was propounded by Dowling and Pfeffer in 1975. It grants an organization the right to carry out its operations in an agreement with society's interests. Hence organizations seek to operate within the norms and aspirations of their respective communities. When there is a disparity between two value systems, there is a threat to the company's legitimacy. The argument surrounding legitimacy theory is that companies can only survive if they are operating within the framework of the society's norms and values. Greiling and Grüb (2014) stress that an organization must be accountable for its actions.

Stakeholder Theory

Stakeholder theory is also considered as an explainable theory for corporate environmental accounting (Deegan & Blomquist, 2006; Depoers, et al., 2016; Liao, et al., 2015). Propounded by Edward Freeman in 1984, stakeholder theory involves the recognition and identification of the relationship existing between the company's behaviours and its impact on its stakeholders. The stakeholder theory perspective takes cognizance of the environment of the firm, including customers, suppliers, employees, and other segments of the society. As a result of this relationship, the company requires support from the stakeholders to survive. The connection must be managed if the company considers the stakeholders important.



METHODOLOGY

The study adopts a descriptive ex-post facto research design. The population of this study comprises all the thirteen (14) industrial companies quoted on the Nigerian Exchange Group as at 2025. Since the population is small, the whole companies were used for the purpose of data collection. The data were collected from the annual reports of the sampled companies for a period of ten (10) years (2016 to 2025). Annual reports and financial statements are a preferred choice for the purpose of data collection based on the nature of data to be collected, availability of data to be collected and presents greater potential for results comparability. The study employs multiple regression technique for analysis with the aid of STATA version 16. The data for the study is panel in nature and to check for endogeneity, the study used the Hausman specification test. Additional diagnostics tests conducted in this study includes the test for Multicollinearity using the Tolerance and Variance Inflation Factor (VIF), and the Breusch-Pagan test for heteroscedasticity to check for the fitness of model and reliability of findings.

The study used environmental disclosure, social disclosure and risk disclosure as predictor variables while firm Value is the outcome variable. The individual models are presented below in line with Alkabas (2016) with slight modifications.

$$FV (VED, VSD, VRD) \dots\dots\dots(1)$$

This equation can be rewritten statistically as;

$$FV_{it} = b_0 + \beta_1 VED_{it} + \beta_2 VSD_{it} + \beta_3 VRD_{it} + \epsilon_{it} \dots\dots\dots (2)$$

Where:

FV= Firm Value, VED= Voluntary Environmental Disclosure, VED= Voluntary Social Disclosure, VED= Voluntary Risk Disclosure, b0 = intercept (constant), i= cross-sectional time, t=time series, ε = Error term

Measurement of Variables

Firm Value

In this study, firm value was measured by Tobin’s Q, which is defined as the ratio of the firm’s market value to its accounting (book) value (Crisóstomo, Freire & Vasconcellos, 2011). Notably, accounting, economic, and finance literature recognize that Tobin’s Q is the widely used proxy for



firm value (Crisóstomo, Freire & Vasconcellos, 2011; Jo & Harjoto, 2011), which is a market-based indicator.

S/N	Variable	Type	Measurement	Source
1	Voluntary Environmental Disclosure (VED)	Independent	GRI (2016) indicators measured by as an index to the percentage of the number of items disclosed to the total number of items expected to be disclosed.	Adedilan and Alade (2013), Royet (2016), Brockman (2015).
2	Voluntary Social Disclosure (VSD)	„	GRI (2016) indicators measured by as an index to the percentage of the number of items disclosed to the total number of items expected to be disclosed.	Choi, Kwak and Choe (2010), Gherghina and Vintilă (2016).
3	Voluntary Risk Disclosure (VRD)	„	VRD is measured by unweighted RD approach, where a firm is scored (1) for an item disclosed in the annual report and (0) if it is not disclosed.	Al-Maghzom (2016); Deumes and Knechel (2008);

Source: AUTHORS COMPUTATION 2025

RESULTS AND DISCUSSIONS

Table 1: Descriptive Statistics

Variables	OBS	Mean	STD	Min	Max
FV	130	0.9280	0.8723	0.0084	3.8230
VED	130	0.4834	0.1607	0.2386	0.8540
VSD	130	0.4301	0.3395	0.1816	0.8783
VRD	130	0.3627	0.1390	0	1

Source: STATA Output, 2025.

