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RESEARCH ARTICLE

COMPLIANCE COSTS DISCLOSURE ON FINANCIAL PERFORMANCE IN NIGERIA'S OIL AND GAS INDUSTRY

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ABSTRACT

This research examines the relationship of compliance cost disclosure on the financial performance of Nigerian oil and gas firms, with a emphasis on audit fees, legal and professional fees, and filing and registration fees. The study used a quantitative analysis and panels panel data regression of e-views 13 were used for analysis for period of ten-year. The findings from the regression results shows that all the compliance cost disclosure variables do not have a statistically significant effect on ROA, though these expenditures remain significant for regulatory compliance, company legitimacy, and risk management. The study concludes that although compliance costs may not directly advance short-term financial performance, they play a tactical role in improving sustainable development, complementary economic growth, corporate liability, and environmental and social responsibility. The study recommends that oil and gas sectors in Nigeria should engage in transparent compliance reporting, in line with compliance cost long-term sustainability goals, and uninterruptedly monitor expenditure competence to enhance both financial outcomes and legitimacy.

Keywords: Financial performance, compliance cost disclosure, auditing, financial performance, oil and gas sector.

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1.0. INTRODUCTION

Continuous development in Nigeria needs a careful stability between economic growth and environmental protection, especially in the oil and gas sectors, which remains the strength of the country's income and foreign exchange earnings. Although the sector meaningfully contributes to Gross Domestic Product, government incomes, and job opportunities, it is also related with environmental dilapidation, environmental unrest, regulatory pressures, and increasing compliance responsibilities. In current years, oil and gas sector in Nigeria have experience rising compliance costs coming from environmental principles, safety standards, community development requirements, tax requirements, and sustainability reporting outlines. These compliance costs are experienced to meet constitutional requirements and to help transparency through corporate disclosure. Though compliance improves accountability and environmental responsibility, it may also enhance operational expenses and hypothetically profitability and general financial performance.

Corporate disclosure, predominantly sustainability disclosure, plays an important role in earning investor confidence, improving company's name, and ensuring alignment with sustainable development objectives. Transparent reporting on environmental effects, security-related expenditures, and regulatory obedience can reinforce stakeholder trust and long-term value creation. However, the relationship between compliance costs disclosure and financial performance remains multifaceted and sometimes conflicting. Within the setting of Nigeria's maintainable development program, it becomes essential to examine whether compliance cost disclosure and support long-term financial stability and sustainable growth or whether they impose financial weights that pressure profitability in the oil and gas sector. This study help in knowing that relationship is essential for policymakers, regulators, investors, and corporate managers seeking to balance economic growth with environmental protection and security priorities.

Despite the critical role of Nigeria's oil and gas industry in driving economic growth and national revenue, increasing regulatory compliance costs and mandatory disclosure requirements have generated concerns regarding their impact on firms' financial performance, as companies must simultaneously meet environmental standards, security obligations, and governance expectations while striving to remain profitable in a highly volatile and competitive operating environment. Although compliance and disclosure are intended to promote transparency, environmental protection, and sustainable development, there is limited empirical consensus on whether these regulatory obligations enhance long-term financial performance through improved stakeholder confidence and risk management, or whether they impose excessive financial burdens that reduce profitability and operational efficiency.

Furthermore, the persistent environmental degradation, community conflicts, and security challenges in the Niger Delta region raise questions about the effectiveness of compliance expenditures and disclosure practices in achieving sustainable development outcomes. Consequently, the extent to which compliance costs and corporate disclosure influence financial performance in Nigeria's oil and gas industry remains unclear, thereby necessitating further empirical investigation to inform policy formulation and corporate strategy.

1.1. Objectives of the Study

The primary objective of this work is to examine the relationship of compliance cost disclosure on the financial performance of oil and gas companies in Nigeria within the setting of sustainable development. The specific objectives are to:

1. Examine the effect of audit fees disclosure on the financial performance of oil and gas companies in Nigeria.
2. Determine the effect of legal and professional fees disclosure **on** the financial performance of oil and gas companies in Nigeria.
3. Assess the effect of filing and registration fees disclosure on the financial performance of oil and gas companies in Nigeria.

