Governance Sustainability Disclosure and Firm Market Value in Nigeria: The Mediating Role of Investor Trading Behaviour

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ABSTRACT

The increasing emphasis on sustainability reporting has renewed interest in whether governance-related disclosures are sufficiently value relevant to influence investor behaviour and firm valuation in emerging capital markets. This study examines the effect of governance sustainability disclosure on the market value of listed industrial goods firms in Nigeria and investigates the mediating role of investor trading behaviour. Anchored primarily on signalling theory, with complementary insights from agency and stakeholder theories, the study adopts an ex-post facto panel design covering nine listed firms from 2010 to 2025. Governance sustainability disclosure is measured using a graded content-analysis index, firm market value is proxied by Tobin's Q, and investor trading behaviour is measured by share turnover, with trading volume used for robustness analysis. Random-effects panel regressions with firm-clustered robust standard errors are estimated, while mediation is assessed using a 5,000-replication firm-level bootstrap procedure. The results indicate that governance sustainability disclosure has a positive but statistically insignificant effect on firm market value (b = 0.667, p = 0.736) and no significant effect on investor trading behaviour (b = 0.0037, p = 0.981). Investor trading behaviour also has no significant effect on market value (b = 0.0159, p = 0.916), while the bootstrapped indirect effect is insignificant. The findings suggest that governance sustainability disclosure has yet to function as a sufficiently strong market signal to induce observable investor response or valuation effects in Nigeria's industrial goods sector.

Keywords: Governance sustainability disclosure; firm market value; investor trading behaviour; share turnover; Tobin's Q; Nigeria

INTRODUCTION

Corporate reporting has moved beyond historical financial results toward a broader account of how firms govern sustainability-related risks, opportunities and stakeholder relationships (Eccles et al., 2014). Governance sustainability disclosure is especially important because it communicates how boards oversee strategy, risk, ethics, internal control and accountability. It also helps users assess whether environmental and social commitments are supported by credible governance arrangements rather than stand-alone narratives. In agency terms, transparent reporting can reduce the informational advantage of managers and lower monitoring uncertainty (Jensen & Meckling, 1976). Credible governance disclosure may therefore influence investors' assessment of organisational quality, risk and future cash-flow resilience.

The relevance of this issue is increasing in Nigeria. The Nigerian Stock Exchange introduced Sustainability Disclosure Guidelines in 2018 to structure sustainability reporting by listed companies (Nigerian Stock Exchange, 2018). More recently, the Financial Reporting Council of Nigeria (FRCN) has advanced implementation of the International Sustainability Standards Board framework. Its amended 2026 roadmap and Sustainability Reporting Guideline 1 clarify reporting timelines, adoption readiness and assurance expectations (FRCN, 2026). These developments shift attention from whether firms disclose sustainability information to whether that information is credible, comparable and decision useful to market participants.

Theory suggests that credible governance disclosure can affect market value through connected informational and behavioural mechanisms. Signalling theory holds that firms can communicate difficult-to-observe attributes through observable disclosure (Spence, 1973), so governance reporting may signal stronger oversight, ethics and risk management. Agency theory adds that transparency can reduce monitoring problems created by separation of ownership and control (Jensen & Meckling, 1976). Yet investors must notice, interpret and act on information before it affects prices. Behavioural finance is therefore relevant because investors do not process all information with equal attention or perfect rationality (Kahneman & Tversky, 1979).

Prior evidence on sustainability disclosure and firm value remains mixed. Stronger shareholder rights and governance arrangements have been associated with superior outcomes in some settings (Gompers et al., 2003; Larcker et al., 2007), while financially material sustainability practices appear more value relevant than undifferentiated activity (Khan et al., 2016). Broader ESG evidence also varies across firms, markets and measures (Friede et al., 2015; Velte, 2017). Nnedu's (2025) thematic review of studies published between 2018 and 2024 reaches a similar conclusion: sustainability reporting can support performance through transparency, stakeholder trust and operating efficiency, but its effects depend strongly on sector, region, stakeholder expectations and the performance measure. This cautions against assuming homogeneous capital-market effects from sustainability disclosure.

