Challenges of Corporate Sustainability Reporting Among Quoted Companies in Nigeria

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Abstract

Over the past decade, corporate sustainability reporting has become more common, as many countries have been institutionalizing it in their reporting requirements. This study is motivated by current challenges companies encountered and the need to investigate their state in line with the sustainability development Goal No. 7 of vision 2030. The study look for ways of ameliorating challenges of corporate sustainability reporting among quoted companies in Nigeria. The study adopted survey method and expost facto research design. The published annual reports of some selected quoted companies in Nigeria were content analysis and questionnaire was administered to effectively gather data. The nature of the study requires the use of both survey questionnaire and a content analysis of the annual sustainability reports of selected companies. It was found that majority of the quoted companies in Nigeria have developed policy statements on their sustainability reports, but the contextual issues are not quantified in monetary terms rather they are not reported in the audited accounts of the companies. The study concluded there is need for more education and creation of awareness of sustainability as a way of carrying out business in an environment. Our recommendations include among others that there should be sustainability reporting board to regulate compliance among quoted companies in Nigeria, also that the Nigerian Exchange Group should incorporate fines and penalties for noncompliance, and this needs legal backing
Key words: Challenges, Sustainability, Corporate, Reporting, Quoted Companies.

Introduction

Background to the Study:

Corporate sustainability report (CSR) is used interchangeably with Corporate Social Responsibility as many countries have been institutionalizing it in their reporting requirements. It is a document companies use to communicate their Sustainability activities to various stakeholders.

Corporate sustainability reporting is widely acceptable manner of doing business. Organizational transparency gives the firms credence and creates trust from investors, if such business character persists, it will create positive results on the organization's operations and their reporting.

Over one hundred and fifty sixty (156) listed companies in Nigeria Exchange Group page are facing the challenges of corporate sustainability reporting, this study, some of the major challenges are lack of standard regulating mode and areas of reporting. Knowing fully that majority of the challenges facing corporate organizations emanates from the quest of them shielding reporting items that would have adverse effect on their organization's operations and performance, rather they engage in voluntary reporting. As a result of this voluntary reporting, many firm decides what to report, information to include in their sustainability reports, others may not have developed sustainability policy, those who have developed sustainability policy only pay lip services to sustainability reporting, since they are not quantifying in monetary terms cost incurred for sustainability activities in their financial statements. Therefore, government's urgent attention is needed to arrest these un-ethical practices.

Statement of Problem:

Sustainability Report is used today as a yard stick to measure performance by various stakeholders, investors, customers, employees, suppliers, regulators etc, It is no longer sufficient to focus solely on financial returns. Organizations are expected to build a lasting strategy into their day-to-day operations. Failure to do so May be tantamount to loss of customers and goodwill which may likely create regulatory issues as well.

This study is motivated by challenges companies encounter and their reporting state, which includes reporting according to the sustainable development Goal No. 7 of vision 2030. Absence of legal/regulatory framework and regulating body. Lack of structured corporate sustainability reporting format. Lack of non-disclosure of some quantifiable items on their annual reports make the reports less attractive and calls for urgent action of government and regulatory bodies to restore stakeholder's confidence.

Justification of the Study:

The purpose is to research on challenges listed firms by Nigeria Exchange Group face and the effect it has on their performance. There has been dissatisfaction by various stakeholders on the reports companies issue in respect to sustainability activities. Many research work has been carried out, none have addressed these challenges. This justifies this study.

LITERATURE REVIEW

Theoretical Framework:

A literature matrix was carried out on over thirty journals. Each of these journals used different theories in the course of their studies. From these journals, two theories that best fit this study are outlined below: Sustainability Theory and Integrated Theory.

Sustainability Theory: Sustainability theory, according to Kantabutra (2020) a theory that sustains the society common goods so that it can remain for future generations. Swarnapali (2017) said there is no generally agreed definition for corporate sustainability, that different scholars have defined it differently at different times.

Wilson (2003) agrees that the idea is to support business and its operation, so that it will not suffer reduction in their resources for a reasonable future time.

Meadowcraft (2023) sees sustainability as a gainful asset for the society. These assets are in continuum for the use of present and future generations, and it will continue to create wealth as long as it exists, and its use is not susceptible to any group to enjoy its benefits.

McNally (2017) opined that chief sustainability officers should identify issues which are very important, because sustainability performance targets clearly defined part linking it to established performance indicators. Some scholars have promoted sustainability idea and it has risen to prominence. Unsustainable character of contemporary societies has been frowned at, patterns of resource use, growth, is a bane to the survival of the society and the well-being of future generations and makes it difficult for companies to report their operation.

Integrated Theory: Kantabutra (2020) said integrated theory is a mindful means that happens in continuum, with a structured explanations and representations of ideas that happened overtime which are ascertainable and improved.

Lynham (2000) said that effective theory building comes from a proper understanding of an event, lack of understanding the effect of sustainability activities on the stakeholders by the companies and their in-ability to articulate sustainability activities results to injustice as permeated through leadership style, organizational corporate governance, poor operations and reporting process. This in effect shows that integrated theory can hardly stand in our modern society.