In respect to firm value, table 1 shows a mean of .9280667 and a standard deviation of .8723981. This shows that firm value as represented by the firm’s market value to its accounting (book) value (Tobins Q) stood at 92% and a standard deviation of 87%. This high figure indicates high inflation in the period of the study in Nigeria’s economy. It also implies that there is wide variation of firm



value across the sampled firms, which is further attested to the minimum of 0.0084 and maximum of 3.82303. The variability serves as a useful indicator for further analysis of the data. With regard to the independent variables, the mean value of the independent variable of the study, VED is 0.4834 with a range of 0.2386 to 0.8540. Based on these figures, it is evident that there are large variations in the volume of the environmental disclosures of the sampled companies in their annual reports. Also, the descriptive statistics show that the lowest level of VSD within the period was 0.1816 and the highest was 0.8783. This also, indicated that the level of social disclosures of the companies significantly differs as substantiated by the mean of 0.430 and standard deviation of 0.3395. The descriptive statistics in Table 1 also indicates that the sampled industrial firms in Nigeria have an average risk disclosure levels of 0.3627 during the period of the study, with a standard deviation of 0.1390. However, the value of standard deviation is showing that this may be different across the companies that make up the sector. Meanwhile, the minimum and maximum value stood at 0 and 1 respectively signifying a high level of variance in the voluntary risk disclosure levels of companies.

Correlation Matrix

Table 2: Correlation Matrix

	FV	VED	VSD	VRD
FV	1.000			
VED	0.486	1.000		
VSD	0.210	-0.238	1.000	
VRD	-0.068	-0,001	0.109	1.000

Source: STATA, 2025

Table 2 presents the correlation matrix for the variables used in the study. The results of the Pearson correlation analysis indicate that the extent of firm value is positively correlated voluntary environmental disclosure and voluntary social disclosure, with a correlation coefficient of 0.486 and 0.210 respectively. On the other hand, the results also show that voluntary risk disclosure is not statistically correlated with firm value.



Regression Diagnostics

The two robustness tests conducted in this study are multicollinearity and heteroskedasticity tests. These tests are important to regression estimation in order to satisfy the assumptions of the Ordinary Least Square (OLS) of homoskedasticity and absence of exact correlations among the independent variables in the model.

Table 3: Tolerance and Variance Inflation Factors

Variable	VIF	1/VIF
VED	1.02	0.911500
VSD	1.04	0.932226
VRD	1.03	0.939652
Mean VIF	1.05	

Source: STATA, 2025.

From table 3, the VIF and TV are found to be consistently smaller than 10 and above 0.10 respectively indicating the absence of multicollinearity as suggested by Neter, Kutner, Nachtsheim and Wasserman (1996), Tobachnick and Fidell (1996) and Cassey and Anderson (1999). The low mean VIF is also a pointer to the mild correlation among the regressors. This shows the appropriateness and fitness of the explanatory variables used in the model.

Table 4: Heteroskedasticity

Heteroskedasticity Test: Breusch-Pagan-Godfrey

F-statistic	0.236784	Prob. F(4,124)	0.3220
Obs*R-squared	8.484123	Prob. Chi-Square(4)	0.3223
Scaled explained SS	15.02818	Prob. Chi-Square(4)	0.0046

Source: STATA Output, 2025

In addition, the Breusch-Pagan or Cook-Weisberg test was used to test for the existence of heteroskedasticity after the OLS result shows chi2 0.23 and p-value 0.3220. The null hypothesis in this test assumes that the variance of the residuals is constant. If the p-value is significant at 5%, then there is substantial evidence to reject the null hypothesis indicating the presence of heteroskedasticity.



