

EXAMINING THE RELATIONSHIP BETWEEN BOARD DIVERSITY, ENVIRONMENTAL SOCIAL AND GOVERNANCE, PERFORMANCE, AND FINANCIAL REPORTING TRANSPARENCY IN NIGERIA'S NON- FINANCIAL INDUSTRIES

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Abstract

This study examines the relationship between board diversity (BD), Environmental social governance (ESG) performance, and financial reporting transparency (FRT) in 35 non-financial firms listed on the Nigerian Exchange Group from 2017 to 2023. Using regression analysis, the findings reveal a significant positive association between ESG performance and FRT. Additionally, board diversity, including gender, ethnicity, and expertise was found to positively moderate the relationship between ESG performance and FRT. The research highlights how enhanced ESG performance contributes to improved financial reporting transparency. This study enriches the literature by providing empirical evidence on the interconnectedness of these elements in Nigeria's non-financial sector. The implications extend to policymakers, regulators, and corporate leaders aiming to promote sustainable business practices and elevate financial reporting quality. By advocating transparency, accountability, and ethical governance, the study offers a comprehensive framework for addressing sustainability and governance issues, alongside recommending fiscal incentives and penalties to encourage socially and environmentally responsible behaviors.

Keywords: Board diversity, ESG performance, financial reporting transparency, non-financial firms, Nigeria.

1 INTRODUCTION

Over the past few decades, increasing attention has been directed toward the Environmental, Social, and Governance (ESG) performance of firms by scholars, policymakers, practitioners, and investors alike (Pacelli et al., 2022; Rajesh, 2020). A growing body of empirical literature has sought to identify the key determinants of ESG outcomes, among which boardroom characteristics particularly board gender diversity (BGD) have emerged as a critical factor (Nadeem et al., 2019; Cambrea et al., 2023). Nevertheless, existing evidence on the nexus between BGD and ESG or corporate social responsibility (CSR) remains mixed and, in some cases, contradictory. While several studies conducted in developed economies report a positive association between board gender diversity and ESG performance (Nerantzidis et al., 2022; Wasiuzzaman & Subramaniam, 2023), other findings suggest that this relationship is neither uniform nor context-independent.

There have been substantial studies on relationship between ESG performance, and financial reporting transparency. Evidence from emerging economies presents a more disjointed and inconclusive narrative. While some studies document a negative or statistically insignificant relationship between board diversity and ESG outcomes (Gallego-Álvarez & Pucheta-Martínez, 2020; Yadav & Prashar, 2022), others report a positive and significant association (Al-Mamun & Seamer, 2021; Katmon et al., 2019). These mixed findings presents the needs for a more investigation of the board diversity and ESG nexus. I This study aims to rethink the connection by situating the analysis in Nigeria's sociocultural context, which has received little attention in academia.

More so, the effectiveness of female directors is frequently constrained by structural, institutional, and societal barriers, particularly persistent gender bias (Nielsen & Huse, 2010). Such biases do weaken the potential influence of women on environmental performance, a core dimension of ESG. In many emerging economies, entrenched gender inequality and the relatively lower social status of women further limit their capacity to shape sustainability-oriented outcomes (Husted & Sousa-Filho, 2019; Zaid et al., 2020). Consistent with Role Congruity Theory, Eagly and Karau (2002) argue that prejudicial stereotypes portraying women as incongruent with leadership roles constitute a fundamental source of bias against female leaders, thereby constraining their effectiveness at the board level.

In addition to the "glass cliff" phenomenon (Ryan and Haslam, 2007), this stereotype results in shorter board tenures for female directors (Glass and Cook, 2016) and negative stock market responses to their appointments (Gupta et al., 2018). Hoyt and Murphy (2016) suggest these biases fuel stereotype threats, significantly impacting female directors' decisions (Carr and Steele, 2010).

Characteristics like empathy, spontaneity, compassion, kindness, interpersonal sensitivity, generosity, and a stronger focus on societal issues serve as ways for female directors to stand out from their male counterparts (Boulouta, 2013; Zaid et al., 2020). Furthermore, they are more likely to be philanthropic than male directors, who are usually more focused on the economy (Ibrahim and Angelidis, 1994). Longer board tenure increases legitimacy, empowers directors to fight for their views and principles, and lessens ignorance of their beliefs, making this change possible (Dou et al., 2015; Saeed et al., 2022).