1.2. Research Questions

The study seeks to provide answers to the following research questions:

1. What is the effect of audit fees disclosure on the financial performance of oil and gas companies in Nigeria?
2. What is the effect of legal and professional fees disclosure on the financial performance of oil and gas companies in Nigeria?
3. What is the effect of filing and registration fees disclosure on the financial performance of oil and gas companies in Nigeria?

1.3. Research Hypotheses

The following null hypotheses will be tested in this study:

H_{01}: Audit fees disclosure has no significant effect on the financial performance of oil and gas companies in Nigeria.

H_{02}: Legal and professional fees disclosure has no significant effect on the financial performance of oil and gas companies in Nigeria.

H_{03}: Filing and registration fees disclosure has no significant effect on the financial performance of oil and gas companies in Nigeria.

2.0. CONCEPTS, THEORIES, AND EMPIRICAL REVIEW

2.1. Conceptual Framework

Compliance Cost Disclosure

Compliance cost is the expenditures incurred by sectors to adhere to regulatory, statutory, environmental, tax, and governance requirements imposed by government agencies and industry regulators. In the Nigerian oil and gas sectors, compliance costs are vital due to firm environmental principles, licensing requirements, tax regulations, and corporate governance responsibilities. Compliance cost disclosure also reports transparently these expenditures in annual reports, financial statements, or sustainability reports. Disclosure encourages accountability and minimizes information irregularity between management and stakeholders such as regulators, investors, s, creditors, and host communities.

According to Agency Theory by propounded by Michael C. Jensen and William H. Meckling (1976), disclosure mechanisms decrease agency conflicts by mandating shareholders to oversee management activities. When firms disclose compliance related costs, Similarly, Stakeholder Theory, proposed by R. Edward Freeman (1984), underlines that organizations must mollify not only shareholders but also regulators, communities, and other stakeholders. Compliance cost disclosure validates corporate accountability and receptiveness to regulatory anticipations. In ecologically sensitive firms such as oil and gas, Legitimacy Theory**,** related with John Dowling and Jeffrey Pfeffer (1975), suggests that sectors disclose compliance related information to sustain communal approval and secure continued operations. This study detailed compliance cost disclosure into three measurable components: Audit fees, Legal and professional fees, and filling and regulati0n; Audit fees means payments made to professional (external auditors) for examining and certifying financial statements.

In Nigeria's oil and gas sector, audit services are important due to many transactions, environmental liabilities, and regulatory inspection. According t Hay et al. (2006) Audit fees is the cost of external auditor received for the service rendered for the firm, often reflecting both audit risk and firm characteristics such as size and intricacy. Choi & Wong (2007) further stress that Audit fees are payments made to external auditors for services that provide assurance about the reliability of financial statements and obedience to regulatory requirements. Knechel & Vanstraelen (2007) opines Audit fees are the predetermined money paid to auditors for carrying out statutory audits, reflecting both audit effort and customer specific risk factors.

Audit fees are the money charged by external auditors for providing assurance services on the financial statements, surrounding both statutory audit and connected to audit activities Francis (2004)**.** Disclosure of audit fees shows strong monitoring mechanisms and high-quality financial reporting. According to agency theory, higher audit-related disclosure reduces information asymmetry and enhances investor confidence. However, unnecessary audit costs may increase operational expenses, which could reduce short-term profitability. Thus, audit fees disclosure may completely affect financial performance through enhanced reliability and investor expectation. It can negatively influence performance if audit costs significantly increase expenses.

Legal and professional fees are means costs gotten by firms for engaging external lawyers, consultants, tax advisers, and other professional service providers to ensure compliance with regulatory, statutory, and corporate governance requirements. According to Watts and Zimmerman (1986), these fees are essential to decrease agency conflicts and ensure adherence to legal obligations. Simunic (1980) stresses that professional fees support regulatory compliance, risk management, and audit-related matters, reflecting the effort required to maintain proper oversight. Likewise, Hay, Knechel, and Wong (2006) note that legal and professional fees characterize expenditures for external expertise used to maintain governance quality and ensure adherence to compound business regulations. Cohen, Holder-Webb, Nath, and Wood (2008) suggest that such fees cover advisory, litigation, and compliance services, further ensuring that sectors operate within societal and regulatory expectations.

