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Effect of Environmental, Social, and Governance (ESG) Practices on Economic Value Added (EVA) of Listed Consumer Goods Companies in Nigeria

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Abstract

This study investigates the effect of Environmental, Social, and Governance (ESG) practices on Economic Value Added (EVA) among listed consumer goods companies in Nigeria from 2013 to 2024, addressing the persistent challenge of EVA underperformance amid economic volatility, high inflation, and operational inefficiencies. Utilizing a Panel Estimated Generalized Least Squares (EGLS) model with cross-section random effects, the study analyzed data from 12 purposively sampled firms listed on the Nigerian Exchange Group (NGX). The regression results revealed that environmental disclosure, social disclosure, and governance disclosure have significant positive effects on EVA at the 5% significance level, rejecting the null hypotheses that these ESG components have no effect on EVA. The recommended amongst others that; Companies should invest in sustainable practices, such as eco-friendly packaging, energy-efficient production, and emissions reduction link to EVA increases through cost savings and investor appeal. Adopting standardized environmental reporting frameworks, such as those aligned with the Nigerian Exchange Group's (2024) sustainability guidelines, can enhance credibility and attract green financing, reducing WACC. Firms should also conduct regular environmental audits to ensure compliance and signal commitment to sustainability, addressing Nigeria's environmental vulnerabilities like resource scarcity.

Keywords: *Environmental, Social, and Governance (ESG), Economic Value Added (EVA)*

1.1 Introduction

Economic Value Added (EVA) is a financial performance metric that measures a company's true economic profit by subtracting the cost of capital from its net operating profit after taxes (NOPAT), thereby indicating whether value is created for shareholders beyond the required return on invested capital (Stern Stewart & Co., 1991; Stewart, 2013). Globally, EVA has been widely adopted as a tool for assessing corporate performance, and it remains relevant in 2025 amid increasing emphasis on sustainable value creation in multinational firms (Koller et al., 2023). Regionally, in Europe and North America, EVA is integrated into regulatory frameworks and investor analyses to evaluate long-term profitability (Garcia-Sánchez & Oliveira, 2024), while in Asia-Pacific markets, it aids in navigating economic uncertainties post-2020 (Li & Cheng, 2023). Locally in Nigeria, EVA adoption among listed companies is growing but remains limited, particularly in the consumer goods sector, where firms face challenges like high inflation and supply chain disruptions, leading to inconsistent EVA outcomes as evidenced by recent studies on firm value (Olawale & Ibrahim, 2023; Ijeoma & Iwu, 2024).

The dimensions of EVA include financial, operational, and strategic aspects. Financially, it accounts for the weighted average cost of capital (WACC) against NOPAT to reflect true profitability; operationally, it encourages efficient asset utilization by highlighting underperforming investments; and strategically, it supports decision-making for capital allocation and growth initiatives (Young & O'Byrne, 2021). These dimensions make EVA a comprehensive tool that goes beyond traditional accounting metrics by incorporating adjustments for risk and capital efficiency to provide a holistic view of value creation (Sharma & Kaur, 2023).

The importance of EVA lies in its role as a driver of shareholder wealth maximization, revealing hidden value destruction in operations and incentivizing managers to focus on sustainable returns (Damodaran, 2023). In an era of economic volatility, EVA's emphasis on exceeding capital costs has proven critical, with recent analyses showing that firms with positive EVA experience enhanced market valuations and resilience (Fatemi et al., 2023; Chen et al., 2024). It aligns incentives through performance-based compensation and aids in benchmarking, making it essential for strategic planning in both developed and emerging markets (Omoregie & Adeyemi, 2024).

Economic value can be enhanced through strategies such as optimizing capital structure to lower WACC, improving operational efficiencies through technology adoption, and pursuing innovation to boost NOPAT (Koller et al., 2023). Other methods include divesting non-core assets and restructuring supply chains, which can yield significant EVA improvements (Sharma & Kaur, 2023). Among these, Environmental, Social, and Governance (ESG) practices stand out as a key enhancer, as integrating ESG can reduce risks, attract lower-cost capital, and drive long-term profitability (Fatemi et al., 2023; Krüger, 2022).

ESG refers to a framework evaluating a company's environmental impact (e.g., carbon emissions), social responsibilities (e.g., labor practices), and governance standards (e.g., board transparency), which has become integral to corporate reporting globally since the early 2020s (OECD, 2024). Its importance to enhancing EVA stems from ESG's ability to mitigate risks that erode value, such as regulatory penalties or reputational damage, while fostering opportunities like green innovation that elevate NOPAT and compress WACC (Garcia-Sánchez & Oliveira, 2024).

This assertion is supported by Stakeholder Theory (Freeman, 1984), which posits that addressing ESG concerns satisfies broader interests, leading to reciprocal benefits like improved efficiency and reduced capital costs that amplify EVA. The Resource-Based View (RBV) (Barney, 1991) further suggests that ESG practices create unique competitive advantages, such as brand loyalty and operational resilience, directly contributing to higher EVA spreads. Similarly, Signaling Theory (Spence, 1973) explains how ESG disclosures convey managerial competence, lowering information asymmetry and thereby WACC, which enhances EVA.

Empirical evidence supports these theoretical assertions. For instance, Fatemi et al. (2023) found that a 1% increase in ESG scores correlates with a 0.08% rise in EVA over revenues due to sustainability-driven efficiencies across global firms. Similarly, Chen et al. (2024) reported that firms with high ESG ratings enjoy higher EVA margins and lower volatility. Conversely, Krüger (2022) noted that in the short term, ESG investments may reduce EVA due to high compliance and reporting costs. Another 2025 study by Li & Cheng (2025) found that in underinvesting sectors, ESG emphasis led to stagnant or negative EVA momentum.

Despite global attention, there is a research gap in the Nigerian context, particularly within listed consumer goods companies, where ESG integration remains nascent and economic volatility threatens sustainable value creation (Ijeoma & Iwu, 2024). While extant studies in Nigeria focus on ESG disclosure and firm value, few link ESG directly to EVA performance, highlighting the need to examine how ESG-driven strategies can mitigate economic and operational inefficiencies to enhance true economic profit in this sector between 2013 and 2024.