Also the challenges which quoted companies in Nigeria are presently grappling with, is the bane to corporate sustainability reporting. Likewise on Integrated theory. Global Reporting Initiative have made many organizations to adopt the use of integrated theory in their reporting process. This study believe that if the contextual factors are brought to bear and reported, it will yield a greater result on the performances of the companies and place a premium on the company's overall performance reporting and trust from the stakeholders.

Methods adopted:

The study adopted survey method and expost facto research design. The published annual reports of some selected quoted companies in Nigeria were content analysis and questionnaire was administered to effectively gather data. The nature of the study requires the use of both survey questionnaire and a content analysis of the annual sustainability reports of selected companies.

Data Presentation and Analyses

Data analysis describes the descriptive statistics that involves analyzing and presenting bio data of respondents and research problems using Nominal Analysis.

Demographic Data of the Respondents

S/N	**Items**	**Variables**		
1	**Gender**		**Frequency**	**Percentage**
		Male Female	32 18	64.0% 36.0%
	Total		**50**	**100.0%**
2	**Age group**	Years	**Frequency**	**Percentage**
		20 – 35 36 – 55 56 – 65	10 15 25	20.0% 30.0% 50.0%
	Total		**50**	**100.0%**
3	**Position**		**Frequency**	**Percentage**

		Manager Deputy Director CSO	18 22 10	36.0% 44.0% 20.0%
	Total		**50**	**100.0%**
4	**Education Qualification**		**Frequency**	**Percentage**
		ND/HND B.Sc./MS.c. PhD Others	2 28 12 8	4.0% 56.0% 24.0% 16.0%
	Total		**50**	**100.0%**
5	**Work Experience**	**Years**	**Frequency**	**Percentage**
		1 - 10 11 -20 21 - 30 31 & above	8 22 11 9	16.0% 44.0% 22.0% 18.0%
	Total		**50**	**100.0%**

Source: Field Survey Report, 2023

In this study, responses were generated on the basis of gender distribution of the respondents which showed that 32(64.0%) were male respondents and 18 female respondents representing 36.0% participated in the study. This indicated that male respondents participated in the study more than females. On the basis of age distribution, 25(50.0%) of the respondents being the majority were between the ages 56 – 65. The respondents within age 36 – 55 were 15 covering (30.0%). The age groups 20 – 35 was10 covering 20.0% of the total distribution.

Based on organizational position, major respondents represents 22(44.0%) were Deputy Managers, 18 covering (36.0%) were Managers while 10(20.0%) of them were CSO. Educational qualification, the table depicted thatt many respondents were first degree and MS.c holders covering 28(56.0%) of the total distribution, 12(24.0%) of the respondents held PGD. 8(16.0%) of the respondents held "Others" certifications while only 2 of the respondents covering (4.0%) had ND/HND. This implied that the majority of the respondents were educated and vibrant in their area of specialties.

Finally, the study considered the respondents' bio-data looking at working experience, many respondents 22 (24.0%) have work experience for between 11 – 20 years, followed by those who have been working for 21-30 years representing 11 (22.0%). 8 respondents representing 16.0% has been working for 1-10 years, while 9 of the respondents covering (18.0%) have been working for 31 years and above work experience.

Analyses of the Questionnaire Items/Research Questions

	A	B	C	Percentage
Number of the respondents	75			
Number of the questionnaire administered		75		
Number of questionnaires retrieved			50	66.7%
Number of questionnaires unreturned			25	33.3%

Total			**75**	**100%**

Source: Field Survey Report, 2023

Seventy-five questionnaires were administered to the respondents, fifty (50) copies were returned and appropriately filled this represents responses of 66.7% while the unreturned representing 25(33.3%) of the total distribution.

Level of Sustainability Reporting Disclosure and Companies' Performance

	What are the reasons Quoted companies in Nigeria do not state in their published annual reports cost incurredoin sustainability activities and its relationship with companies' performance?	**Poor**		**Good**		**Very Good**		**Excellent**	
		Frequency	**Percent**	**Frequency**	**Percent**	**Frequency**	**Percent**	**Frequency**	**Percent**
1	How is your Organization's Sustainability policies?	8	15.7	30	58.8	10	19.6	2	3.9
2	What is your organizations' sustainability reporting level?	9	17.6	24	47.1	15	29.4	2	3.9
3	How satisfied are you with the sustainability disclosure level in your organization?	9	17.6	25	49.0	12	23.5	4	7.8

Source: Field Survey, 2023

Reasons for nondisclosure of Sustainability Activities Cost and Companies' Performance.

