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Effect of Sustainability Disclosure on Price Earnings and Enterprise Value of Listed Industrial Goods Companies in Nigeria

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ABSTRACT: This paper questions how sustainability disclosure (SD) affects the price-earnings (P/E) ratio and enterprise value (EV) of listed industrial goods companies in Nigeria. SD is proxied by environmental disclosure (ENV), social disclosure (SOC), and governance disclosure (GOV), while firm size is measured using the logarithm of total assets utilised as a control variable in this study. Panel Regression through the Hausman test, Chow F-test, LM test, and Variance Inflation Factor (VIF) are employed to determine the most appropriate model and ensure the robustness of the estimates.

The results of the fixed effect show that GOV has a positive and significant effect on EV, indicating that strong governance practices enhance enterprise valuation. SOC exhibits a negative and significant effect on EV but a positive and significant effect on P/E ratio, meaning that while social reporting may be perceived as cost-inducing in overall enterprise worth, it enhances investor expectations and earnings multiples. ENV shows a negative but insignificant effect on both EV and P/E ratios. Firm size exerts an adverse and significant effect on EV but an insignificant effect on the P/E ratio.

The study concludes that SD influence EV and P/E in Nigeria's industrial goods sector, with governance disclosure being most relevant for EV and social disclosure driving earnings-based valuation. It recommends that firms strengthen governance transparency and adopt more strategic and cost-efficient social disclosure practices to improve both enterprise value and market-based valuation in the industrial sectors.

KEYWORDS: Enterprise value, Environmental disclosure, Governance disclosure, Price-earnings ratio, Social disclosure, Sustainability disclosure

1. INTRODUCTION

The increasing salience of sustainability disclosure (SD) within corporate reporting has fundamentally altered the informational architecture of capital markets, particularly in relation to how investors interpret firm performance and value (Damodaran, 2020; Koller et al., 2020). Within this evolving paradigm, SD has emerged not merely as an ethical or regulatory obligation, but as an informational signal capable of affecting investor sentiment, cost of capital, and ultimately, firm valuation dynamics. A move toward a more comprehensive evaluation of business performance, where financial results are interpreted alongside non-financial drivers of long-term value creation, is reflected in the incorporation of environmental, social, and governance (ESG) information into corporate disclosures (Amel-Zadeh & Serafeim, 2021; Gillan et al., 2021).

The relevance of SD price earnings (P/E) and enterprise value EV can be situated within the informational efficiency of capital markets. Investors rely on credible disclosures to form expectations about future earnings growth and risk-adjusted returns. Sustainability reporting, when perceived as reliable and decision-useful, reduces information asymmetry and enhances the transparency of managerial actions, thereby influencing the earnings multiple that investors are willing to assign to firms (Healy & Palepu, 2001; Verrecchia, 2001). In this regard, the P/E ratio serves as a market-based reflection of how sustainability performance is capitalised into expected earnings, while EV provides a broader measure that captures the total economic worth of the firm, incorporating both equity and debt claims (Damodaran, 2020). Consequently, SD has the potential to affect valuation not only through its impact on current earnings but also through its implications for future cash flows, risk perception, and capital structure decisions.

In developed economies such such UK and Germany, SD has become increasingly institutionalised through mandatory reporting regimes and globally harmonised standards, enabling investors to systematically incorporate ESG information into valuation models. Augustia et al. (2022) and Fuadah et al. (2022) posited that businesses with superior SD typically fetch higher earnings multiples and better enterprise valuations, indicating investor confidence in their capacity for risk management and long-term survival. However, the transmission mechanism through which SD affects

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P/E and EV is not uniform across contexts. The Nigerian context presents a particularly compelling case for examining this relationship. Industrial goods companies listed on the Nigerian Exchange Group (NGX) operate within a macroeconomic environment characterised by structural rigidities, including energy constraints, exchange rate volatility, infrastructure deficits, and regulatory uncertainties. These factors not only affect operational efficiency but also shape investor expectations and valuation behaviour. At the same time, increasing global integration and the growing influence of responsible investment practices have intensified the demand for sustainability-related information among Nigerian firms. Regulatory bodies, particularly the Financial Reporting Council of Nigeria, have introduced guidelines aimed at improving the quality and consistency of SD, yet compliance remains largely voluntary and uneven across firms (FRCN, 2018; World Bank, 2020).

