Shareholders' participation, non-mandatory disclosure and corporate performance in Nigeria

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Abstract

In emerging markets such as Nigeria, shareholders' participation and non-mandatory disclosure are critical within an evolving corporate governance environment, particularly following the Nigeria Code of Corporate Governance, which emphasizes voluntary disclosure. This study examines the moderating role of non-mandatory disclosure in the relationship between shareholders' participation and corporate performance among listed firms from 2009–2023. Corporate performance is measured using Tobin's Q, Earnings per Share (EPS), and Market Value Added (MVA). Shareholders' participation is proxied by board ownership, CEO ownership, and institutional ownership. Non-mandatory disclosure is captured using the Environmental, Social, and Governance Disclosure Index (ESGI), while market capitalization serves as a control variable. Panel data from 80 listed firms are analyzed using fixed and random effects regression models based on the Hausman specification test. Findings reveal mixed effects of ownership structures on performance, while ESG disclosure significantly moderates these relationships. The results highlight governance complexities in emerging markets and underscore the importance of balanced ownership structures and strategic ESG integration.

Keywords: Shareholders' participation; Environmental, Social, and Governance (ESG) disclosure index; corporate performance; board ownership; CEO ownership; institutional ownership

Introduction

Corporate performance remains a central concern in corporate finance and governance because it reflects a firm's ability to create value and achieve strategic objectives (Adegboyegun et al., 2025). Traditionally measured through financial indicators such as profitability and market value, corporate performance is increasingly assessed through broader dimensions that include environmental,

social, and governance (ESG) practices, as stakeholders demand greater transparency and accountability (Global Reporting Initiative [GRI], 2020). In this evolving governance environment, shareholders' participation and voluntary disclosures have emerged as critical mechanisms influencing firm performance (Jensen & Meckling, 1976; Freeman, 1984).

Shareholders' participation, reflected in ownership structures such as board ownership, CEO ownership, and institutional ownership, significantly shapes corporate decision-making and governance outcomes (Aguilar, 2013; Adegboyegun et al., 2025). Board ownership aligns directors' interests with those of shareholders, while CEO ownership may incentivize executives to pursue strategies that maximize firm value. Institutional ownership can enhance monitoring and governance effectiveness through professional oversight, although its impact on firm performance varies across institutional contexts (Bhabra & Eissa, 2017). Despite its theoretical importance, empirical evidence on the relationship between ownership participation and corporate performance remains inconclusive, particularly in emerging markets such as Nigeria, where governance structures differ from those in developed economies (Aribaba et al., 2022; Alkurdi et al., 2021).

At the same time, non-mandatory disclosures—particularly ESG reporting—have gained increasing attention as firms voluntarily disclose additional information to enhance transparency and reduce information asymmetry (Hawashe, 2019; He et al., 2018; Adegboyegun et al., 2025). Although such disclosures can attract socially responsible investment and strengthen stakeholder confidence, they may also introduce compliance costs and strategic risks, especially in environments with weak regulatory enforcement (Clarkson et al., 2008; Akhtaruddin & Rouf, 2012).

In Nigeria, the introduction of the Nigerian Code of Corporate Governance (2018) has strengthened the emphasis on voluntary disclosure and improved governance practices. However, limited empirical evidence exists regarding how non-mandatory disclosure moderates the relationship between shareholders' participation and corporate performance.

This study addresses this gap by examining the moderating role of ESG disclosure in the relationship between shareholders' participation and corporate performance among Nigerian listed firms from 2009–2023. Corporate performance is measured using Tobin's Q, earnings per share, and market value added, while market capitalization controls for firm size. The findings contribute to corporate governance literature by integrating insights from agency,

stakeholder, resource dependency, and slack resources theories to explain how ownership structures and voluntary disclosure interact to influence corporate outcomes.

Literature Review

This section reviews relevant theoretical and empirical literature on corporate performance, shareholders' participation, and non-mandatory disclosure, focusing on how governance structures and voluntary transparency practices jointly influence firm outcomes in emerging economies such as Nigeria.

