

## ENVIRONMENTAL, SOCIAL AND GOVERNANCE DISCLOSURES, AND MARKET PERFORMANCE OF MULTINATIONAL COMPANIES IN NIGERIA

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### Abstract

*This study investigated how the market performance of multinational companies listed in Nigeria is affected by environmental, social, and governance (ESG) disclosures. The study employed a quantitative research approach to examine the relationship between cumulative abnormal returns and ESG disclosure metrics, such as environmental disclosure indices and the overall ESG index. The research used a panel data regression approach and descriptive statistics for data estimation. The findings from the research revealed that higher ESG transparency enhances investor confidence, leading to improved market performance. Specifically, environmental disclosures significantly reduced abnormal returns, reflecting positive investor sentiment. By applying legitimacy theory, the research demonstrated how firms strategically disclose ESG information to enhance credibility and attract the potential investors. The study concluded that market performance of listed multinational companies in Nigeria is significantly improved by ESG transparent disclosures which also demonstrated that robust ESG disclosures boost investor confidence and stock market performance stability. The study suggested urging investors to give ESG disclosures top priority when making financial decisions in order to enhance company transparency and regulatory ESG reporting frameworks. Also, for any corporate executives and investors attempting to negotiate the changing terrain of ESG disclosures-driven and improved market performance, these insights are essential.*

**Keywords:** Cumulative abnormal returns, environmental disclosure metrics, overall ESG index, market performance, multinational companies, Nigeria

**JEL Codes:** M40, O55, Q40

### Introduction

Meeting local socioeconomic priorities and worldwide sustainability standards as a mounting pressure to listed multinational corporations in Nigeria are increasingly adopting environmental, social, and governance (ESG) initiatives. Global interest in ESG aspects has significantly increased in recent years, signaling a significant shift in investor understanding and business accountability (Sinha-Ray & Goel, 2023). Nigeria's economic expansion is intricately linked to serious environmental and social issues, making it necessary to incorporate ESG principles into corporate operations (Zhang et al., 2023). This change has led to an increasing need for businesses to integrate non-financial aspects into their core operations and extend their focus beyond conventional financial metrics (Alduais, 2023). These nonmonetary aspects encompass environmental sustainability, social responsibility and effective governance practices. In this context, regulators are responsible for the creation of mechanisms that encourage companies to be sincere in ESG reporting.

The changing landscape can be attributed to increased demands from a variety of stakeholders, including investors, employees, suppliers, customers, and government entities, all of whom seek deeper engagement

with ESG practices, risk mitigation strategies, and effective communication of these initiatives (Arayssi et al., 2023). In the late 1970s, a surge in global consciousness regarding environmental issues, such as pollution and deforestation, prompted the Brundtland Commission and the World Commission on Environment and Development to introduce the concept of "sustainable development" in 1987. Sustainable development is a crucial concept that focuses on meeting the needs of the present generation while protecting the ability of future generations to meet their own needs (Ahmed & Malik, 2024). Achieving a delicate balance between economic growth, social progress, and environmental protection is a complex challenge that requires careful consideration and planning (Al-Fayoumi & Abuzayed, 2021).

Comprehensive environmental disclosures provide crucial information that lowers investor uncertainty and stabilizes stock price movements (Chininga et al., 2023). The increased demands and pressure from various stakeholders have not only led to increased ESG reporting among companies but have also caused higher levels of green washing (DasGupta, 2022). Sustainable development entails a methodical approach that ensures the use of resources, investments, technology, and institutions in compliance with present and future requirements. Given the aforementioned, ESG includes the core ideas that underpin ethical and sustainable corporate operations. Businesses can create a complete plan that encourages ethical and sustainable behaviors while maintaining profitability by implementing the ESG framework.

The disclosure of ESG information is a special problem for African nations, particularly Nigeria (Duque-Grisales & Aguilera-Caracuel, 2021). Multinational corporations in Nigeria deal with complicated problems such as scarce resources, environmental degradation, social inequality, and governance shortcomings, even though the country has an abundance of natural resources and a growing entrepreneurial spirit (Samy-El-Deeb et al., 2023). In light of this, it is imperative to look into how ESG practices affect the market performance of multinational corporations operating in Nigeria. The current study examines the relationship between ESG disclosures and market performance in the Nigerian context. Previous research has also demonstrated that the impact of ESG practices on market performance varies due to differences in institutional and regulatory settings in many African countries (Singhania & Saini, 2023), including Nigeria. Furthermore, although international research emphasizes the strategic value of corporate social responsibility (CSR) disclosures, little is known about how these disclosures are applied in multinational corporations based in Nigeria, which has distinct socioeconomic and environmental dynamics (Liu et al., 2023). Furthermore, there is still a lack of empirical knowledge regarding the impact of ESG disclosures on the market performance of Nigerian companies, despite the growing importance of these factors. The implementation of focused strategies that use sustainability to improve market outcomes is hampered by this knowledge gap.