Within this environment, the implications of SD become less straightforward. On one hand, enhanced disclosure may improve transparency, strengthen corporate reputation, and signal managerial competence, thereby increasing investor confidence and positively influencing P/E ratios and enterprise value. On the other hand, sustainability-related expenditures may be perceived as cost-inducing, especially in a context where short-term profitability pressures are pronounced, leading to potential downward adjustments in earnings expectations and valuation multiples. This duality underscores the importance of examining SD not as a uniformly value-enhancing activity, but as a strategic choice whose valuation effects depend on market perception, institutional context, and firm-specific characteristics (Qureshi et al., 2020; Fatemi et al., 2018).

Despite the expanding body of literature on SD, there remains a clear gap in studies that specifically examine its effect on price-earnings (P/E) and enterprise value (EV), particularly within the Nigerian industrial goods sector. Existing empirical evidence presents mixed outcomes; while studies such as Constantinescu (2021) and Atanda et al. (2021) report negative or insignificant effects of ENV on enterprise value (EV), others like Cheng et al. (2024), Rahat and Nguyen (2024), and Qian (2024) document positive impacts of ESG disclosures on EV. Similarly, evidence on P/E remains inconclusive, with studies such as Aksan and Gantyowati (2020), Veeravel et al. (2024), and Xu (2025) reporting positive effects, whereas Li (2024) and Chong and Loh (2023) highlight negative valuation responses due to perceived cost implications. In addition, many studies adopt composite ESG indices, which obscure the distinct effects of ESG disclosures. Sector-specific evidence also remains limited, despite the industrial goods sector's environmental sensitivity and strategic importance to economic development (Hawawini &Viallet,2022; Parrino et al., 2022). With this, this paper investigates the effect of SD on EV and P/E of listed industrial goods companies in Nigeria, providing clearer insights into how disaggregated ESG information is reflected in the enterprise value and their P/E

2. LITERATURE REVIEW

Conceptual Review

Enterprise Value

In corporate finance, enterprise value (EV) is a statistic used to evaluate a company's overall economic worth based on the claims of all of its capital sources, including debt and equity holders (Koller et al., 2020). It reflects how the market views a company's operational and financial standing and is a crucial indication in investment analysis, mergers and acquisitions, and firm valuation. EV is determined by subtracting cash and cash equivalents from a company's equity market capitalisation, total debt, and preferred stock, according to Damodaran (2020). Despite being simple to construct, this metric has a strong foundation in financial theory and offers a reliable stand-in for the price of buying a company outright while reflecting its overall worth.

Brealey et al. (2022) conceptualise EV as a reflection of a company's ability to generate future cash flows, adjusted for its capital structure and liquidity position. It represents not only the market's valuation of a company's operational assets but also the financial obligations that shape its risk and return profile. As noted by Penman (2021), EV transcends equity-focused metrics by incorporating debt, making it a versatile tool for comparing firms with varying leverage levels. This comprehensive approach positions EV as a summative measure, integrating tangible and intangible factors such as operational efficiency, strategic positioning, and market confidence. Globally, EV plays a strategic role in firm evaluation and investment decision-making. It serves as a key metric for assessing acquisition targets, as it represents the total cost of taking control of a firm, including the assumption of its debt obligations. Ross et al. (2022) highlight that firms with higher EV often command greater market visibility and access to capital, particularly in capital-intensive sectors like energy and telecommunications. For instance, Verizon's EV of $350 billion in 2023, driven by a $200 billion market capitalisation, $160 billion in debt, and $10 billion in cash, reflected its strong market position and infrastructure investments (Verizon Annual Report, 2023). EV is integral to financial analysis and portfolio management, serving as a basis for valuation multiples such as EV/EBITDA and EV/Sales, which are widely used to compare firm performance across industries. These multiples, as emphasised by Welch (2022), provide insights into a firm's operational efficiency and growth potential, guiding investment strategies and corporate benchmarking.