The primary objective of this study is to explore the influence of ESG performance on the quality of FRT in non-financial firms in Nigeria. To address this overarching goal, we have formulated specific research questions: Firstly, we examine what the impact of the extent of ESG performance on FRT in Nigerian non-financial firms (RQ1) is. Secondly, to investigate how gender diversity moderates the relationship between ESG performance and FRT, (RQ2).

This study's goal is to provide some background information on the state of ESG performance in the non-financial industry of Nigeria. To study the effects of FRT, ESG, and BD and to look at how ESG affects FRT. Examining how BD moderates the association between FRT and ESG performance would help achieve this. The relationship between ESG performance and FRT in Nigeria has not received much attention. This study aims to close this gap by presenting actual data on the connection between FRT and ESG performance as well as the moderating effect of BD. The results will provide useful information for enhancing stakeholder-focused disclosure and transparency procedures.

2 LITERATURE REVIEW

In recent years, there has been a growing interest in how board diversity relates to Environmental, Social, and Governance (ESG) performance and financial reporting transparency (FRT). As companies recognize the importance of sustainability, it's essential to understand what drives ESG performance. Board diversity

encompassing gender, ethnicity, and expertise plays a crucial role in effective governance and decision-making within organizations.

Research from developed countries typically shows a positive link between board diversity and better ESG outcomes. Diverse boards are thought to provide a range of perspectives, leading to improved decision-making and greater accountability. However, studies from emerging markets like Nigeria reveal a more complex situation. Some research suggests that board diversity positively affects ESG performance, while other studies find negative or insignificant effects. This inconsistency emphasizes the need for a deeper understanding of these relationships in different contexts.

This literature review aims to bring together existing research on the connections between board diversity, ESG performance, and FRT, with a focus on Nigeria. It will examine the theoretical frameworks that support these relationships, analyze empirical evidence, and highlight gaps in the current literature to guide future research. Ultimately, this review seeks to enhance our understanding of how board diversity impacts sustainability practices and financial transparency in non-financial industries.

2.1 Environmental, Social, and Governance (ESG)

Environmental, Social, and Governance (ESG) is a term widely used in a company's Corporate Social Responsibility (CSR). However, because it incorporates social, governance, and environmental elements, ESG has broader ramifications than CSR (Gillan et al., 2021). Due to the possible long-term effects on stakeholder investments rather than simply shareholders, ESG information has recently been a concern for everyone (Almeyda & Darmansyah, 2019). ESG is regarded as a sustainability metric for businesses that assesses and communicates their sustainable performance about the objective of sustainable development and shows accountability to all stakeholders, both internal and external to the business. ESG is thought to be a valuable addition to conventional financial and investment analysis, and it can also affect a company's long-term worth (Wong, 2017).

ESG information is provided by companies that discuss, among other things, how they invest in community connections, human rights, natural resources, and their level of corruption. A business's efforts to mitigate the effects of its operations on the environment and climate, for example, are measured under the environmental performance section. Ownership structure, minority shareholder rules, board member independence, and company disclosure transparency are all reflected in governance success. Finally, social elements that impact social performance include human rights, workplace equality and diversity, and societal contribution (Lunawat & Lunawat, 2022).

Adebayo (2022) examined the connection between Nigerian companies' financial success and ESG policies. ESG factors have a beneficial effect on financial performance, according to the author's regression study of a sample of NSE-listed companies. ESG practices improve long-term sustainability and stakeholder trust, according to the study's findings. Methodology: Data from 2015–2020, regression analysis. Conclusions: ESG standards have a favorable effect on market value and return on assets (ROA).

2.1.1 ESG and Financial Reporting Transparency

According to Cui et al. (2018), organizations can successfully increase openness, decrease information asymmetry, and strengthen investors' long-term investment interests in their businesses by implementing ESG disclosure. To meet stakeholder interests, non-financial disclosures like ESG are anticipated to develop into a social investment that will enhance company performance. The findings of earlier studies on the influence of ESG on financial reporting have been mixed. But according to the stakeholder theory, most of

the research (Ahmad et al., 2021; Chouaibi et al., 2022; Sandberg et al., 2022; Setiani, 2023) revealed evidence that companies with higher ESG performance typically have better financial reports and better market value.