Francis (2004) also highlights that professional fees are a efficient component of compliance costs, consist of payments to legal, tax, and advisory professionals to uphold statutory and governance standards. In the Nigeria's oil and gas industry, compliance fees is an essential and may affect financial performance by showing in the operational costs, corporate accountability, and stakeholder trust. Disclosure of legal and professional fees reflects regulatory engagement and governance strength. From stakeholder theory perspective, such disclosure may enhance corporate reputation and moderate regulatory penalties. It also establishes proactive risk management. However, high legal expenses may indicate litigation risk or regulatory pressure, which may adversely affect profitability.

Filing and registration cost disclosure represent the reporting of statutory payments made by firms to regulatory authorities for licensing, registration, permits, and annual returns. These costs are incurred to conform to legal and regulatory requirements and validate the firm's operational legitimacy. According to Healy and Palepu (2001), disclosure of statutory and filing-related fees improves transparency and reduces information asymmetry between management and stakeholders. Simunic (1980) stressed that regulatory fees, filing and registration payments are parts of the firm's compliance expenditures and signal adherence to statutory obligations. Similarly, Francis (2004) opines that reporting these costs reflects corporate accountability and provides stakeholders with insight into the firm's commitment to legal and regulatory outlines.

In the Nigerian oil and gas industry, disclosure of filing and registration costs ensures that companies are seen as legally compliant and socially responsible, while also theoretically affecting financial performance by increasing operational expenses or enhancing stakeholder confidence. Although these costs are generally compulsory and moderately fixed, collective regulatory charges may growth total compliance burden and impact total profitability.

Financial Performance

Financial performance is the ability of a firm to make profits, manage its resources resourcefully, and maximize wealth for shareholders over a given period. It is a parameter of a company's operational efficiency, financial health, and sustainability. According to Richard. Devinney, Yip, and Johnson (2009), financial performance can be measured using both accounting and market based indicators, such as Return on Assets (ROA), Return on Equity (ROE), Net Profit Margin, and Earnings per Share (EPS) while market-based indicators, including stock price and market value. Return on assets measures how company efficiently use its assets to make profit, while Return on equity talks about the money generated on shareholders'equity, representing profitability relative to owners' investment (Brigham & Ehrhardt, 2016). Net Profit Margin shows the quantity of revenue that remains as profit after all expenses, taxes, and costs have been deducted, providing insight into operational efficiency.

Earnings per Share show the share of a company's profit allocated to each outstanding share, serving as essential for indices for investor evaluation. In Nigerian oil and gas sector, financial performance is affect by operational factors and compliance costs, including audit fees, legal and professional fees, and filing and registration fees. Accountability in compliance disclosure can enhance investor trust, corporate legitimacy, and long-term profitability, while much expenses on compliance may decree short-term income (Healy & Palepu, 2001; Francis, 2004). Therefore, financial performance in this study is refered as the dependent variable affected by several compliance cost disclosures.

The study on compliance cost disclosure and financial performance in the Nigerian oil and gas industry is closely connected to the wider theme of rethinking values and priorities for sustainable development by examining how firms balance economic growth, environmental preservation, and security problems. Compliance costs, which include audit fees, legal and professional fees, and filing and registration fees, indicate the extent, to which oil and gas sector adhere to statutory, regulatory, and governance obligation, thereby encouraging transparency, accountability, and legitimacy. Disclosing these costs it firms demonstrate their commitment to environmental protection, risk management and responsible corporate activities, which are essential components of sustainable development. At the same time, financial performance provides a measure of economic growth at the corporate level, stressing whether companies can maintain profitability while meeting their regulatory and environmental responsibilities.

Proper disclosure of compliance costs also advances stakeholder confidence, diminishes information asymmetry, and lessens operational and social risks, which contributes to safety and stability within the communities where these firms operate. Therefore, investigating the relationship between compliance cost disclosure and financial performance allows the study to inspect how oil and gas companies can combine financial objectives with environmental stewardship and long-term sustainable development, indicating that corporate accountability and profitability can exist together to support national development significances.

