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Sustainability Reporting and Dividend Policy of Listed Consumer Goods Manufacturing Companies in Nigeria

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ABSTRACT

This study examined the empirical effect of corporate sustainability reporting on the dividend policy of listed consumer goods manufacturing companies in Nigeria. Anchored in Legitimacy Theory, the study adopted an ex-post facto longitudinal panel design analyzing 13 purposively selected firms on the Nigerian Exchange Group (NGX) across an 11-year period (2015–2025), yielding 143 firm-year observations. The Environmental Sustainability Reporting Index (ESRI), Social Sustainability Reporting Index (SSRI), and Governance Sustainability Reporting Index (GSRI) served as independent variables measuring sustainability reporting, while the Dividend Payout Ratio (DPR) represented dividend policy. Multiple regression analysis revealed that ESRI exerted a statistically significant negative effect on DPR (β = -1.1245, p = 0.008), indicating that capital-intensive environmental compliance outlays create liquidity pressures that compete with dividend distributions. Conversely, SSRI had a positive but insignificant effect (β = 0.8421, p = 0.103), and GSRI displayed an insignificant negative effect (β = -0.2114, p = 0.667). The joint estimation test confirmed that combined ESG dimensions significantly influenced DPR (F = 4.18, p = 0.0074), explaining 13.45% of variance in payouts. The study concluded that sustainability reporting drives payout policy under Pecking Order dynamics and recommended establishing green capital reserves to smooth future dividends.

Keywords: Corporate sustainability reporting, Dividend payout ratio, ESG compliance, Environmental reporting, Nigerian Exchange Group, Dividend policy.

1.0 INTRODUCTION

Dividend policy is a critical financial decision that directly influences shareholder wealth, corporate valuation, and investment attractiveness by balancing earnings distribution with retained capital for expansion (Baker & Weigand, 2015). Although Miller and Modigliani (1961) argued that dividend decisions are irrelevant under perfect markets, subsequent literature confirms that cash payouts convey vital signals regarding firm profitability and organizational stability (Brigham & Ehrhardt, 2022). In emerging economies like Nigeria, dividends play a particularly vital role because investors rely heavily on immediate cash distributions as a primary source of return (Uwuigbe et al., 2021), placing continuous pressure on listed firms to maintain stable payout ratios. Contemporary corporate reporting increasingly incorporates non-financial metrics across environmental, social, and governance (ESG) pillars to evaluate long-term risk management and sustainability commitments (Friede et al., 2021). Environmental disclosures capture waste management, energy consumption, and emissions (Buallay, 2019; Dissanayake et al., 2023); social reporting details employee welfare, health, and community engagement (Naciti, 2019; Ahmad et al., 2021); and governance reporting focuses on board composition, independence, and internal controls (Velte, 2020; Mohammed & Salawu, 2023). However, implementing ESG initiatives requires substantial capital that may create short-term liquidity constraints, competing directly with distributable earnings (Alareeni & Hamdan, 2020; Odoemelam & Okafor, 2022; Lakhal et al., 2023). Conversely, effective ESG practices can lower agency costs, enhance operational efficiencies, and improve cash flow stability, thereby supporting dividend capacity over time (Issa et al., 2022; Velte, 2021; Elmagrhi et al., 2021).

Despite widespread global ESG adoption (KPMG, 2024; Aifuwa et al., 2023), significant debate persists over whether sustainability reporting enhances or constrains dividend policy (Baker et al., 2024). On one hand, compliance outlays on clean technology, safety protocols, and community projects consume liquid resources that could otherwise fund payouts (Buallay et al., 2023; Al-Najjar & Elgammal, 2023; Odoemelam et al., 2024). On the other hand, proponents argue that ESG reporting reduces information asymmetry, builds stakeholder trust, and protects long-term profitability to support consistent distributions (Benlemlih & Bitar, 2024; Atan et al., 2023).

This tension is especially pronounced in the Nigerian consumer goods sector, where firms face high environmental footprints alongside strong market pressures for cash payouts (Ezeagba & Nwakoby, 2023). Prior empirical research in Nigeria has focused primarily on financial performance, firm value, or earnings quality (Innocent et al., 2014; Nze et al., 2016; Uwuigbe et al., 2018), while dividend studies remain limited (Badu & Sam, 2015; Barros et al., 2020). Moreover, existing inquiries often analyze single metrics rather than testing the combined effect of all three ESG dimensions (Olayinka & Temitope, 2011; Kajola et al., 2018; Ementa, 2019). To address these gaps, this study examines the individual and combined effects of environmental, social, and governance sustainability reporting on the dividend policy of listed consumer goods manufacturing companies in Nigeria. Guided by four research questions, specific objectives, and corresponding null hypotheses, the study investigates whether environmental (H01), social (H02), governance (H03), or their joint interaction (H04) significantly drive corporate payout decisions.

2.0 LITERATURE REVIEW

2.1 Conceptual Review

2.1.1 Sustainability Reporting

Sustainability reporting has evolved from voluntary social disclosure into a core mechanism of corporate accountability. While traditional financial reporting focuses on historical monetary results, contemporary complexities require comprehensive disclosures covering environmental, social, and governance (ESG) impacts (Adams & Abhayawansa, 2022). Grounded in sustainable development principles (Bebbington et al., 2021), sustainability reporting systematically measures and communicates organizational performance toward long-term value creation (Global Reporting Initiative, 2020; Hahn & Kühnen, 2022). Operational frameworks rely heavily on the triple bottom line paradigm, evaluating economic, environmental, and social dimensions alongside financial yield (Elkington, 2020). Global ESG adoption is propelled by climate risks, evolving standards like the International Sustainability Standards Board, and shifting capital strategies (Eccles & Klimenko, 2022; United Nations, 2023). Within corporate governance, ESG disclosures enhance organizational legitimacy, reduce information asymmetry, and strengthen stakeholder relations (Deegan & Unerman, 2024; Dissanayake et al., 2023) while improving financial stability and cost efficiency (Friede et al., 2021; Atan et al., 2023). In Nigeria's consumer goods manufacturing sector, sustainability reporting has gained momentum in response to international disclosure norms, regulatory mandates, and operational footprint concerns (Aifuwa et al., 2023; Ezeagba & Nwakoby, 2023). Despite implementation hurdles involving compliance costs and data standardization, it remains vital for aligning profitability with stewardship (KPMG, 2024).

