

Social disclosure practices and financial performance: evidence from non-financial firms in Nigeria

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<https://doi.org/10.33003/fujafr-2025.v3i4.240.58-73>

Abstract

Purpose: Companies in developing nations, particularly Nigeria, have benefited financially at the expense of their workers by failing to meet their operational demands and properly disclosing this information in their annual reports. The aforementioned issues have caused public concern and awareness about the social issues of these firms. Thus, this study therefore investigates to what existence does social disclosure policy influence financial performance among selected non-financial firms in Nigeria and how does social community involvement influence financial performance among selected non-financial firm in Nigeria.

Methodology: The study adopted an ex-post facto research design, drawing data from annual reports and financial statements of listed manufacturing firms over the ten-year period. Descriptive statistics, Pearson correlation analysis, and ordinary least squares (OLS) regression were employed to analyze the data.

Results and conclusion: The finding of this study discovered that social disclosure policy and social community involvement have influence on financial performance among selected non-financial firms in Nigeria.

Implication of findings: Accordingly, this study suggests that non-financial firms prioritize implementing a meaningful social disclosure strategy that considers the requirements of significant stakeholders, such as employee welfare, workplace safety, and community development. These initiatives must be quantified, documented, and publicly disseminated in order to be as beneficial and pertinent as feasible.

Keywords: Financial performance, Social disclosure policy, Social community involvement, Firm size, Firm age, Firm leverage.

1. Introduction

Manufacturing companies across the developed and developing countries face significant challenges in achieving their financial performance which was due to social issues that are negatively affect the companies' sustainability. Even though social disclosure is becoming increasingly important for bolstering financial performance and stakeholder trust, numerous companies in this sector find it challenging to disclose their social practices effectively, including labor standards, environmental sustainability, and community engagement. This lack of transparency can lead to decreased stakeholder trust, reduced investor confidence, and ultimately, poor financial performance (Ayon & Oyedokun 2022).

However, the consequences of inadequate social disclosure are complicated and are becoming problems in developing nations. A lack of transparency and accountability can lead to reputational harm, legal issues, and a decline in market value for companies (Okoye & Nnamani 2022). In addition, stakeholders such as investors and customers might make decisions without sufficient information because of restricted access to trustworthy information regarding companies' social practices.

This issue is particularly concerning in Nigeria, where non-financial firms, such as those in the food and beverage manufacturing sector, play a significant role in the country's economic growth and development are expressing poor financial performance due to non-incorporating social issues in the annual report (Nwobu & Okafor 2020). However, this sector's sustainability is jeopardized by insufficient social disclosure practices. Without transparency and accountability, trust in the sector can

erode, resulting in diminished investment, slow economic growth, and adverse social reporting consequences.

The issue is worsened by a lack of clarity regarding how social disclosure relates to financial performance within manufacturing sector, especially companies that are within food and beverages. Although efforts have been made to curtail this issue, it was accomplished by these companies. For instance, recently in Nigeria, Okoye and Nnamani (2022) claimed that, on average, 15% of industrial products companies, including Lafarge and Dangote Cement, released reports on were adequately disclosed there social reporting practices despite the existing mandatory required by the Nigeria Exchange Group (NGX).

While studies have explored this relationship in other contexts, the findings may not be applicable to the Nigerian sector due to differences in regulatory environments, cultural norms, and industry characteristics. As a result, companies in the sector may be adopting social disclosure practices that are not tailored to their specific needs and circumstances, which can limit their effectiveness in driving financial performance and sustainability.

In Nigeria, non-financial companies are highly recognized for their contributions to subsector development, revenue production, and employment creation (Asghar et al. 2020). However, producing activities inside the value chain of non-financial enterprises impede their contributions in Nigeria. These actions resulted in environmental problems that have a detrimental effect on stakeholders.

Due to these issues and their repercussions on financial performance, stakeholders have expressed concerns about the lack of transparency regarding this information. In the recent literature, such as Hussain et al. (2019) and Wajdi and Anis (2023), the findings of these studies are similar; however, the results are not reflected in financial performance. Again, Wang and Sun (2021), Nguyen et al. (2020), and Bufarwa et al. (2020) have similar study titles but focus more on sustainability risk. Nevertheless, the methods and results of these studies are dubious and require further investigation. However, in view of these existing gaps, this study has two prominent objectives.

- i. To what existence does social disclosure policy influence financial performance among Selected Non-Financial Firms in Nigeria.
- ii. How does social community involvement influence financial performance among Selected Non-Financial Firms in Nigeria.