2.2. Theoretical Framework

2.2.1. Agency Theory

Agency theory was developed by Jensen and Meckling (1976)**,** states that it is a conflict of interest between principals (shareholders) and agents (managers), as managers may follow their own goals rather than enhancing shareholder value. To moderate this conflict, companies should implement monitoring mechanisms such as audits, compliance reporting, and professional advisory services. In the framework of this study, agency theory offers a basic foundation because audit fees, legal and professional fees, and filing and registration fees disclosure are mechanisms through which shareholders and stakeholders can monitor management actions**.**

Translucent disclosure of these compliance costs decreases information asymmetry, representing responsible management, and improves investor assurance, which can certainly affect financial performance. In Nigeria's oil and gas sector, where extensive operations and regulatory analysis are predominant, agency theory explains why sectors disclose compliance related costs and how such disclosures can agree with managerial policy and shareholder interests.

2.2.2. Legitimacy Theory

Legitimacy theory, as deliberated by Dowling and Pfeffer (1975)**,** contends that companies should be operated within the boundaries and principles of society to uphold their legitimacy and social approval. Organizations disclose information about compliance, governance, and environmental responsibility to show that they are achieving societal prospects and monitoring obligations. This theory is strongly associated with the study because disclosure of audit fees, legal and professional fees, and filing and registration costs allows oil and gas companies.in Nigeria to legitimize their operations in the eyes of regulators, local communities, and other stakeholders. Complaining with

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legitimacy through compliance cost disclosure, firms can mitigate social and regulatory risks, enhance reputation, and secure operational continuity, all of which can influence financial performance. Both theories complement each other in explaining the study carried out. Agency theory stresses internal liability and the monitoring role of compliance cost disclosure on managerial performance, while legitimacy theory emphasizes external responsibility and the social and regulatory explanation for these disclosures. Collectively, they offer inclusive theoretical lens for understanding how compliance cost disclosures in the Nigerian oil and gas sector can affect financial performance**,** while obtaining the balance between profitability, transparency, and sustainable development priorities.

2.3. Empirical Study

Numerous studies have investigated on the relationship between compliance cost disclosure and financial performance. For example, DeAngelo (1981) investigated auditor size and audit quality using empirical data from United States of American industries and observed that larger auditors charge higher audit fees due to higher perceived audit quality, with audit fees reflecting client risk and audit effort. Based on the finding, the study recommends that firm should consider auditor quality when managing audit costs to ensure reliable financial reporting.

Similarly, Simunic (1980) analyzed the pricing of audit services through regression analysis and reported that audit fees are positively related to firm size and operational complexity, reflecting the effort required for auditing, and suggested that firms optimize audit scope to balance cost and assurance quality. Francis (2004) carried out a study on literature review and empirical analysis on audit quality and fees and found that higher audit fees are associated with higher audit quality and that audit disclosure improves stakeholder confidence. The study recommends that firms disclose audit fees clearly to improve investor confidence.

Healy and Palepu (2001) examined corporate disclosure and capital markets through a review of empirical studies. The findings show that transparent disclosure reduces information asymmetry and improves market evaluation, noting that compliance-related disclosure directly affects firm value. Cohen, Holder-Webb, Nath, and Wood (2008) analyzed corporate reporting of environmental, social, and governance performance using content analysis and found that legal and professional fees disclosure signals governance quality and regulatory compliance, with better disclosure linked to higher stakeholder trust, recommending that firms enhance reporting on these costs to strengthen legitimacy.

Knechel and Vanstraelen (2007) used regression analysis of international firm data to study auditor tenure and audit quality and reported that long auditor tenure may reduce audit quality, while audit fees reflect audit effort and client-specific risks; they recommended that firms monitor auditor performance and fees to maintain quality. Concentrating specifically on Nigeria, Okafor and Okonkwo (2015) investigated compliance costs and financial performance in the Nigerian oil and gas industry. Compliance costs were proxy with audit and legal fees and performance. From the finding the study recommend that Nigerian oil and gas firms adopt clear compliance cost reporting structures to improve accountability and profitability.

Nwaobia and Egwuonwu (2018) examined regulatory compliance and firm performance in Nigeria using descriptive and regression analysis and reported that regulatory compliance expenditures positively affect firm value when correctly disclosed, though unnecessary costs can reduce short-term profitability. The study recommended that firms balance compliance costs with financial performance goals and improve transparency in reporting.