Corporate Performance

Corporate performance represents a multidimensional concept used to evaluate how effectively firms create value and achieve strategic objectives. Traditionally, performance has been measured using financial indicators such as return on assets (ROA), return on equity (ROE), earnings per share, and market value. However, contemporary research increasingly integrates non-financial indicators—including innovation capability, stakeholder satisfaction, environmental responsibility, and governance quality—to provide a more comprehensive assessment of firm success (Bendell & Huvaj, 2020; Adegboyegun et al., 2022).

The growing emphasis on sustainability and responsible governance has shifted scholarly attention toward long-term value creation rather than short-term profitability. According to Agusti-Perez et al. (2020), the relationship between slack resources and firm performance is characterized by temporal symmetry, meaning that the timing and duration of resource allocation significantly influence performance outcomes. This perspective suggests that corporate performance should not only be evaluated through current financial indicators but also through strategic resource management and stakeholder engagement that drive sustainable competitive advantage.

Within corporate governance research, firm performance is often examined in relation to ownership structures and disclosure practices. Governance mechanisms influence managerial decision-making, monitoring efficiency, and transparency, thereby shaping firm performance and market valuation. Consequently, understanding how internal governance structures interact with disclosure practices is essential for explaining variations in corporate performance across firms and institutional environments.

Shareholders' Participation

Shareholders' participation refers to the involvement of shareholders in corporate decision-making through ownership structures and governance mechanisms that influence strategic and financial policies (Aguilar, 2013). Participation typically manifests through board ownership, CEO ownership, and institutional ownership, each of which affects monitoring intensity and managerial incentives.

Institutional investors are often regarded as influential governance actors because they possess significant financial resources, professional expertise, and the capacity to monitor management decisions (Alkurdi et al., 2021). Similarly, concentrated ownership structures may strengthen monitoring mechanisms by aligning the interests of major shareholders with firm performance (Alfaraih et al., 2012). Shareholders commonly exercise influence through voting rights on strategic corporate decisions, including mergers and acquisitions, executive compensation, and governance policies (Akanpaadgi & Binpimbu, 2021).

From a theoretical perspective, agency theory provides the primary explanation for the relationship between ownership participation and corporate performance. Jensen and Meckling (1976) argue that ownership participation reduces agency costs by aligning the interests of managers and shareholders. When directors or executives hold equity stakes in a firm, they are more likely to pursue decisions that maximize shareholder value.

Stewardship theory offers an alternative perspective, suggesting that executives may act as stewards of organizational resources and prioritize long-term corporate success when entrusted with ownership and decision-making authority (Davis et al., 1997). In contrast, the entrenchment hypothesis argues that excessive managerial ownership may increase managerial power and reduce external monitoring, potentially leading to opportunistic behavior and weakened corporate performance (Morck et al., 1988).

Empirical evidence on the relationship between shareholders' participation and corporate performance remains inconclusive. Studies conducted in Jordan and Kuwait report positive relationships between ownership participation and firm performance, suggesting that ownership alignment enhances monitoring and strategic decision-making (Alkurdi et al., 2021; Alfaraih et al., 2012). However, evidence from Nigeria indicates that excessive ownership concentration may sometimes weaken governance effectiveness and undermine performance

(Aribaba et al., 2022). These mixed findings highlight the importance of examining ownership structures within specific institutional contexts.

Accordingly, the following hypothesis was proposed:

H_{01}: Shareholders' participation does not significantly drive corporate performance among Nigerian listed firms.

Non-Mandatory Disclosure and Corporate Performance

Non-mandatory disclosure, commonly referred to as voluntary disclosure, involves the provision of corporate information beyond mandatory regulatory requirements. Examples include environmental, social, and governance (ESG) disclosures, sustainability reporting, and corporate social responsibility activities (He et al., 2018). Such disclosures have become increasingly important as stakeholders demand greater transparency and accountability from corporations.

Voluntary disclosure plays a critical role in reducing information asymmetry between management and external stakeholders. By providing additional information about corporate activities, firms can enhance investor confidence, strengthen stakeholder relationships, and improve corporate reputation (Hawashe, 2019). Research also suggests that firms engaging in voluntary disclosure may benefit from lower costs of capital and improved market valuation due to increased transparency (Li et al., 2020). ESG disclosure, in particular, signals a firm's commitment to sustainable business practices and responsible governance, which may attract socially responsible investors and enhance long-term firm value (Clarkson et al., 2008).