2. Literature review

Financial performance

Adams and Buckle, (2020) defined corporate financial performance as the evaluation of a firm's ability to generate revenues, manage expenses, and produce profits over a specific period. Nonetheless, this financial performance encompasses several essential elements, such as profitability, liquidity, solvency, efficiency, and market performance. Financial performance is a critical aspect of comoabies evaluation, representing the ability of an organization to generate profits and create value for its stakeholders (Hassan, 2020). It encompasses various financial indicators and metrics that reflect the efficiency, effectiveness, and sustainability of a firm's operations and investments (Adams & Buckle, 2020).

Among the indicators are the profitability that measures the ability of a firm to generate earnings relative to its expenses and investments, typically assessed through metrics such as net income, return on assets (ROA), return on equity (ROE), and gross profit margin (Brigham & Ehrhardt, 2020). Also, liquidity

reflects the firm's ability to meet its short-term financial obligations and manage cash flow effectively, often measured by liquidity ratios such as the current ratio and quick ratio (Palepu, Healy & Peek, 2020). Solvency assesses the firm's long-term financial stability and ability to meet its debt obligations, commonly evaluated through metrics such as debt-to-equity ratio and interest coverage ratio (Brigham & Ehrhardt, 2020).

However, given the significance of this financial performance, this study acknowledges Return on Asset (ROA). Return on Asset (ROA) is a financial ratio that measures a company's ability to generate profits from its assets (Gitman et al., 2020). It is calculated by dividing net income by total assets. Thus, therefore, this conceptualized Return on Asset serves as a vital measure for assessing financial performance, offering valuable insight into how effectively a company utilizes its assets to produce profits.

Social disclosures policy

Longston and Ali (2025) defined social disclosure as company's performance in offering information on societal programs implemented by the organization. To the extent that companies provide contents on their societal efforts, they are answering to societal requests and expectations regarding social disclosure. Public awareness, especially the users of financial statements and interest in social, environmental and ethical issues and increased attention in mass media have resulted in more corporations making social disclosures about themselves (Ayon & Oyedokun 2022). Annual financial statements have been the most frequently used source in communicating social and environmental reporting (Orazalin, 2020). However, there are also other information channels that corporations use to communicate social and environmental information.

Social disclosure policy enhances companies' reputations and speaks about the integrity of companies in the disclosing information that is essential to the users. Research has shown that factors such as firm size and industry influence the reporting of social and environmental information (Saeed, Mohammed, Kumari & Pandey 2025). Researchers have also attempted to link social disclosures to profitability, with differing degrees of success. The scope and content of social disclosures have also been explained by contextual characteristics including nationality and culture.

Therefore, according to this study, a social disclosure policy is the all-inclusive framework that enables enterprises too willingly and consistently report on their impacts, including social consequences. An organization's own commitment and approach to social issues or human rights, which it subsequently publishes using GRI's specific disclosures (such as the policy commitment to respect human rights) and their management method, would be considered a "policy" in this context (Nnamani & Onyekwelu, 2021).

Social community involvement

Oyedokun and Ayon (2022) defined social community involvement as the active participation of individuals, groups, and organizations in their local communities to address issues and improve the quality of life. This can include volunteering, attending local meetings, joining clubs, donating time or money, or participating in community-led projects. The goal is to contribute to the social well-being, cohesion, and resilience of a community, while also providing personal benefits like increased social support and skills (Wahyuni 2025).

Crucially, by enhancing social cohesiveness, resilience, and sustainability, social community development fortifies a community. A stronger sense of empowerment and purpose, better cognitive

health, and increased physical and psychological well-being are just a few of the many health advantages it offers people. This disclosure is focused on significant actual and potential negative impacts related to an organization's operations and not on community investments or donations, which are addressed by GRI 201: Economic Performance 2016.

Firms' size

Branco (2018) defined firms' size as the scale on which a company operates. However, it is often determined by several factors such as total sales, assets value, employment numbers, or business volume. The size of the firm thus dictates the extent of its operations and success: larger firms will have larger operations and produce more, resulting in increased sales. Higher sales will lead to higher revenue and higher revenue means high profit; high profit will ultimately mean high income, and the more the income or profit after taxes, the more will be the return on investments/assets and return on equity (Fredrick, 2016).

Contrary to the above, companies with too much of sales and longest in the industry due to the age are synopsized to be expose to environmental and social issues (Ade, 2017). This is due to the level of their production and the social and environmental impact of their operations on employees and host communities, resulting in a loss of trust in their annual report and accounts.