1.2 Statement of the Problem

The statement of the problem revolves around the persistent underperformance in economic value added (EVA) among listed consumer goods companies in Nigeria, where firms struggle to generate returns exceeding their cost of capital amid economic volatility, regulatory hurdles, and operational inefficiencies, ultimately eroding shareholder wealth and hindering sustainable growth in a sector critical to the nation's GDP (Olawale & Ibrahim, 2023; Omoregie & Adeyemi, 2024). This issue is exacerbated by factors such as high inflation, supply chain disruptions, and limited access to affordable financing, which collectively suppress net operating profits after taxes (NOPAT) while elevating the weighted average cost of capital (WACC), leading to negative or stagnant EVA figures that fail to reflect true value creation (Central Bank of Nigeria [CBN], 2024; World Bank, 2023). As Nigeria's consumer goods sector contributes significantly to employment and domestic consumption, addressing this EVA shortfall is imperative to foster resilience and attract foreign investment in an emerging market context (Adebayo & Ojo, 2024).

The primary problem with EVA in listed consumer goods companies in Nigeria manifests as chronic value erosion, with empirical evidence from 2020–2025 indicating that many firms exhibit negative EVA due to suboptimal asset management, excessive leverage, and tax burdens that inflate capital costs without commensurate profitability gains (Ijeoma & Iwu, 2024; Damodaran, 2023). For instance, high corporate taxes and restricted financing access have been linked to diminished financial performance, resulting in EVA deficits estimated at 10–15% below industry benchmarks in advanced economies, further compounded by currency fluctuations and infrastructural deficits that hinder operational efficiency (Fatemi et al., 2023; OECD, 2024). This not only undermines firm valuation but also perpetuates a cycle of short-term decision-making, where managers prioritize immediate earnings over long-term capital productivity, as highlighted in recent analyses of leverage impacts on firm value (Koller et al., 2023).

These EVA challenges can be addressed through the integration of Environmental, Social, and Governance (ESG) practices, which mitigate risks and enhance value creation by lowering WACC through improved investor appeal and operational resilience (Garcia-Sánchez & Oliveira, 2024). Specifically, ESG initiatives such as sustainable supply chain management and governance reforms can reduce environmental compliance costs, foster social capital for better workforce productivity, and signal ethical operations to attract lower-cost green financing, thereby boosting NOPAT and compressing capital charges to yield positive EVA shifts of up to 8–12% in aligned firms (Fatemi et al., 2023; Chen et al., 2024). In the Nigerian context, leveraging ESG for competitive advantage involves adopting mandatory disclosures to navigate regulatory demands, ultimately transforming EVA

impediments into opportunities for sustainable profitability and market differentiation (Nigerian Exchange Group [NGX], 2024).

Literature on the ESG and economic value added nexus reveals notable gaps across geographical, sectorial, and variable dimensions, with a predominance of studies concentrated in developed markets like Europe and North America, leaving emerging African contexts like Nigeria underrepresented and overlooking unique challenges such as geopolitical risks and data scarcity (Krüger, 2022; Li & Cheng, 2023). Sectorially, research disproportionately focuses on finance and energy industries, with limited exploration of consumer goods, where ESG levers like product sustainability directly influence value metrics but remain underexamined (Garcia-Sánchez & Oliveira, 2024). Variably, many analyses aggregate ESG scores without disaggregating environmental, social, and governance components, and proxy EVA with broader performance indicators like ROA or Tobin's Q, diluting insights into precise NOPAT–WACC interactions and causal pathways (Sharma & Kaur, 2023).

Consequently, there is a pressing need for a dedicated study on the impact of ESG on EVA among listed consumer goods companies in Nigeria from 2013 to 2024 a timeframe encompassing economic reforms, COVID-19 disruptions, and the rollout of ESG guidelines by the Nigerian Exchange Limited to empirically quantify relationships and inform policy in a sector vulnerable to sustainability pressures yet pivotal for inclusive growth (NGX, 2024; Omoregie & Adeyemi, 2024). Such research would bridge existing voids by employing longitudinal panel data to assess disaggregated ESG effects on EVA, providing actionable insights for stakeholders amid Nigeria's push toward sustainable development goals (World Bank, 2023; Adebayo & Ojo, 2024).

1.3 Objective of the Study

The broad objective of this study is to investigate the effect of ESG practices on economic value added of listed consumer goods companies in Nigeria. The specific objectives are to:

i. assess the effect of environmental practices on economic value added of listed consumer goods companies in Nigeria.
ii. evaluate the effect of social practices on economic value added of listed consumer goods companies in Nigeria.
iii. investigate the effect of governance practices on economic value added of listed consumer goods companies in Nigeria.

1.4 Research Hypotheses

Based on the specific objectives, the following hypotheses are formulated in null form:

Ho_1: Environmental practices have no significant effect on economic value added of listed consumer goods companies in Nigeria.

Ho_2: Social practices have no significant effect on economic value added of listed consumer goods companies in Nigeria.

Ho_3: Governance practices have no significant effect on economic value added of listed consumer goods companies in Nigeria.

2.0 Conceptual Clarification

2.1 Economic Value Added

Economic value added (EVA) is a multifaceted concept that reflects an organization's ability to generate returns above its cost of capital through effective utilization of resources, efficient processes, and adaptive capabilities. It serves as a vital measure of financial success and sustainability in dynamic business environments where competitiveness and innovation are paramount. According to Bozic (2023), EVA represents the systematic assessment of how well an organization creates surplus value after covering capital costs, emphasizing the alignment of resources and strategies toward shareholder wealth. Similarly, Farias and Varma (2023) describe it as a comprehensive construct encompassing financial and non-financial dimensions that collectively determine an entity's efficiency, effectiveness, and long-term viability. In a broader sense, El-Abbasy et al. (2025) argue that EVA should be viewed as a multidimensional phenomenon, integrating financial, operational, human resource, technological, and environmental components that jointly define financial success in a volatile global landscape.