Price Earnings

A financial research tool that offers a simple method of determining a company's market worth in relation to its earnings is the price-to-earnings (P/E) ratio (Gresse & de Mattos, 2023). Corporate management, analysts, and investors must provide a rapid gauge of how the market perceives a company's profitability. According to Parrino et al. (2022), the current market price per share is divided by the earnings per share (EPS) to determine the P/E ratio. Despite its simplicity, this ratio is a potent gauge of investor sentiment and the financial health of a company. Exploring the P/E ratio further, Megginson et al. (2020) view it as a reflection of the market's expectations for future earnings growth. A high P/E ratio often signals that investors anticipate strong performance, while a low ratio may suggest limited growth or undervaluation. The P/E ratio is particularly useful for comparing firms within the same sector, as it accounts for differences in earnings potential, according to Ehrhardt and Brigham (2021). This makes it a practical metric for assessing a company's competitive position.

Hawawini and Viallet (2022) note that the P/E ratio is shaped by both internal factors, such as operational efficiency, and external factors, like economic conditions or industry shifts. As a result, the P/E ratio is as a summary of a company's earning power and market perception. Investors rely heavily on the P/E ratio to evaluate stocks across global markets. It helps determine whether a stock is priced fairly compared to its earnings.

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P/E ratio informs decisions about mergers, acquisitions, and capital allocation. It provides a benchmark for valuing firms during transactions, as emphasised by Pike et al. (2021). This shows how the P/E ratio guides strategic financial planning.

Sustainability disclosure

Sustainability disclosure (SD) represents a sense of responsibility of an organisation to a wide variety of stakeholders regarding the performance in terms of ESG. Global Reporting Initiative (GRI, 2021) conceptualises SD as the process by which companies report on their environmental and social effects, the manner in which they manage risks and their general contributions to sustainable development. This view expands the boundaries of reporting beyond the conventional financial transparency to the contribution of the firm towards creating long term values to shareholders and the society. Al Hawaj and Buallay (2022) also define SD as the degree to which organisations give information on their practices and performance, activities in the sectors like climate change mitigation, community involvement, employee welfare and corporate governance practices. This disclosure has two roles to play, firstly, it augments the informational foundation of investor decision-making, and secondly, it shows that a firm is committed to ethical practices and is inclusive of its various stakeholders. Similarly, Fatemi et al. (2018) suggest sustainability disclosure reduces the information asymmetry between the companies and their stakeholders, which leads to more effective distribution of capital in the financial markets.

Hussein et al. (2018) identify three major SD dimensions can be distinguished. These include environmental disclosure (ENV), which refers to concerns about greenhouse gas emissions, resource utilisation and pollution control; social disclosure (SOC), which refers to issues about labour practices, human rights, and relationship with communities and governance disclosure (GOV), which refers to board composition, anti-corruption mechanisms, and executive compensation systems. They also note that the dimensions are not independent, but they are interdependent with each other and they all construct the sustainability narrative of the organisation. In case SD are structured according to recognised international frameworks, e.g., the GRI Standards or the Sustainability Accounting Standards Board (SASB), they provide more consistency, comparability and credibility to stakeholders evaluation.

Both regulatory and voluntary practices of sustainability reporting have been catalyzed by the increasing expectations of stakeholders in respect of transparency and accountability in various jurisdictions. In Nigeria, the Financial Reporting council came up with the National Code of Corporate Governance (NCCG) in 2018 where listed entities are required to include disclosures pertaining to sustainability in the annual reports (Olayinka and Alawode, 2022). On the international level, the creation of the International Sustainability Standards Board (ISSB) within the framework of the IFRS foundation can be viewed as an important milestone in the construction of the common baseline standards of sustainability reporting, aimed at fostering comparability and coherence at the international level within the capital markets (IFRS Foundation, 2022).

Theoretical Framework

This study is anchored on the underpinning that synthesises Signalling Theory (ST), Stakeholder Theory (STh), as well as the Efficient Market Hypothesis (EMH) to provide a coherent explanation of how SD influences P/E ratio and EV. ST, as advanced by Spence (2002), posits that firms with superior or private information can convey their quality to external stakeholders through credible and costly disclosures; in this context, sustainability reporting serves as a strategic signal that decreases information asymmetry amid managers and investors, hence strengthening market confidence and shaping valuation outcomes. Complementing this, STh, developed by Freeman (1984), broadens the analytical perspective by recognising that firms create sustained value through effective management of relationships with a wide range of stakeholders. Within this framework, SD functions as a governance and accountability mechanism through which firms demonstrate responsiveness to stakeholder expectations, enhance legitimacy, and secure long-term support. The EMH, as articulated by Fama (1970), provides the market transmission channel, asserting that asset prices reflect all available information; under the semi-strong form, publicly disclosed sustainability information, when credible and relevant, is expected to be rapidly incorporated into stock prices. Consequently, P/E and EV, which reflect investors' expectations of future earnings and risk exposure, should reflect SD's quality.