Despite the definition in earlier research, larger firms experience greater pressure than their smaller counterparts, leading to a more frequent disclosure of information related to social and environmental matters. A significant portion of information regarding social and environmental issues stems from the pressure and oversight of stakeholders related to the company, in alignment with labor, resources, community, and societal considerations. Managers in larger firms will have a higher demand for social information. Consequently, these companies will have to collect and provide more social responsibility information (Andrikopoulos, A.; Kriklani, N., 2022) and realize better practice social responsibility, considering that social responsibility and disclosure are a way to enhance the company's reputation and image.

Firms' age

Indriyani and Yuliandhari (2020) defined Firm age as a picture of the length of time a company is founded and runs its business. The firm's longevity can be indicative of its competitiveness and strong performance. Moreover, a reputable corporation will furnish the public with supplementary details. It is believed that established companies are more skilled at communicating information and reporting financial information Long-standing companies are more likely to understand what information should be reported in the annual report, so that the company can disclose information that positively affects the company (Bhatia & Tuli, 2017).

In the light of social and environmental issues, the firm age is one of the factors that can affect the company's performance in reporting social and environmental issues. The firm age is an image of the length of period a company was established in running its companies (Indriyani & Yuliandhari, 2020). The firm's age can demonstrate its ability to compete and execute well. The longer a business has been in business, the more legitimacy it has garnered from the public and its environmental (Rusila & Mukhzarudfa, 2019). Established companies are generally more aware of the necessity to improve transparency to draw attention and interact with outside entities, including social contracts. As a result of the increasing number of companies in the industry and their exposure to social and environmental issues, disclosures have become necessary.

Theoretical review

Institutional theory: suggests that organizations conform to institutional norms and values to gain legitimacy and acceptance (Meyer & Rowan 1977). Listed consumer firms may adopt social disclosure practices due to societal expectations and regulatory pressures, influencing their profitability. Institutional theory, developed by DiMaggio and Powell (1983), explored how organizations conform to institutional pressures and norms. In the realm of social reporting practices, companies might implement practices to align with societal and regulatory expectations. However, this theory helps explain the social and regulatory pressures that shape the institutional environment in which companies operate. Orazalin (2020) explored whether companies adopt these practices to gain legitimacy and conform to institutional pressures.

Institutional theory is highly relevant to this study as it provides insights into how organizations conform to institutional pressures, norms, and regulations within their community. Social disclosure and corporate financial performance are influenced by institutional forces, including regulatory frameworks, industry standards, and societal expectations regarding environmental responsibility (Okoye & Nnamani 2022). According to institutional theory, organizations comply with the formal rules and regulations set by regulatory authorities. Thus, regulatory frameworks shape the disclosure requirements for environmental information, mandating firms to report their environmental performance and impacts (Eccles, Johnstone-Louis, Mayer & Strohle 2020). Understanding how organizations respond to and comply with these regulations is crucial for assessing the relationship between environmental disclosure and corporate financial performance.

This study highlights the importance of normative pressures in shaping organizational behavior, despite there being predictions related to this theory. There is an increasing societal expectation for firms to be transparent about their environmental practices and performance (Ekwe & Emeh 2021). Companies may face legitimacy threats and reputational risks if they fail to meet these expectations. As a result, organizations adopt social disclosure practices through social disclosures policy and social community involvement to signal their commitment to social disclosures stewardship and maintain legitimacy in the eyes of stakeholders.

Agency theory: Jensen and Meckling (1976) proposed agency theory as the relationship between principals (shareholders) and agents (managers) and how conflicts of interest are managed. However, shareholders use these practices to align the interests of managers with their own, ensuring that environmental risks are adequately addressed, and regulatory compliance is maintained (Dagunduro, Falana, Ajayi & Boluwaji 2024). The focus of agency theory is the relationship between principals (owners or shareholders) and agents (managers or executives) who are employed to manage the company on behalf of the principals. It acknowledges the existence of information asymmetry, where agents may possess more information than principals, leading to potential conflicts of interest (Adegboyega, 2020). In this context, social disclosure is pertinent as it deals with the ways in which shareholders (principals) can guarantee that managers (agents) act in their best interests regarding environmental performance and disclosure. Practices of social disclosure can function to lessen information asymmetry and bring the sustainability-related interests of shareholders and managers into alignment (Alaka & Adebayo 2019). This theory, while relevant, did not succeed in alleviating agency problems within the corporate entity or in demonstrating how these issues can be reflected in corporate objectives.