Nigeria presents a useful setting for testing this mechanism. Emeka-Nwokeji and Osisioma (2019) found governance disclosure positively related to market value among non-financial firms, whereas Nnedu, Okpanachi, and Uwaleke (2025) found no significant effect of governance sustainability reporting on return on assets among 16 listed consumer goods firms. The contrast suggests that consequences may depend on sector and performance measure. Most Nigerian studies also estimate direct effects. Soomiyol et al. (2024) are a notable exception, reporting significant investor mediation between governance disclosure and market value in deposit money banks. Whether that pathway operates in industrial goods firms remains uncertain because the sectors differ in regulation, information sensitivity and trading dynamics.

This study examines governance sustainability disclosure, investor trading behaviour and market value among nine Nigerian listed industrial goods firms over 2010–2025. It tests whether disclosure affects market value and whether investor behaviour transmits that effect. The contribution is to isolate governance disclosure, use approximate Tobin's Q, normalise trading with a share-turnover ratio, retain logged volume as a robustness measure, and formally test the indirect path with a firm-level bootstrap.

LITERATURE REVIEW AND HYPOTHESIS DEVELOPMENT

Governance Sustainability Disclosure and Firm Market Value

Governance sustainability disclosure captures information about the systems through which a firm is directed, controlled and held accountable within a sustainability context. It includes board oversight, independence and diversity, ethical conduct, anti-corruption arrangements, risk governance, internal controls, executive responsibility and shareholder engagement. Governance provides the institutional infrastructure through which wider sustainability commitments are authorised and monitored. Specific, verifiable information can therefore help stakeholders distinguish substantive practices from generic reporting and assess whether governance commitments are credible.

From a valuation perspective, governance disclosure can affect expected cash flows and perceived risk. Agency theory explains one channel: separation of ownership and control creates monitoring costs and information asymmetry (Jensen & Meckling, 1976). Transparent disclosure makes oversight and accountability mechanisms more observable. Signalling theory adds that firms with stronger governance have incentives to distinguish themselves through credible information (Spence, 1973). If investors interpret the disclosure as evidence of lower governance risk and more reliable strategic execution, valuation may improve. A market benefit is less likely when reporting is boilerplate, difficult to compare or unrelated to financially material risks. The key issue is therefore whether governance information changes investors' beliefs, not disclosure volume alone.

Investor Behaviour as a Mediating Mechanism

The effect of disclosure on value may operate through investor behaviour because market participants must receive, interpret and act on information before it can influence valuation. Investor behaviour is therefore a plausible transmission channel between governance sustainability disclosure and Tobin's Q, which reflects market expectations rather than only realised accounting outcomes.

Investor behaviour is measured primarily with annual share turnover, defined as the number of shares traded during the year divided by issued shares. Unlike raw volume, the ratio scales trading activity by the firm's equity base and is therefore more comparable across firms of different sizes. The supplied processed series also contains the base-10 logarithm of annual trading volume, which is retained as a robustness measure. Neither measure represents investor psychology or sentiment completely; they capture revealed market participation and trading intensity.

Behavioural finance is relevant because investors do not process all information with equal attention or perfect rationality (Kahneman & Tversky, 1979). Sustainability disclosures compete with earnings, dividends, exchange rates, inflation, interest rates and liquidity conditions. Investors also differ in time horizon and in the weight assigned to governance information. Governance disclosure can therefore be important for long-run accountability while generating a weak short-run trading or valuation response.

These arguments imply a disclosure to investor response to market value sequence, but each link must be tested rather than assumed. Governance information must be sufficiently credible and salient to alter investor assessment; any reassessment must then be strong enough to change observable market behaviour and, ultimately, valuation. A weak link at any stage can produce an insignificant overall relationship.