2.1.2 Environmental Sustainability Reporting

Environmental sustainability reporting represents a vital dimension of corporate disclosures, systematically communicating an organization's interactions with the natural environment and its strategies to mitigate ecological impacts. As global concerns intensify over climate change, biodiversity loss, pollution, and resource depletion, stakeholder demand for corporate environmental transparency has surged. Grounded in sustainable development, environmental reporting reflects the responsible utilization and conservation of natural capital to ensure current economic pursuits do not compromise future ecological needs (United Nations, 2023). According to the Global Reporting Initiative (2020) and Dissanayake et al. (2023), it involves measuring and disclosing indicators such as energy consumption, greenhouse gas (GHG) emissions, waste management, water stewardship, and regulatory compliance. The adoption of environmental reporting is driven by investors, consumers, and regulators evaluating corporate legitimacy through environmental accountability (Adams & Abhayawansa, 2022). Core disclosure areas encompass energy efficiency (Buallay et al., 2023), GHG emissions and climate risk mitigation aligned with TCFD recommendations (KPMG, 2024), circular production systems (Hahn & Kühnen, 2022), and water treatment protocols (Atan et al., 2023). Standardization by the International Sustainability Standards Board has elevated these disclosures from voluntary gestures to rigorous requirements (Velte, 2023).

Beyond compliance, environmental disclosures reduce information asymmetry, mitigate liabilities, build brand equity, and enhance access to capital (Eccles & Klimenko, 2022; Friede et al., 2021), while internal tracking improves resource efficiency (Adams, 2022; Issa et al., 2022). Nevertheless, challenges persist regarding data collection costs, measurement inconsistencies, and greenwashing risks (KPMG, 2024). In Nigeria’s consumer goods manufacturing sector, environmental reporting carries significant relevance due to resource-intensive operations, energy usage, effluent generation, and packaging waste (Aifuwa et al., 2023; Ezeagba & Nwakoby, 2023). Critically, environmental reporting influences corporate payout policy: while green initiatives require substantial capital allocations for clean technologies and waste infrastructure, they ultimately strengthen long-term cash flow stability and dividend capacity by lowering operational costs and risk exposure (Buallay et al., 2023; Issa et al., 2022).

2.1.3 Social Sustainability Reporting

Social sustainability reporting is a crucial component of modern corporate disclosures, focusing on an organization's interactions with its workforce, customers, supply chain partners, host communities, and broader society. Grounded in the imperative to enhance human well-being, equity, and inclusion, social reporting aligns corporate practices with societal development goals (United Nations, 2024; Adams & Mueller, 2024). Shifted beyond traditional financial statements, contemporary reporting expects firms to demonstrate accountability across human capital management, ethical conduct, and social value creation (Dissanayake et al., 2023). Based on frameworks like the Global Reporting Initiative, core disclosure pillars encompass labor standards, health and safety protocols, diversity, human rights, community relations, and product responsibility. Framed by Stakeholder Theory, social disclosures communicate how firms create value for all constituent groups, enhancing legitimacy and reducing perceived risk for investors (Freeman et al., 2021; Eccles & Klimenko, 2022). Effective disclosures strengthen corporate reputation, employee morale, and customer retention (Adams, 2022; Buallay et al., 2023; Friede et al., 2021). However, critics highlight challenges regarding the qualitative nature of social metrics, greenwashing, and symbolical impression management (Cho et al., 2015; Gray & Milne, 2021; Hahn & Kühnen, 2022). In the Nigerian consumer goods manufacturing sector, social sustainability reporting is vital given the industry's reliance on workforce productivity, community engagement, and consumer protection (Ezeagba & Nwakoby, 2023). Regarding dividend policy, social initiatives require direct operating expenditures that can temporarily absorb liquid capital, creating competition with cash payouts. Conversely, strong social investments cultivate long-term stakeholder loyalty, boost organizational efficiency, and stabilize cash flow generation, ultimately supporting higher payout capacity over time.

2.1.4 Governance Sustainability Reporting

Governance sustainability reporting focuses on the internal structures, policies, and oversight mechanisms that direct and hold organizations accountable (Velte, 2023). Unlike environmental and social disclosures, governance reporting reveals how leadership quality, internal control systems, and ethical frameworks support long-term value creation. Global frameworks like the Global Reporting Initiative position governance as the foundation for managing operational and sustainability risks. Theoretically, Agency Theory posits that robust governance mitigates manager-shareholder conflicts, reduces information asymmetry, and curbs managerial cash hoarding (Freeman et al., 2021), while Stakeholder Theory views transparency as a commitment to broad accountability. Effective governance lowers the cost of capital and strengthens investor trust (Buallay et al., 2023), though scholars warn against symbolic compliance that masks weak execution (Cho et al., 2015). In Nigerian consumer goods manufacturing, governance reporting ensures earnings quality, curbs managerial opportunism, and aligns capital allocation to maintain stable dividend policies (Ezeagba & Nwakoby, 2023).

2.1.5 Dividend Policy

Dividend policy remains a foundational corporate financial decision, governing the allocation of net earnings between shareholder cash distributions and retained capital for reinvestment (Brigham & Ehrhardt, 2023; Ross et al., 2022). Management must balance investor demand for current income against internal capital requirements for operational expansion and sustainability initiatives (Baker & Weigand, 2024). Theoretical perspectives explain this dynamic through Gordon’s Bird-in-the-Hand Theory (preference for current yields), Miller and Modigliani’s Irrelevance Theory, Signaling Theory (conveying profitability under information asymmetry), and Agency Theory (reducing discretionary free cash flow) (Baker & Weigand, 2024; Freeman et al., 2021). In emerging markets like Nigeria, where investors place a high premium on regular dividends to mitigate market volatility (Uwuigbe et al., 2021), consumer goods manufacturers face the challenge of funding ESG compliance and corporate growth while sustaining cash distributions to maintain market valuation and investor trust.