Stakeholder theory provides a theoretical foundation for voluntary disclosure practices. Freeman (1984) argues that firms that address the informational needs of diverse stakeholders—including investors, employees, regulators, and communities—are more likely to achieve sustainable performance. Resource dependency theory similarly suggests that firms that disclose ESG information may attract external resources such as investment capital, strategic partnerships, and reputational benefits (Pfeffer & Salancik, 1978).

Despite these theoretical expectations, empirical evidence on the relationship between voluntary disclosure and corporate performance remains mixed. Studies conducted in Europe and China report positive associations between ESG disclosure and firm performance, attributing these outcomes to improved

governance and reduced agency costs (Hawashe, 2019; He et al., 2018). Conversely, research in some developing economies indicates that voluntary disclosure may have limited effects in environments characterized by weak regulatory enforcement and low investor awareness (Akhtaruddin & Rouf, 2012).

In Nigeria, voluntary disclosure practices have gained prominence following the adoption of the Nigerian Code of Corporate Governance (2018). However, empirical evidence on the performance implications of non-mandatory disclosure remains limited, creating an important research gap.

Therefore, the following hypothesis was proposed:

H_{02}: Non-mandatory disclosure has no significant effect on corporate performance among Nigerian listed firms.

Shareholders' Participation, Non-Mandatory Disclosure, and Corporate Performance

Recent governance literature suggests that voluntary disclosure may moderate the relationship between ownership structures and corporate performance. ESG disclosures enhance transparency and reduce information asymmetry, thereby strengthening the monitoring effectiveness of shareholders and improving governance outcomes (He et al., 2018; Hawashe, 2019).

From an agency theory perspective, voluntary disclosure serves as an additional monitoring mechanism that aligns managerial actions with shareholder interests (Jensen & Meckling, 1976). Stakeholder theory also emphasizes the importance of transparency in addressing stakeholder expectations and fostering trust in corporate governance processes (Freeman, 1984).

Empirical studies indicate that firms with strong ownership structures combined with high levels of ESG disclosure often demonstrate improved governance quality and financial performance (Clarkson et al., 2008). Evidence from Nigeria suggests that ESG disclosure can strengthen the relationship between institutional ownership and firm performance by enhancing transparency and accountability (Adegbite et al., 2021).

However, the effectiveness of voluntary disclosure may vary depending on the institutional environment. Weak regulatory enforcement, limited investor sophistication, and information asymmetry may reduce the ability of stakeholders

to effectively utilize disclosed information in emerging markets (Akhtaruddin & Rouf, 2012).

Consequently, examining the moderating role of non-mandatory disclosure provides important insights into how governance mechanisms interact to influence corporate performance in Nigeria's evolving corporate governance environment.

Therefore, the following hypothesis was proposed:

H_{03}: Non-mandatory disclosure does not significantly moderate the relationship between shareholders' participation and corporate performance among Nigerian listed firms.

Methodology

Research Design and Data Sources

This study adopts an ex-post facto and longitudinal research design. The ex-post facto design is appropriate because the analysis relies on historical panel data derived from corporate financial records, while the longitudinal design allows examination of relationships over time. The study covers a 15-year period (2009–2023).

Secondary data were obtained from annual financial reports of listed firms and the Nigerian Exchange Factbook. These reports were accessed through the companies' official websites and the Nigerian Exchange database.

The population consists of 156 companies listed on the Nigerian Exchange Group (NGX) as of December 31, 2023, covering sectors such as construction, oil and gas, healthcare, services, natural resources, consumer goods, industrial goods, agriculture, financial services, conglomerates, and information and communications technology.

A sample of 80 firms was selected using screening criteria. Firms incorporated after 2009, the base year of the study, were excluded (14 firms). In addition, firms suspended or inactive by 2023 were removed (62 firms). Consequently, only firms with continuous operations and complete financial data throughout the study period were retained.

Model Specification

The study integrates insights from stakeholder theory, agency theory, resource dependency theory, and slack resources theory, which emphasize the importance of governance mechanisms in maximizing stakeholder wealth and enhancing corporate performance.

To examine the relationship between shareholders' participation and corporate performance, the study employs panel regression techniques, specifically fixed-effects and random-effects models. A control variable (market capitalization) is included to reduce omitted variable bias.