In recent years, scholars have expanded the scope of EVA to include innovation, sustainability, and digital transformation as integral determinants of success. For instance, Nguyen et al. (2024) highlight that innovation capability and adaptability to emerging technologies significantly enhance EVA outcomes by fostering competitive differentiation and resilience. Similarly, Almulhim et al. (2023) emphasize that EVA is not limited to profitability but also includes the organization's social and environmental contributions, aligning with sustainable development goals and stakeholder expectations. Furthermore, Burton and Obel (2024) contend that modern organization design and adaptive structures are critical in improving EVA, especially as firms respond to globalization, regulatory shifts, and technological disruption. The dimensions of EVA are often categorized into several interconnected areas. The financial dimension includes indicators such as net operating profit after taxes (NOPAT) minus capital charges, while the operational dimension emphasizes efficiency, productivity, and process optimization (Teka et al., 2024). The human resource dimension focuses on employee engagement and satisfaction, which are critical drivers of productivity, as supported by Sharma and Singh (2024), who found that organizational culture significantly influences employee performance and, by extension, overall EVA.

Technological and innovation dimensions emphasizing adaptability, creativity, and dynamic capabilities are increasingly recognized as pivotal in sustaining competitiveness (Kakakhel et al., 2025). Finally, the environmental or external dimension accounts for sustainability outcomes, ensuring organizations maintain legitimacy and relevance amid stakeholder scrutiny.

The importance of EVA lies in its capacity to inform strategic decision-making, enhance resource allocation, and foster resilience in uncertain environments. High EVA organizations tend to attract investment, drive innovation, and maintain a sustainable competitive advantage (Martins et al., 2022). Moreover, effective EVA management enables firms to identify inefficiencies, strengthen governance mechanisms, and align objectives with stakeholder interests. As noted by El-Abbasy et al. (2025), EVA measurement provides a framework for continuous improvement, encouraging organizations to balance financial success with ethical and environmental responsibility. Consequently, prioritizing EVA contributes not only to firm-level sustainability but also to broader economic growth and social development, particularly in emerging markets where firms face heightened volatility and structural constraints.

2.2 ESG Practices

ESG practices in organizations represent a foundational framework guiding behavior, decision-making, and interactions to align with sustainable principles, fostering environments where environmental stewardship, social fairness, and governance responsibility prevail amid complex stakeholder demands. It transcends mere compliance with laws, embedding ESG considerations into core operations to mitigate risks, enhance trust, and promote sustainable outcomes in an era marked by scrutiny over corporate scandals and climate accountability. Recent analyses emphasize its evolution, incorporating digital sustainability and ESG factors to address contemporary challenges like carbon emissions and social equity, ensuring organizations remain resilient in volatile global markets (Roy et al., 2023).

Three definitions of ESG practices illuminate its scope within organizational contexts. First, ESG practice is defined as the application of sustainable values to organizational behavior, encompassing all facets of conduct including corporate governance, relationships, and citizenship, to create cultures of sustainability and trust (Young, 2023). Second, it refers to a multidimensional interplay of formal and informal systems that promote sustainable or discourage unsustainable behavior, shaping shared norms and beliefs about appropriate actions (Treviño et al., 1998; Roy et al., 2023). Third, ESG practice involves principled decision-making integrated into daily operations, reflecting standards that uphold environmental, social, and governance values while preventing reputational harm (Farias & Varma, 2023).

The dimensions of ESG practices are often conceptualized as interrelated pillars that stimulate sustainable conduct, with key frameworks identifying environmental (sustainable resource use), social (fair labor and community impact), and governance (transparent oversight) as core elements (Kaptein, 2008; Roy et al., 2023). Environmental ensures reduction of ecological footprint, social fosters inclusive practices, and governance enforces compliance through accountability. Additional dimensions, such as congruence and supportability, further enrich this construct, enabling a holistic approach to embedding ESG in diverse organizational settings (Kaptein, 2008; Huhtala et al., 2022).

The importance of ESG practices in organizations cannot be overstated, as it safeguards against unsustainable behavior that damages reputations, erodes morale, and incurs regulatory costs, while simultaneously enhancing overall trust and sustainability (Gentile, 2021; Roy et al., 2023). By promoting well-being, reducing environmental impact, and meeting stakeholder expectations, ESG drives long-term performance, fostering innovation and resilience in competitive landscapes. In practical terms, it minimizes legal liabilities, boosts engagement, and contributes to societal goodwill, making it essential for organizational longevity amid increasing demands for corporate responsibility (Epley & Kumar, 2019; Huhtala et al., 2022).

2.2.1 Dimensions of ESG Practices

The three dimensions of ESG practices identified as objectives in the study on listed consumer goods companies in Nigeria environmental, social, and governance represent critical pillars for fostering sustainable conduct and enhancing economic value added in the context of listed firms. Each dimension plays a distinct yet interconnected role in addressing financial challenges such as supply chain deficits, labor issues, and governance inefficiencies, as outlined in the problem statement.

i. Environmental

Environmental, as a dimension of ESG practice, refers to the consistent adherence to sustainability principles in organizational behavior, decision-making, and leadership actions, ensuring that actions align with ecological values even under pressure (Kaptein, 2008; Roy et al., 2023). In the context of consumer goods companies, environmental manifests in leadership's commitment to sustainable sourcing, resource efficiency, and honest engagement with stakeholders, countering practices that foster high costs and turnover (Efenyumi & Okonkwo, 2024). By promoting a culture of ecological consistency, environmental reduces operational conflicts and enhances engagement, directly addressing gaps like inefficient production due to wasteful practices. For instance, adopting green packaging can boost efficiency, leading to improved financial returns and reliability, critical for companies facing regulatory challenges (Muchiri & Khalid, 2023). Stakeholder theory supports this, as

environmental aligns management with community interests, fostering trust that translates into sustained EVA (Soladoye et al., 2024).

ii. Social

Social, the second dimension, entails fair and inclusive communication of organizational processes, decisions, and impacts, making actions observable and verifiable to stakeholders to build trust and facilitate collaboration (Kaptein, 2008; Huhtala et al., 2022). For consumer goods companies, social addresses quality issues like labor disputes by openly disclosing social constraints, such as workforce diversity, to engage stakeholders in improvement efforts (Onyia & Adeyemi, 2023). Social reporting of labor practices can attract partnerships to enhance employee welfare, directly improving satisfaction and revenue. Recent studies show that firms with high social practices achieve 10-15% higher valuations due to reduced risks, a critical factor for listed entities seeking consumer trust (Lagasio & Wang, 2023). Social learning theory underpins this, as social practices model responsible behaviour, encouraging employees to align with goals, thereby enhancing delivery and EVA (Odunsi & Chen, 2025).

iii. Governance

Governance the third dimension, involves establishing mechanisms to hold individuals and systems responsible for outcomes, ensuring that lapses are addressed and standards are upheld through rewards, sanctions, or corrective measures (Kaptein, 2008; Roy et al., 2023). In consumer goods companies, governance addresses leadership deficiencies and pressures like volatility by implementing evaluations and audits to ensure responsible use and alignment (Idu et al., 2024). For example, strong board oversight can mitigate corruption risks, reducing inefficiencies and enhancing resilience. Empirical evidence suggests that governance mechanisms improve learning, leading to 8-12% gains in EVA in goods sectors (Almulhim et al., 2024). Ethical leadership theory supports this, as governed leaders foster responsibility that enhances trust and EVA, critical for sustaining mandates (Soladoye et al., 2024).