The impact of ESG scores on firm financial reporting for companies listed on the Indonesian stock exchange was investigated by Setiani (2023); the findings of this study indicated a favorable correlation between financial reporting transparency and ESG scores. ESG practices and financial performance were examined by Chouaibi et al. (2022) both directly and indirectly, using green innovation as a mediator. According to the data, business value is increased by improved ESG practices and decreased by ESG shortcomings. Furthermore, the impact of ESG ratings on the quality of financial reporting in the European food business was examined by Sandberg et al. (2022). The findings demonstrate that improved financial success is linked to higher ESG ratings.

Further research is needed to better understand the complex relationship between these variables and to identify the specific factors that may contribute to the relationship between ESG performance, FRT and BD. Accordingly, the research hypotheses are formulated:

H₁: ESG performance has a negative significant impact on financial reporting transparency.

2.1.2 Board Diversity (BD)

According to Cucari et al. (2018), board diversity includes the nationality, gender, race, and ethnicity of the board of directors. Amorelli and García-Sánchez (2021) define board diversity as the representation of women and men on company boards. On the other hand, the concept of diversity in the composition of the board can be viewed as a combination of several factors, including differences in the skills, knowledge, and expertise of board members from different industries and backgrounds, in addition to the gender or geographic makeup of the imbalance. A supply of social capital can then be supplied by directors who can acquire outside resources and keep up connections with other groups.

A more diverse board of directors improves the board's ability to understand the business environment, enhances its ability to identify the interests of various shareholder groups, and offers advantages from individual experts through a variety of provisions, primarily knowledge, prestige, and funding.

2.1.3 Board Diversity and ESG

In contemporary business, gender diversity on boards has become a crucial governance instrument that has attracted a lot of interest from directors, shareholders, and scholars (Boulhaga et al., 2023; Bufarwa et al., 2020). Most studies highlight the importance of female directors in board choices by utilizing feminist traits and resource-based theory (Abdelfattah et al., 2021; Abdou et al., 2021). In particular, it is proposed that having female directors improves the quality of decision-making by bringing in a variety of viewpoints (Owusu et al., 2020; Srouji et al., 2023; Ullah et al., 2023). Nonetheless, anecdotal and empirical data indicate that the advantages of having female directors are mostly felt in industrialized nations with higher levels of gender parity.

This finding raises doubts about the contribution of female directors to ESG in poor nations. Inadequate female participation on boards, gender discrimination, and widespread unfavorable gender stereotypes in developing nations are some of the factors behind this limited influence on ESG (Husted and Sousa-Filho, 2019; Zaid et al., 2020). According to Yarram and Adapa (2021), attitudes of tokenism may prevent a single female director from having a meaningful impact on corporate social responsibility (CSR).

Board gender diversity (BGD) and environmental, social, and governance (ESG) performance have typically been found to be positively correlated by empirical studies, primarily conducted in industrialized nations (Nerantzidis et al., 2022; Wasiuzzaman and Subramaniam, 2023; Yarram and Adapa, 2021; Jizi, 2017). However, as other studies have shown, the impact of female directors on ESG seems to be more limited in developing nations. For example, Zaid et al. (2020) found that female directors could not influence sustainable performance in the Palestinian environment. According to Husted and Sousa-Filho (2019), the inclusion of women on boards has a detrimental impact on ESG in Latin American nations.

Similarly, Gallego-Alvarez and Pucheta-Martínez (2020) reported a negative relationship between BGD and corporate social responsibility (CSR) in a sample from 10 developing countries, a trend they attribute to perceptions of tokenism and the associated stereotypes and biases.

Ogbechie et al. (2019) looked into how BGD affected performance and governance in Nigerian businesses. The authors used panel data analysis on a sample of NSE-listed companies and discovered that BGD improves financial performance and governance. According to the study, having more female directors enhances board decision-making and lowers agency expenses. Methodology: Panel data analysis, data from 2007 to 2016. Results: BGD enhances financial performance (ROE, Tobin's Q) and governance.

According to the discussion above, female directors are less likely to incorporate gender-related viewpoints into boardroom conversations to get past unfavorable perceptions and win legitimacy and support from majority directors because of their lower standing in developing nations.

2.1.4 Financial Reporting Transparency (FRT)

The degree to which stakeholders receive accurate, comprehensive, and timely financial information that facilitates well-informed decision-making is known as financial reporting transparency, or FRT (Healy & Palepu, 2001). As it makes it easier for stakeholders to comprehend a company's financial status, performance, and prospects, FRT is a crucial component of corporate responsibility.