	What is the relationship between Corporate Sustainability Reporting Challenges and Companies' Performance?	**SA**		**A**		**D**		**SD**	
		Frequency	**Percent**	**Frequency**	**Percent**	**Frequency**	**Percent**	**Frequency**	**Percent**
4	Absence of legal regulatory framework allows companies for voluntary reporting on sustainability cost.	22	43.1	23	45.1	5	9.8	1	2.0
5	Inadequate manpower, cost of generating the needed data are some of the reasons companies do not report cost of sustainability activities in their published Annual Report..	10	19.6	26	51.0	13	25.5	1	2.0

6	Lack of community, employment engagement and the idea to reduce operational cost contributes to companies not stating in their published Annual Reports cost incurred on sustainability activities.	9	17.6	31	60.8	8	15.7	1	2.0

Source: Field Survey, 2023

Ameliorating the challenges of Corporate Sustainability Reporting Compliance and Companies' Performance.

	What does companies' compliance relationship has with Performance among Quoted Companies in Nigeria?	SA		A		D		SD	
		Frequency	**Percent**	**Frequency**	**Percent**	**Frequency**	**Percent**	**Frequency**	**Percent**
7	Legal, regulatory framework and regulatory bodies should be established for sustainability reporting in Nigeria.	34	66.7	13	25.5	2	3.9	1	2.0
8	There should be community and employees engagement.	1	2.0	29	56.9	21	41.2	0	0.0
9	Seminars, workshops should be organized to educate companies on the sustainability reporting policies and the need for adequate compliance.	5	9.8	14	27.5	3	5.9	28	54.9
10	Penalties for non-compliance should be stated and be enforced.	30	58.8	17	33.3	3	5.9	1	2.0
11	Companies should be made to see sustainability reporting as a way of running day to day business.	24	47.1	25	49.0	1	2.0	1	2.0
12	Regulatory bodies should seek for international cooperation with other international sustainability reporting bodies, for the achievement of the SDGs.	23	45.1	25	49.0	1	2.0	2	3.9
13	Company's indulging in voluntary sustainability disclosure will have a positive effect on its operation.	13	25.5	34	66.7	3	5.9	3	5.9

Source: Field Survey, 2023

Compare Relationship and Performance

	Comparism of performance and	**Poor**	**Good**	**Very Good**	**Excellent**

	Corporate Sustainability Reporting.	Frequency	Percent	Frequency	Percent	Frequency	Percent	Frequency	Percent
14	How is the relationship between compliance with corporate sustainability and your company's performance.	26	51.0	4	7.8	16	31.4	4	7.8
15	Rate the performance level of your company sustainability activities.	11	21.6	25	49.0	13	25.5	1	2.0
16	How cordial is the relationship between stakeholders and your company?	5	9.8	31	60.8	1	2.0	13	25.5

Source: Field Survey, 2023

Discussion of Findings

The findings arrived at by this study showed that challenges of corporate sustainability reporting and level of reporting does not have direct impact on the companies' performances. Analysis above showed perfectly or positive relationship with the performance of sustainability reporting in Nigeria. The results are in line with the results of some past studies. Like the work done by Adegboyegun (2020) revealed that the issue of transparency in the dealings of corporate organizations is identified to be one of the issues corporate organizations encounter in Nigeria. Stephanie (2020), identified that the non-reporting of the Non-financial issues are part of the challenges of corporate reporting. This study identified that challenges of corporate sustainability includes neglecting non-reporting of the contextual issues, absence of legal framework, non-existence of sustainability reporting regulatory bodies in Nigeria, non-compliance with the SDGs vision 2030 requirement No. 7. In making decisions, corporate sustainability officers among quoted companies in Nigeria decides issues to report upon because reporting is voluntary in Nigeria. .Villiers (2022) identified as a road map, only if a form of legal perspective is brought to being to actually formalize items to be reported upon and create format of reporting. That was why the following contributions made at different times by different scholars are relevant to this study. Ofoegbu (2020) highlighted those issues that may likely affect disclosure as environmental, socially, economical and profitability. Umar (2021) pointed noncompliance to sustainability reporting as an issue that may have serious consequences on the environment, as pollution and exploitation will continue to have an adverse effect on the stakeholders. Abdulkarim (2021) explained the essence of corporate organizations producing sustainability reports, indicating how it may be a means of communicating their activities and performances. He opined that such reports are in tandem with United Nations' sustainability development goal.

Conclusion:

It was discovered that a quite number of listed firms have this practice of non-disclosure of sustainability report in their audited annual report. This could be a reason best known to them or a corporate secret. Non-disclosure of this report may harbor some unethical practices within a firm and this automatically cause lack of stakeholders' trust; lack of accountability in the companies' practice.

Recommendations

The study has the following recommendations:

1. Regulatory bodies should established regulatory framework to harmonize sustainability reporting activities and create reporting format in Nigeria.
2. Legal framework should be put in place by the government, this will largely reduce the challenges of corporate sustainability reporting in Nigeria.
3. Government should educate companies on sustainability reporting as a business practice.
4. Quoted companies in Nigeria should endeavor to follow the new trend in reporting, so that they can shape their operations to meet international standards.
5. Voluntary reporting should be discouraged totally and punitive measure be introduced for non-compliance.

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