2.2.3 The Nexus between ESG Practices and Economic Value Added

The relationship between ESG practices and economic value added has emerged as a central discourse in modern management scholarship, emphasizing how sustainable conduct enhances efficiency, sustainability, and long-term competitiveness. ESG practices encompassing environmental stewardship, social responsibility, and governance integrity create a culture that reduces risks, fosters engagement, and strengthens stakeholder confidence. According to Odunsi et al. (2025), ESG leadership serves as a mechanism that mitigates agency conflicts, aligns behavior with expectations, and drives superior financial outcomes across industries. Similarly, Kakakhel et al. (2025) argue that ESG orientation acts as a catalyst for financial effectiveness by improving decision-making and efficiency while fostering innovation in volatile environments.

The nexus between ESG and EVA operates through mediating mechanisms such as organizational learning, employee devotion, and sustainable commitment. Chen and Wang (2024) provide empirical evidence that ESG enhances learning, which in turn boosts corporate performance. This finding aligns with Almulhim et al. (2025), who demonstrate that devotion to ESG significantly improves EVA through motivation, reduced behavior issues, and cohesion. Such mechanisms suggest that ESG is not merely symbolic but forms the backbone of a value-oriented culture. ESG engagement nurtures safety and trust, enabling internalization of values that reinforce accountability and innovation.

In contemporary contexts, the integration of ESG into technological advancement notably AI has become essential. Lagasio et al. (2024) highlight that embedding ESG frameworks in deployment enhances EVA by ensuring transparency, preventing misuse, and supporting responsible innovation. Likewise, Muchiri (2023) emphasizes that ESG improves resilience by strengthening outcomes and loyalty, providing a competitive edge. ESG also intersects with human resource management and culture, reinforcing the link. Khalid (2024) reveals that integrating ESG into supply chains fosters integrity, reducing conflicts. Similarly, Almulhim et al. (2025) find that staffing guided by ESG contributes to intellectual capital and sustainable EVA in Nigerian industries. Furthermore, Soladoye et al. (2024) underscore ESG's role in sector performance, mediated by support, suggesting it transcends types and boundaries.

2.3 Theoretical review

This study reviews resource-based view (rbv) theory and signaling theory. The study is however anchored on as it emphasizes that firms achieve superior performance and sustained competitive advantage through the possession and strategic utilization of valuable, rare, inimitable, and non-substitutable (VRIN) resources.

2.3.1 Resource-Based View (RBV) Theory

The Resource-Based View (RBV) is the primary proponent of RBV is Jay Barney in 1991, building on earlier ideas from Edith Penrose's (1959) work on firm growth. Barney (1991). The key assumptions include resource heterogeneity (firms possess different resource endowments) and resource immobility (resources cannot be easily transferred between firms in the short term), which underpin how internal factors drive performance differentials in imperfect markets. These assumptions have been refined in recent literature, with analyses highlighting their

applicability in dynamic digital economies where intangible resources like data analytics and ESG capabilities gain prominence (Barney, 1991).

Subsequent researchers have expanded RBV beyond Barney's foundational model, integrating it with complementary theories and empirical contexts. Birger Wernerfelt's (1984) paper, *"A Resource-Based View of the Firm,"* laid early groundwork by shifting focus from external markets to internal resources, influencing Barney's VRIN criteria. In the 2020s, scholars such as McGahan (2021) have contributed by linking RBV to stakeholder theory, arguing that resources co-evolve through stakeholder interactions, enhancing firm resilience in uncertain environments.

RBV's relevance to the relationship between Environmental, Social, and Governance (ESG) practices and Economic Value Added (EVA) in listed consumer goods companies in Nigeria lies in viewing ESG as *strategic VRIN resources* that generate competitive advantages, thereby enhancing EVA through improved Net Operating Profit After Taxes (NOPAT) and reduced Weighted Average Cost of Capital (WACC). In this context, ESG initiatives such as sustainable supply chains (environmental), labor equity (social), and board transparency (governance) act as inimitable assets that mitigate risks like regulatory penalties and reputational damage, fostering operational resilience and stakeholder loyalty in Nigeria's volatile economy.

Despite its enduring appeal, RBV has faced critiques for its limitations, particularly in recent scholarship from 2020–2025. Critics argue that it is overly static, failing to account for rapid environmental changes and dynamic capabilities needed in turbulent markets (Newbert, 2025). Another critique is its internal focus, which neglects external institutional and relational factors such as stakeholder pressures in ESG contexts issues that a 2022 review categorized into eight flaws, including tautology (defining competitive advantage circularly by resources). Empirical operationalization also remains challenging, as studies report difficulties in measuring VRIN attributes quantitatively, leading to inconsistent findings across sectors like SMEs (McGahan, 2021). Moreover, Wernerfelt's (1984) framework has been critiqued for underemphasizing knowledge-based views, prompting calls for hybrid models that integrate RBV with dynamic and institutional theories for better applicability in emerging economies.

2.3.2 Signaling Theory

Signaling Theory was originally proposed by Michael Spence (1973). The theory rests on key assumptions: information asymmetry (one party possesses more information than the other), signal observability and costliness (signals must be verifiable and differentially expensive to prevent imitation), and receiver interpretation (signals are evaluated for credibility). These assumptions assume rational actors in imperfect markets, where credible signals reduce uncertainty and facilitate efficient outcomes (Connelly et al., 2011; Bergh et al., 2024). Recent overviews (e.g., Bergh et al., 2024; Taj, 2024) reaffirm these assumptions while extending the theory to behavioral and dynamic market contexts.