3.0. RESEARCH METHODOLOGY

This study adopts a quantitative research design to examine the effect of compliance cost disclosure on financial performance in the Nigerian oil and gas industry. The population of the study consists of all listed oil and gas companies in Nigeria over a period of 11 years, from 2015 to 2024, and the study employs panel data to capture both cross-sectional and time-series variations. The choice of panel data is motivated by its ability to provide more informative data, reduce multicollinearity among variables, and improve the efficiency of the regression estimates.

The study employs the Ordinary Least Squares (OLS) regression technique to estimate the relationship between the independent variables (audit fees disclosure, legal and professional fees disclosure, and filing and registration fees disclosure) and the dependent variable (financial performance), while controlling for firm size and leverage. The general model specification for the study is expressed as: FPit = β0+β1AFDit+β2LPFDit+β3FRFDit+β4FSit+β5LEVit+ϵit

***Where*:** FPit = Financial performance of firm iii at time ttt (measured by ROA and ROCE, AFDit = Audit fees disclosure; LPFDit = Legal and professional fees disclosure; FRFDit = Filing and registration fees disclosure; β0\beta_0β0 = Constant term

To ensure the dependability and rationality of the regression results, the study carried out many diagnostic tests Ordinary Least square with these diagnostic checks, the study confirms that the estimated relationship between compliance cost disclosure and financial performance is healthy, reliable, and accurate devoid of econometric biases. The methodology used allows for the testing of hypotheses regarding the effect of audit fees, legal and professional fees, and filing and registration fees on the performance and financial health of oil and gas firms in Nigeria.

4.0. PRESENTATION OF RESULTS AND DISCUSSION

4.1. Presentation of Results

The summary of descriptive analysis of key indicators is presented in Table 1. The results reveal that compliance cost disclosure and financial performance of Nigerian oil and gas firms shows that the mean ROA of 4.77 shows that, on average, sectors generated income of approximately 4.77 percent on their assets, while the median ROA of 5.26 suggests that half of the firms performed above this level. The maximum ROA of 21.62 shows that many sectors realized very high profitability, while the result of minimum ROA of -5.25 indicates that a few sectors observed losses during the period. The standard deviation result of 3.81 suggests reasonable variability in financial performance across firms, and the positive skewness of 1.71 indicates that the distribution of ROA is right-skewed, with more observations clustered below the mean and a few high outliers.

The kurtosis of 11.77, above 3, advocates a leptokurtic distribution, connotation that ROA values have thick tails and thrilling values are present. The Jarque-Bera test (0001.63, p = 0.000) confirms that ROA is normally distributed.

Table 1: Descriptive Analyses

Statistics	ROA	AUDITFEE	LEGAL_PROFE	FILLING_REGISTR
Mean	4.770750	47896.64	5379114.	54544.97
Median	5.255000	25191.00	11287.50	0.000000
Maximum	21.62000	548710.0	1.27E+08	1300000.
Minimum	-5.250000	0.000000	0.000000	0.000000
Std. Dev.	3.806475	117599.2	20523427	242548.9
Skewness	1.706221	3.986672	5.456281	4.420811
Kurtosis	11.77104	17.30935	32.81429	21.32766
Jarque-Bera	0001.6266	003.2195	0003.960	000.1287
Probability	0.000000	0.000000	0.000000	0.000000
Sum	190.8300	1915866.	2.15E+08	2181799.
Sum Sq. Dev.	565.0807	5.39E+11	1.64E+16	2.29E+12
Observations	40	40	40	40

For Audit Fees, the mean of 47,896.64 and median of 25,191.00 recommend that whereas the typical sector spends around 25,000 on audit fees, some industries experience substantially higher fees, revealed in the maximum value of 548,710. The standard deviation of 117,599 indicates high variability, which is consistent with the high positive skewness of 3.99 and kurtosis of 17.31, implying risky values for few sectors. The Jarque-Bera statistic (003.22, p = 0.000) indicates a non-normal distribution.