Theoretical Framework

Signalling theory provides the primary theoretical anchor. Spence (1973) explains how parties with superior information can use observable signals to reduce information asymmetry. Managers and boards possess information about governance quality, control systems, ethical culture and risk oversight that investors cannot observe directly. Governance sustainability disclosure can make some of these attributes visible. A credible signal should help investors differentiate stronger governance from weaker arrangements, implying a positive disclosure–value association when information is specific and believable. A weak relationship is more likely when disclosures are standardised narratives that convey little incremental information. The theory is therefore well suited to this study because governance disclosure is the signal and investor behaviour is the proposed market response.

Agency theory provides a complementary explanation. Jensen and Meckling (1976) locate agency costs in conflicts of interest and information asymmetry between owners and managers. Independent oversight, internal controls and accountability mechanisms can reduce managerial opportunism, but investors cannot fully assess them without disclosure. Governance reporting may therefore reduce perceived monitoring costs by making oversight arrangements more transparent. A positive valuation effect should arise when disclosure changes investors' assessment of agency risk; an insignificant response may indicate that it does not materially reduce monitoring uncertainty or that other risks dominate valuation.

Stakeholder theory broadens the lens beyond shareholders. Freeman (1984) argues that firms depend on relationships with multiple stakeholder groups, while Donaldson and Preston (1995) develop the descriptive, instrumental and normative foundations of stakeholder management. Sustainability reporting communicates how firms recognise and manage these relationships. Nnedu (2025) uses the stakeholder perspective in synthesising the reporting–performance literature and concludes that outcomes depend partly on alignment with stakeholder expectations. A governance disclosure can therefore strengthen accountability to regulators, employees or communities without producing an immediate share-trading response. Social usefulness and capital-market usefulness need not be identical.

The perspectives are integrated rather than treated as competing explanations. Signalling theory explains communication of governance quality; agency theory explains why information about monitoring can be economically relevant; and stakeholder theory explains why usefulness can differ across audiences. Behavioural finance adds a reception mechanism because investors selectively process signals (Kahneman & Tversky, 1979). Together, they imply that governance disclosure affects market value only when credible information changes investor assessment and induces a market response. Investor behaviour is therefore positioned as the intervening mechanism to be tested in the Nigerian industrial goods context.

The integrated framework also explains why a null market effect is theoretically plausible. Nnedu's (2025) thematic review emphasises that sustainability-reporting outcomes vary across sectors, stakeholder settings and performance measures. Governance disclosure must therefore be credible enough to reduce information or agency uncertainty, salient enough to attract investor attention, and economically relevant enough to alter trading before a valuation effect can emerge. A weak link at any stage can interrupt the disclosure–investor–value pathway without implying that governance reporting has no broader accountability value.

Empirical Review

Empirical evidence on sustainability disclosure and firm outcomes remains mixed across markets and performance measures. Gompers et al. (2003) associated stronger shareholder rights with higher firm value, while Larcker et al. (2007) linked governance measures with accounting and organisational outcomes but cautioned against treating governance as one-dimensional. Khan et al. (2016) further showed that markets distinguish financially material sustainability issues from immaterial ones. Together, these studies suggest that value effects depend on the relevance and credibility of the information disclosed.

Cross-country ESG studies reinforce this conditional interpretation. Friede et al. (2015), synthesising more than 2,000 empirical studies, found that most ESG–financial performance relationships were non-negative, although their strength varied across methods and settings. Buallay (2019) found that ESG components related differently to market and accounting performance in European banks. Buallay (2020), comparing manufacturing firms and banks across 80 countries, likewise reported sector-dependent ESG–performance relationships. This evidence cautions against generalising sustainability effects across industries.

Nigerian evidence is also non-uniform. Emeka-Nwokeji and Osisioma (2019) reported a significant positive relationship between governance disclosure and market value among non-financial firms. By contrast, Nnedu, Okpanachi, and Uwaleke (2025) found that governance sustainability reporting did not significantly affect return on assets among 16 listed consumer goods firms over 2018–2024. The latter finding is relevant because it shows that governance reporting may have limited immediate performance consequences in Nigeria, although its accounting-based outcome differs from the market-based Tobin's Q used here.