According to Hutton et al. (2020), FRT essentially represents the idea that financial data should be easily obtainable, trustworthy, and devoid of significant errors or omissions. A company's risk profile, growth potential, and management's stewardship may all be evaluated by stakeholders because to this transparency. As a result, FRT affects decisions made by stakeholders, including regulatory supervision, credit evaluations, and investment decisions.

According to recent studies, FRT is important for increasing financial market efficiency and decreasing information asymmetry (López et al., 2022). Higher FRT corporations have been found to have lower costs of capital, greater liquidity, and superior financial performance (Hutton et al., 2020). FRT is important because of theoretical frameworks like Agency Theory and Signaling Theory. Transparent reporting conveys managerial competence and commitment to stakeholders, according to Signaling Theory, while Agency Theory contends that managers' incentives to disclose information are in line with stakeholders' interests (Healy & Palepu, 2001).

The beneficial effect of FRT on business outcomes is supported by empirical data. According to a study by López et al. (2022), for example, greater transparency results in better financial performance and less information asymmetry. Likewise, Hutton et al. (2020) showed that firm worth and liquidity are strongly correlated with financial reporting openness. The connection between FRT and financial success in Nigerian listed firms was investigated in a study by Uadiale et al. (2020). The researchers used regression analysis on a sample of companies listed on the Nigerian Stock Exchange (NSE) and discovered that FRT has a beneficial effect on financial performance. The study concluded that open financial reporting improves

informed decision-making and stakeholder trust. Methods: Regression analysis using data from 2010 to 2019. The results FRT has a favorable effect on financial performance (ROA, Tobin's Q).

2.1.5 Financial Reporting Transparency and BD

Financial reporting transparency precise, thorough, and timely financial information disclosure allows stakeholders to evaluate a company's risk profile, growth potential, and management's stewardship. This is known as transparency. On the other side, board gender diversity refers to the inclusion of female directors on corporate boards, which promotes a range of viewpoints, abilities, and experiences. When board diversity and financial reporting openness are combined, a strong governance framework is produced. Given that female directors typically support more thorough disclosure and robust governance procedures, research indicates that boards with a higher gender diversity are more likely to place a higher priority on transparency (Adams & Ferreira, 2009).

Studies have shown that companies with higher financial reporting transparency and board gender diversity exhibit:

1. Improved financial performance: Gender-diverse boards are associated with better financial performance, particularly in terms of return on equity (ROE) and return on assets (ROA) (Carter et al., 2010).
2. Enhanced risk management: Female directors are more likely to prioritize risk management and internal controls, reducing the likelihood of financial misstatements (Gul et al., 2011).
3. Increased audit committee effectiveness: Gender-diverse audit committees are more effective in overseeing financial reporting and internal controls (Martin et al., 2016).
4. Better corporate social responsibility: Companies with gender-diverse boards are more likely to prioritize sustainability and social responsibility (Bear et al., 2010).

Female directors are more likely to promote accountability and transparency in corporate governance, according to recent research, which highlights the value of board gender diversity in advancing financial reporting openness (Kirsch et al., 2020). The quality of financial reporting is favorably correlated with the gender diversity of the board (Liao et al., 2022).

H₂: BG moderation of the relationship between ESG performance and FRT.

Independent Variables Moderator Variable Dependent Variable

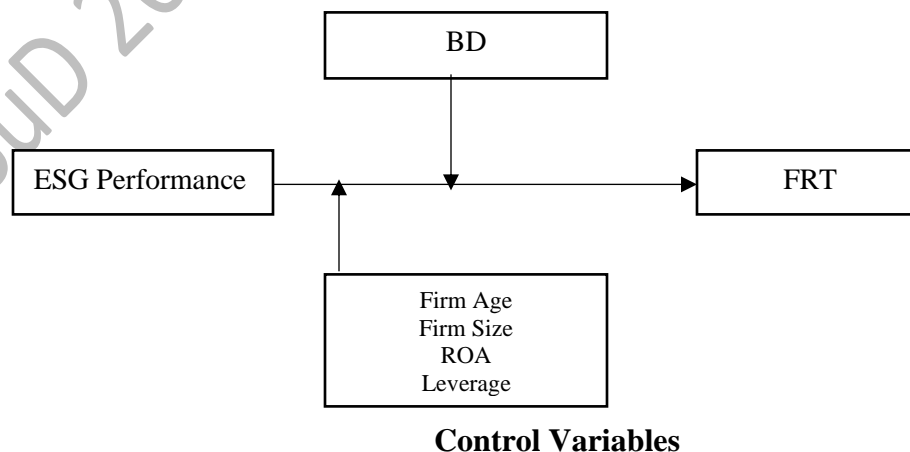


Fig 1: Research Model

3 METHODOLOGY

To examine the effect of Environmental, Social, and Governance (ESG) performance on financial reporting transparency, this study specifies a multivariate regression model with firm-level control variables. The functional form of the model is expressed as follows:

$$\text{FRT_Index}_{it} = \beta_0 + \beta_1 \text{ESG_Index}_{it} + \beta_2 \ln(\text{FIRM_AGE}_{it}) + \beta_3 \ln(\text{FIRM_SIZE}_{it}) + \beta_4 \text{ROA}_{it} + \beta_5 \text{Leverage}_{it} + \varepsilon_{it}$$

Where:

FRT_Index_{it} represents the Financial Reporting Transparency Index of firm i in period t (dependent variable).

β_0 is the intercept term.

ESG_Index_{it} denotes the firm's Environmental, Social, and Governance performance.

$\ln(\text{FIRM_AGE}_{it})$ is the natural logarithm of firm age, capturing firm maturity.

$\ln(\text{FIRM_SIZE}_{it})$ represents firm size measured as the natural logarithm of total assets.

ROA_{it} is return on assets, capturing firm profitability.

Leverage_{it} measures the firm's financial leverage.

ε_{it} is the stochastic error term.

To account for the moderating role of board diversity characteristics, the baseline model is extended as follows:

$$\text{FRT_Index}_{it} = \beta_0 + \beta_1 \text{ESG_Index}_{it} + \beta_2 \ln(\text{FIRM_AGE}_{it}) + \beta_3 \ln(\text{FIRM_SIZE}_{it}) + \beta_4 \text{ROA}_{it} + \beta_5 \text{Leverage}_{it} + \beta_6 \text{BD}_{it} + \beta_7 (\text{ESG_Index}_{it} \times \text{BD}_{it}) + \varepsilon_{it}$$

Where BD_{it} represents board diversity dimensions, including board gender diversity, board ethnicity, and board expertise, while the interaction term captures the moderating effect of board diversity on the ESG and financial reporting transparency relationship.

All non-financial firms in Nigeria are included in the research population; however, because financial firms and non-financial firms differ greatly, all financial firms, including banks, insurance companies, and investment companies, were excluded due to their unique accounting standards and regulations. The study's foundation is made up of non-financial firms listed on NGX and included in the ESG index. Information on financial reporting, board gender diversity, and ESG performance was gathered from the NGX database over the seven years period from 2017 to 2023, the Sustainable Development Goals (SDGs) implementation period. The data was gathered from the websites of publicly traded companies, as well as credible online sources such as Investing.com, and Reuters.com.

The final sample comprises 35 non-financial firms spanning 12 sectors, resulting in a total of 246 observations per firm year, as shown in Fig. 1.

Table 1: Firm Observation

Firms	Observations	Percentage
Consumer Goods	29	12%
Building Material	22	9%

Contracting & Construction	8	3%
ICT/Technology	28	11%
Oil and Gas	28	11%
Conglomerates	22	9%
Agricultural	15	6%
Industrial Goods	15	6%
Telecommunication Services	29	12%
Real Estate	20	8%
Livestock/Animal	12	6%
Textiles	18	7%
Total	246	100%

Source: Authors computation (2025)

4 ANALYSIS AND RESULT

Table 1 presents the descriptive statistics of the research variables (ESG performance, FRT Index and Gender diversity) for 35 companies for 7 years (2017–2023). During this time frame it can be noticed that the minimum and maximum values of ESG and FRT index score is getting better with minimum values of 0.010 and 0.007 and maximum values of 0.510 and 0.860, respectively, which reflect the increased awareness about the necessity of non-financial disclosures within recent years.

Table 1 Descriptive statistics

	Minimum	Maximum	Mean	Std. Deviation
ESG_Index	0.01009	0.51000	0.0592585	0.07428008
FRT_Index	0.00720	0.85809	0.2314541	0.17944331
Gender Diversity	0.0000	0.3000	0.089537	0.0997713
BD ethnicity_	1	6	3.51	1.688
BD expertise	3	21	9.37	4.383
Valid N (listwise)	246			

Source: Authors Computations (2025)

In addition, Table 1 shows the descriptive statistics of the BD during the 7 years' time where it can be noticed that minimum value of female existence in the board of directors is zero and the maximum is 30% with mean of 0.895 and standard deviation of 0.99 which reflect the success of Nigeria vision on empowering women. Furthermore, as minimum values of ethnicity and expertise are 1 and 3, while maximum values are 6 and 21, respectively.