The majority of the reviewed studies, including those conducted by Aboud and Diab (2019), Al-Fayoumi and Abuzayed (2021), Duque-Grisales and Aguilera-Caracuel (2021), DasGupta (2022), Alduais (2023), Sinha-Ray and Goel (2023), Singhania and Saini (2023), Chininga et al. (2023), Arayssi et al. (2023), Smith and Lee (2024), Ahmed and Malik (2024), and others have looked at the relationship between ESG practices and market performance in Nigerian companies. In particular, few studies have looked at the direct connection between cumulative anomalous returns and ESG disclosures in the context of multinational corporations based in Nigeria. Furthermore, local-specific possibilities and difficulties, such as distinct legal frameworks and socioeconomic responses that may affect ESG practices in Nigeria, have not received enough attention. Furthermore, the impact of ESG disclosure measures and ESG overall index emissions in enhancing a company's market performance has not received enough attention. By offering empirical proof of the impact of ESG disclosure metrics, such as ESG indicators and the overall ESG index, on the market performance of multinational corporations in Nigeria, this study filled these gaps and improved knowledge of ESG practices in the nation. For legislators, investors, and business leaders attempting to negotiate the changing sustainability environments, the findings provided insightful viewpoints.

This study examined the nexus between environmental, social and governance (ESG) disclosures market performance of the selected multinational companies in Nigeria. The study specifically; evaluate the relationship between environmental disclosure metrics and market performance of selected multinational companies in Nigeria and determine the connection between the overall ESG index and market performance of selected multinational companies in Nigeria.

Based on the above background and literature reviewed, the research hypotheses below guide this study:

## **Literature Review**

### ***Theoretical Framework***

The legitimacy theory, first presented by Mark Suchman in 1995, serves as the foundation for this investigation. According to legitimacy theory, companies reveal ESG data in order to appear more legitimate and conform to social norms, which in turn affects how they behave in the marketplace (Aboud & Diab, 2019). According to Prabawati and Rahmawati (2022), this theory highlights the significance of upholding a positive social image and conforming to societal standards. The basis for how businesses utilize ESG disclosures to tell investors about their sustainability performance was established by Mark Suchman's theory (Al-Fayoumi & Abuzayed, 2021). According to this theory, market performance is impacted by ESG disclosures since they convey to investors a company's dedication to sustainability (Rahi et al., 2022). Investors can use these indicators to distinguish between businesses with strong and weak sustainability practices (Alduais, 2023).

Organizations aim to preserve a "social license to operate" by conforming their behavior to social norms and expectations, according to legitimacy theory (Arayssi et al., 2023). A corporation receives acceptability and support from stakeholders when its actions are seen as socially acceptable. ESG disclosure is seen as a crucial tool for proving a company's legitimacy by proving its social and environmental responsibility. According to legitimacy theory, in order to gain legitimacy, companies try to match their operations with social norms and expectations (Ahmed & Malik, 2024). Suchman defines legitimacy as the widespread idea that an organization's actions are acceptable, right, or desirable in light of a society's set of values and beliefs (Ahmed & Malik, 2024).

Suchman distinguished three types of legitimacy that each addressed the attitudes of various stakeholders: pragmatic, moral, and cognitive (Nasution et al., 2022). Although legitimacy theory emphasizes how crucial public acceptance is to an organization's ability to survive, it has been critiqued for being reactive because companies frequently only use legitimacy measures in reaction to crises or outside pressures (Ahmed & Malik, 2024). The legitimacy theory's detractors contend that it ignores internal incentives for ESG disclosure and places too much emphasis on the influence of outside forces. Additionally, others doubt that disclosure actually changes corporate behavior. ESG disclosures, according to critics, may not always be reliable indicators since businesses may "green-wash" or distort their reports to make them seem more sustainable than they actually are.

The legitimacy theory is pertinent to this research because it offers a framework for comprehending the reasons behind the disclosure of social and environmental performance data by corporations. Businesses make these disclosures to show that they are in line with society's norms and values, which upholds their legitimacy. The study examines the connection between ESG disclosure policies and companies' market performance using legitimacy theory.