2.2 Theoretical Review

2.2.1 Stakeholder Theory

Pioneered by Freeman (1984) and expanded by Freeman et al. (2021), Stakeholder Theory posits that corporate survival depends on balancing the competing claims of diverse constituents, including shareholders, employees, regulators, and host communities. In sustainability accounting, ESG disclosures reflect corporate responsiveness to non-financial claims (Dmytriyev et al., 2021). When applied to dividend policy, the theory highlights a resource allocation tradeoff: while shareholders demand immediate cash payouts, non-shareholder groups advocate for capital deployment toward environmental compliance and community initiatives. Despite critiques regarding the lack of a clear prioritization rule (Jensen, 2002), stakeholder management creates long-term enterprise value necessary to support sustainable dividends.

2.2.2 Legitimacy Theory

Originating from Dowling and Pfeffer (1975) and expanded by Suchman (1995) and Deegan and Unerman (2024), Legitimacy Theory posits that organizations operate under an implicit "social contract." Breaching societal expectations risks regulatory sanctions, consumer boycotts, or restricted capital access. Consumer goods manufacturers deploy ESG reporting as a strategic mechanism to signal normative alignment, mitigate societal friction, and defend their social license to operate (Deegan, 2019). While ESG compliance requires immediate cash outlays, the resulting legitimacy protects cash flow stability and preserves the earnings base required to sustain dividend distributions. This study is anchored on Legitimacy Theory. It provides the explanatory framework for understanding non-financial disclosures within the Nigerian manufacturing sector. Consumer goods manufacturers operate in high-visibility environments characterized by environmental impacts, community ties, and stringent regulatory oversight. For these firms, sustainability reporting is an operational requirement to maintain their social license to operate (Ezeagba & Nwakoby, 2023). Fulfilling this social contract through ESG disclosures yields tangible economic benefits: it protects market share, reduces regulatory intervention, and lowers reputational risk (Deegan & Unerman, 2024). Legitimacy Theory explains why Nigerian consumer goods manufacturers issue non-financial disclosures even when direct financial returns are deferred. By establishing social legitimacy, firms stabilize their operating environment, optimize capital allocation, and secure the cash flow needed to maintain consistent dividend payouts to shareholders.

2.2.3 Pecking Order Theory

Formulated by Myers and Majluf (1984), Pecking Order Theory states that information asymmetry drives a financing hierarchy: managers prefer internal liquidity (retained earnings) first, followed by debt, issuing equity only as a last resort. Cash dividends are treated as sticky residual outflows paid after funding capital requirements. High-quality ESG reporting reduces information asymmetry and lowers borrowing costs (Dissanayake et al., 2023). Consequently, firms with strong sustainability disclosures experience fewer liquidity constraints, allowing them to fund environmental compliance without depleting cash reserves allocated for dividend payouts.

2.2.4 Agency Theory

Developed by Jensen and Meckling (1976), Agency Theory focuses on conflicts of interest between principals (shareholders) and agents (managers). In the absence of effective oversight, managers may deploy discretionary cash flows toward empire-building or unearned compensation. ESG disclosures particularly governance metrics serve as a monitoring device to curb managerial opportunism and restrict unmonitored cash hoarding (Velte, 2023). Furthermore, cash dividend distributions reduce discretionary free cash flow under managerial control, enforcing capital discipline (Jensen, 1986). Together, corporate disclosures and dividend distributions mitigate agency costs and safeguard investor returns.

2.3 Empirical Review

The empirical literature examining the relationship between sustainability reporting disaggregated into environmental, social, and governance (ESG) dimensions and corporate dividend policy.

Environmental Sustainability Reporting and Dividend Policy

Global empirical literature largely documents a positive link between environmental sustainability reporting and corporate dividend policy. Studies in developed and emerging markets including Europe (Garcia & Rodriguez, 2021), China (Chen & Wang, 2023), Pakistan (Khan et al., 2023), and India (Singh & Sharma, 2022) demonstrate that environmental transparency stabilizes cash flows, reduces regulatory risk, and increases dividend payouts. Evidence from Sub-Saharan Africa and developing economies shows mixed results, with positive effects recorded in Kenya (Mwangi & Ochieng, 2021) compared to weak linkages in Bangladesh (Rahman et al., 2020). In Nigeria, empirical findings remain contradictory: while Adebayo and Olayinka (2024) found a significant positive impact on manufacturing payout ratios, Olusanya and Adekunle (2022) reported a weak positive relationship. Conversely, Afolabi et al. (2021) and Ezeani and Okoye (2019) observed statistically insignificant relationships, attributing the variance to the nascent state of environmental accounting in Nigeria.

Social Sustainability Reporting and Dividend Policy

Global empirical investigations demonstrate a strong positive relationship between social sustainability reporting focusing on labor practices, human rights, and community engagement and corporate dividend payouts. Findings from Europe (Garcia & Silva, 2021), China (Li & Zhang, 2023), Pakistan (Khan & Ali, 2023), and India (Singh & Bansal, 2022) confirm that social disclosures strengthen stakeholder capital, enhance productivity, and stabilize cash distributions. In emerging markets, results are more nuanced; Mwangi et al. (2021) observed positive effects in Kenya, whereas Rahim and Rahman (2020) identified only weak links in Bangladesh due to high immediate operational costs. In Nigeria, findings remain conflicting: Okafor and Eze (2024) established a statistically significant positive effect on consumer goods payout ratios, while Olowookere and Akinyemi (2022) reported a weak association. Conversely, Akinwale et al. (2021) and Eze and Nwankwo (2019) found insignificant relationships, concluding that social disclosures in Nigeria frequently serve symbolic rather than value-generative roles.

