The Influence of ESG Practices on the Financial Performance and Market Value of Consumer Goods Firms in Nigeria

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Abstract

The ESG reporting narrative gained global business relevance due to regulatory requirements and stakeholder expectations but, in Nigeria a clear compliance gap still exists. KPMG (2022) reported that only 55% of companies in Nigerian adopt ESG practices. Understanding the impact on performance could persuade wider adoption for firms hesitant because of perceived short-term drawbacks especially for Consumer Goods (CG) firms in Nigeria which are situated at the nexus of social expectations, environmental concerns, and consumer wants. This study investigated the influence of individual and combined ESG performance pillars on ROA and market value of CG firms in Nigeria using an ex-post facto research design. Data on ESG disclosures, financial performance and market price were extracted from financial and Sustainability reports of all 21 CG Firms listed on the Nigerian Exchange Group as of July 31, 2025. Hypotheses formulated were tested with a pooled OLS panel regression. Findings revealed that ESG performance scores on energy, recycling, labor practices, training and education, diversity and equal opportunity, board diversity, stakeholder engagement and risk management practices had minimal influences on profitability however, total governance score positively influenced the market value of the firms. The study concluded that though the influence of ESG practices on profitability was insignificant, firms may still be rewarded by investors for good governance practices. The study recommends the implementation of a robust incentive scheme such as tax breaks, sustainability project grants and public recognition/awards to motivate compliance with the IFRS S1 and S2 requirements on ESG practices.