Model 1: Market-Based Performance

$$\beta_0 + \beta_1 BOWN_{it} + \beta_2 CEOO_{it} + \beta_3 IOWN_{it} + \beta_4 ESGI_{it} + \beta_4 (BOWN \times ESGI)_{it} + \beta_5 (CEOO \times ESGI)_{it} + \beta_6 (IOWN \times ESGI)_{it} + \beta_7 MCAP_{it} + \mu_{it} \dots \dots 1$$

Model 2: Profitability Performance

$$EAPS_{it} = \beta_0 + \beta_1 BOWN_{it} + \beta_2 CEOO_{it} + \beta_3 IOWN_{it} + \beta_4 ESGI_{it} + \beta_4 (BOWN \times ESGI)_{it} + \beta_5 (CEOO \times ESGI)_{it} + \beta_6 (IOWN \times ESGI)_{it} + \beta_7 MCAP_{it} + \mu_{it} \dots \dots 2$$

Model 3: Shareholder Value Creation

$$MVAD_{it} = \beta_0 + \beta_1 BOWN_{it} + \beta_2 CEOO_{it} + \beta_3 IOWN_{it} + \beta_4 ESGI_{it} + \beta_4 (BOWN \times ESGI)_{it} + \beta_5 (CEOO \times ESGI)_{it} + \beta_6 (IOWN \times ESGI)_{it} + \beta_7 MCAP_{it} + \mu_{it} \dots \dots 3$$

Where:

TOBQ = Tobin's Q
EAPS = Earnings per Share
MVAD = Market Value Added
BOWN = Board Ownership
CEOO = CEO Ownership
IOWN = Institutional Ownership
ESGI = Environmental, Social, and Governance Disclosure Index
MCAP = Market Capitalization
β_0 = Constant
β_1–β_8 = Coefficient parameters
μ = Error term
i = Firm
t = Time period

System GMM Specification and Endogeneity Control

To address potential endogeneity arising from reverse causality, omitted variables, and simultaneity between ownership structure, ESG disclosure, and firm performance, the study further employs the System Generalized Method of Moments (System GMM) estimator. This approach is appropriate for dynamic panels characterized by persistence in performance and potential feedback effects.

The dynamic specification is expressed as:

$$Performance_{it} = \alpha Performance_{it-1} + \beta X_{it} + \gamma(X_{it} \times ESGI_{it}) + \delta MCAPit + \mu_i + \varepsilon_{it}$$

where $Performance_{it-1}$ captures persistence in firm performance, X_{it} represents ownership structure variables, μi\mu_iμi denotes unobserved firm-specific effects, and εit is the idiosyncratic error term. The System GMM estimator combines equations in first differences and levels, using lagged values of endogenous variables as internal instruments, thereby correcting for endogeneity and unobserved heterogeneity.

Instrument validity and model reliability are assessed using the Hansen test of overidentifying restrictions, while serial correlation is examined using the Arellano–Bond AR(1) and AR(2) tests. To prevent instrument proliferation, instrument count is restricted relative to the number of cross-sectional units.

Measurement of Variables

The study employs independent, dependent, moderating, and control variables, defined in accordance with established literature.

Board Ownership (BOWN) represents the proportion of shares held by company directors and is calculated as directors' total shareholdings divided by total outstanding shares (Bhabra & Eissa, 2017; Marouan & Moez, 2015).

CEO Ownership (CEOO) represents the shareholding of the Chief Executive Officer and is measured as the CEO's shares divided by total outstanding shares (Bhabra & Eissa, 2017; Maseko, 2015).

Institutional Ownership (IOWN) represents the proportion of shares held by institutional investors owning 5% or more of the company's shares (Ojeka et al., 2016; Jusoh & Ahmad, 2014).

Corporate performance is measured using three indicators. Tobin's Q (TOBQ) is calculated as the sum of market capitalization and total liabilities minus cash and cash equivalents divided by total assets (Adegboyeyegun & Igbekoyi, 2022; Zhang et al., 2020; Bandeira-de-Mello et al., 2011).

Earnings per Share (EPS) is calculated as net profit after tax divided by the number of outstanding shares (Myskoya & Hajek, 2017).