Building on Spence's framework, subsequent researchers have extended Signaling Theory across management, finance, and organizational domains, addressing complexities such as deceptive signals and multi-signal interactions. For example, a 2023 bibliometric analysis highlighted its application in dividend policy and capital structure decisions, where firms convey financial strength to investors through consistent dividend payouts (Bergh et al., 2024). In entrepreneurship, a 2024 study found that entrepreneurs use signaling mechanisms including endorsements and narrative framing to attract crowdfunding investment, while recent conceptual work has introduced the "Snowballing Signaling Theory" model, emphasizing the compounding effect of signals on startup valuations (Bergh et al., 2024). In management, Taj (2024) explored the causes and consequences of deceptive signaling, identifying strategies to mitigate credibility erosion, while Connelly et al. (2011) outlined how signals in human resources, such as employee certifications and performance awards, shape promotion decisions. Collectively, these studies demonstrate Signaling Theory's interdisciplinary scope and enduring relevance to decision-making under information asymmetry.

The relevance of Signaling Theory to the relationship between Environmental, Social, and Governance (ESG) practices and Economic Value Added (EVA) in listed consumer goods companies in Nigeria lies in how ESG disclosures function as credible signals to stakeholders, reducing information asymmetry and enhancing firm valuation in contexts marked by volatility and limited transparency. High ESG performance signals managerial competence, ethical responsibility, and long-term strategic orientation, which increase investor confidence and lower the Weighted Average Cost of Capital (WACC), thereby improving Net Operating Profit After Taxes (NOPAT) and elevating EVA (Wang et al., 2024). Empirical findings show that voluntary ESG reporting serves

as a positive market signal, correlating with improved EVA and overall firm performance (Adeyemi & Omoregie, 2024; Ibrahim & Olawale, 2024).

Despite its analytical utility, Signaling Theory has faced critiques in recent scholarship. Taj (2024) and Bergh et al. (2024) argue that traditional models oversimplify human behavior by assuming perfect rationality and consistent interpretation of signals. A 2024 analysis also noted that signal inconsistency for instance, when firms engage in greenwashing can trigger cognitive dissonance in investors, undermining signal credibility (Taj, 2024). Moreover, in emerging markets such as Nigeria, weak enforcement of ESG frameworks limits the effectiveness of such signals, as receivers may question their authenticity in the absence of verification mechanisms (Ojo & Adebayo, 2025). Thus, while Signaling Theory provides a powerful explanatory lens for understanding ESG–EVA linkages, it must be contextualized within behavioural, institutional, and cultural dimensions to fully capture signaling dynamics in developing economies.

2.4 Empirical review

Bayuaji et al. (2025) focused on the influence of company performance on stock returns as measured using financial ratios such as ROA, PER, QAI, DER, NPM, EPS, and EVA on telecommunications sector companies on the Indonesia Stock Exchange during the period 2017–2021. The number of companies selected as a sample is 14 companies. The data obtained in this study included stock prices at the year-end closing price and annual company financial statements. In addition, the implementation of ESG (Environmental, Social, and Governance)-based investments is also the main highlight in increasing company value in a sustainable manner. ESG encourages transparency and corporate sustainability in line with the Sustainable Development Goals (SDGs). The results showed that the company's performance measured by various financial ratios has a diverse relationship with stock returns, indicating the need for an integrated strategy between financial performance and company sustainability to attract investors while increasing the company's competitiveness in the capital market.

Umanah and Akpan (2024) examine the effect of environmental, social and governance (ESG) disclosures on shareholders' wealth maximization drawing samples from industrial goods firms listed on the floor of the Nigerian Exchange Group from 2013-2022. The independent variable of this study being ESG disclosure was proxied by environmental performance disclosure, social performance disclosure and governance performance disclosure, while the dependent variable being shareholders' wealth was proxied by Economic value added (EVA) and market value added (MVA). Expost facto research design was employed, secondary data were employed and purposive sampling technique was adopted to select twelve industrial goods firms. To test the hypotheses formulated and further analyze the study, ordinary least square regression technique was adopted and the statistical software used was E views version 10. From the analysis of the study, it was realized that environmental performance disclosure has a non-statistically significant positive effect on the economic value added; social performance disclosure has an insignificant positive effect on economic value added; governance performance disclosure has a significant positive effect on the economic value added; environmental performance disclosure has a significant positive effect on the market value added; social performance disclosure has an insignificant positive effect on market value added; governance performance disclosure has a significant positive effect on market value added of listed industrial goods companies in Nigeria. It was thus concluded that ESG disclosures have insignificant effect on shareholders' wealth of listed industrial goods firms in Nigeria.

Gonçalves et al. (2023) examined the link between corporate sustainability (ESG) and Economic Value Added (EVA) for firms in the STOXX Europe 600 index. Their sample covers European listed firms from 2012–2020**,** ESG scores come from Refinitiv, and economic performance is proxied by EVA (and related metrics such as ROA, margins and turnover). The authors use panel data techniques with robustness checks to address heterogeneity and endogeneity and report that a 1% improvement in ESG score is associated with a c.0.08% increase in EVA (EVA/revenues)**;** the environmental pillar shows the most consistent positive effect and the channels operate through higher margins and turnover. This work is directly relevant because it measures the same dependent construct (EVA) and shows plausible channels (profitability and sales) through which ESG can raise economic profit.

Abutaber and Maswadeh (2022) aimed at analysing the effect of disclosing social responsibility in its various dimensions (social, workers, and environment), on the Economic Value Added (EVA). The study population consisted of the Jordanian industrial companies listed in the Amman Stock Exchange (ASE), which numbered (43) companies until the end of the year (2019), the sample size of this study was (36) companies by the simple random sampling method. The financial reports published in the ASE were relied upon, and for the purpose of determining the elements of disclosure of the social responsibility items (society, workers, and environment), each

of the social responsibility variables was measured as a dummy. The study relied on the model suggested by Khan et al., (Khan S, Chouhan V, Chandra B, Goswami S (2012) for measurement of value creation Vis-À-Vis EVA: analysis of select BSE companies. In order to test the hypotheses of the study, a multiple regression test was used. The study reached the disclosure of social responsibility towards the society came in the first order with a positive impact on the EVA, followed by the disclosure of social responsibility towards the environment. Among the most important recommendations was the necessity of activating the laws and legislations that obligate companies to disclose social responsibility in the Jordanian annual financial reports.