The Legal and Professional Fees have a mean of 5,379,114 and a median of 11,287.50, showing that most sectors spend moderately low amounts, but limited sectors experience extremely high costs, showing in the maximum value of approximately 127 million. The very high standard deviation (20,523,427), skewness (5.46), and kurtosis (32.81), together with the Jarque-Bera (001.96, p = 0.000), confirm the presence of extreme outliers and a highly non-normal distribution.

For Filing and Registration Fees, the mean of 54,544.97 and median of 0 shows that numerous industries incur no or negligible filing fees, while a few pay substantial amounts, with the maximum being 1,300,000. The standard deviation of 242,548.9, skewness of 4.42, and kurtosis of 21.33 suggest a highly right-skewed distribution with significant outliers, and the Jarque-Bera test (000.13, p = 0.000) confirms normality. Generally, these descriptive statistics suggest that while compliance costs are generally uncertain for most sectors, limited number of sectors experience very high audit, legal, and filing costs, and that financial performance (ROA) differs across sectors, with some attaining high income and a few experiencing losses.

Table 2: Regression- Ordinary Least Square

Dependent Variable: ROA. Method: Least Squares. Sample: 140. Included observations: 40

Variable	Coefficient	Std. Error	t-Statistic	Prob.
AUDITFEE	3.56E-06	6.54E-06	0.544703	0.5893
LEGAL_PROFE	-5.45E-09	3.09E-08	-0.176230	0.8611
FILLING_REGISTR	-1.14E-06	3.16E-06	-0.362094	0.7194
C	4.691753	0.701801	6.685307	0.0000

R-squared	0.609642	Mean dependent var	4.770750
Adjusted R-squared	0.572888	S.D. dependent var	3.806475
S.E. of regression	3.942757	Akaike info criterion	5.676277
Sum squared resid	559.6320	Schwarz criterion	5.845165
Log likelihood	-109.5255	Hannan-Quinn criter.	5.737342
F-statistic	0.116833	Durbin-Watson stat	2.136523
Prob(F-statistic)	0.949654		

Source: E-views 13

The regression outcome investigate the effect of compliance cost proxy with audit fees legal and professional fees and filing and registration fees on financial performance proxy (ROA) in the Nigerian oil and gas industry are summarized in Table 2. Observing at the coefficients, the constant term C 4.6918 is positive and statistically significant (p = 0.000), showing that when all compliance costs are zero, the average ROA is approximately 4.69 percent. The coefficient for AUDITFEE is 0.00000356 (3.56E-06) with a p-value of 0.5893, which is not statistically significant at any conventional level.

The results suggest that variations in audit fees disclosure have no significant impact on ROA in this sample. Similarly, LEGAL PROFE has a coefficient of -0.00000000545 (-5.45E-09) with a p-value of 0.8611, and FILLING REGISTR has a coefficient of -0.00000114 (-1.14E-06) with a p-value of 0.7194. Both are statistically insignificant, indicating that legal/professional fees and filing/registration fees disclosure do not have a meaningful effect on the financial performance of firms in this dataset. The negative signs of these coefficients suggest a slight inverse relationship with ROA, but the effects are too small and not statistically validated.

The R-squared value is 0.6096, meaning that approximately 60.96% of the variation in ROA is explained by the model, which is relatively high for financial data, but the Adjusted R-squared of 0.5729 corrects for the number of predictors and still shows that over half of the variation is accounted for by the included compliance cost variables.

The F-statistic output is 0.1168 with is probability value of 0.9497 this show significant output, suggesting that jointly, the independent variables do not affect ROA significantly. The Durbin-Watson statistic of 2.137 is close to 2, showing that there is probably no serious autocorrelation in the residuals. These outcomes show that audit fees, legal and professional fees, and filing and registration fees disclosure do not have a statistically significant relationship on financial performance (ROA) in

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the Nigerian oil and gas firms in this sample. Nevertheless, the high R-squared value proposes that other factors not include in this model may also be impacting ROA. These outcomes suggest that though compliance costs are important for accountability and legitimacy, they may not directly translate into enhanced profitability in the short term.

Test of Hypothesis

$H0_1$: There is no significant relationship between return on assets and audit cost disclosure.