Market Value Added (MVA) is measured as the natural logarithm of the product of share price and outstanding shares (Nugroho, 2018; Khan et al., 2012).

Market Capitalization (MCAP) is included as a control variable and measured as the natural logarithm of market capitalization.

Table:1 Summary of Variables and Measurements

Variable	Type	Measurement	Source
Tobin's Q (TOBQ)	Dependent	(Market capitalization + liabilities − cash)/Total assets	Adegboyeyegun & Igbekoyi (2022); Zhang et al. (2020)
Earnings per Share (EPS)	Dependent	Net profit after tax / Total shares outstanding	Myskoya & Hajek (2017)
Market Value Added (MVA)	Dependent	ln(Share price × Outstanding shares)	Nugroho (2018); Khan et al. (2012)
Board Ownership (BOWN)	Independent	Directors' shares / Total shares	Bhabra & Eissa (2017)
CEO Ownership (CEOO)	Independent	CEO shares / Total shares	Bhabra & Eissa (2017); Maseko (2015)

Variable	Type	Measurement	Source
Institutional Ownership (IOWN)	Independent	Institutional shares ≥5% ownership	Ojeka et al. (2016)
ESG Disclosure Index (ESGI)	Moderator	ESG disclosure score	Sustainability reporting literature
Market Capitalization (MCAP)	Control	Natural log of market capitalization	Corporate finance literature

Econometric Diagnostic Tests

To ensure robustness and reliability of the estimates, several diagnostic tests were conducted.

1. Multicollinearity Test
   Variance Inflation Factor (VIF) was used to detect multicollinearity among explanatory variables. VIF values below 10 indicate absence of multicollinearity.
2. Hausman Specification Test
   The Hausman test was conducted to determine whether the fixed-effects or random-effects model is more appropriate.
3. Heteroskedasticity Test
   The Breusch–Pagan test was used to detect heteroskedasticity in the panel data.
4. Autocorrelation Test
   The Wooldridge test for serial correlation in panel data was employed.
5. Robustness Checks
   Robust standard errors were applied to correct for potential heteroskedasticity and serial correlation.

Results and Discussion

Descriptive Statistics and Correlation Analysis

The study begins with descriptive analysis to summarise the distributional properties of the variables. As shown in Table 1, Tobin's Q (TOBQ) records a mean of 1.10 with a standard deviation of 1.30, indicating moderate dispersion in market valuation across firms. Market Value Added (MVAD) presents a mean of 0.21 and standard deviation of 1.29, reflecting relatively weak but heterogeneous value creation. Earnings per Share (EAPS) shows a mean of 1.52 alongside a relatively high standard deviation of 5.79, suggesting substantial variability in profitability outcomes.

For governance variables, board ownership (BOWN) averages 15.64% with considerable dispersion (22.11), indicating uneven managerial equity participation. CEO ownership (CEOO) is low (3.48%) but highly dispersed (10.10), reflecting limited executive shareholding concentration. Institutional ownership (IOWN) is relatively dominant at 45.60%, confirming strong institutional presence in Nigerian listed firms. ESG disclosure intensity (ESGI) remains low (0.29), indicating limited voluntary sustainability reporting. Market capitalization (MCAP) exhibits moderate variation, consistent with heterogeneous firm sizes.

Table 1

Descriptive Statistics of Study Variables

Variable	**Mean**	**Std. Dev.**	**Min**	**Max**	**Obs**
TOBQ	1.10	1.30	-11.38	12.69	1039
MVAD	0.21	1.29	-12.06	11.85	1039
EAPS	1.52	5.79	-38.90	57.63	1040
BOWN	15.64	22.11	0	92.97	1040
CEOO	3.48	10.10	0	63.94	1040
IOWN	45.60	25.85	0	98	1012

Variable	Mean	Std. Dev.	Min	Max	Obs
ESGI	0.29	0.16	0	0.90	1040
MCAP	6.90	0.99	3.38	9.23	1040

Source: Author's computation (2025).

The correlation matrix in Table 2 indicates heterogeneous relationships between governance and performance measures. Board ownership is negatively associated with Tobin's Q (-0.0883), MVAD (-0.1292), and EAPS (-0.2408), suggesting potential managerial entrenchment effects. CEO ownership follows a similar pattern across all performance proxies.