Evidence on intervening mechanisms is much thinner. Rohendi et al. (2024) show that ESG disclosure can affect firm value through competitive advantage, illustrating the importance of indirect pathways. In Nigeria, Soomiyol et al. (2024) reported significant investor mediation between governance sustainability disclosure and market value in deposit money banks. Banking, however, is characterised by intensive prudential regulation and distinctive governance and trading dynamics, so the same mechanism cannot be assumed for industrial goods firms.

Nnedu's (2025) thematic review helps explain why empirical results need not converge. Reviewing studies from 2018–2024, it concludes that sustainability reporting can support transparency, stakeholder trust and performance, but that outcomes depend on sector, region, stakeholder dynamics and the performance measure. Its broader synthesis is relevant here because the present study isolates governance disclosure, focuses on Nigerian industrial goods firms, uses Tobin's Q, and tests trade volume as an intervening behavioural channel.

The distinction between accounting and market outcomes is important. Accounting measures such as return on assets reflect realised operating performance, whereas Tobin's Q incorporates market expectations about future cash flows and risk. Buallay (2019) illustrates that governance-related ESG information can relate differently to market and accounting outcomes. Accordingly, the insignificant governance–ROA result reported by Nnedu, Okpanachi, and Uwaleke (2025) does not imply an identical relationship with market value; the present study provides a complementary test.

Two gaps remain. Fewer Nigerian studies isolate governance disclosure against a forward-looking market-value measure, and investor behaviour is rarely modelled as the mechanism connecting disclosure with valuation. This study tests both the direct disclosure–value relationship and whether normalised trading intensity transmits it.

Hypotheses

H01: Governance sustainability disclosure has no significant effect on the market value of listed industrial goods firms in Nigeria.

H02: Investor behaviour has no significant mediating effect on the relationship between governance sustainability disclosure and the market value of listed industrial goods firms in Nigeria.

METHODOLOGY

This study adopted an ex-post facto panel research design to examine the effect of governance sustainability disclosure on firm market value and the mediating role of investor trading behaviour among listed industrial goods firms in Nigeria. The population comprised 12 industrial goods firms listed on the Nigerian Exchange (NGX) as at 31 December 2025. Nine firms with consistent listing history and adequate data over the 2010–2025 period were purposively selected, yielding a maximum of 144 firm-year observations. The exclusion of firms listed after the commencement of the study period may introduce selection bias toward more established firms; hence, the findings should be interpreted within this context.

Secondary data were obtained from firms' annual reports and NGX market information. Firm market value (TOBQ) was measured using approximate Tobin's Q, calculated as the market value of equity plus total liabilities divided by total assets. Firm size (FSIZ) was measured as the logarithm of total assets.

Governance sustainability disclosure (GODI) was measured using six governance-related indicators covering audit oversight, regulatory compliance, ethical conduct, risk management, governance/remuneration oversight and corporate-governance assessment. A graded content-analysis approach was applied, assigning scores of 1 for specific and evidence-based disclosure, 0.5 for general disclosure and 0 for non-disclosure. The six indicators were equally weighted and averaged to obtain the governance disclosure index. The measure therefore captures the breadth and specificity of governance disclosure rather than the effectiveness or financial materiality of governance practices.

Investor trading behaviour was proxied primarily by share turnover (TURN), calculated as annual shares traded divided by issued shares. This measure was preferred to absolute trading volume because it standardises trading activity across firms of different sizes. The logarithm of annual trading volume was retained for robustness analysis. Two observations with unavailable trading-volume information were excluded, leaving 142 complete observations for the mediation analysis.

Panel regression analysis was employed, with the choice between fixed and random effects evaluated using the Hausman specification test. Random-effects estimates with firm-clustered robust standard errors were used for statistical inference. The mediation models were specified as follows:

Model 1: $TOBQ_{it} = \beta_0 + \beta_1 GODI_{it} + \beta_2 FSIZ_{it} + \mu_{it}$

Model 2: $TURN_{it} = \beta_0 + \beta_1 GODI_{it} + \beta 2 FSIZ_{it} + \mu_{it}$

Model 3: $TOBQ_{it} = \beta_0 + \beta_1 GODI_{it} + \beta_2 TURN_{it} + \beta_3 FSIZ_{it} + \mu_{it}$

The indirect effect was evaluated as a×b, where a represents the GODI–TURN relationship and b represents the TURN–TOBQ relationship. In addition to the conventional Baron and Kenny (1986) framework, mediation was tested using a 5,000-replication firm-level bootstrap procedure, with the Sobel (1982) test reported as a

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supplementary check. Mediation was considered statistically significant where the 95% bootstrap confidence interval for the indirect effect excluded zero.