Empirical Review

Empirical evidence on the effect of SD on EV presents mixed but increasingly convergent insights across different institutional contexts. Constantinescu (2021), using panel regression techniques to examine European firms, reports that ENV exerts a negative effect on EV in energy firms due to perceived compliance costs, while the effect remains insignificant in less environmentally sensitive sectors such as healthcare, suggesting that valuation outcomes are industry-contingent. Similarly, Atanda et al. (2021), focusing on Nigerian DMBs, find that environmental disclosure reduces firm value, whereas social disclosure enhances valuation, indicating that stakeholders in emerging markets may place greater emphasis on socially oriented disclosures than on environmental compliance.

In contrast, more recent papers provide findings of a positive effect of SD on enterprise-based measures. Cheng et al. (2024), using enterprise value multiples in the Chinese market, show that ESG disclosures significantly improve firm value, particularly in the post-pandemic period, highlighting the role of sustainability reporting in enhancing resilience and long-term value creation. Supporting this, Rahat and Nguyen (2024) show that ESG disclosures positively influence enterprise-based valuation metrics across emerging markets. Likewise, Qian (2024) finds that improved ESG performance significantly increases EV, especially among smaller firms, primarily through reduced financing constraints.

Aksan and Gantyowati (2020) in their study found that SD positively influences P/E ratios in Indonesian firms, particularly where governance structures and foreign ownership enhance disclosure credibility, reinforcing the signalling role of ESG reporting. Similarly, Veeravel et al. (2024) found a positive nexus between ESG disclosure and P/E ratios among Indian firms, suggesting that investors reward sustainability transparency through higher earnings multiples.

Consistent with this positive perspective, Xu (2025) shows that firms with strong ESG performance exhibit higher market valuations, reflected in improved P/E ratios, indicating investor preference for sustainability-oriented firms. At the broader market level, Heger and Åkerman (2021) provide evidence that ESG-focused indices experience stronger P/E growth relative to conventional indices, driven by increased capital inflows into sustainable investments.

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However, opposing evidence highlights potential valuation trade-offs. Li (2024) documents that ESG performance exert an adverse effect on P/E ratios, suggesting that sustainability investments may be perceived as cost-inducing, thereby reducing expected earnings multiples. Similarly, Chong and Loh (2023) find that increased ESG transparency negatively affects firm valuation in the palm oil sector, particularly for larger firms, implying that greater disclosure may trigger market scepticism or highlight underlying risks. In a related vein, Cherian and Seranmadevi (2024) report only a weak positive nexus between ESG practices and P/E ratio, alongside negative effects on profitability, indicating a possible tension between sustainability engagement and short-term financial performance. Taken together, the empirical literature indicates that SD can influence P/E ratios and EV through both signalling and cost channels. While credible and value-relevant disclosures tend to enhance investor confidence and increase valuation multiples, disclosures perceived as costly or lacking credibility may lead to discounted earnings expectations.

3. METHODOLOGY

Research Design

This study adopts an *ex post facto* design, which is appropriate for empirical investigations where the variables of interest cannot be manipulated. The design allows for the examination of causal relationships using historical data derived from existing corporate reports. As noted by Creswell and Creswell (2018), the design is suitable for causal-comparative studies where the explanatory variable is observed retrospectively rather than controlled. Consistent with Asika (2010), this approach enables the use of secondary data to establish empirical relationships among variables over time, thereby ensuring objectivity and reliability in the analysis.

Population, Sampling Design, and Sample Size

Thirteen (13) industrial goods companies that were listed on the NGX as of December 31, 2024, make up the study's population. These firms operate within environmentally sensitive sub-sectors such as cement production, building materials, and industrial chemicals, making them particularly relevant for sustainability disclosure analysis. Given the relatively small population size and the availability of complete financial and sustainability data, the study adopts a **census sampling technique**, whereby all firms in the population are included.