It is crucial to note, however, that descriptive statistics only provide a summary of the data and do not shed light on the causality of observed patterns or the relationships between the variables. Therefore, additional

analysis for the interrelationships between the variables and potential causes of the observed trends are in the next section.

Table 2 Pearson correlations among research variables

	ESG_Index	FRT_Index	Gender_Diversity	BD Ethnicity	BD Expertise
ESG_Index	1				
FRT_Index	0.348**	1			
Gender_Diversity	-0.195**	-0.076	1		
BD Ethnicity	0.110	0.005	-0.069	1	
BD Expertise	0.109	0.144*	-0.193**	-0.069	1

*Correlation is significant at the 0.05 level (2-tailed) **Correlation is significant at the 0.01 level (2-tailed)

Source: Authors Computations (2025)

4.1 Correlation among variables

Table 2 indicates that there are several significant correlations between the variables under consideration. First, there is a significant positive correlation between the ESG and FRT indices. This indicates that companies with higher ESG scores tend to have higher FRT scores as well. Companies with strong ESG practices are more likely to have a comprehensive and transparent approach to FR practices, resulting in higher FR scores. Secondly, a significant negative correlation exists between ESG and gender diversity. This indicates that companies with higher ESG scores have less gender diversity on average. Thirdly, there is a weak negative correlation between gender diversity and the FRT index score. This indicates that there is no statistically significant correlation between gender diversity and FRT scores.

The ESG performance score and FRT index score do not significantly correlate with the remaining two BD (ethnicity and expertise). This suggests that these variables under investigation do not significantly relate to one another. Additionally, multicollinearity does not present a challenge for the regression analysis, as indicated by the low variance inflation factor (VIF). Overall, the findings in Table 2 offer insightful information about the connections among the variables under investigation by indicating that gender diversity and ESG practices are important aspects to take into account when putting FRT quality into reality.

5 DISCUSSIONS

Regression models were created to investigate the effect of the ESG performance index score on the FRT index, and regression analysis is utilized to assess the research hypotheses. Furthermore, a second regression model is created to investigate how BD modifies the association between FRT and ESG.

Testing hypothesis one (ESG on FRT)

Table 3 displays the regression analysis results examining the effect of ESG index score on the quality of FRT index score in non-financial firms. Statistical significance at the 1% and 5% levels is determined using linear regression and the t-statistic of each coefficient. The results indicate that the ESG index score has a substantial positive effect on the quality of the FR index score for Nigerian non-financial firms. Specifically, the regression analysis reveals that the ESG index score and the control variables explain 19.7% of the variation in the quality of FR index score.

This indicates that ESG factors play a significant role in determining the character of these companies' FRT practices. In addition, Fisher's (F) statistics validate the model's effectiveness within a significance threshold of less than 1%, indicating that the model suits the data well and is statistically significant. Therefore, the obtained empirical evidence strongly supports the first hypothesis, implying that there is a positive correlation between the ESG index score and the quality of the FRT index score in Nigerian non-financial firms. Thereby, rejecting the null hypotheses formulated.

Table 3 Regression analysis for impact of ESG on FRT

Panel A					
Model	Unstandardized coefficients		Standardized Beta	t	Sig
	B	Std. Error			
(Constant)	-0.050	0.082		-0.607	0.544
ESG_Index	0.672	0.149	0.278	4.516	0.000
Log_FIRM_AGE	0.014	0.009	0.103	1.640	0.102
Log_FIRM_SIZE	0.039	0.012	0.195	3.171	0.002
ROA	0.118	0.054	0.129	2.165	0.031
Leverage	-0.112	0.056	-0.121	-2.012	0.045
Adj. R Square	19.7%	F	12.310	Sig	0.000

a. Dependent Variable: FRT_Index

b. Predictors: (Constant), ESG_Index, Log_FIRM_AGE, ROA, Leverage, Log_FIRM_SIZE, BD_Moderating, BD Ethnicity, Moderating, BD Expertise.

Source: Authors Computations (2025)

Testing hypothesis two (ESG on FRT and BD moderation)

The results of the regression analysis examining the moderating effect of BD on the relationship between ESG index score, and FR index score are presented in Table 4. The analysis reveals that both gender diversity and board size moderate the relationship between ESG index score and IR index score with a significance level of less than 0.05.