## ***Conceptual Framework***

### ***ESG Disclosures and Firms' Market Performance***

Recent studies have focused a lot of attention on environmental, social, and governance (ESG) practices measures, such as emissions disclosures, corporate social responsibility, and corporate governance procedures (). ESG factors are now crucial in determining how well businesses succeed and how the global market behaves (Ahmed & Malik, 2024). Three criteria are used in this framework to assess a company's success (Arayssi et al., 2023). Strong environmental disclosure policies and stock price volatility have been found to be significantly correlated in studies, suggesting that investors view companies with transparent environmental policies as less risky. Samy El-Deeb et al. (2023) looked into how ESG disclosures affected company value. 46 non-financial companies that were listed between 2017 and 2021 on the Egyptian Stock Exchange Market (EGX) were the subject of the study. Tobin's Q was employed by the academics to gauge business worth. According to the study's findings, ESG disclosures significantly increased a company's worth.

The first element, environmental, assesses how well a business manages its effects on the environment, including cutting carbon emissions, managing waste, using renewable energy, conserving resources, and according to environmental laws (Alduais, 2023). According to Chininga et al. (2023), the second component, social, evaluates a company's interactions with its stakeholders, including its customers, employees, communities, and other entities. This includes a variety of elements, including community involvement, human rights, diversity and inclusion, labor practices, and product safety.

Another component of ESG is social disclosure, which includes diversity, community involvement, and labor policies (Al-Fayoumi & Abuzayed, 2021). Good board diligence guarantees that companies deal with these problems appropriately. Because boards are better able to execute socially responsible plans, prior research shows a favorable correlation between strong social disclosures and enhanced governance (Arayssi et al., 2023). In Nigerian multinational companies' contexts, little is known about how well CSR disclosure influences decision-making and market performance. Businesses frequently struggle to measure how CSR initiatives affect their performance and decision-making, which results in inconsistent reporting and interpretation (Rahi et al., 2022). Prabawati and Rahmawati's (2022) study on the impact of ESG scores on company value looked at 184 non-financial companies that were quoted between 2010 and 2019 from Thailand, Indonesia, Malaysia, the Philippines, Singapore, and Vietnam. Firm value was measured using Tobin's Q, and estimating techniques based on ordinary least squares (OLS) were used. The results of the study demonstrated that firm value was considerably impacted negatively by ESG disclosures.

Finally, the governance component assesses a business's ethics, transparency, internal controls, and leadership (Duque-Grisales & Aguilera-Caracuel, 2021). It includes a number of traits, including as diversity on the board, compensation for directors, openness, anti-corruption initiatives, and commitment to moral corporate conduct. Additionally, investor confidence and market outcomes are significantly influenced by the disclosure made by corporate governance systems (Smith & Lee, 2024). Strong governance systems are associated with fewer market anomalies and more investor trust, according to empirical research (Folger-laronde et al., 2020). These companies are more appealing to the investment community because they are better able to control risks and match business objectives with shareholder interests (García & López, 2023). Market stability has been connected to governance indices, which assess how well rules and procedures work in areas including stakeholder participation, board structure, and transparency (Jones et al., 2023). Furthermore, by improving the company's reputation, lowering risks, and cultivating enduring relationships with stakeholders, high ESG performance shows that a business is taking into account the interests of a wide range of stakeholders, which could result in improved market and financial performance (Du-Toit & Lekoloane, 2018). This stability results from increased environmental

reporting transparency, which reduces any regulatory and reputational concerns by demonstrating the company's dedication to sustainability. This study looked at how market performance affects ESG disclosures as indicators of a company's environmental performance and prospects. We therefore propose the following hypotheses;

**Ho<sub>1</sub>:** Environmental disclosure metrics has no connection with market performance of the selected multinational companies in Nigeria

**Ho<sub>2</sub>:** There is no relationship between the overall ESG index and the market performance of selected multinational companies in Nigeria.

### Methodology

This study used a quantitative research design to examine the relationships between factors in Nigerian multinational corporations. When evaluating the long-term impacts of Environmental, Social, and Governance (ESG) disclosures on market performance, such as cumulative abnormal returns (CAR), this method works well. To investigate the relationships between the variables of the study, which were analyzed to extract ESG disclosure metrics like environmental and governance metrics, oval ESG index on cumulative abnormal returns, and others, the research used secondary data from the annual reports of the chosen multinational companies listed on the Nigerian Exchange Group (NGX) between 2019 and 2023. Out of the nineteen (19) listed multinational firms in Nigeria that disclose ESG in their annual reports, the research used a purposive sampling technique to choose 15 companies for the sample. Based on the data available on ESG disclosure, the multinational corporations were taken into consideration because it is required of them to publish ESG practices in the annual accounts and reports (Arayssi et al., 2023). It is justified to use this sample strategy since it offered a thorough evaluation of all Nigerian enterprises that disclose ESG.