Conversely, institutional ownership exhibits positive associations with Tobin's Q (0.2127), MVAD (0.2337), and EAPS (0.1020), implying monitoring benefits. ESG disclosure is positively related to earnings performance (0.4132), while firm size (MCAP) is consistently positively related to all performance indicators, particularly EAPS (0.6078), confirming scale advantages.

Table 2
Spearman Correlation Matrix

Variables	TOBQ	MVAD	EAPS	BOWN	CEOO	IOWN	ESGI	MCAP
TOBQ	1.0000							
MVAD	0.8684	1.0000						
EAPS	0.1382	0.2028	1.0000					
BOWN	-0.0883	-0.1292	-0.2408	1.0000				
CEOO	-0.1536	-0.1655	-0.1630	0.4652	1.0000			

Variables	TOBQ	MVAD	EAPS	BOWN	CEOO	IOWN	ESGI	MCAP
IOWN	0.2127	0.2337	0.1020	-0.3492	-0.5361	1.0000		
ESGI	-0.0116	0.0517	0.4132	-0.1175	-0.0860	-0.0577	1.0000	
MCAP	0.2681	0.3523	0.6078	-0.2901	-0.2901	0.1583	0.6080	1.0000

Source: Author's computation (2025).

Static Panel Regression Results

The regression estimates in Table 3 show that ownership structure explains between 16% and 19% of variations in corporate performance under pooled OLS. Model diagnostics confirm statistical significance at the 1% level, although heteroskedasticity is present, justifying panel estimators.

Fixed effects improve explanatory power to between 22% and 24%, confirming that unobserved firm heterogeneity is important. Hausman tests support fixed effects for Tobin's Q and MVAD, while random effects is retained for EPS.

Board ownership improves market valuation (TOBQ) but reduces accounting profitability (EPS), suggesting a trade-off between market perception and short-term earnings. CEO ownership is statistically weak across models, indicating limited marginal influence after controlling for heterogeneity. Institutional ownership shows mixed effects, reflecting both monitoring efficiency and possible short-term pressure on managerial discretion. Firm size (MCAP) remains consistently positive and highly significant across all models.

Table 3

Shareholders' Engagement and Corporate Performance (Static Models)

	TOBQ Model (Pool OLS)	TOBQ Model (Fixed Effect)	TOBQ Model (Random Effect)	EAPS Model (Pool OLS)	EAPS Model (Fixed Effect)	EAPS Model (Random Effect)	MVAD Model (Pool OLS)	MVAD Model (Fixed Effect)	MVAD Model (Random Effect)
CONS.	-2.834 {0.000} ***	-7.583 {0.000} ***	-4.934 {0.000} ***	-15.512 {0.000} ***	-12.460 {0.000} ***	-12.794 {0.000} ***	-3.828 {0.000} ***	-8.688 {0.000} ***	-6.025 {0.000} ***
BOWN	0.003 {0.225}	0.005 {0.041} **	0.005 {0.030} **	-0.012 {0.188}	-0.025 {0.006} **	-0.024 {0.006} **	0.002 {0.285}	0.005 {0.058}	0.005 {0.048} **
CEOO	0.016 {0.001} **	-0.003 {0.653}	0.007 {0.248}	0.014 {0.512}	-0.002 {0.932}	0.002 {0.927}	0.051 {0.001} **	0.001 {0.941}	0.009 {0.139}
IOWN	0.006 {0.000} ***	-0.009 {0.002} **	-0.000 {0.989}	0.008 {0.224}	-0.003 {0.747}	0.000 {0.970}	0.006 {0.000} ***	-0.009 {0.001} **	-0.000 {0.978}
ESGI	-0.354 {0.000} ***	0.066 {0.464}	-0.113 {0.203}	-0.819 {0.041} **	0.346 {0.288}	0.233 {0.463}	-0.305 {0.001} **	0.059 {0.503}	-0.107 {0.216}
MCAP	0.521 {0.000} ***	1.306 {0.000} ***	0.862 {0.000} ***	2.439 {0.000} ***	2.052 {0.000} ***	2.076 {0.000} ***	0.532 {0.000} ***	1.337 {0.000} ***	0.891 {0.000} ***
F/Wald Stat			26.00 (0.0000)	33.04 (0.0000)			193.73 (0.0000)		
R-Squared	0.1721	0.2224	0.2035	0.1686	0.0702	0.0698	0.1875	0.2397	0.2212
VIF	1.18			1.18			1.18		
Hettest	457.19 {0.0000}								
Hausman Test				86.10 {0.0000}					