Table 4 Regression analysis for impact of ESG on FR and BD moderating variable

Panel B					
	Unstandardized coefficients		Standardized coefficients	t	Sig
	B	Std. Error			
(Constant)	-0.084	0.083		-1.011	0.313
ESG_Index	1.077	0.662	0.449	-1.628	0.105
BD_Moderating	6.405	2.871	0.185	2.231	0.027
BD Ethnicity	0.014	0.068	0.030	0.204	0.839
BD Expertise	0.092	0.038	0.365	2.425	0.016
Log_FIRM_AGE	0.018	0.009	0.129	2.059	0.041
Log_FIRM_SIZE	0.033	0.012	0.167	2.666	0.008
ROA	0.135	0.054	0.149	2.482	0.014
Leverage	-0.117	0.056	-0.127	-2.103	0.037
Adj. R Square	22.7%	F	8.493	Sig	0.000

a. Dependent Variable: FRT_Index

b. Predictors: (Constant), ESG_Index, Log_FIRM_AGE, ROA, Leverage, Log_FIRM_SIZE, BD_Moderating, Ethnicity_moderating, Expertise.

Source: Authors Computations (2025)

The objective of this study was to address two central research questions: (1) What is the impact of ESG performance on FRT in non-financial firms in Nigeria? and (2) How does board gender diversity moderate this relationship? The regression analysis revealed a significant positive association between ESG disclosure scores and FRT, affirming first hypothesis. Within the context of developing markets, the findings of this research provide valuable insights into the interconnections between ESG practices, diversity of the board, and the FRT in non-financial firms operating in Nigeria. The aforementioned results provide valuable insights into the impact of ESG practices and BD on FRT within the unique setting of developing markets.

The study supports the idea that there is a significant positive correlation between FRT and ESG performance. The results of the regression analysis demonstrate the significant positive impact that ESG index scores have on FRT. This research highlights the potential advantages that could result from the adoption of ESG principles in emerging nations like Nigeria; the results above offer important support for the global trend toward sustainability. This result is consistent with and builds upon comparable research by Hoang (2018) and Mervelskemper and Streit (2017), which similarly found a positive correlation with transparent FR and sustainability practices.

Strong ESG practices are prioritized by organisations operating in these specific markets, which increases their likelihood of using comprehensive and transparent FR procedures. Their FRT scores are raised, and they also show that they are committed to sustainability, a subject that is becoming more and more significant in the global business world. Firms in these sectors with high ESG ratings are better able to understand and manage their sustainability-related risks and opportunities. Through information retrieval techniques, this deep understanding in turn fosters effective communication. Building trust and increasing an organisation's perceived legitimacy are two benefits of implementing an enhanced FRT framework in developing markets, where stakeholders may show heightened interest in sustainability.

In conclusion, the research's findings have significant ramifications for developing economies. The authors stress how important it is to take the specific environment into account when examining how ESG performance, BD, and FRT interact. The study's conclusions offer important new information to companies doing business in developing nations as they negotiate the complex landscape of sustainability and FR.

5.1 Policy Implications

- i.. To improve accountability and transparency, policymakers ought to mandate data exchange and stakeholder participation
- ii. Fiscal incentive and penalty policies to promote socially and environmentally conscious behavior.
- iii. Encourage diversity in board composition and enhance financial reporting transparency.
- iv. The recommendations strengthen civil society, enhance monitoring, prioritize awareness and education, and establish processes for policy evaluation and adaptation.
- v. The study encourages a future of transparency, accountability, and moral governance by offering governments, organizations, and stakeholders a comprehensive framework for addressing sustainability and governance concerns.

5.2 Theoretical Implications

5.2.1 Stakeholder Theory

According to Stakeholder Theory, businesses have obligations to a number of parties, such as shareholders, staff members, clients, suppliers, and the environment (Freeman, 1984). This idea is supported by ESG, BGD, and FRT since ESG ensures government accountability while addressing social and environmental issues. BD improves board decision-making by incorporating a variety of viewpoints. Building credibility and trust with stakeholders requires the provision of transparent financial information, which FRT makes possible through informed decision-making.