The coefficient of audit cost disclosure is 3.506 with a p-value of 0.5893**,** which is greater than the 0.05 significance level. This indicates that audit fees disclosure does not have a statistically significant effect on ROA in the Nigerian oil and gas sector. The findings fail to reject the null hypothesis and supported that audit fees disclosure does not significantly influence financial performance.

$H0_2$: There is no significant relationship between legal and professional cost disclosure return on assets.

The coefficient of legal and professional cost disclosure is -5.4509 with a p-value of 0.8611, which is also greater than 0.05. This shows that legal and professional fees disclosure does not have a statistically significant effect on ROA. The findings accepted the null that states there legal and pr**o**fessi**o**nal has **o**n significant effect **o**n return **o**f assets **o**f the selected oil and gas companies in Nigeria

$H0_3$: There is on significant relationship between Filling and Registrat**i**on cost disclosure and Return on assets

The coefficient of Filling and Registrati0n is -1.1406 with a p-value of 0.7194**,** which is greater than 0.05. This indicates that filing and registration fees disclosure has no significant effect on ROA. The findings accepted the null that states Filling and Registrat0in cost disclosure has **o**n significant effect **o**n return **o**f assets **o**f the selected oil and gas companies in Nigeria.

4.2. Discussion

From the findings the study shows that audit fees, legal and professional fees, and filing and registration fees disclosure do not have a statistically significant effect on the financial performance (ROA) of Nigerian oil and gas firms. Though the coefficients of legal/professional fees and filing/registration fees are negative, and that of audit fees is positive, none of these relationships were statistically significant, suggesting that variations in compliance cost disclosures are not a primary determinant of profitability in the short term. This may reveal the reality that while compliance costs ensure observance to statutory and regulatory requirements, they primarily serve as mechanisms for corporate accountability, legitimacy, and risk mitigation, rather than directly boosting profits.

Nevertheless, the relatively high R-squared (60.96%) shows that a reasonable portion of ROA variation is explained proxy of the variables, meaning that compliance costs still play a role in shaping financial outcomes indirectly, possibly through their effect on corporate governance, stakeholder trust,

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and operational stability. The findings are consistent with agency theory, which suggests that compliance and monitoring mechanisms primarily reduce information asymmetry and managerial opportunism, and legitimacy theory which suggests that disclosure ensures social and regulatory acceptance. In the Nigeria oil and gas industry, compliance cost disclosure may therefore contribute to sustainable development goals such as accountability, environmental protection, and community security, even if it does not immediately enhance profitability.

5.0. CONCLUSION AND RECOMMENDATIONS

5.1. Conclusion

From the findings, the study concludes that compliance cost disclosure with its proxies does not have a statistically significant effect on the financial performance of oil and gas firms in Nigeria. Nevertheless, these expenditures are vital for ensuring regulatory compliance, maintaining legitimacy, and promoting accountability, which are essential for long-term sustainability and stakeholder confidence. Although the immediate financial effect may be partial, the strategic value of compliance costs lies in promoting confidence, reducing risk, and aligning corporate operations with national development priorities, including economic growth, environmental protection, and social responsibility.

5.2. Recommendations

This study makes the following recommendations:

1. **Improved Compliance Reporting**: Industries should maintain detailed and accurate disclosure of compliance costs, including audit, legal, and filing related fees, to strengthen stakeholder confidence and exhibit corporate accountability.

2. **Cost-Benefit Appraisal**: Industries like oil and gas companies should occasionally evaluate compliance-related expenses to ensure they are efficient and contribute to operational sustainability without unnecessarily inconveniencing profitability.

3. **Assimilation with Sustainable Practices**: Compliance costs should be associated with environmental and social initiatives, ensuring that expenditures not only meet regulatory requirements but also support broader sustainable development goals.

4. **Policy Guidance and Oversight**: Regulators should encourage disclosure of compliance costs as part of corporate reporting standards, providing guidance to ensure consistency, accuracy, and comparability across firms in the oil and gas sector.

5. **Long-Term Strategic Planning**: Although short-term financial performance may not be meaningfully affected, firms should consider compliance cost disclosure as an investment in risk management, corporate legitimacy and long-term financial sustainability, which can indirectly improve profitability over time.

Conflict of Interest

The authors declare that no conflict of interest exist in this manuscript.

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