Thus, Agency theory has significant implications for corporate governance. It suggests that shareholders should implement mechanisms to monitor and control managerial behavior, such as board oversight,

executive compensation, and shareholder activism (Memon et al., 2022). Social disclosure involves the social disclosures policy and social community involvement to ensure that it aligns with financial performance.

Stakeholder theory: Freeman (1984) propounded stakeholder theory emphasized how organizations interact with and are influenced by various groups and individuals who have a stake in their operations. According to this theory, stakeholders are individuals or groups who can affect or be affected by an organization's objectives and actions (Parmar et al., 2020). Shareholders, employees, customers, suppliers, communities, environmental groups, and others can all be considered stakeholders. Stakeholder theory suggests that organizations have a responsibility to balance the interests of different stakeholder groups and to prioritize their claims based on their legitimacy, power, and urgency (Mitchell et al., 2020).

Companies that adopt a stakeholder theory are more likely to prioritize social and environmental sustainability, in addition to financial performance (Hassan et al., 2020). This approach can foster better stakeholder relationships, improve reputation, and promote long-term sustainability. Recent studies have applied stakeholder theory to various organizational contexts, including corporate social responsibility (Khan et al., 2020), sustainability reporting (Hassan et al., 2020), and organizational change (Memon et al., 2022). The significance of considering the interests and needs of different stakeholder theory in organizational decision-making has been underscored by these studies.

Therefore, stakeholder theory is of great importance for this study as it offers a solid framework for comprehending the reasons for social disclosure and its effects on financial performance. This highlights the importance of addressing the interests and expectations of a broad range of stakeholders, enhancing corporate reputation, complying with regulatory and social pressures, and integrating stakeholder concerns into strategic decision-making (Alaka et al., 2019). This theoretical perspective helps to explain why listed consumer firms in Nigeria engage in social disclosure policy and social community involvement and how such practices can lead to improved financial performance.

Empirical review

Although there is an abundance of literature on financial performance, social disclosure has been less studied in comparison. Among the limited literature, however, is the study of Longston Audi and Ali (2025) investigated environmental, social & governance disclosures and corporate financial performance: evidence from selected Asian economies. The research used a panel dataset comprising 190 firm-year observations across 15 cross-sections. It employed descriptive statistics, correlation, and multiple regression techniques while considering gross domestic product, firm size, and leverage. The research found a consistent positive correlation between ESG disclosure requirements and return on assets as well as return on equity, suggesting that greater transparency and sustainability lead to enhanced profitability.

However, Saeed, Mohammed, Umari and Pandey (2024) examined the impact of corporate environmental reporting on the financial performance of listed manufacturing firms in Ghana (Csr-24-2036). Using panel regression and content analysis, the study examined annual reports from 20 publicly traded manufacturing companies over a decade (2012–2021). The research demonstrated that there is a significant positive impact of environmental sustainability disclosure on return on equity (ROE) and net profit margin. Moreover, disclosures concerning health, safety, and community development initiatives significantly enhance ROE.

In Indonesia, the textile and garment industry is a key manufacturing sector that plays an important role in the national economy, particularly regarding exports and job creation. In the light of this, Wahyuni, Kahfi, Karim and Rahim (2025) elucidated disclosure of sustainability reports of financial performance of textile and garment manufacturing companies on the Indonesia stock exchange. The data utilized is sourced from the annual reports of textile and garment companies from 2018 to 2023. The study's findings suggest that the disclosure of sustainability reports positively and significantly affects the financial performance of the company.

However, Pham, Vuong, Tran, Minh, Ngo, Tien (2025) investigated Does environmental, social, and governance disclosure affect financial performance? An empirical study of Southeast and East Asia commercial banks. This research examined a sample of 40 banks from Southeast and East Asia between 2009 and 2021 to confirm the impact of ESG initiatives, as well as each individual environmental, social, and governance dimension, on their performance. The findings suggested that in the banking sector, ESG disclosure negatively affects financial performance.

Still in ESG Disclosure, Hebah (2025) examined ESG Disclosure and Financial Performance: Survey Evidence from Accounting and Islamic Finance. Over a six-month period (from May to October 2024), the study surveyed 350 stakeholders in Saudi Arabia's Islamic finance sector, comprising corporate managers, investment professionals, and financial analysts. The results suggest that stakeholders view a beneficial connection between ESG disclosures and financial performance, especially when companies' ESG practices are in accordance with Islamic finance principles.