Stakeholder theory offers a framework for comprehending the connection between ESG and financial performance, according to recent studies (Khan et al., 2020). Furthermore, stakeholder orientation is favorably correlated with board gender diversity (Bear et al., 2010), and financial reporting clarity is necessary for informed decision-making and stakeholder trust (Healy & Palepu, 2001).

5.2.2 Agency Theory

According to agency theory, managers (agents) represent shareholders (principals), which could result in conflicts of interest (Jensen & Meckling, 1976). FRT, BD, and ESG lessen these conflicts by: ESG synchronizes long-term sustainability with managerial interests. BD lessens managerial entrenchment by introducing a variety of viewpoints. By improving transparency and decreasing information asymmetry, FRT lowers agency expenses.

ESG performance is favorably correlated with lower agency costs, according to recent research (Dowell et al., 2020). Additionally, financial reporting openness lowers information asymmetry and agency costs, and gender diversity on boards improves governance and lessens agency conflicts (Adams & Ferreira, 2009) (Hutton et al., 2020).

6 CONCLUSION AND IMPLICATIONS

The study focuses on how BD moderates the relationship between the degree of FRT and the ESG disclosure index. FR is a tool that gives stakeholders a comprehensive picture of a business's capacity to generate value over time. However, as the quality of disclosure is still a major concern, determining the factors that influence FR is essential to guaranteeing high-quality disclosure. Given that BD have been identified as potential predictors of FR quality, the purpose of this study is to pinpoint the precise BD that affect FR quality. The study finds potential BD-related FRT factors. After that, the authors formulate two theories about how these factors relate to FRT. The authors analyzed data from 35 non-financial companies from 2017 to 2023, for a total of 246 observations. The research used regression analysis with lagged explanatory variables to test the relationship between the independent variables, control variables, and the IR disclosure quality score, which is the dependent variable.

The present research makes a number of significant contributions to FR research. In the first place, it contributes to a greater understanding of underdeveloped issues, specifically the IR quality determinants. By going deeper into this topic, the research provides valuable insights into the key factors that influence the quality of FR, thereby enabling businesses to enhance their communication with stakeholders. Secondly, the research identifies a number of significant BD-related determinants of FRT. Specifically, the research concludes that female tenure and gender non-executive are significant FRT-influencing factors. These findings can serve as a launching point for future research that seeks to investigate the relationship between BD and FRT in greater depth.

Thirdly, the study uses a variety of ideas to critically analyze the results. By placing the study's findings into a larger theoretical framework, the research advances the area of FR research theoretically. Furthermore, by highlighting research gaps, this interpretation of the findings lays the groundwork for subsequent

investigations that can expand on the current work. In conclusion, this study offered fresh insights into Nigeria's present ESG adoption situation and how it affects FR quality. The findings of this study make a significant addition to the corpus of knowledge already available on-board diversity and sustained involvement. These findings can also improve disclosure procedures that are focused on stakeholders.

The study findings have significant and diverse ramifications that span several academic and practical areas. This work makes a valuable contribution to the existing body of knowledge by enhancing our understanding of the complex factors that influence the quality of FR. This study explores the substantial impact of board diversity, and ESG, and elucidates their crucial role in creating FRT quality. The discoveries contribute to the current corpus of knowledge within the field of IR study, providing a foundation for future investigations into the interplay between governance and FT. Furthermore, this study highlights the significance of contextualizing these findings within the framework of pertinent theories, thus contributing to the advancement of the theoretical landscape in this sector. These contributions play a crucial role in providing guidance for future research efforts and facilitating a more comprehensive investigation of the connections between corporate governance, sustainability, and transparency.

These contributions are essential for guiding future studies and enabling a more thorough examination of the relationships between corporate governance, sustainability, and transparency. From a practical standpoint, this research has important ramifications for businesses, policymakers, and stakeholders. This emphasizes how crucial it is to increase diversity on corporate boards as a strategy to raise the FRT quality and, consequently, the caliber of disclosures related to governance and sustainability.

7 LIMITATION AND FURTHER STUDIES

Future studies should consider larger samples from a variety of industries to improve the validity of the findings. Furthermore, the subjective nature of creating disclosure indices draws attention to how susceptible results may be to changes in measurement. Using a variety of methods when creating the index could be a useful check to increase the study's resilience. The study conceptually leaves room for investigation of other governance traits by concentrating exclusively on gender diversity as moderators. Additional subtleties in the connection between ESG and transparency may become apparent when elements like board independence, financial know-how, or stakeholder representation are considered.

AUTHOR DECLARATIONS

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