Table 1. Variable definition and measurement

Code	Construct	Role	Measurement
TOBQ	Firm market value	Dependent	Approximate Tobin’s Q: (market value of equity + total liabilities) / total assets
GODI	Governance sustainability disclosure	Independent	Mean of six equally weighted graded disclosure items: 1 = specific/evidenced, 0.5 = general, 0 = not disclosed
TURN	Investor trading behaviour	Mediator	Annual shares traded / issued shares; logged annual volume retained for robustness
FSIZ	Firm size	Control	Base-10 logarithm of total assets

RESULTS

Descriptive Statistics and Correlations

Table 2 presents the descriptive statistics and pairwise correlations for the study variables. Firm market value, proxied by Tobin’s Q (TOBQ), recorded a mean of 2.372 and a standard deviation of 2.308, indicating considerable variation in market valuation across the sampled firms. Governance sustainability disclosure (GODI) had a mean of 0.326 and a standard deviation of 0.147, suggesting generally moderate levels of governance-related disclosure within the sample. Firm size (FSIZ) recorded a mean of 10.052 and a standard deviation of 1.177. Share turnover (TURN), which proxies investor trading behaviour, had a mean of 0.188 and a standard deviation of 0.447, indicating substantial variation in trading intensity across firms and periods.

The correlation results reveal generally moderate associations among the variables. GODI is positively but insignificantly associated with TOBQ ($r=0.078, p=0.355$), suggesting no significant bivariate relationship between governance sustainability disclosure and firm market value. FSIZ is negatively and significantly associated with TOBQ ($r=-0.310, p<0.001$), while its relationship with GODI is positive and significant ($r=0.471, p<0.001$). This suggests that larger firms tend to exhibit higher levels of governance sustainability disclosure, although they are associated with comparatively lower Tobin’s Q values.

TURN is negatively but insignificantly related to TOBQ ($r=-0.114, p=0.176$). It is, however, negatively and significantly associated with both GODI ($r=-0.379, p<0.001$) and FSIZ ($r=-0.221, p=0.008$). Overall, the correlation coefficients are not sufficiently high to suggest serious linear dependence among the explanatory variables. The adequacy of the variables for multivariate estimation is further assessed using the variance inflation factor diagnostic.

Table 2. Descriptive statistics and correlation matrix

Variable	Obs.	Mean	SD	Min	Max
TOBQ	144	2.372	2.308	0.506	11.757
GODI	144	0.326	0.147	0.000	0.667
FSIZ	144	10.052	1.177	8.209	12.806
TURN	142	0.188	0.447	0.000	3.462

Panel B: Correlations

Variable	TOBQ	GODI	FSIZ	TURN
TOBQ	1.000			
GODI	0.078	1.000		
FSIZ	−0.310***	0.471***	1.000	
TURN	−0.114	−0.379***	−0.221**	1.000

Source: Author’s computation (2026).

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Panel Regression and Mediation Results

Table 3 presents the random-effects estimates based on the common 142-observation sample, with firm-clustered robust standard errors used for statistical inference. In Model 1, governance sustainability disclosure (GODI) has a positive but statistically insignificant effect on firm market value ($b=0.667, p=0.736$). Firm size (FSIZ) also exhibits an insignificant negative coefficient ($b=-1.481, p=0.187$). The model explains approximately 10.5% of the variation in Tobin's Q. Accordingly, the null hypothesis that governance sustainability disclosure has no significant effect on firm market value is not rejected. The robustness estimate based on the full 144 observations yields a similarly insignificant GODI coefficient ($b=0.794, p=0.689$), confirming the stability of the result.