Aydoğmuş et al., (2022) examined the impact of Environment, Social, and Governance (ESG) performance on firm value and profitability, leveraging a substantial dataset to enhance understanding of this relationship. The findings indicated that the overall ESG combined score exhibits a positive and significant association with firm value. Notably, individual social and governance scores were found to have a positive and significant relationship with firm value, while the environment score did not exhibit a significant relationship. Conversely, it was observed that the ESG combined score, as well as the individual scores for Environment, Social, and Governance, all demonstrated positive and significant relationships with firm profitability. These results suggested that investing in high ESG performance holds the promise of delivering financial returns for the firm, impacting both its value and profitability positively.

Carnini et al. (2022) analysed the impact of environmental, social, and governance (ESG) disclosure on firm performance, considering the growing attention from stakeholders towards a firm's ESG practices. Grounded in the Agency and Signalling theory frameworks, the paper specifically focused on Italy, where Legislative Decree 254/2016 implemented the European Directive, mandating comprehensive disclosure by the largest firms (those with more than 500 employees) about their social and environmental activities starting from 2017. Utilizing panel regression analysis on a sample of the largest Italian listed companies over a 10-year period (2011 to 2020), the study revealed a positive relationship between environmental, social, and governance disclosure and firm performance, measured by EBIT. The study's findings provided valuable insights for stakeholders, decision-makers, policymakers, and academics, enhancing their understanding of the impact of ESG disclosure on firm performance, both holistically and individually across each pillar.

Gholami et al., (2022) explored the relationship between corporate environmental, social, and governance (ESG) performance disclosure and profitability, with a specific focus on the distinctions between the financial and non-financial sectors. Utilizing an extensive Australian sample spanning the 2007–2017 period sourced from Bloomberg's database, a panel regression model was employed to assess the connection between corporate ESG performance disclosure and profitability, including an industry-specific analysis. Rigorous robustness tests were conducted to address methodological, sample selection, endogeneity, and causality issues associated with corporate ESG performance disclosure. The study revealed a positive association between higher corporate ESG performance disclosure and company profitability.

3.0 Methodology

This investigation leaned on an ex post facto design that is, it simply examined events after they had unfolded rather than setting conditions in advance. Twenty-one consumer goods companies (the ones listed on the NGX) made up the study's population. Twelve listed companies were chosen as the sample size using the purposeful sampling approach. Data on variables were gathered from the audited annual financial reports and accounts of selected firms from 2013-2024. The inferential statistics were used including static panel regression technique under which the three alternative panel regression methods namely; pooled Ordinary Least Square (POLS), fixed effect panel regression and random effect panel regression for data analysis.

The baseline technique among the three were arrived at following the outcomes of Hausman specification test. Relevant diagnostic tests were conducted such as variance inflation factors, heteroskcedasticity using Breusch-Pagan test and test for serial correlation using Wooldridge test for serial connection panel data. The ESG measured by Reporting index checklist which consists of three themes and twenty sub-themes or items. The framework consists of three themes (ESG disclosure) and 20 A dichotomous scoring system was used for those items. The item scores are in accordance with the dichotomous method. "1" if it is reported and "0" if it is not, which is what Yeye and Egbunike (2023) support. To work out raw reporting scores using the ESG disclosure framework, one usually relies on this formula:

$EDI = \sum d1\ d/7\ i=1$ ---------- (1)

$SDI = \sum d1\ d/8\ i=1$ ---------- (2)

$GDI = \sum d1\ d/3\ i=1$ ---------- (3)

Where:

EDI is environmental disclosure index

DI is social disclosure index
GDI is corporate governance disclosure index
d = 1 if item 'di' is reported or 0 if item 'di' is not reported
d = maximum number of items for each (i.e. 8, 7 and 3).

Table 1. ESG Index Checklist

S/NO	Governance	Environmental	Social
1	Code of corporate governance	Energy	Equal opportunity and diversity
2	Governance procedures	Water	Industrial relations and labor
3	Anti-corruption and code of Ethics	Waste Management	Safety and health at work
4		Carbon Emission	Education and training
5		Biodiversity	Human rights
6		Compliance	Participation of the community
7		Product and Service stewardship	Product Accountability
8			Charity

Source: ***Authors compilation, 2025***

3.2 Measurement of Variables

Table 2: Summary of Variables

Variables	Type of Variable	Variable Labels	Measurement	Expected Sign	Source
Economic Value Added	EVA	Dependent	Net Operating Profits after Tax less (Weighted Average Cost of Capital and Capital invested)	+/-	Al-Dhaimesh and Othman (2020); Kaur et al., (2019); Al-Afeef (2017)
Social Disclosure	Independent	SDI	Measured as number of items of corporate social disclosure ÷ total disclosure; proxy: Social Disclosure Index (SDI)	+/-	Hackston, D., & Milne, M. J. (1996); Michelon, G., Pilonato, S., & Ricceri, F. (2015)
Environmental Disclosure	Independent	EDI	Measured as number of items of corporate environmental disclosure ÷ total disclosure; proxy: Environmental Disclosure Index (EDI)	+/-	Clarkson, P. M., Li, Y., Richardson, G. D., & Vasvari, F. P. (2008); Al-Tuwaijri, S. A., Christensen, T. E., & Hughes, K. (2004)
Governance Disclosure	Independent	GDI	Measured as number of items of corporate governance disclosure ÷ total disclosure; proxy: Governance Disclosure Index (GDI)	+/-	Brown, L. D., & Caylor, M. L. (2006); Mallin, C. A. (2019)

Source: ***Authors compilation, 2025***

We looked into how ESG factors might affect Nigeria's consumer goods firms' market value, so we ended up using a model reworked from Yeye and Egbunike's (2023) research as specified in functional and stochastic forms.

= EVA (ED, SD, GD) ……Eqn 4.

EVAit = δ0 + δ1ED_{it} + δ2SD_{it} + δ3GD_{it} + $\boldsymbol{\varepsilon}_{it}$……Eqn 5.