A range of analytical methods were employed in the study to analyze the data. The main variables were summed up and the dataset was given an overview using descriptive statistics like mean, median, standard deviation, and range. In order to test the hypotheses and evaluate the relationship between ESG disclosures and cumulative abnormal returns (CAR), inferential statistics including fixed and random effects models were utilized. Firm-specific variables, such as leverage, were used as control variables to isolate the effects of ESG practices. Standardized techniques are used in the study to define and quantify its variables. The overall ESG index and environmental disclosure measures are examples of independent variables. The dependent variables center on cumulative abnormal returns (CAR), a measure of market performance. As a control variable, firm leverage was employed. Cumulative abnormal returns (CAR) are calculated by adding up abnormal returns over a given event window, and emissions data are expressed in metric tons (Scope 1, 2 and 3).

### Model Specification

This study modified the model used by Samy El-Deeb et al. (2023) to to investigate how market performance responds to environmental, social, and governance disclosure in Nigerian multinational corporations. The modified model has the following specifications:

$$FV = \beta_0 + \beta_1 ESG_{it} + \beta_2 LV_{it} + \beta_3 LNMKT_{it} + \beta_4 FZ_{it} + e_{it} \text{-----}(1)$$

Where:

FV = Firm value;

ESG = Environmental, social and governance practices;

LV = Leverage;

LNMKT =Natural logarithm of market capitalisation,;

FZ = Firm Size

$\beta_0$ = constant;

$\beta_1$ - $\beta_4$  Slope coefficient, and  
 $e_{it}$ = error term

The modified adapted models of this study are specified below

$$MRKPFM = \beta_0 + \beta_1 EDP_{it} + \beta_2 OESGI_{it} + \beta_3 FZ_{it} + e_{it} \text{-----(II)}$$

Where:

MRKPFM = Market Performance proxies by Cumulative Abnormal Returns

EDP = Environmental Disclosure metrics of scopes 1, 2, 3 emissions;

OESGI = Overall ESG Index;

FLV = Firm leverage;

$\beta_0$  = Constant,  $\beta_1$ - $\beta_3$  = Slope Coefficient and  $e_{it}$  = Error term

**Table 1: Variable Description and Measurement**

Variable	Proxy of Variable	Variable Measurement	Source	Literature Evidence
<b>Independent Variables:</b>				
ESG Disclosure	Environmental Disclosure Index (EDI)	Direct emissions Scope 1- (metric tons of CO2e)	Annual Accounts & Reports of the selected firms	Arayssi et al. (2023)
	Overall ESG Index (OESGI)	Composite score encompassing environmental, social, and governance metrics		Ahmed and Malik (2024)
<b>Dependent Variables:</b>				
Market Performance (MRKPFM)	Cumulative Abnormal Returns	Abnormal returns over a specified event window.	Annual Accounts & Reports of the selected firms	Smith and Lee (2024)
<b>Control Variable:</b>				
Firms' leverage	Leverage ratio	Debt-equity ratio	Annual Accounts & Reports of the selected firms	Zhang et al. (2023)

**Source:** Data Generated by Author, 2025

### Data Analysis and Discussion of Findings

This section provides a thorough analysis and discussion of the findings. The results highlight how crucial strong ESG disclosures are to boosting market performance of listed multinational companied in Nigeria.



**Table 2: Descriptive Analysis**

Variable	MRKPFM	EDI	OESGI	FLEV
Mean	0.5712	0.1044	0.8024	0.0831
Median	0.4231	0.0995	0.8121	0.0114
Max.	0.8260	0.2024	0.8881	0.2314
Mini.	0.2300	0.0094	0.6999	0.0054
SD	0.2450	0.0626	0.0699	0.0213
JB	6.2440	19.918	27.612	133.09
Prob. Obser.	0.0231 95	0.0000 95	0.0000 95	0.0000 95

**Source:** Data Generated by Author, 2025

The descriptive data, including the mean, median, standard deviation (SD), lowest and maximum values, and other statistics, are shown in Table 2. These variables include the market performance (MRKPFM), which is measured by cumulative abnormal returns, firms' leverage (FLEV), the environmental disclosure index (EDI), and the overall ESG index (OESGI). The average performance of these variables throughout the dataset is indicated by the mean values. OESGI has the highest average at 0.8025, indicating a strong emphasis on ESG integration among the sampled firms, while MRKPFM has a noteworthy mean of 0.5712, indicating better market performance.