Model Specification

Anchored on Signalling Theory, this study posits that SD functions as a credible informational signal that reduces information asymmetry between firms and investors, thereby shaping market expectations and influencing the price-earnings (P/E) ratio and enterprise value (EV). In this context, SD is expected to affect how investors assess future earnings prospects, risk exposure, and overall firm worth, which are directly reflected in these market-based indicators. To empirically examine this relationship, the study employs a panel regression framework, drawing methodological support from Aksan and Gantyowati (2020), with a clear focus on estimating the effect of SD on P/E and EV rather than on aggregate firm value proxies. The models can be specified below as:

$$P/E_{it} = f(Sustainability\ Disclosure_{it}) \quad 1$$

$$EV_{it} = f(Sustainability\ Disclosure_{it}) \quad 2$$

To improve model robustness, firm size is incorporated as a control variable, measured by the natural logarithm of total assets. This accounts for scale-related effects, as larger firms typically possess greater resources for sustainability reporting and tend to attract higher market valuations. This enhances the model's ability to isolate the effect of sustainability disclosure on valuation, thereby addressing potential omitted variable bias observed in prior studies. The model can be specified explicitly as:

$$P/E_{it} = f(ENV_{it}SOC_{it}GOV_{it}, logFSZ_{it}) \quad 3$$

$$logEV_{it} = f(ENV_{it}SOC_{it}GOV_{it}, logFSZ_{it}) \quad 4$$

Econometrically:

$$P/E_{it} = \alpha + \beta_1 ENV_{it} + \beta_2 SOC_{it} + \beta_3 GOV_{it} + \beta_4 logFSZ_{it} + \varepsilon_{it} \quad 5$$

$$logEV_{it} = \alpha + \beta_1 ENV_{it} + \beta_2 SOC_{it} + \beta_3 GOV_{it} + \varepsilon_{it} + \beta_4 FSZ_{it} \quad 6$$

Where:

α is the intercept; β_{1-4} is the coefficient of the independent variables to be estimated; ε - is the error term; i - is the 13 industrial firm under study; t - is the time 2014 -2024; log-Natural logarithm

Table 1: Variables Description

Variable	Measurement/Proxy
Environmental Disclosure	Disclosure index based on environmental information reported in annual/sustainability reports
Social Disclosure	Disclosure index capturing social responsibility activities such as employee welfare and community engagement
Governance Disclosure	Disclosure index reflecting corporate governance practices, including board structure and accountability mechanisms
Enterprise Value	$Market\ Capitalization + Total\ Debt + Preferred\ Stock - Cash\ \&\ Cash\ Equivalen$
Price Earnings P/E	$\frac{market\ price\ per\ share}{Earning\ Per\ Share}$
Firm Size	Natural logarithm of total assets

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Method of Data Analysis

The descriptive statistics and correlation analysis are the initial steps in the study to measure the central tendency, dispersion, and extent of the relationship among the variables. Then, the panel regression methods with a pooled Ordinary Least Squares (OLS), Fixed Effects (FE), and Random Effects (RE) models were estimated. The LM test was then used to compare the suitability of the Random Effects (RE) model to OLS, and the Chow F-test was used to compare the acceptability of the Fixed Effects (FE) model to that of pooled OLS. The Hausman specification test is then used to decide the observable heterogeneity with regard to the presence of an unobserved heterogeneity to select the FE model (Hausman, 1978). Diagnostic tests were performed in order to test the reliability and robustness of the estimated models. The assay of Multicollinearity was done through the Variance Inflation Factor (VIF), and the assay of heteroskedasticity was done through the groupwise heteroskedasticity test

4. DATA ANALYSIS AND PRESENTATION OF FINDINGS

Descriptive Statistics

Table 2: Summary of Statistics

	ENV	GOV	SOC	logEV	logFSZ	PE
Mean	0.207218	0.259173	0.148647	3.468421	6.765338	43.60669
Median	0.000000	0.270000	0.170000	0.940000	6.490000	10.92000
Maximum	0.880000	0.500000	0.420000	93.18000	9.890000	822.0000
Minimum	0.000000	0.000000	0.000000	-0.450000	4.770000	-970.0000
Std. Dev.	0.287911	0.153855	0.114467	11.28721	1.115859	209.5547
Skewness	1.309653	-0.534844	0.864520	6.495824	0.693948	-0.518754
Kurtosis	3.549041	2.173602	3.323673	45.64784	2.787227	11.13275
Jarque-Bera	39.69061	10.12554	17.14782	11014.73	10.92553	372.4996
Probability	0.000000	0.006328	0.000189	0.000000	0.004242	0.000000