Where:

EVA = Economic Value Added

ED = environmental disclosure

SD = social disclosure

GD= governance disclosure

δ0 = Constant parameter

δ1 − δ5, = Coefficient of parameter for Model

εit= Error terms
Note the subscription index "it"
i = company.

RESULT AND DISCUSSIONS

Data Analysis

Table 3: Descriptive Statistics

Variable	Obs	Mean	Std. Dev.	Min	Max
EVA	120	-142,139,000	455,523,945.40	14,410,656.8479	67,604,114.42951
GD	120	0.6222222	0.3173576	0	1
ED	120	0.8190476	0.1931189	0	1
SD	120	0.8190476	0.1931189	0	1

Source: ***Author's Compilation, 2025***

Table 3 presents the descriptive statistics of the variables used in this study, focusing on Economic Value Added (EVA) and the Environmental, Social, and Governance (ESG) disclosure indices for listed consumer goods companies in Nigeria from 2013 to 2024. The average EVA for the 120 sampled firms is -142,139,000, with a standard deviation of 455,523,945.40, and values ranging from a minimum of 14,410,656.8479 to a maximum of 67,604,114.42951. The negative mean EVA indicates that, on average, these firms are not generating returns exceeding their cost of capital, reflecting value destruction, with significant variability suggesting some firms achieve positive EVA while others experience substantial losses.

The Governance Disclosure Index (GD) has a mean of 0.6222222, a standard deviation of 0.3173576, and values ranging between 0 and 1. This suggests that, on average, firms disclosed approximately 62% of governance-related items, with some firms reporting no governance disclosures and others achieving full disclosure. The moderate standard deviation indicates a fair degree of variation in governance practices across the sampled firms, likely reflecting differences in board transparency and regulatory compliance.

The Environmental Disclosure Index (ED) records a mean of 0.8190476, a standard deviation of 0.1931189, and values ranging from 0 to 1. This indicates that, on average, firms disclosed about 82% of environmental responsibility items, such as emissions or sustainability practices, with relatively low variability. This high mean suggests strong environmental disclosure practices overall, though some firms reported no disclosures, possibly due to limited resources or regulatory enforcement in Nigeria's consumer goods sector.

Similarly, the Social Disclosure Index (SD) has an identical mean of 0.8190476, a standard deviation of 0.1931189, and values ranging from 0 to 1. This implies that firms, on average, disclosed approximately 82% of social responsibility items, such as labor practices or community engagement, with consistent variability as ED. The high disclosure rate reflects growing awareness of social responsibilities, though the presence of firms with zero disclosures highlights gaps in adoption, potentially linked to economic constraints or inconsistent ESG reporting standards in Nigeria.

Table 4: Correlation Matrix with VIF

	EVA	GD	ED	SD	VIF
EVA	1.0000				-
GD	0.0328	1.0000			1.032
ED	0.0360	-0.1258	1.0000		1.096
SD	0.0622	-0.0029	-0.0954	1.0000	1.104

Source: ***Author's Compilation, 2025***

The correlation results in Table 4 indicate the relationships between Economic Value Added (EVA) and the Environmental Disclosure Index (ED), Social Disclosure Index (SD), and Governance Disclosure Index (GD), alongside their Variance Inflation Factor (VIF) values, for listed consumer goods companies in Nigeria from 2013 to 2024. The correlation between EVA and GD is very weak and positive, with a coefficient of 0.0328, suggesting almost no meaningful association between governance disclosure and EVA. Similarly, the relationship between EVA and ED is very weak and positive, with a coefficient of 0.0360, indicating that environmental disclosure has minimal impact on EVA. The correlation between EVA and SD is slightly stronger but still weak and positive, with a coefficient of 0.0622, implying that social disclosure has a negligible effect on EVA.

Among the ESG variables, the correlation between GD and ED is negative and weak (-0.1258), suggesting that firms with higher governance disclosure may exhibit slightly lower environmental disclosure, though the association is minimal. The correlation between GD and SD is virtually nonexistent (-0.0029), indicating no meaningful relationship between governance and social disclosure. Likewise, ED and SD show a weak negative correlation (-0.0954), suggesting that increases in environmental disclosure are associated with slight decreases

in social disclosure, though the effect is negligible. All correlation coefficients are well below the 0.7 threshold, ruling out serious multicollinearity concerns. This is further supported by the VIF values, ranging from 1.032 to 1.104, which are close to 1 and far below the conventional cutoff of 10, confirming the absence of multicollinearity issues among the explanatory variables in the study.

Table 5: Hausman Test
Test cross -section random effects

Test Summary	Chi-Sq. Statistics	Chi-Sq. d.f.	Prob.
Period random	1.744699	3	0.6270

Source: ***Author's Computation, 2025***
Table 5 showed the P-value of the Hausman Test of (0.6270) which implies that Random Effect is most preferred.

Table 6: Regression Results
Dependent Variable: EVA
Method: Panel EGLS (Cross-section Random Effects)

Variable	**Coef.**	**Std. E**	**t-Stat.**	**Prob.**
C	2.248	0.258	8.708	0.000
ED	0.736	0.309	2.378	0.019
SD	1.543	0.623	2.478	0.015
GD	0.277	0.130	2.132	0.031
R-squared	0.399			
F-statistic	4.645			
Prob(F-statistic)	0.004			
Diagnostics Test				
Heteros Test	2.162			
Prob. Value	0.095			
Serial Corr. LM Test	37.315			
Prob. Value	0.000			
Wald Test:	13.934			
Prob. Value	0.003			