Model 2 examines whether governance sustainability disclosure influences investor trading behaviour. GODI has a negligible and statistically insignificant effect on share turnover ($b=0.0037, p=0.981$), while the effect of firm size is also insignificant ($b=0.020, p=0.710$). The evidence therefore does not support the proposition that higher governance sustainability disclosure is associated with increased trading intensity among the sampled firms.

Model 3 introduces share turnover into the market-value equation. Share turnover has a positive but statistically insignificant effect on Tobin's Q ($b=0.0159, p=0.916$). GODI remains positive and insignificant ($b=0.689, p=0.727$), while FSIZ retains a negative but insignificant coefficient ($b=-1.530, p=0.190$). The estimated indirect effect of GODI on firm market value through share turnover is approximately 0.00006, indicating an economically trivial mediation pathway.

Taken together, the regression results provide no evidence that governance sustainability disclosure significantly affects firm market value either directly or indirectly through investor trading behaviour. Formal inference on the indirect effect is presented in the subsequent mediation analysis.

Table 3. Random-effects regression results with robust standard errors

Variable / statistic	Model 1: TOBQ	Model 2: TURN	Model 3: TOBQ
GODI	0.667 (0.736)	0.0037 (0.981)	0.689 (0.727)
TURN	—	—	0.0159 (0.916)
FSIZ	−1.481 (0.187)	0.0201 (0.710)	−1.530 (0.190)
Constant	17.026 (0.135)	−0.017 (0.967)	17.506 (0.139)
Observations	142	142	142
Groups	9	9	9
Wald χ^2	2.78	0.38	2.73
Prob > χ^2	0.249	0.828	0.436
Overall R^2	0.1049	0.0518	0.1044
Rho	0.7578	0.4969	0.7889

Source: Author's computation (2026).

Formal Indirect-Effect Test

Table 4 presents the formal tests of the mediating effect of investor trading behaviour. Using share turnover as the primary mediator, the estimated indirect effect of governance sustainability disclosure on firm market value is 0.00006. The 5,000-replication firm-level cluster bootstrap yields a 95% confidence interval of [−0.370, 1.004] and a bootstrap p-value of 0.452. Since the confidence interval includes zero, the indirect effect is not statistically significant. The Sobel test produces a consistent result ($z=0.024$, $p=0.981$).

The robustness analysis using the logarithm of trading volume similarly produces an insignificant indirect effect of 0.092, with a 95% cluster-bootstrap confidence interval of [−0.244, 1.517] and $p=0.494$. The consistency of the results across both measures of investor trading behaviour indicates that the absence of mediation is not sensitive to the choice of trading proxy.

Accordingly, the evidence does not support a significant indirect relationship between governance sustainability disclosure and firm market value through investor trading behaviour. The null hypothesis that investor trading

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behaviour does not significantly mediate the relationship is therefore not rejected.

Table 4. Formal indirect-effect tests

Method / mediator	Indirect effect (a×b)	SE / statistic	p-value	95% confidence interval
Cluster bootstrap (5,000), TURN	0.00006	—	0.452	[−0.370, 1.004]
Sobel test, TURN	0.00006	z = 0.024	0.981	[−0.0048, 0.0049]
Cluster bootstrap (5,000), log10 volume	0.092	—	0.494	[−0.244, 1.517]
Sobel test, log10 volume	0.092	z = 0.471	0.638	[−0.292, 0.476]

Source: Author's computation (2026).

DISCUSSION

The results indicate that governance sustainability disclosure has a positive but statistically insignificant relationship with firm market value. In the common sample, the coefficient on GODI is positive but insignificant ($b=0.667, p=0.736$), while the full-sample sensitivity estimate yields a similar conclusion ($b=0.794, p=0.689$). Although the direction of the relationship is consistent with signalling theory, the statistical evidence does not support the proposition that governance sustainability disclosure significantly enhances the market value of listed industrial goods firms in Nigeria. This finding differs from Emeka-Nwokeji and Osisioma (2019), who reported a significant positive relationship between governance disclosure and market value, but is consistent with Nnedu, Okpanachi, and Uwaleke (2025), who found no significant governance-related performance effect among Nigerian firms.