Source: Author's Computation Using STATA (2026)

The result in Table 2 reveals the summary of descriptive statistics of the variables employed in this study. The mean values indicate that the level of SD across the firms is relatively low, with ENV averaging 0.207, GOV 0.259, and SOC 0.149, suggesting modest engagement in ESG reporting among the sampled industrial goods firms. Enterprise value, proxied by logEV, records a mean of 3.468, indicating a generally positive but uneven valuation across firms, while firm size (logFSZ) has a mean value of 6.765, reflecting relatively stable firm scale within the sector. The price-earnings (P/E) ratio shows a mean of 43.607, suggesting relatively high market expectations of future earnings, although this average is influenced by extreme observations.

The dispersion statistics reveal that the P/E ratio exhibits the highest variability, with a std dev. of 209.555, meaning substantial fluctuations in market valuation and investor expectations across firms. Similarly, logEV also displays considerable dispersion (standard deviation = 11.287), reflecting variations in firm worth over the study period, while the sustainability disclosure variables exhibit relatively lower variability, suggesting more stable reporting practices.

The skewness results indicate that ENV (1.310), SOC (0.865), logEV (6.496), and logFSZ (0.694) are positively skewed, implying the presence of extreme high values in these variables. In contrast, GOV (-0.535) and P/E (-0.519) are negatively skewed, suggesting a concentration of observations toward higher disclosure levels for governance and lower P/E values, respectively. The kurtosis values further show that logEV (45.648) and P/E (11.133) are highly leptokurtic, indicating the presence of significant outliers and heavy tails in their distributions, while the remaining variables exhibit moderate kurtosis. The Jarque–Bera statistics and their associated probabilities confirm that all variables deviate from normal distribution, as evidenced by probability values less than 0.05. This non-normality suggests the presence of extreme observations and justifies the application of robust econometric techniques in subsequent analysis.

Inferential Statistics

Table 4: Correlation Analysis

Variables	logEV	P/E	ENV	SOC	GOV	logFSZ
logEV	1.000					
P/E	-0.410	1.000				
ENV	0.155	-0.015	1.000			
SOC	-0.029	0.093	0.618	1.000		
GOV	-0.271	0.113	0.348	0.705	1.000	
LogFSZ	-0.542	0.606	-0.158	0.096	0.361	1.000

Source: Author's Computation Using STATA (2025)

The correlation outcome in Table 4 above shows that enterprise value (logEV) exhibits a moderate negative relationship with P/E (-0.410) and firm size (-0.542), suggesting that larger firms and higher earnings multiples are associated with lower enterprise value within the sample. Sustainability disclosure components show weak relationships with logEV, with ENV (0.155) exhibiting a slight positive association, while SOC (-0.029) and GOV (-0.271) show weak negative relationships.

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Table 5: Sustainability Disclosure and Enterprise Value

Dependent Variable	logEv		
Variables	(1) OLS	(2) FE	(3) RE
ENV	0.890	-0.340	-0.091
	(0.128)	(0.720)	(0.910)
SOC	0.591	-2.632***	-1.972
	(0.748)	(0.000)	(0.534)
GOV	-3.175**	0.986***	0.436
	(0.037)	(0.000)	(0.757)
LogFSZ	-0.640***	-0.637***	-0.652***
	(0.000)	(0.004)	(0.000)
Intercept	6.772***	6.403***	6.518***
	(0.000)	(0.000)	(0.000)
Overall R^2	0.236	0.174	0.194
Groupwise Heteroscedasticity		1.68{0.7732}	
F-Stat.(prob)	13.14(0.0010)	2.12(0.0151)	4.11(0.0121)
Chow F-Test		11.58{0.0000}	
LM Test			143.77{0.0000}
VIF	1.78		
Hausman		11.65{0.0000}	

Notes: *p-values are in parentheses. *** p<.01, ** p<.05*
Source: Author's Computation Using STATA (2025)

The outcome in Table 5 shows the panel regression examining the effect of SD on enterprise value (logEV). The diagnostic tests indicate that the Fixed Effects (FE) model is the most appropriate for interpretation, as affirmed by the Chow F-test ($F = 11.58$, $p < 0.01$), LM test ($\chi^2 = 143.77$, $p < 0.01$), and Hausman test ($\chi^2 = 11.65$, $p < 0.01$). The groupwise heteroscedasticity test ($p = 0.7732$) suggests the absence of heteroscedasticity, while the VIF value (1.78) indicates no multicollinearity concerns.