Table 5: Hausman Specification Test

Correlated Random Effects - Hausman Test

Equation: Untitled

Test period random effects

Test Summary	Chi-Sq. Statistic	Chi-Sq. d.f.	Prob.
Period random	1.20417	4	0.7440

Breusch and Pagan Lagrangian Multiplier Test for Random Effects

Estimated results:

	Var	sd = sqrt(Var)
rem	.003586	.0598832
e	.0033622	.0579841
u	.0003235	.017987

Test: $Var(u) = 0$

chibar2(01) = 0.10

Prob > chibar2 = 0.0720

The Hausman Specification test was conducted to establish between the fixed and random effect models which is more appropriate for interpretation. The result of the Hausman Test revealed that the value of chi2 is 1.20 and a corresponding prob>chi 0.744. The significant value as reported by the probability of chi2 favours the random effect model. However, since the hypotheses for study are stated in null form and make a comparison between the regression and the random effect models. The study went further to conduct the lagrangian multiplier test. The Breusch and Pagan Lagrangian multiplier test for random effects shows a chi2 of 0.10 and a corresponding probability of 0.0720 which indicates that the pooled OLS is appropriate for the study.



Table 6: Summary of pooled OLS Result Regression Result

	Coef.	t	P> t
VED	0.3607	3.00	0.004
VSD	0.4956	2.83	0.037
VRD	0.2368	0.61	0.546
R-squared	0.6201		
Adj R-squared	0.5639		
F-Statistics	6.17		
Prob > F	0.0000		

Source: STATA Output, 2025.

According to the result in Table 6, the F-statistic is 6.17 ($p=0.0000$) and this result supports that the estimated model is statistically significant, while the adjusted R-squared of 0.5639 indicates that the independent variables explain 56.39% of the variability of firm value.

The results also indicate that voluntary environmental disclosure has as a positive and statistically significant effect ($p=0.004$) on firm value. This result provides supporting evidence for the first hypothesis and implies that firms with increased environmental disclosures are likely to instigate improvements in the firm value of companies. This result implies that voluntary disclosure of environmental information increases firm value by 36.07% while holding voluntary social disclosure and risk disclosure constant. This result is supported by the assertion that companies committed to carrying out environmental responsibilities and disclosing information to the public will be valued more highly by market participants, which is reflected by the rise in their stock prices. This result is consistent with the findings of previous studies of Wu and Shen (2020); Emeka-Nwokeji and Osioma (2019) and Oyedokun, et al. (2019).

Also, the coefficient for the second independent variable voluntary social disclosure shows a significant effect on firm value of quoted industrial companies in Nigeria. This result suggests that firms with high corporate social responsibility disclosure commands high stock market values. The p-value demonstrate that voluntary social disclosure has a significant effect on firm value in the area covered by the study. This means 1% increase in voluntary social disclosure would lead to a 49% increase in firm value while holding voluntary environmental disclosure and voluntary risk disclosure constant. The result aligns with the assertion that social disclosure is one of the variables that can affect firm value. CSR is a strategy for the company to create values for the company itself and the community through an interaction between the company and its stakeholders, and to



be able to demonstrate a good reputation for the company. The finding is consistent with Okpala and Iredele (2019).

Conversely, the study found no evidence to support that voluntary risk disclosure has no significant effect on firm value of quoted industrial companies in Nigeria. This is evidenced by a p-value of 0.546 which is higher 5% level of confidence. From the result, it can be seen that 1% increase in risk disclosure will lead to a 23% increase in firm value while voluntary environmental disclosure and social disclosure constant. However, given the p-value which is greater than 5% significance level, the study accepts the null hypothesis which states that voluntary social disclosure has no significant effect on firm value of quoted industrial companies in Nigeria.

Conclusion

From the findings it was concluded that increased disclosure of information bothering on firms' the environmental and social impact leads to increased firm value and helps companies capture public perception towards their operation.

The following recommendations were forwarded;

That corporate management lobby financial analysts and educate them about their firms' environmental and social disclosure and performance to improve their information set and ultimately improve firm value.

That the financial reporting council of Nigeria makes it mandatory for industrial companies to report their environmental and social information in their annual financial statements.

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