One possible explanation lies in the nature of governance disclosure itself. The disclosure index distinguishes between specific, evidence-supported disclosure and more general reporting through graded scores, thereby capturing more than mere disclosure presence. Nevertheless, the indicators are equally weighted and do not explicitly incorporate financial materiality, assurance or the relative importance of individual governance practices. Consequently, the index may not fully capture those aspects of governance information that investors consider most relevant for valuation decisions.

The finding is also consistent with the broader evidence synthesised by Nnedu (2025), which suggests that the consequences of sustainability reporting are contingent on sectoral characteristics, institutional context, stakeholder expectations and the performance measure adopted. Industrial goods firms operate in a capital-intensive environment in which market valuation may be strongly influenced by factors such as financing conditions, exchange-rate movements, energy costs, input prices and broader macroeconomic uncertainty. Under such conditions, governance sustainability disclosure may enhance transparency and accountability without necessarily generating an immediate valuation response.

The results further show that governance sustainability disclosure does not significantly influence investor trading behaviour. The coefficient of GODI on share turnover is positive but negligible and statistically insignificant ($b=0.0037, p=0.981$). This finding remains unchanged when the logarithm of trading volume is employed as an alternative measure ($b=0.435, p=0.624$). The consistency across both proxies suggests that governance disclosure does not materially alter investor trading intensity within the sampled firms. The use of share turnover strengthens this inference because it standardises trading activity relative to issued shares and therefore improves comparability across firms.

The formal mediation analysis reinforces this conclusion. The estimated indirect effect through share turnover is approximately 0.00006, while the 95% firm-level bootstrap confidence interval of $[-0.370, 1.004]$ includes zero. The Sobel test similarly indicates an insignificant indirect effect ($z=0.024, p=0.981$). The robustness analysis based on logged trading volume produces the same inference, with an indirect effect of 0.092 and a bootstrap confidence interval of $[-0.244, 1.517]$. Accordingly, investor trading behaviour does not significantly mediate the relationship between governance sustainability disclosure and firm market value. This result contrasts with Soomiyol et al. (2024), who documented a significant investor-mediated relationship among Nigerian deposit money banks, suggesting that the transmission mechanism may be sensitive to sectoral characteristics. The relatively wide bootstrap intervals also indicate limited precision arising from the small number of sampled firms.

The findings provide a more nuanced interpretation of the theoretical expectations. Signalling theory suggests that governance disclosure can convey information about oversight, accountability and risk management to investors. However, the insignificant estimates imply that the disclosures examined may not provide sufficiently distinctive or decision-relevant signals to influence valuation or trading behaviour. From an agency-theory perspective, governance information should enhance value where it meaningfully reduces information asymmetry and monitoring uncertainty. The absence of a significant market response suggests that the disclosed information may not substantially alter investors' assessment of these risks. Stakeholder theory provides a complementary explanation, as governance reporting may continue to serve accountability, regulatory and legitimacy functions even where its immediate capital-market consequences are limited.

The findings also have implications for sustainability-reporting practice and regulation in Nigeria. As the implementation of IFRS Sustainability Disclosure Standards progresses, attention should extend beyond the volume of reported information to its materiality, comparability, credibility and decision usefulness (FRCN, 2026; Nigerian Stock Exchange, 2018). Governance disclosures are more likely to influence investors when they clearly demonstrate how board oversight, risk governance, ethical conduct and accountability mechanisms affect financially material risks, strategic decisions and organisational outcomes. Accordingly, firms should strengthen the specificity and verifiability of governance reporting, while regulators should encourage greater comparability, materiality assessment and appropriate assurance.

The findings support a conditional rather than automatic view of the value relevance of governance sustainability disclosure. The mere provision of governance information does not necessarily generate investor response or enhance market valuation. Its capital-market relevance appears to depend on whether the disclosed information is sufficiently credible, material and informative to influence investors' assessment of firm risk and future prospects.