Source: ***Author's Computation; 2025***
The diagnostic tests provide insights into the model's robustness. The heteroscedasticity test yields a probability value of 0.095, which is above the 0.05 threshold, indicating no significant heteroscedasticity and suggesting consistent error variances across observations. However, the serial correlation LM test reveals significant autocorrelation (probability value = 0.000), highlighting potential issues with correlated errors over time, which may necessitate adjustments such as robust standard errors or inclusion of lagged variables in future analyses. The Wald test, with a probability value of 0.003, confirms the joint significance of the explanatory variables in explaining variations in EVA. Overall, the findings reveal that environmental, social, and governance disclosures play a critical role in enhancing EVA among listed consumer goods companies in Nigeria, supporting the integration of ESG practices to drive sustainable value creation in an emerging market context.
The regression results presented in Table 6 examine the effect of Environmental Disclosure Index (ED), Social Disclosure Index (SD), and Governance Disclosure Index (GD) on Economic Value Added (EVA) for listed consumer goods companies in Nigeria from 2013 to 2024, using a Panel Estimated Generalized Least Squares (EGLS) model with cross-section random effects. The model yields an R-squared value of 0.399, indicating that approximately 39.9% of the variation in EVA is explained by the independent variables. The F-statistic of 4.645, with a probability value of 0.004, confirms the overall model is statistically significant at the 5% level, suggesting that the combined effect of ED, SD, and GD significantly influences EVA.
Examining the individual coefficients, environmental disclosure (ED) shows a positive and statistically significant relationship with EVA (coefficient = 0.736, p-value = 0.019), implying that higher environmental disclosure enhances EVA, likely by improving operational efficiencies or attracting investor confidence that boosts net operating profits after taxes (NOPAT). Similarly, social disclosure (SD) is positively and significantly related to EVA (coefficient = 1.543, p-value = 0.015), indicating that greater social disclosure practices contribute to higher EVA, consistent with the argument that improved social responsibility enhances stakeholder trust and potentially reduces the weighted average cost of capital (WACC). Governance disclosure (GD) also demonstrates a positive and significant effect on EVA (coefficient = 0.277, p-value = 0.031), suggesting that increased governance reporting enhances EVA, possibly due to greater transparency and accountability fostering investor confidence and efficient capital allocation.
Test of Research Hypotheses

Ho_1: Environmental disclosure has no effect on economic value added of listed consumer goods companies in Nigeria.

From table 6 above indicating a p-value 0.019 which is less than 0.05 at significance at the 5% level. We reject therefore reject the null hypothesis and concludes that environmental disclosure has a significant positive effect on economic value added.

The rejection of Ho1, with ED showing a significant positive effect on EVA (coefficient = 0.736, p-value = 0.019), aligns with studies that find environmental disclosures enhance financial performance. Fatemi et al. (2023), Wang et al. (2024) who reported a significant positive correlation between environmental performance and EVA across global listed firms, with a 1% increase in ESG scores leading to a 0.08% rise in EVA over revenues, driven by efficiencies in resource use and reduced regulatory risks. Conversely, Krüger (2022), Agyei-Boapeah et al. (2023) found an insignificant or negative short-term effect of environmental disclosures on EVA in high-cost industries, citing substantial upfront compliance costs that temporarily outweigh benefits, which contrasts with the Nigerian results, possibly due to the longer-term perspective (2013–2024) capturing cumulative gains.

Ho_2: Social disclosure has no effect on economic value added of listed consumer goods companies in Nigeria.

Table 6 above reveals a p-value 0.015 which is less than 0.05, indicating statistical significance at the 5% level. We reject the null hypothesis and concludes that social disclosure has a significant positive effect on economic value added. The rejection of Ho2, with SD exhibiting a significant positive effect on EVA, is consistent with research highlighting social disclosure's role in value creation. Chen et al. (2024); Okechukwu et al. (2024) who demonstrated that high social disclosure scores in emerging markets significantly increase EVA margins by fostering stakeholder trust and reducing WACC, mirroring the Nigerian findings where SD likely enhances EVA through community engagement and labor practices. However, Li and Cheng (2023); Krüger (2022) reported insignificant or negative effects of social disclosures on EVA in underinvesting Asia-Pacific sectors, where high costs of social initiatives strain short-term profitability, differing from Nigeria's results possibly due to the consumer goods sector's sensitivity to stakeholder perceptions.

Ho_3: Governance disclosure has no effect on economic value added of listed consumer goods companies in Nigeria.

Finally, the p-value in respect to governance disclosure is 0.031 which is less than 0.05, indicating statistical significance at the 5% level. We therefore concludes that governance disclosure has a significant positive effect on the economic value added. This implies that increased governance disclosure is associated with a higher economic value. The findings supports studies linking governance disclosures to improved financial outcomes. Garcia-Sánchez and Oliveira (2024); Adeyemi and Omoregie (2024) who found that governance disclosures significantly enhance EVA in European firms by improving transparency and reducing agency costs, consistent with the Nigerian results where GD likely lowers WACC through investor confidence. In contrast, Li and Zhang (2024); Agyei-Boapeah et al. (2023) who found insignificant governance disclosure effects on EVA in high-pollution sectors, where compliance costs overshadow benefits, differing from Nigeria's consumer goods context, which may benefit from governance-driven investor appeal.

5.0 Conclusion and Recommendations

5.1 Conclusion

The study examined the impact of Environmental Disclosure Index (ED), Social Disclosure Index (SD), and Governance Disclosure Index (GD) on Economic Value Added (EVA) among listed consumer goods companies in Nigeria from 2013 to 2024, using a Panel Estimated Generalized Least Squares (EGLS) model with cross-section random effects. This implies that improved ESG practices contribute meaningfully to the creation of shareholder value in Nigeria's consumer goods sector. Specifically, enhanced environmental disclosure improves EVA through cost efficiency, innovation, and reduced exposure to environmental sanctions. Social disclosure strengthens EVA by promoting stakeholder confidence, enhancing corporate reputation, and reducing financing costs through a lower Weighted Average Cost of Capital (WACC). Similarly, governance disclosure positively influences EVA by fostering accountability, transparency, and investor trust, albeit with a relatively smaller magnitude.

5.2 Recommendations

Based on the specific findings obtained above the following recommendations are tailored to leverage their positive effects on EVA for listed consumer goods companies in Nigeria, policymakers, and stakeholders:

i. Companies should invest in sustainable practices, such as eco-friendly packaging, energy-efficient production, and emissions reduction, which link to EVA increases through cost savings and investor

appeal. They should also conduct regular environmental audits to ensure compliance and signal commitment to sustainability, addressing Nigeria's environmental vulnerabilities like resource scarcity.

ii. Consumer goods companies should enhance social initiatives, such as fair labour practices, community development programs, and health and safety measures to foster brand loyalty and reduce WACC in emerging markets.

iii. They should also strengthen governance practices, such as board independence, anti-corruption policies, and transparent decision-making, to boost investor confidence and optimize capital allocation. Training programs for board members and adherence to international governance standards, like those recommended by the Nigerian Exchange Group (2024), can enhance GD's impact on EVA.

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