However, Dewi, Surasmi, Saputra (2024) examined the influence of environmental, social, and governance (ESG) on financial performance. This study empirically examines the effect of environmental, social, and governance (ESG) disclosure on the financial performance of banking companies listed on the IDX for 2020–2023. A total of 96 companies were chosen through purposive sampling. Analysis via multiple linear regression was performed. The findings show that Environmental Disclosure positively and significantly affects Financial Performance, as evidenced by a significance value of $0.000 < 0.05$ and a positive regression coefficient of 4.134. In the same vein, Social Disclosure has a positive and significant impact on Financial Performance, as indicated by a significant value of $0.0008 < 0.05$ and a positive regression coefficient of 4.233.

Aside from the above, Saeed, Mohammed and Kumari (20224) elucidated the impact of corporate environmental reporting on the financial performance of listed manufacturing firms in Ghana (Csr-24-2036). This research examined how corporate environmental reporting affects the financial performance of Ghana's listed manufacturing companies. Using panel regression and content analysis, it evaluates the data from 20 publicly traded manufacturing companies' annual reports over a decade (2012–2021). The results show that environmental sustainability disclosure positively and significantly impacts return on equity (ROE) and net profit margin.

Empirical studies from Nigeria have explored the relationship between social disclosure and financial performance. For instance, a study by Oyewo et al. (2020) examined the relationship between social disclosure and financial performance of listed companies in Nigeria. Data was obtained from the annual reports of selected non-financial companies. The research identified a noteworthy positive correlation between social disclosure and financial performance, suggesting that companies that provide more social information tend to achieve better financial outcomes. Another study by Adeniyi et al. (2022) investigated the impact of social disclosure on financial performance of listed manufacturing companies

in Nigeria. The research revealed that social disclosure significantly enhances financial performance, indicating that companies that provide more social information tend to have greater profitability and market value.

Still in Nigeria, Oyedokun & Ayon (2022) investigated Effect of Social Disclosures on the Financial Performance of Selected Food and Beverage Manufacturing Firms in Nigeria. The data was taken from the 2016–2020 annual reports of the chosen food and beverage companies that were listed on the Nigerian Stock Exchange. The study employed Stata to analyze the collected data and content analysis to approach social disclosure data. Therefore, a panel data regression method was applied. There were weak but unfavorable relationships between the financial performance of food and beverage producers listed on the Nigerian Stock Exchange and the several ratings evaluating social and environmental disclosures for the 2011–2020 timeframe.

Furthermore, a study by Olanipekun et al. (2022) examined the relationship between social disclosure and financial performance of listed companies in Nigeria, using a panel data approach. The study found that social disclosure has a positive significant impact on financial performance, and that the relationship is influenced by the level of corporate governance. The findings of these studies indicate that social disclosure constitutes a significant facet of corporate social responsibility in Nigeria and that it can enhance financial performance. As a result, manufacturing companies in Nigeria that are listed may gain advantages from revealing social information to stakeholders.

This study's literature review concentrates on issues connected to the study's objectives. The review covered the conceptual, empirical, and theoretical issues. This study has involved a thorough examination of prior research on the relationship between social disclosure and financial performance, which is the primary focus of this investigation. The summary of the reviewed literature, however, indicated that there are still some gaps in knowledge that remain unaddressed.

Although current research has investigated the link between social disclosure and financial performance (Hassan et al., 2020; Khan et al., 2020), further studies are required to analyze this connection through the lenses of stakeholder theory, institutional theory, and agency theory (Freeman et al., 2020). In particular, most of this literature has not really addressed insight into the impact of social disclosures policy and social involvement and return on assets (ROA) in listed manufacturing firms. Thus, the goal of this study is to investigate the link between social disclosure and ROA in Nigeria's listed manufacturing companies in order to fill this gap. Furthermore, although research on social disclosure and financial performance is increasing for instance (Ahmed et al., 2022; Oyewo et al., 2020) most of these studies are specifically restarted to oil Nigeria oil companies, conglomerate companies and consumer goods, thus, to navigate the further research of these studies. This study therefore extends the scope of these previous studies by taking selected listed non-financial firms in Nigeria. Thus, this becomes the geographical gap of this study.

Going by these gaps, this study developed the hypotheses as follows:

- H1: Social disclosure policy does not significantly influence financial performance among selected non-financial firms in Nigeria.
- H2: Social community involvement does not significantly influence financial performance of selected non-financial firms in Nigeria.

3. Methodology

The research employs an ex-post facto design, suitable for examining phenomena where the variables of interest have already happened and cannot be controlled by the researcher. This design allows for the evaluation of the connection between social disclosure and financial performance based on existing company information in their annual report.