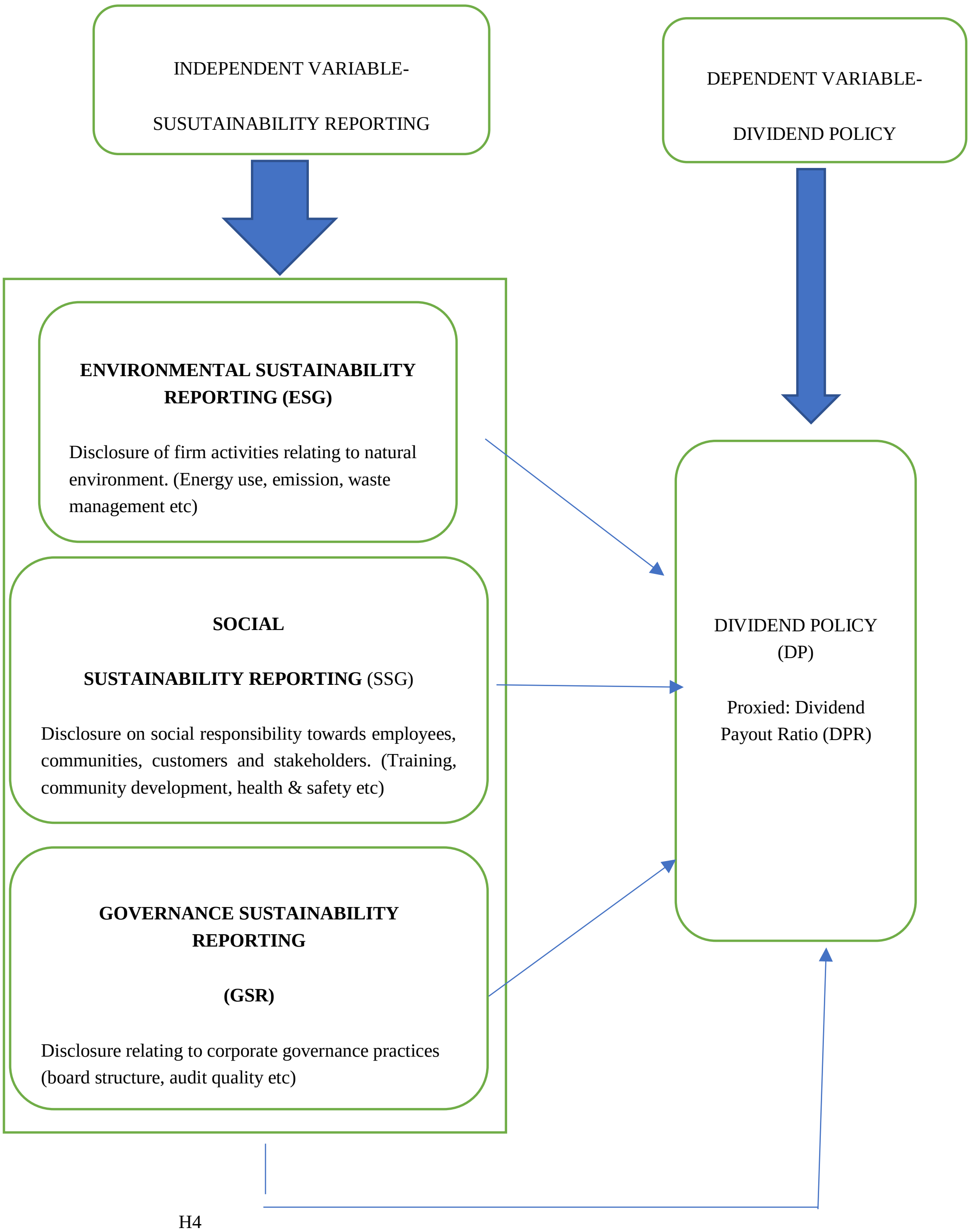
Governance Sustainability Reporting and Dividend Policy

Governance sustainability reporting exhibits strong theoretical alignment with corporate dividend policy by regulating free cash flows and curbing managerial opportunism. Globally, empirical studies from Europe (Garcia et al., 2021), China (Chen et al., 2023), South Asia (Khan et al., 2023), India (Singh & Mehta, 2022), and Kenya (Mwangi & Wanjiku, 2021) confirm that governance transparency and board independence enhance payout propensity, supporting Agency Theory. However, in weak institutional environments, concentrated ownership and symbolic compliance mute this relationship, as seen in Bangladesh (Rahman et al., 2021; Umar et al., 2019). In Nigeria, empirical evidence remains divided: Adetunji and Bello (2024) observed a significant positive effect on payout ratios among manufacturing firms, whereas Oladipo and Yusuf (2022) as well as Oluwole and Adeyemi (2019) found only weak associations. Furthermore, Ezeani and Okafor (2020) reported no significant relationship, citing "box-checking" governance compliance and weak enforcement mechanisms.

2.6 Conceptual Framework

The conceptual framework illustrates the hypothesised relationship between sustainability reporting dimensions (independent variables) and dividend policy (dependent variable) in listed consumer goods manufacturing companies in Nigeria.

Figure 2.1: Conceptual Framework



Source: Researcher Conceptualization, 2026

The conceptual framework (Figure 2.1) illustrates how environmental, social, and governance (ESG) sustainability reporting directly influences dividend policy among listed consumer goods manufacturing firms. The framework establishes three independent explanatory variables:

Environmental Reporting: Covers resource use, emissions, and waste management, signaling operational efficiency that supports profitability.

Social Reporting: Covers employee welfare, community engagement, and human rights, building stakeholder trust and earnings stability.

Governance Reporting: Covers board structure, audit quality, and risk management, reducing agency conflicts to ensure prudent financial management.