Focusing on the preferred FE results, ENV has an adverse but insignificant effect on enterprise value ($\beta = -0.340$, $p > 0.05$), implying that environmental reporting does not significantly influence firm valuation. SOC exhibits a negative and statistically significant effect ($\beta = -2.632$, $p < 0.01$), meaning that increased social disclosure may be perceived as cost-inducing, thereby reducing enterprise value. In contrast, GOV reveals a positive and significant relationship ($\beta = 0.986$, $p < 0.01$) with logEV, meaning that stronger governance practices enhance firm valuation. Firm size (logFSZ) consistently exerts an adverse and significant effect across all models ($\beta = -0.637$, $p < 0.01$ in FE), implying that bigger companies tend to have lower enterprise value, possibly due to inefficiencies or diminishing returns. The model explains about 17.4% of the variation in enterprise value ($R^2 = 0.174$), and the F-statistic ($p<0.05$) confirms that the explanatory variables are jointly significant.

Table 6: Sustainability Disclosure and Price Earnings

Dependent Variables: P/E			
Variables	(1) OLS	(2) FE	(3) RE
ENV	-9.078***	-2.677	-4.110
	(0.000)	(0.357)	(0.094)
SOC	-10.710**	8.700**	-1.003
	(0.047)	(0.041)	(0.916)
GOV	8.992**	-0.510	2.302
	(0.042)	(0.914)	(0.596)
LogFSZ	0.412	-0.697	-0.428
	(0.310)	(0.292)	(0.444)
Intercept	1.141	6.898	5.916
	(0.667)	(0.127)	(0.144)
Observations	133.000	133.000	133.000

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Overall R^2	0.238	0.151	0.145
Groupwise Heteroscedasticity		2.05{0.5532}	
F-Stat.(prob)	12.4(0.0112)	4.12(0.0145)	6.11(0.0210)
Chow F-Test		9.56{0.0000}	
LM Test			77.85{0.0000}
VIF	1.78		
Hausman		14.81{0.0000}	

Notes: *p-values are in parentheses. *** p<.01, ** p<.05*
Source: Author's Computation Using STATA (2025)

In Table 6 above, the result presents the panel regression results examining the effect of SD on the price-earnings (P/E). The diagnostic tests indicate that the Fixed Effects (FE) model is the most appropriate for interpretation, as supported by the Chow F-test ($F = 9.56$, $p < 0.01$), LM test ($\chi^2 = 77.85$, $p < 0.01$), and Hausman test ($\chi^2 = 14.81$, $p < 0.01$). The groupwise heteroscedasticity test ($p = 0.5532$) shows no evidence of heteroscedasticity, while the VIF value (1.78) confirms the absence of multicollinearity among the explanatory variables.

From the FE results, ENV has an adverse but insignificant influence on P/E ratio ($\beta = -2.677$, $p > 0.05$), suggesting that environmental reporting does not significantly influence earnings multiples. SOC, however, exhibits a positive and statistically significant effect ($\beta = 8.700$, $p < 0.05$), indicating that increased social reporting enhances investor confidence and leads to higher valuation multiples. In contrast, GOV shows a negative but insignificant relationship ($\beta = -0.510$, $p > 0.05$), implying that governance practices do not significantly affect P/E within the sample. Firm size (logFSZ) also has an adverse but insignificant effect ($\beta = -0.697$, $p > 0.05$), implying that firm scale does not materially influence earnings multiples. About 15.1% of the variation in P/E ratio ($R^2 = 0.151$) is explained by the SD variables, indicating moderate explanatory power. The F-statistic (4.12, $p < 0.05$) confirms that the explanatory variables jointly influence the P/E ratio.

Discussion of Findings

This study examines how sustainability disclosure affects EV and P/E within the Nigerian industrial goods sector. From the result, the study reveals that ENV has a negative but insignificant influence on logEV. This outcome suggests that environmental reporting does not materially influence firm valuation within the sampled firms. This finding aligns with the evidence of Constantinescu (2021), who reported that ENV may exert a negative or insignificant effect on EV, particularly in environmentally sensitive industries where such disclosures are associated with compliance costs. This finding partially contradicts ST, which assumes that all credible disclosures enhance firm value. Instead, it indicates that in the Nigerian context, ENV may not be perceived as sufficiently value-relevant signals by investors, possibly due to weak enforcement, limited standardisation, or scepticism regarding disclosure credibility.