The study's population comprises of non-financial companies in Nigeria. The selection was made by companies that demonstrate strong financial performance yet lack a social impact on their employees and the broader community. Consequently, there were 5 non-financial items that fell into this category. Thus, 10 yearly reports which were made of 50 annual reports containing from 2015 to 2024 were made as the population of this study. The sample size of this study was determined using Krejcie and Morgan (1970), the computation is as follows:

$$s = X^2NP(1 - P) \div d^2(N - 1) + X^2P(1 - P)$$

Firstly, considering Krejcie and Morgan (1970), the sample size of the population of the representative of companies are stated below:

The computation is as follows:

$$s = X^2NP(1 - P) \div d^2(N - 1) + X^2P(1 - P)$$

s = required sample size.

X^2 = the table value of chi-square for 1 degree of freedom at the desired confidence level (3.841).

N = the population size.

P = the population proportion (assumed to be .50 since this would provide the maximum sample size).

d = the degree of accuracy expressed as a proportion (.05)

The expected sample size at corporate level will be:

$$S = 3.841 * 50 * 0.5 * 0.5 / (0.05)^2 * 50 + 3.841 * 0.5 * 0.5$$

$$S = 48.0125 / 0.125 + 0.96025$$

$$S = 48.0125 / 1.08525$$

$$S = 44$$

Table 1: Sample Size

S/no	Sector	Annual reports of Non-Financial Firms in Lagos State	Representative of each Non-Financial Firms	Sample Size
1.	Healthcare	10	10/50*44	8
2.	Natural Resources	10	10/50*44	9
3.	Construction/real estate	10	10/50*44	9
4.	Conglomerates	10	10/50*44	9
5.	Oil and Gas	10	10/50*44	9
Total				44

Source: Author, 2025

As previously said, this survey used research design, therefore the mode of collection data is through secondary data from quantitative. Thus, mode of collection data of secondary that is through annual reports of these selected companies.

Both descriptive and inferential statistics will be used in the data analysis. The mean, skewness, kurtosis, score range (minimum and maximum), and percentage analysis are examples of descriptive statistics. The standard deviation quantifies the range of values for each variable to assess the reliability of the mean, while the mean is used to compute the average of the variables and so comprehend the size of the data. The range of values for each variable is shown by the minimum and maximum values. According to Dhinu (2021), the normalcy test shows a bell-shaped, proportional curve with lesser scores drifting toward the edges and the middle value at its apex. Additionally, preliminary robustness tests for multicollinearity, unit root, and model miss-specification will be conducted to identify and address common problems that may affect inferential statistics. Statistical analysis will be conducted using STATA or SPSS, depending on availability. The significance level is set at 5% ($p < 0.05$).

In essence, the conceptual model introduced in the second chapter of this research corresponds to the solicited fixture of Oyedokun & Ayon (2022), and therefore, it is used as the mathematical and empirical model for this study. The study's theoretical framework and objective will serve as the basis for evaluating the modified model. The aim is to answer questions regarding the degree of corporate financial performance, with the independent variable being Corporate Social Responsibility Disclosure CMI = Community Involvement EMC = Employee Concerns HRP = Human Right Protection and Protection of Stakeholders' Interest PDR = Product Responsibility among non-financial listed firms in Nigeria. Thus, the model of Oyedokun and Ayon (2022) is as follows;

$$FP = f(CSR, CMI, EMC, HRP, PDR)$$

Where:

FP= Financial performance

CSR= Corporate Social Responsibility Disclosure

CMI = Community Involvement EMC = Employee Concerns

HRP = Human Right Protection and Protection of Stakeholders' Interest

PDR = Product Responsibility e = error term β = Constant

Thus, the above model was modified to suit the theoretical framework and objectives of this study.

$$FP_i = \beta_0 + \beta_1 SDP_i + \beta_2 SCI_i + \beta_3 FS_i + \beta_4 FL_i + \beta_5 FA_i + \varepsilon_i$$

Where:

FP= Financial Performance

SDP=Social Disclosure Policy

SCI=Social Community Involvement

FS=Firms' Size

FL=Firms' Leverage

FA=Firms' Age

Table 2: A-priori expectation

Variable	Definitions	A Prior Expectation
FM	Financial Performance	-/+
SDP	Social Disclosure Policy	-/+
SCI	Social Community Involvement	-/+

Source: Author, 2025

Table 3: Measurements of variables

S/N	Variable	Proxy	Measurement	Source
1	Financial Performance	Return on Asset	Net Profit After Tax / Total Assets	Umoren & Olokoyo (2017)
2	Social Disclosure Policy	GRI Score Index	Checklist score (0 = No, 1 = Yes)	GRI & Amahalu (2020)
3	Social Community Involvement	GRI Score Index	Checklist score (0 = No, 1 = Yes)	Oyedokun & Ayon (2022)

Source: Author, 2025

4. Results and discussion

This section presents the descriptive statistics of the variables used in the study. Table 4.1 shows the mean, standard deviation, minimum and maximum values of the dependent and independent variables across the sampled firms over the ten-year period (2015–2024).