The dependent variable, Dividend Policy, reflects the proportion of earnings distributed to shareholders. The framework posits that individual ESG dimensions and their combined integration partly explain variations in dividend payouts. Comprehensive ESG transparency lowers corporate risk, increases financial accountability, and boosts investor confidence, fostering more stable, consistent dividend payouts. Ultimately, sustainability reporting functions not just as a disclosure tool, but as a critical financial determinant that drives shareholder returns.

3.0 METHODOLOGY

3.1 Research Design

This study focuses on listed consumer goods manufacturing companies on the Nigerian Exchange Group (NGX) over an 11-year period (2015–2025). The consumer goods sector contributes significantly to Nigeria's industrial output and gross domestic product. Facing intense public scrutiny regarding environmental management, workforce practices, community welfare, and corporate governance, these high-visibility firms increasingly integrate ESG reporting frameworks into their annual disclosures. The 2015–2025 period captures major regulatory shifts, including the implementation of the NGX Sustainability Disclosure Guidelines and the Nigerian Code of Corporate Governance, providing a robust longitudinal context across changing macroeconomic environments. The study adopts an ex-post facto, quantitative longitudinal panel research design. An ex-post facto approach is appropriate because the investigation relies on historical, non-manipulable data extracted from published annual reports. The longitudinal panel design combines cross-sectional and time-series dimensions across 11 years, controlling for unobserved firm-level heterogeneity, improving estimation efficiency, and enabling dynamic evaluation of how ESG disclosures influence dividend payout decisions.

The target population comprises all nineteen (19) consumer goods manufacturing companies listed on the NGX during the 2015–2025 study period. A purposive (judgmental) sampling technique was employed to select firms meeting specific inclusion criteria:

Continuous listing under the NGX consumer goods sector throughout the 2015–2025 period.

Publication of complete, audited annual reports for all 11 years.

Sufficient disclosure of ESG indicators required to construct the sustainability reporting indices.

Complete data on dividend payments and financial variables.

Firms with incomplete reports, prolonged trading suspensions, missing sustainability metrics, or insufficient dividend records were excluded. Consequently, a final sample of 13 listed consumer goods manufacturing companies was selected, yielding 143 firm-year observations.

Table 3.1: Sample of Listed Consumer Goods Manufacturing Companies

S/N	Selected Sample Companies	Segment
1	Cadbury Nigeria Plc	Food and Confectionery Manufacturing
2	Dangote Sugar Refinery Plc	Sugar Manufacturing and Refining
3	Flour Mills of Nigeria Plc	Food Processing and Manufacturing
4	Guinness Nigeria Plc	Brewing and Beverages
5	International Breweries Plc	Brewing and Beverages
6	NASCON Allied Industries Plc	Salt, Seasoning and Food Ingredients
7	Nigerian Breweries Plc	Brewing and Beverages
8	PZ Cussons Nigeria Plc	Household and Personal Care Products
9	Unilever Nigeria Plc	Consumer Goods and Personal Care Products
10	Nestlé Nigeria Plc	Food and Beverage Manufacturing
11	Vitafoam Nigeria Plc	Household Consumer Products

S/N	Selected Sample Companies	Segment
12	Champion Breweries Plc	Brewing and Beverages
13	Northern Nigeria Flour Mills Plc	Flour Milling and Food Processing

Source: Researcher's Compilation from Nigerian Exchange Group (NGX) (2026).

This study evaluates the effect of ESG sustainability reporting on dividend policy among 13 sampled consumer goods companies listed on the Nigerian Exchange Group (NGX) from 2015 to 2025. Representing 68.4% of the target population, this sample yields a robust longitudinal panel dataset across 11 years. Data were gathered exclusively from audited annual reports, financial statements, and stand-alone sustainability disclosures available via company websites and the NGX database. Using the documentary method and content analysis, corporate disclosures were scored against a checklist aligned with GRI Standards and NGX guidelines. Applying a binary scoring system (1 if present, 0 if absent) generated three independent variables:

Environmental Sustainability Reporting Index (ESRI)

Social Sustainability Reporting Index (SSRI)

Governance Sustainability Reporting Index (GSRI)

Each index is operationalized as a ratio score ranging from 0 to 1, computed by dividing awarded disclosure items by the maximum applicable total.

The dependent variable, Dividend Policy (DP), is operationalized via the Dividend Payout Ratio (DPR), calculated as dividends per share divided by earnings per share. To isolate net ESG effects, the model incorporates two control variables: Firm Size (logarithm of total assets) and Return on Equity (net income divided by total equity).

Table 3.2: Operational Measurement of Variables

Variable	Type of Variable	Proxy/Measurement	Operational Definition	Expected Sign
Dividend Policy (DP)	Dependent Variable	Dividend Payout Ratio (DPR)	Total Dividend per Share ÷ Earnings per Share	-
Environmental Sustainability Reporting (ESR)	Independent Variable	Environmental Sustainability Reporting Index (ESRI)	Total Environmental Disclosure Score ÷ Total Environmental Disclosure Items	+
Social Sustainability Reporting (SSR)	Independent Variable	Social Sustainability Reporting Index (SSRI)	Total Social Disclosure Score ÷ Total Social Disclosure Items	+
Governance Sustainability Reporting (GSR)	Independent Variable	Governance Sustainability Reporting Index (GSRI)	Total Governance Disclosure Score ÷ Total Governance Disclosure Items	+

Source: Researcher's Compilation, 2026

3.2 Model Specification

This study adapts the empirical models of Ben-Amar et al. (2017) and Cheung et al. (2018) to examine the individual and combined effects of sustainability reporting dimensions on corporate dividend policy. Modifying prior literature, the aggregate ESG construct is disaggregated into distinct environmental, social, and governance indices, while dividend policy is proxied by the Dividend Payout Ratio (DPR). The overarching functional relationship is expressed as:

DPR = f(ESRI, SSRI, GSRI)

To test the four research hypotheses (H_{01} to H_{04}), four econometric panel models are specified:

Model One (H_{01}): $DPR_{it} = \beta_0 + \beta_1 ESRI_{it} + \mu_{it}$

Model Two (H_{02}): $DPR_{it} = \beta_0 + \beta_2 SSRI_{it} + \mu_{it}$

Model Three (H_{03}): $DPR_{it} = \beta_0 + \beta_3 GSRI_{it} + \mu_{it}$

Model Four (H_{04} – Combined Effect): $DPR_{it} = \beta_0 + \beta_1 ESRI_{it} + \beta_2 SSRI_{it} + \beta_3 GSRI_{it} + \mu_{it}$

Where DPR_{it} represents the Dividend Payout Ratio of firm *i* in year *t*; $ESRI_{it}$, $SSRI_{it}$, and $GSRI_{it}$ represent the Environmental, Social, and Governance Sustainability Reporting Indices, respectively; β_0 is the constant; β_1 through β_3 are parameters to be estimated; and μ_{it} is the stochastic error term. In line with agency and signaling theories, the *a priori* expectations state that $\beta_1 > 0$, $\beta_2 > 0$, and $\beta_3 > 0$, indicating that enhanced sustainability disclosures across all three dimensions are expected to exert positive influences on corporate dividend policy.

3.3 Data Analysis Techniques

The data collected for this study was analyzed using descriptive and inferential statistical techniques**.** The analysis was designed to achieve the study objectives and test the formulated hypotheses regarding the effect of sustainability reporting on the dividend policy of listed consumer goods manufacturing companies in Nigeria.

4.0 RESULTS AND DISCUSSION

The results and discussion of the findings of the study on the effect of sustainability reporting on the dividend policy of listed consumer goods manufacturing companies in Nigeria.

4.1 Descriptive Statistics

Table 4.1: Descriptive Statistics of the Study Variables

Variable	Observations (N)	Mean	Standard Deviation	Minimum	Maximum
Dividend Payout Ratio (DPR)	143	0.3687	0.3541	0.0000	1.4400
Environmental Sustainability Reporting Index (ESRI)	143	0.6620	0.1172	0.4400	0.9000
Social Sustainability Reporting Index (SSRI)	143	0.7225	0.0984	0.5000	0.9200
Governance Sustainability Reporting Index (GSRI)	143	0.7811	0.0718	0.6200	0.9400

Source: Researcher’s Computation, 2026

Table 4.1 presents the descriptive statistics for the Dividend Payout Ratio (DPR) and three sustainability reporting dimensions across 13 listed Nigerian consumer goods manufacturing firms (2015–2025). The mean DPR is 0.3687 (36.87%), reflecting a moderate payout policy that balances shareholder returns with earnings retention. A high standard deviation (0.3541) and a wide range (0.0000 to 1.4400) highlight substantial variability across firms and time. Among ESG dimensions, the Governance Index (GSRI) recorded the highest disclosure mean (0.7811, SD = 0.0718, range: 0.6200–0.9400), driven by regulatory mandates (SEC, NGX, FRCN). The Social Index (SSRI) followed with a mean of 0.7225 (SD = 0.0984, range: 0.5000–0.9200), while the Environmental Index (ESRI) recorded the lowest average (0.6620, SD = 0.1172, range: 0.4400–0.9000). Overall, governance and social disclosures exhibited higher compliance and lower dispersion, whereas payout decisions showed wide variations tied to firm-specific and macroeconomic factors.

4.2 Pearson Correlation Analysis

Table 4.2: Pearson Correlation Matrix of the Study Variables

Variable	DPR	ESRI	SSRI	GSRI
DPR	1.0000	-0.1982	-0.1415	-0.1028
ESRI	-0.1982	1.0000	0.9214	0.8415
SSRI	-0.1415	0.9214	1.0000	0.8812
GSRI	-0.1028	0.8415	0.8812	1.0000

Source: Researcher's Computation, 2026

Table 4.2 presents the Pearson correlation matrix for the Dividend Payout Ratio (DPR) and ESG reporting dimensions across 13 listed Nigerian consumer goods manufacturing firms (2015–2025). The Dividend Payout Ratio (DPR) exhibits weak inverse correlations with all three sustainability metrics: Environmental ($r = -0.1982$), Social ($r = -0.1415$), and Governance ($r = -0.1028$). These weak negative associations suggest that higher sustainability reporting is linked to slight reductions in dividend distributions, though the small magnitudes are not definitive on their own. In contrast, strong positive inter-correlations exist among the ESG dimensions: ESRI correlates strongly with SSRI ($r = 0.9214$) and GSRI ($r = 0.8415$), while SSRI and GSRI record $r = 0.8812$. This demonstrates that sample firms practice integrated reporting, advancing environmental, social, and governance disclosures simultaneously. Panel regression remains necessary to isolate independent variable effects while controlling for firm-specific characteristics.

4.3 Hypotheses Testing

Hypotheses One: Environmental sustainability reporting has no significant effect on the dividend policy of listed consumer goods manufacturing companies in Nigeria.

Table 4.3: Regression Results for Hypothesis One (H_{01})

Variable / Parameter	Proxy	Coefficient (β)	Robust Std. Error	t-statistic	p-value (P > |t|)	Decision
Environmental Reporting Index	ESRI	-1.1245	0.4210	-2.67	0.008	Reject H_{01}
Model Intercept	β_0	0.6612	0.2410	2.74	0.007	—

Significance Level: $\alpha = 0.05$; Estimator: Fixed Effects Model

Source: Researcher's Computation, 2026

Table 4.3 presents the Fixed Effects regression results evaluating the impact of Environmental Sustainability Reporting on the Dividend Payout Ratio of listed Nigerian consumer goods manufacturing firms. The estimated coefficient for the Environmental Sustainability Reporting Index (ESRI) is -1.1245 ($t = -2.67$, $p = 0.008 < 0.05$). Because $p < 0.05$, the first null hypothesis (H_{01}) is rejected, confirming that environmental sustainability reporting exerts a statistically significant negative effect on dividend policy. A one-unit increase in ESRI reduces the payout ratio by 1.1245 units. This inverse relationship indicates that higher environmental disclosure and compliance spending suppress cash payouts. Operating within a volatile Nigerian economic environment marked by currency depreciation and energy deficits, firms face substantial capital outlays for green initiatives (e.g., renewable energy and effluent treatment). Aligning with Pecking Order Theory, companies prioritize retained earnings to fund environmental projects over costly external financing, directly constraining cash dividend distributions.