More strikingly, SOC exhibits an adverse and significant influence on EV, implying that increased social reporting will result in a reduction in enterprise valuation. This finding contrasts with STh, which posits that addressing stakeholder interests should enhance enterprise value through enhance legitimacy and trust. It also diverges from Atanda et al. (2021), who found a positive relationship between social disclosure and firm value in the Nigerian banking sector. However, the result is consistent with the cost-based argument by Li (2024), which suggests that sustainability-related expenditures may be perceived as reducing short-term profitability, thereby negatively affecting valuation. This supports the view advanced by Cherian and Seranmadevi (2024), who highlight potential trade-offs between sustainability engagement and financial performance.

In contrast, GOV had a positive and significant effect on EV, indicating that stronger governance practices enhance valuation of the firms. This finding strongly supports ST, as governance disclosures are often perceived as credible and low-cost signals of managerial quality and accountability. It also aligns with STh, given that governance mechanisms directly address investor concerns regarding transparency and control. This result is consistent with Idris (2024) and Rahat and Nguyen (2024), who document the strong valuation relevance of governance disclosures relative to other ESG components. The implication is that investors in the Nigerian market place greater emphasis on governance transparency than on environmental or social disclosures. The negative and significant effect of firm size (FSZ) on enterprise value further suggests that larger firms tend to experience lower valuation, possibly due to inefficiencies, bureaucratic complexities, or diminishing marginal returns.

For PE ratio, the findings indicate that ENV has a negative but insignificant effect on P/E, reinforcing the earlier finding that environmental reporting does not significantly influence market valuation. This again suggests weak investor sensitivity to environmental disclosures, which may be attributed to limited awareness or the perception of such disclosures as regulatory compliance rather than value-enhancing signals. In contrast to its effect on EV, SOC exhibits a positive and significant effect on P/E ratio, indicating that increased social reporting enhances investor confidence and leads to higher earnings multiples. This finding supports STh, as it suggests that socially responsible practices improve firm reputation and investor perception, thereby increasing expected future earnings. It also aligns with Aksan and Gantyowati (2020) and Veeravel et al. (2024), who find that sustainability disclosures positively influence earnings-based valuation metrics. GOV, however, shows a negative but insignificant relationship with P/E, suggesting that governance practices do not significantly influence earnings multiples. This contrasts with its strong positive effect on EV and indicates that while GOV improve overall firm worth, they may not directly translate into higher earnings expectations.

5. CONCLUSION AND RECOMMENDATIONS

This paper examined the effect of SD on the P/E ratio and the EV of listed industrial goods companies in Nigeria. The findings reveal that SOC shows a negative and significant effect on EV, indicating that increased social reporting may be perceived as cost-inducing and thus reduces firm

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worth. In contrast, GOV exhibits a positive and significant effect on EV, suggesting that strong governance practices enhance investor confidence and overall firm valuation. ENV, however, has a negative but insignificant effect on enterprise value, implying limited valuation relevance within the Nigerian context. Regarding PE, the results indicate that SOC has a positive and significant effect, reflecting that investors reward firms with stronger social engagement through higher earnings multiples. In all, the study concludes that sustainability disclosure influences enterprise values and the price earnings in Nigeria's industrial goods sector, but the effect varies across disclosure components and valuation proxies.

Based on these findings, the study recommends that firms should strengthen governance disclosure practices by enhancing transparency in board structure, internal control systems, and accountability mechanisms. Given the consistent positive and significant effect of governance disclosure on enterprise value, firms should prioritise high-quality governance reporting as a strategic tool for improving investor confidence and enhancing overall firm worth. Furthermore, firms should adopt a more strategic approach to align social initiatives with value creation objectives. This should include the implementation of cost-efficient, impact-driven social programmes and provide clear disclosures that demonstrate the long-term financial and strategic benefits of these investments to stakeholders. Lastly, firms should improve the quality and credibility of environmental disclosures by focusing on measurable outcomes, compliance with global reporting standards, and integration of environmental strategies into core business operations. This will enhance the relevance of environmental reporting and potentially improve its valuation impact as investor awareness and regulatory enforcement continue to evolve.

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