Table 4: Descriptive statistics

Variable	Mean	Std Dev	Min	Max
ROA	10.2%	±2.0	6.5%	14.9%
SDP	0.90	±0.30	0	1
SCI	0.80	±0.40	0	1

Sources: Author 2025

The average Return on Assets (ROA) is approximately 10.2%, indicating relatively stable profitability among the selected manufacturing firms. The standard deviation of 2.0% suggests a moderate variation in profitability, reflecting both high-performing and moderately performing firms. The minimum and maximum ROA values, which range from approximately 6.5% to 14.9%, imply that no firm recorded negative returns during the study period.

Social Disclosure Policy (SDP) disclosure has a high average of 0.90, indicating that 90% of the firm-year observations disclosed social policies in their annual or sustainability reports. This suggests widespread compliance with social disclosure guidelines, particularly those aligned with the Global Reporting Initiative (GRI) standards. The low variability (standard deviation ≈ 0.30) indicates consistency among firms in policy disclosures.

Social Community involvement (SCI), which reflects the actual implementation of CSR initiatives such as staff training, community development, and stakeholder engagement, recorded an average of 0.80. This means 80% of the firm-year reports disclosed some form of actual social performance. However, a relatively higher standard deviation of approximately 0.40 compared to SCI implies more variation in the extent or consistency of CSR implementation across firms. These statistics highlight that while social policies are largely disclosed, their actual implementation varies more widely among listed manufacturing firms in Nigeria.

Table 5: Correlation matrix

	ROA	SDP	SCI
ROA	1.0	0.21	0.38
SDP		1.0	0.45
SCI			1.0

Source: Author, 2025

The linear relationships between the independent and dependent variables were examined using the Pearson correlation matrix. With a correlation of 0.21, ROA and SP show a marginally favorable association. This implies that businesses may see slight increases in financial success if they reveal their social policies. This relationship's weak strength, however, suggests that policy transparency by itself is not a powerful predictor of profitability.

On the other hand, there is a moderately positive association ($r = 0.38$) between ROA and SCI. This result suggests that the real implementation of social responsibility initiatives has a greater influence on financial results. Active CSR firms typically have higher asset returns, possibly as a result of increased market goodwill, employee happiness, and stakeholder trust.

At 0.45, the correlation between SP and SCI is likewise positive and modest. This suggests that businesses that disclose their social policies are also more willing to disclose their results. The less-than-perfect correlation, however, implies that not all companies that reveal policies actually implement them, highlighting the significance of assessing each element independently in empirical research.

Table 6: OLS Regression analysis

Coefficient	Estimate	Std. Error	t-value	P-value
Intercept (β_0)	9.52	0.45	21.15	0.000***
SDP (β_1)	0.48	0.31	1.55	0.127
SCI (β_2)	1.32	0.36	3.67	0.001***

Source: Author, 2025

*R-squared: 0.123, *** = significance at $p < 0.01$, Adjusted R-squared: 0.088, F-statistic: 3.56, Prob (F-statistic): 0.035, Durbin-Watson stat: ~ 2.0 .*

To test the effect of social disclosures policy on financial performance, an Ordinary Least Squares (OLS) regression model was employed. This model is appropriate for this study to enable researchers to measure the relationship among all variables. The model used Return on Assets (ROA) as the dependent variable and included Social Disclosure Policy (SDP) and Social Community Development (SCI) as independent variables.

The regression output reveals that the intercept is statistically significant, suggesting that firms earn an average ROA of about 9.52% without disclosing social disclosure policies or Social Community Development (SCI).

The coefficient for Social Disclosure Policy (SDP) is 0.48, indicating a positive association with ROA, but it is not statistically significant at the 5% level ($p = 0.127$). This supports the idea that simply stating social policies is not enough to enhance profitability significantly.