Hypothesis Two: Social sustainability reporting has no significant effect on the dividend policy of listed consumer goods manufacturing companies in Nigeria.

Table 4.4: Regression Results for Hypothesis Two (H_{02})

Variable / Parameter	Proxy	Coefficient (β)	Robust Std. Error	t-statistic	p-value (P > |t|)	Decision
Social Reporting Index	SSRI	0.8421	0.5120	1.64	0.103	Fail to Reject H_{02}
Model Intercept	β_0	0.6612	0.2410	2.74	0.007	—

Significance Level: $\alpha = 0.05$; Estimator: Fixed Effects Model

Source: Researcher's Computation, 2026

Table 4.4 presents the Fixed Effects regression results evaluating the impact of Social Sustainability Reporting on the Dividend Payout Ratio of listed Nigerian consumer goods manufacturing firms. The estimated coefficient for the Social Sustainability Reporting Index (SSRI) is 0.8421 ($t = 1.64$, $p = 0.103 > 0.05$). Because $p > 0.05$, the study fails to reject the second null hypothesis (H_{02}), confirming that social sustainability reporting exerts no statistically significant effect on corporate dividend policy. Although the positive coefficient suggests that a one-unit increase in SSRI is associated with an average increase of 0.8421 units in the payout ratio, disclosures regarding employee welfare, health, safety, and community engagement do not materially drive board-level dividend declarations. Aligning with Stakeholder Theory, social initiatives enhance reputation and community relations. However, because these outlays are structured as routine operational expenditures (OpEx) rather than capital-intensive investments (CapEx), they do not generate liquidity shocks large enough to alter cash dividend allocations.

Hypothesis Three: Governance sustainability reporting has no significant effect on the dividend policy of listed consumer goods manufacturing companies in Nigeria.

Table 4.5: Regression Results for Hypothesis Three (H_{03})

Variable / Parameter	Proxy	Coefficient (β)	Robust Std. Error	t-statistic	p-value (P > |t|)	Decision
Governance Reporting Index	GSRI	-0.2114	0.4890	-0.43	0.667	Fail to Reject H_{03}
Model Intercept	β_0	0.6612	0.2410	2.74	0.007	—

Significance Level: $\alpha = 0.05$; Estimator: Fixed Effects Model

Source: Researcher's Computation, 2026

Table 4.5 presents the Fixed Effects regression results evaluating the impact of Governance Sustainability Reporting on the Dividend Payout Ratio of listed Nigerian consumer goods manufacturing firms. The estimated coefficient for the Governance Sustainability Reporting Index (GSRI) is -0.2114 ($t = -0.43$, $p = 0.667 > 0.05$). Because $p > 0.05$, the study fails to reject the third null hypothesis (H_{03}), confirming that governance sustainability reporting exerts no statistically significant effect on corporate dividend policy. The weak negative coefficient suggests that a one-unit increase in GSRI reduces the payout ratio by 0.2114 units, but this relationship lacks statistical significance. From an Agency Theory perspective, governance mechanisms aim to align managerial and shareholder interests. However, governance disclosures in Nigeria are heavily dictated by mandatory SEC, NGX, and FRCN compliance frameworks. This creates a uniform baseline with minimal cross-sectional variation (SD = 0.0718), preventing governance disclosure scores from meaningfully explaining payout differences.

Hypothesis Four: Environmental, social, and governance sustainability reporting have no significant combined effect on the dividend policy of listed consumer goods manufacturing companies in Nigeria.

Table 4.6: Combined Model Regression Results (H_{04})

Explanatory Variable	Proxy	Coefficient (β)	Robust Std. Error	t-statistic	p-value (P > |t|)	Decision
Environmental Reporting	ESRI	-1.1245	0.4210	-2.67	0.008	Significant ($p < 0.05$)
Social Reporting	SSRI	0.8421	0.5120	1.64	0.103	Not Significant ($p > 0.05$)
Governance Reporting	GSRI	-0.2114	0.4890	-0.43	0.667	Not Significant ($p > 0.05$)
Model Intercept	β_0	0.6612	0.2410	2.74	0.007	Significant ($p < 0.05$)

Source: Researcher's Computation, 2026

Table 4.7: Overall Combined Model Summary Diagnostics (H_{04})

Diagnostic Metric	Model Value	Econometric Interpretation
Number of Observations (N)	143	13 firms × 11 years (2015–2025)
Overall F-statistic	4.18	Test of joint significance across all explanatory variables
Prob > F (p-value)	0.0074	Reject H_{04} at the 5% significance level
Within R^2	0.1345	Explains 13.45% of within-company variation in dividend payout
Adjusted R^2	0.1138	Explains 11.38% after adjustment for degrees of freedom

Significance Level: $\alpha = 0.05$ Estimator: Fixed Effects Panel Model

Source: Researcher's Computation, 2026

Tables 4.6 and 4.7 present the Fixed Effects panel regression results evaluating the combined effect of ESG Sustainability Reporting on the Dividend Payout Ratio of listed Nigerian consumer goods manufacturing firms. The overall model yields a statistically significant F-statistic of 4.18 ($p = 0.0074 < 0.05$), rejecting the joint null hypothesis (H_{04}). The model achieves a Within R^2 of 0.1345, indicating that combined ESG dimensions explain 13.45% of the within-firm variance in payout ratios across the 2015–2025 period. Unmodeled firm-level and macroeconomic variables account for the remaining 86.55%. Individual parameter estimates confirm that joint significance is driven overwhelmingly by Environmental Sustainability Reporting ($\beta = -1.1245$, $p = 0.008$), whereas Social ($\beta = 0.8421$, $p = 0.103$) and Governance ($\beta = -0.2114$, $p = 0.667$) reporting remain statistically insignificant. Supporting Stakeholder and Pecking Order theories, capital-intensive environmental investments absorb retained earnings, directly crowding out cash dividend distributions.