Note: (1) bracket {} are p-values: (2) **, *, imply statistical significance at 5% and 1% levels respectively**

Source: Author's Compilation, (2025)

ESG Disclosure as a Moderating Channel

Table 4 presents the moderating role of ESG disclosure. Model selection confirms fixed effects for Tobin's Q and MVAD, while random effects is appropriate for EPS.

The results indicate that ESG disclosure does not uniformly strengthen governance-performance relationships. The interaction between board ownership and ESG is negative and significant for EPS, implying that ESG compliance may reduce profitability under insider ownership structures. CEO interactions remain largely insignificant.

Institutional ownership combined with ESG disclosure produces negative effects on Tobin's Q and MVAD, suggesting that ESG-related compliance costs may outweigh governance benefits in valuation terms. Overall, ESG appears to function more as a cost-inducing mechanism than a value-enhancing factor in the Nigerian corporate environment.

Table 4

Role of Non-Mandatory Disclosure on Shareholders Participation and Corporate Performance Nexus

	TOBQ Model (Pool OLS)	**TOBQ Model (Fixed Effect)**	**TOBQ Model (Random Effect)**	**EAPS Model (Pool OLS)**	**EAPS Model (Fixed Effect)**	**EAPS Model (Random Effect)**	**MVAD Model (Pool OLS)**	**MVAD Model (Fixed Effect)**	**MVAD Model (Random Effect)**
CONS.	-2.443 {0.000} ***	-7.738 {0.000} ***	-4.897 {0.000} ***	-14.615 {0.000} ***	-12.646 {0.000} ***	-12.797 {0.000} ***	-3.415 {0.000} ***	-8.839 {0.000} ***	-5.944 {0.000} ***
BOWN × ESGI	-0.001 {0.826}	0.010 {0.167}	0.009 {0.196}	-0.051 {0.075}	-0.062 {0.020} **	-0.060 {0.019} **	-0.002 {0.787}	-0.009 {0.224}	0.008 {0.246}
CEOO × ESGI	0.033 {0.071}	-0.012 {0.613}	0.009 {0.667}	0.047 {0.568}	-0.013 {0.882}	-0.007 {0.930}	0.031 {0.092}	-0.010 {0.671}	0.010 {0.633}
IOWN × ESGI	0.005 {0.222}	-0.019 {0.006} **	-0.001 {0.117}	0.047 {0.019} **	0.037 {0.107}	0.041 {0.058}	0.006 {0.164}	-0.016 {0.010} **	-0.008 {0.151}
MCAP	0.512 {0.000} ***	1.305 {0.000} ***	0.884 {0.000} ***	2.288 {0.000} ***	1.988 {0.000} ***	2.006 {0.000} ***	0.521 {0.000} ***	1.334 {0.000} ***	0.906 {0.000} ***
F/Wald Stat	25.82 (0.0000)	32.42 (0.0000)	195.16 (0.0000)	26.59 (0.0000)	8.42 (0.0000)	87.66 (0.0000)	28.59 (0.0000)	35.53 (0.0000)	216.67 (0.0000)
R- Squared	0.1711	0.219	0.2046	0.1751	0.0679	0.0677	0.1860	0.2352	0.2209

		2						
VIF	1.30		1.30			1.30		
Hettest	558.65 {0.0000}		796.76 {0.0000}			604.15 {0.0000}		
Hausman Test		81.32 {0.0000}			3.54 {0.8957 }		84.55 {0.0000}	

Note: (1) bracket {} are p-values: (2) **, *, imply statistical significance at 5% and 1% levels respectively**

Source: Author's Compilation, (2025)

Dynamic Panel Estimation: System GMM

To address endogeneity, reverse causality, and persistence effects, a System GMM estimator is applied. This approach combines level and differenced equations using lagged instruments, ensuring consistent and efficient estimates in dynamic panels.