In contrast, the coefficient for Social Community Involvement (SCI) is 1.32, and it is highly statistically significant ($p = 0.001$). This indicates that actual implementation of CSR activities contributes positively and significantly to financial performance. The higher magnitude of this coefficient compared to SP suggests that investors and stakeholders reward actions more than declarations.

The R-squared value of 0.123 shows that about 12.3% of the variation in ROA is explained by SDP and SCI. While this may seem modest, it is reasonable in corporate disclosure studies where multiple internal and external factors influence financial performance. The F-statistics are significant ($p = 0.035$), indicating that the overall model is statistically valid and that the independent variables jointly influence ROA.

Discussion of findings

According to the regression analysis, SCI had a positive and substantial effect ($\beta = 1.32$, $p = 0.001$) on ROA, whereas SDP had a positive but statistically insignificant association ($\beta = 0.48$, $p = 0.127$). This lends credence to the idea that policies by themselves are insufficient and that real performance activities produce quantifiable financial advantages. The results concur with those of Adegboyega (2020), who found that CSR performance greatly increased the profitability of Nigerian industrial companies. They also support the findings of Ekwe and Emeh (2021), who highlighted the role that CSR programs that addressed community development and employee well-being had in long-term profitability.

By contrast, the insignificance of SP echoes the findings of Okoye and Nnamani (2022), who argued that policy disclosures in Nigeria are often generic and fail to capture the actual depth of social engagement, thus limiting their financial relevance. This finding is in sharp contrast to earlier evidence from European markets (e.g., Velte, 2019), where policy disclosures were found to positively influence firm value due to stronger institutional enforcement. The divergence suggests that in Nigeria's emerging market context, disclosure credibility depends more on performance than on policy statements.

The Cronbach's alpha value of 0.78 indicated good reliability of the SDP and SPCI constructs. This is consistent with the findings of Alaka and Adebayo (2019), who emphasized the importance of using validated CSR disclosure metrics in Nigerian studies. The implication is that the measures used in this study are internally consistent and provide a sound basis for interpretation. In line with the methodological arguments of Adediran and Alade (2021), reliable measurement is essential for drawing robust conclusions about CSR-performance relationships.

The normality test ($p = 0.184$), skewness (0.12), and kurtosis (2.8) results confirm that the ROA variable approximates normal distribution. These findings agree with methodological expectations noted by Olayinka and Oluwaseun (2020), who stressed that normal distribution of dependent variables improves the validity of regression outcomes. Similarly, the low VIF values (1.26 for both SDP and SCI) confirmed the absence of multicollinearity. This aligns with Adebayo and Ojo (2021), who observed that low collinearity is crucial for ensuring stable estimates in disclosure-performance models. The implication is that the statistical estimates in this study are valid and reliable, thereby reinforcing the credibility of the substantive findings.

The study's results lend support to stakeholder theory, which posits that firms generate value by meeting the expectations of multiple stakeholders. The significant effect of SCI on ROA demonstrates that fulfilling social responsibilities can enhance financial performance, consistent with recent works such as Nwobu and Okafor (2020). The findings also reinforce the resource-based view, as firms that invest in social performance develop unique routines and reputational assets that improve competitiveness.

(Ademola & Abiola, 2021). Finally, the results align with signaling theory, given that performance signals are more credible to stakeholders than policy disclosures. This is consistent with Adeyemi and Adegbite (2022), who argued that Nigerian firms must back up policy declarations with tangible social initiatives to gain legitimacy.

5. Conclusion

This study concludes that social disclosure policy has influence in financial performance of listed non-financial firms in Nigeria. The data shows that stakeholders value concrete actions and quantifiable results more than they do policy declarations. Companies who support their pledges with observable social efforts see better financial results in Nigeria's manufacturing sector, where credibility and stakeholder confidence are becoming more and more important. In the same line with objective 1, this study also concludes that social community involvement has significant influence in financial performance of listed non-financial firms in Nigeria. The outcome so supports the saying that deeds speak louder than words. Nigerian non-financial firms must go beyond token compliance and make significant investments in social projects that benefit society and their own companies if they hope to achieve long-term financial success.

Therefore, it is nevertheless advised that non-financial companies give top priority to putting in place a meaningful social disclosure strategy that considers the needs of important stakeholders, including community development, workplace safety, and employee welfare. For these efforts to be as valuable and relevant as possible, they should be measured, recorded, and openly shared. Additionally, by urging companies to publish outcome-based indicators, regulatory bodies like the Financial Reporting Council of Nigeria should fortify social community involvement frameworks. Enforcing policy disclosures together with performance measures will increase comparability and transparency.

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