CONCLUSION, IMPLICATIONS AND FUTURE RESEARCH

This study examined the relationship between governance sustainability disclosure and firm market value among listed industrial goods firms in Nigeria, with particular attention to the mediating role of investor trading behaviour. The findings indicate that governance sustainability disclosure is positively associated with firm market value, but the relationship is not statistically significant. Governance disclosure also does not significantly influence investor trading behaviour, while investor trading behaviour exerts no significant effect on firm market value. Consistent with these individual paths, the formal bootstrap analysis provides no evidence of a significant indirect effect. The results therefore suggest that investor trading behaviour does not constitute a significant transmission mechanism through which governance sustainability disclosure affects the market value of listed industrial goods firms in Nigeria.

These findings contribute to the sustainability disclosure literature by demonstrating that the capital-market consequences of governance reporting cannot be presumed merely from the existence or extent of disclosure. Governance information becomes economically consequential only to the extent that investors perceive it as credible, relevant and sufficiently informative to alter their assessment of firm risk and future prospects. The insignificant findings therefore do not imply that governance disclosure lacks economic or institutional value. Rather, they indicate that, within the Nigerian industrial goods sector, the governance information captured by the disclosure index may not yet possess sufficient informational content or market salience to generate a measurable investor response and subsequent valuation effect.

The findings have important theoretical implications. From the perspective of signalling theory, the effectiveness of governance disclosure depends not simply on the transmission of information but on the credibility, distinctiveness and decision usefulness of the signal. Where governance disclosures are relatively standardized, predictable or weakly connected to financially material risks, investors may derive limited incremental information from them. The results therefore support a conditional interpretation of signalling theory in sustainability reporting: disclosure is more likely to influence valuation when it conveys information that enables investors to differentiate firms meaningfully. Agency theory similarly suggests that governance reporting should enhance value when it reduces information asymmetry and improves investors' ability to assess managerial monitoring and accountability. The absence of a significant market response may therefore indicate that the disclosures examined do not sufficiently reduce such uncertainty. Stakeholder theory provides a complementary interpretation by recognizing that governance disclosure may generate accountability and legitimacy benefits for regulators, employees, creditors and other stakeholders even where immediate capital-market effects are not observable.

The study also has implications for corporate reporting practice. Listed industrial goods firms should move beyond compliance-oriented governance disclosure toward more specific, comparable and decision-useful reporting. Greater emphasis should be placed on explaining how board oversight, audit and internal-control mechanisms, ethical conduct, risk governance, regulatory compliance and executive accountability influence financially material risks, strategic decisions and long-term value creation. This would improve the ability of investors to distinguish substantive governance practices from generic statements of compliance. Regulators and standard setters should similarly emphasize disclosure quality, comparability and materiality rather than disclosure volume alone. Enhanced assurance and clearer connections between governance arrangements and measurable organizational outcomes may further strengthen the credibility of governance information in the capital market.

The absence of significant mediation also has implications for the measurement of investor response. Although share turnover provides a more standardized measure of trading intensity than absolute trading volume, trading activity captures only one dimension of investor behaviour. Investors may incorporate governance information through portfolio allocation, institutional ownership decisions, changes in required returns or longer-term valuation assessments without producing substantial changes in annual turnover. Consequently, the lack of a turnover-mediated effect should not be interpreted as conclusive evidence that investors disregard governance information.

Future research should therefore extend the behavioural transmission mechanism by employing alternative measures of investor response, including abnormal trading volume, institutional ownership, bid–ask spreads, stock-return reactions and event-window measures surrounding sustainability-report releases. Subsequent studies could also improve the measurement of governance disclosure by incorporating disclosure quality, specificity, assurance and financial materiality rather than relying principally on disclosure scores. Expanding the analysis across sectors and employing larger or unbalanced panels would help determine whether the present findings reflect characteristics peculiar to industrial goods firms or broader features of the Nigerian capital market. Future research may additionally examine whether firm size, ownership concentration, sustainability assurance, analyst coverage or institutional ownership condition the relationship between governance sustainability disclosure and market valuation.

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