Conversely, variables with lower average values, such as FLEV (0.0831) and EDI (0.1045), show relatively limited environmental metric disclosure. The existence of high-performing outliers is supported by the median values, which are noticeably lower than the means for the majority of the variables, particularly for MRKPFM. The dataset's standard deviations show variety, with MRKPFM (0.2451) showing the most variation. This discrepancy points to significant differences in the companies' improved market success and their attempts to disclose environmental information. The statistics of the Jarque-Bera (JB) test show that probabilities close to 0 mean that the data distributions for most variables deviate significantly from normality. This finding emphasizes how important it is to consider heterogeneity in subsequent research. These descriptive insights draw attention to the diverse ESG and market performance profiles of multinational corporations operating in Nigeria, highlighting the need for targeted strategies to improve ESG adoption and reporting consistency across the nation.

**Table 3: Panel Unit Root Test - ADF-Method**

Variables	t-statistics	P-value	Cross-section
MRKPFM	147.640	0.000	15
EDI	89.0428	0.001	15
OESGI	131.430	0.000	15
FLEV	84.0251	0.001	15

**Source:** Data Generated by Author, 2025

In order to confirm that the statistical properties of the variables (mean, variance, etc.) do not change over time, the Augmented Dickey-Fuller (ADF) approach was used to verify the stationarity of each variable. The results in Table 3 are the panel unit root tests for all of the study's variables, including the environmental disclosure index (EDI), overall ESG index (OESGI), firms' leverage (FLEV), and market performance (MRKPFM). For every variable, significant t-statistics are displayed, with p-values less than the 5% level of significance. For example, with a t-statistic of 147.600 and a p-value of 0.000, MRKPFM (Market performance proxied by cumulative anomalous returns) effectively rejects the null hypothesis of a unit root. Similarly, EDI, OESGI, and FLEV all show strong evidence of stationarity, with t-statistics ranging from 84.0251 to 233.735. The stationarity of these variables validates that panel data regression techniques are suitable and devoid of unit roots, as non-stationary data can yield inaccurate findings.

**Table 4: Model Selection Tests:**

Tests	Statistics	Probability	Decision
Hausman test between Random effect and Fixed effect models	Chi-square.= 0.06370	0.0250	The H0 is accepted in favor of random effect model

**Source:** Data Generated by Author, 2025

The model selection test clarified whether a fixed effects or random effects model is more suitable for investigating the relationship between ESG disclosures and market performance. The Hausman test is used to compare these models. Its chi-square value of 0.0637 and p-value of 0.0250 support the random effect model, which assumes that firm-specific effects are uncorrelated with the explanatory factors. In light of this finding, the random effect model is suggested as the fitted data estimator and for testing the study hypotheses since it captures company differences while maintaining generalizability.

**Table 5: Random Effect (RE) Model Result**

<b>SERIES: MRKPFM, EDI, OESGI, FLEV</b>				
Dependent Variable: MRKPFM				
Method: Panel EGLS (Cross-section random effects)				
Date: 01/24/25 Time: 09:01, Sample: 2019 2023				
Periods included: 5, Cross-sections included: 15				
Total panel (balanced) observations: 75				
Swamy and Arora estimator of component variances				
Variables	Coefficient	Std. Error	t-Statistic	Prob.
Constant	1.094416	0.027511	39.78056	0.0000
EDI	1.752287	0.143364	12.22262	0.0000
OESGI	4.226033	1.585869	2.664807	0.0082
FLEV	0.856615	0.156655	5.468171	0.0000
R-squared = 0.681287				
Adjusted R-squared = 0.675014				
F-statistic.= 108.5913, Prob(F-statistic)= 0.000000				
Durbin-Watson stat = 2.554067				

**Source:** Data Generated by Author, 2025



The above regression analysis results, which are displayed in Table 5 and are based on the chosen random effect model at the 5% level of significance, reveal that the independent variables are responsible for over 68% of the variation in MRSPV, with an R-squared value of 0.6813. Further supporting the model's robustness is the extremely significant F-statistic (108.5913). A detailed examination of the connection between environmental disclosure factors and market performance (MRKPFM), as measured by cumulative anomalous returns, is provided by the results of the random effect model regression.