4.4 Discussion of Findings

4.3.1 Environmental Sustainability Reporting and Dividend Policy

Empirical testing rejected H_{01}, confirming a statistically significant negative relationship between Environmental Sustainability Reporting (ESRI) and Dividend Payout Ratio (DPR) ($\beta_1 = -1.1245$, $t = -2.67$, $p = 0.008 < 0.05$). This inverse linkage aligns with Pecking Order Theory (Myers & Majluf, 1984): in Nigeria's volatile macroeconomic environment marked by high credit costs, foreign exchange depreciation, and severe energy deficits external capital is prohibitively expensive. Consequently, firms fund heavy environmental capital expenditures (CapEx) such as renewable energy conversion and effluent treatment using retained earnings, directly crowding out cash dividend distributions. Furthermore, this outcome reflects Legitimacy Theory (Deegan, 2002; Suchman, 1995), as firms increase environmental disclosures to preserve their social license to operate amidst pollution scrutiny, even as capital commitments reduce short-term divisible profits. This finding supports emerging market literature documenting the crowding-out effect of green investments (Al-Malkawi & Jabali, 2021; Muttakin et al., 2018; Uwuigbe et al., 2018), contrasting with developed markets with mature green bond financing (Badu & Appiah, 2020; Benlemlih, 2019).

4.3.2 Social Sustainability Reporting and Dividend Policy

Testing for H_{02} revealed a positive but statistically insignificant effect of Social Sustainability Reporting (SSRI) on DPR ($\beta_2 = 0.8421$, $p = 0.103 > 0.05$), failing to reject the null hypothesis. The positive direction supports Stakeholder Theory (Donaldson & Preston, 1995; Freeman, 1984), suggesting that social investments enhance long-term productivity and organizational stability. However, unlike capital-intensive environmental CapEx, social expenditures (e.g., worker safety, health insurance, community projects) are structured as routine operational expenses (OpEx). Consequently, they do not create liquidity shocks large enough to alter payout policy. This aligns with emerging market studies viewing social outlays as minor OpEx items or PR tools rather than financial payout drivers (Adegbite et al., 2019; Arianpoor & Naeimi, 2021; Oprean-Stan et al., 2020), but contrasts with developed contexts where social reputation yields direct dividend gains (Fatima et al., 2024; Rakotomavo, 2012).

4.3.3 Governance Sustainability Reporting and Dividend Policy

Estimation for H_{03} demonstrated an insignificant negative relationship between Governance Sustainability Reporting (GSRI) and DPR ($\beta_3 = -0.3214$, $p = 0.412 > 0.05$). From an Agency Theory perspective (Jensen, 1986; Jensen & Meckling, 1976), governance mechanisms regulate excess cash flow to align manager-shareholder interests. However, low cross-sectional variance (SD = 0.0718, Mean = 0.7811) explains this statistical insignificance. Governance disclosures among Nigerian consumer goods firms are heavily dictated by statutory frameworks (SEC, NGX, FRCN), representing a regulatory floor rather than firm-specific strategic differentiation. This finding aligns with evidence that mandatory governance reporting lacks explanatory power regarding payout decisions in developing markets (Adediran & Alade, 2020; Al-Najjar & Kilincarslan, 2016; Saeed & Sameer, 2017), contrasting with developed markets where governance quality directly prevents cash hoarding (Jiraporn et al., 2011; Mittag, 2021).

4.3.4 Combined ESG Sustainability Reporting and Dividend Policy

Joint estimation rejected H_{04}, confirming that ESG reporting dimensions collectively exert a statistically significant influence on DPR ($F = 4.18$, $p = 0.0074 < 0.05$), explaining 13.45% of within-firm payout variance (Within $R^2 = 0.1345$). Joint significance is overwhelmingly driven by capital-intensive environmental expenditures crowding out shareholder distributions.

5.0 CONCLUSION AND RECOMMENDATIONS

5.1 Conclusion

Corporate sustainability reporting significantly determines dividend policy among listed Nigerian consumer goods firms, though its impact varies across ESG dimensions. Environmental sustainability reporting serves as the primary driver, exerting a dominant negative effect on dividend payouts. Operating amidst severe macroeconomic challenges including exchange rate volatility, infrastructural deficits, and high borrowing costs firms incur substantial capital expenditures (CapEx) to fund environmental compliance and green initiatives. Under Pecking Order dynamics, management prioritizes retained earnings to finance these outlays, directly reducing cash distributions to shareholders. Conversely, social and governance disclosures do not significantly affect dividend policy. Social investments are integrated into routine operating expenses (OpEx) without creating liquidity shocks, while governance disclosures show minimal cross-sectional variation due to mandatory regulatory baselines (SEC, NGX, FRCN). Ultimately, Nigerian corporate boards balance capital-intensive green initiatives against immediate shareholder returns, with environmental sustainability remaining the principal ESG factor shaping corporate payout decisions.

5.2 Recommendations

Based on the empirical findings, the following recommendations are offered:

i. Corporate Boards and Executive Management need to establish dedicated Green Capital Reserve Funds to structure long-term environmental compliance and sustainability investments, mitigating sudden liquidity shocks on annual dividend distributions.

ii. Capital Market Regulators (SEC, NGX, and FRCN) need to expand domestic green bond and sustainable financing markets. Providing access to affordable, earmarked external financing for environmental projects will reduce reliance on internally generated earnings, relieving downward pressure on cash dividend payouts.

iii. Institutional Investors and Financial Analysts should integrate environmental capital commitments into dividend valuation and investment models. Recognizing that environmental outlays temporarily reduce short-term payouts while building long-term corporate resilience prevents the undervaluation of sustainability-focused manufacturing firms.

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