Table 5

System GMM Results (Two-Step Robust Estimation)

Variable	**TOBQ**	**EAPS**	**MVAD**
L.Performance	0.412***	0.368***	0.441***
BOWN	0.021**	-0.044**	0.018
CEOO	-0.009	-0.006	0.012
IOWN	0.015**	0.011	0.019**
ESGI	-0.084**	-0.096***	-0.072**
BOWN×ESGI	-0.013	-0.041**	-0.017
CEOO×ESGI	0.008	0.006	0.004

Variable	TOBQ	EAPS	MVAD
IOWN×ESGI	-0.022**	-0.015	-0.026**
MCAP	0.318***	0.402***	0.295***
Constant	-1.982***	-2.441***	-1.763***

Diagnostics

Test/Statistic	Model 1	Model 2	Model 3
Hansen J-test (p-value)	0.214	0.301	0.276
AR(1) (p-value)	0.002	0.004	0.003
AR(2) (p-value)	0.418	0.522	0.463
Instruments	38	38	38

Firms: 80
Observations: 1,040

Source: Author's computation (2025).

The System GMM results confirm strong persistence in firm performance, as lagged dependent variables remain positive and highly significant. Hansen and AR(2) tests validate instrument reliability and absence of second-order serial correlation.

Board ownership improves market valuation but reduces earnings performance, confirming a valuation–profitability trade-off. CEO ownership remains statistically insignificant, reinforcing earlier findings. Institutional ownership improves market-based performance but not profitability, suggesting differentiated effects across performance dimensions. ESG disclosure consistently exerts a negative effect, indicating that in emerging markets it operates primarily as a compliance cost rather than a value-enhancing governance tool.

Interaction terms further reveal that ESG weakens governance effectiveness, particularly under institutional ownership structures, reinforcing its cost-driven impact.

Integrated Discussion

Across static and dynamic models, ownership structure exhibits mixed effects on performance, reflecting both alignment and entrenchment mechanisms. Institutional ownership improves valuation but does not consistently enhance profitability, suggesting monitoring benefits accompanied by short-term constraints.

ESG disclosure consistently shows negative or weak effects, indicating that sustainability reporting in emerging markets may not yet be fully capitalized by investors. The System GMM results strengthen causal interpretation by confirming that these relationships persist after controlling for endogeneity, unobserved heterogeneity, and dynamic persistence.

Overall, the evidence suggests that corporate governance effects in Nigeria are structurally complex, with performance outcomes shaped by trade-offs between control, compliance, and market perception.

Conclusion and Recommendations

This study examined the moderating role of non-mandatory disclosure in the relationship between shareholders' participation and corporate performance among listed firms in Nigeria from 2009–2023. The results reveal mixed effects of ownership structures on performance. Board ownership exhibited a significant positive relationship with Tobin's Q but a negative association with EAPS, suggesting that director ownership may align managerial interests with shareholders while also creating potential entrenchment risks. CEO ownership showed largely insignificant effects, implying that concentrated managerial ownership does not necessarily enhance firm value. Institutional ownership demonstrated positive associations with some performance indicators but negative effects in certain contexts, indicating that the influence of institutional investors may vary depending on governance structures and strategic priorities.

The findings further highlight the moderating role of non-mandatory disclosure. ESGI disclosures strengthened some ownership–performance relationships but weakened others, particularly where institutional ownership was dominant. This

suggests that voluntary disclosures can improve transparency and stakeholder confidence, yet they may also introduce additional governance costs and complexity. Overall, the results indicate that shareholders' participation influences corporate performance in different ways across ownership structures and performance measures. Non-mandatory disclosure can either strengthen or weaken these effects depending on the prevailing governance and disclosure practices.

Based on these findings, several policy implications emerge. Regulatory authorities such as the Nigerian Securities and Exchange Commission (SEC) should strengthen and standardize guidelines for voluntary ESG disclosures to enhance transparency while minimizing compliance costs. Institutional investors should be encouraged to engage more effectively with corporate management on governance and sustainability issues. Firms should also avoid excessive concentration of ownership among directors or CEOs to reduce entrenchment risks and improve accountability. Instead, diversified ownership structures and well-integrated ESG practices should be promoted to support sustainable corporate performance. Future research may extend this analysis by examining sector-specific variations in ownership structures and ESG disclosures across industries such as finance, manufacturing, and agriculture.

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