The study identifies several significant factors, highlighting the role that environmental disclosures and governance have in shaping market reactions. The environmental disclosure index, which has a coefficient of 1.7523 and a very significant p-value of 0.0000, is a clear indication that better environmental disclosure rules boost market performance by reducing the cumulative anomalous returns of the companies. Similarly, the high significance of the total ESG index ( $p = 0.0082$ ) highlights the importance of comprehensive ESG integration in improving the market performance of the firms. Lastly, firms' leverage has a moderate effect on market performance, as indicated by its coefficient of 0.8566.

#### **4.1 Discussion of Findings**

This study examined the relationship between market performance and environmental, social, and governance (ESG) issues, specifically the cumulative anomalous returns of multinational corporations based in Nigeria. Metrics like Scope 1 emissions and the ESG overall index have a substantial influence on the market performance of Nigerian multinational corporations, which has been found to be very positively impacted by ESG. Among the independent elements influencing the market performance of companies worldwide, the Environmental Disclosure Index (EDI) and the ESG overall index are particularly noteworthy. EDI's proof that better environmental disclosures lower cumulative abnormal returns, which has a highly significant probability value, is in line with the findings of the study by Al-Fayoumi and Abuzayed (2021), which emphasize the significance of open environmental reporting in promoting investor confidence. The Overall ESG Index (OESGI) also stands out with a notable coefficient, emphasizing the significance of comprehensive ESG integration. Previous studies, such as those by Al-Fayoumi and Abuzayed (2021), Arayssi et al. (2023), and Zhang et al. (2023), have also highlighted the positive impacts of ESG practices on organizations.

The findings of Ahmed and Malik (2024), who argued that businesses with robust ESG initiatives are more likely to attract long-term investors, are corroborated by this outcome. The mild effect of company leverage, as indicated by its coefficient, illustrates the intricate link between organizational scale and market performance. Because they often have more resources, larger companies can adopt and disclose ESG practices to boost their market performance.

The random effect model's R-squared value indicates that the independent variables account for a sizable amount of the variation in market performance. This suggests that ESG variables and firm-specific traits have a big influence on how the market performs. The model's durability is demonstrated by a notably large F-statistic, which increases the reliability of these results. Descriptive result show significant disparities between market performance and the ESG practices of the sampled firms. The high mean value of the entire ESG index indicates a significant emphasis on ESG integration, even though the mild mean market dynamics reflect changing market conditions. Skewness and kurtosis values, which emphasize the influence of outliers and the need for tailored approaches for ESG adoption, further illustrate the variance in firm size and ESG disclosures. Panel unit root tests confirm the stationarity of variables, which validates the suitability of complex econometric models. These results guarantees the authenticity of the relationships found between ESG factors and market results, hence bolstering the legitimacy of the study's conclusions. According to these results, Nigerian companies may be able to attract sustainable investments by becoming more upfront about ESG issues.

### Conclusion and Recommendations

The ESG integration is a strategic tool for improving corporate accountability and financial sustainability. This study concluded that ESG transparent disclosures have a significant positive impact on the market performance of listed multinational companies in Nigeria. The findings showed that strong environmental social and governance disclosures enhance investor confidence and stability in stock market performance. Firms with high ESG disclosures, especially those emphasizing environmental sustainability, tend to experience lower cumulative abnormal returns, reflecting market trust in their long-term sustainability efforts.

In contrast to previous studies that focused on broader corporate social responsibility metrics, this study provided a focused analysis of ESG components, particularly environmental disclosures and their impact on cumulative abnormal returns. Additionally, the study refined the legitimacy theory by demonstrating how firms use ESG reporting to establish legitimacy and attract sustainable investment. The study's methodological contribution includes the application of a panel data regression model, which provides a robust statistical basis for understanding ESG-market performance linkages. This research added to the body of knowledge by providing empirical evidence on the relationship between ESG disclosures and market performance in the Nigerian context, which has received little attention.

Finally, the research recommended that companies should invest in sustainability initiatives that not only improve their ESG scores but also create long-term value for stakeholders. To improve ESG effectiveness and its market impact, companies should adopt comprehensive and transparent ESG disclosure practices that align with global reporting standards. Regulatory bodies in Nigeria should strengthen ESG disclosure requirements to reduce green-washing and ensure accountability. Investors should incorporate ESG factors into their decision-making processes because firms with strong ESG records demonstrate resilience and long-term financial viability.

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