INTERNATIONAL JOUNAL OF: FINANCIAL RES. AND MANAGEMENT SCIENCE

TIMBOU-AFRICA ACADEMIC PUBLICATIONS
INTERNATIONAL JOURNAL, AUGUST, 2023 EDITIONS
VOL. 14 NO. 7 ISSN: 2773-1040

FIRMS ATTRIBUTES AND SUSTAINABILITY REPORTING NEXUS OF FIRMS IN NIGERIA

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ABSTRACT

Globally delivering prosperity is becoming challenging, and government and civil society demand for business and financial action on sustainability issues is growing exponentially. The study looked into the effect of firm attributes on sustainability reporting of nonfinancial firms listed on the Nigerian Stock Exchange (NSE) between 2013-2022. The study population comprised (112) listed nonfinancial firms. The sample size was made up of (76) listed nonfinancial firms out of the total population. The environmentally sensitive firms are a basis for determining sample size. Secondary data was

Introduction

The efforts that have been made to ensure sustainability have received global attention as a strategy that not only addresses the needs of the current generation but also assures that subsequent generations will be able to meet their requirements. Adopting corporate sustainability reporting also referred to as "the triple bottom line," which integrates environmental, social, and economic aspects, is now required of businesses to demonstrate that they are concerned about contributing to maintaining a sustainable environment. Reporting on companies' sustainability efforts has grown increasingly widespread during the past decade, particularly in countries with industrialised economies (KPMG International, 2013). However, this is not the case for the vast majority of underdeveloped countries, as they have very few resources and cannot even construct a more significant framework for sustainability reporting, let alone give comprehensive CSR data.

On a global basis, the distribution of sustainability reporting has not been constant across different types of businesses or industries. It should come as no surprise that the industries known to have the most detrimental consequences on society and the environment appeared to be overrepresented among those that initially embraced the practise. As the popularity increased, industries that had not previously participated started to submit their sustainability report (KPMG International, 2011). However, due to the voluntary and uncontrolled nature of sustainability reporting, firms have a great deal of leeway in selecting whether or not to account for the social, economic, and environmental costs and benefits associated with their company activities and how to do so. Sustainability reporting is a tool for accounting-based reporting and communication with stakeholders. It is typically included in annual reports, although it may also sometimes be found in other independent publications.

While some efforts have been made to investigate the issue, there is not a great deal of information available to corporate organisations in Nigeria

sourced from the audited financial reports and MachameRatio Database. Panel data was employed for the descriptive statistics, and a correlation matrix was used for the analysis. The results show that firm liquidity and profitability are negatively related to environmental disclosure. Therefore, it concludes that liquidity and profitability negatively relate to environmental disclosure. The study recommends that the voluntary and unregulated nature of sustainability reporting affords corporations considerable latitude in determining if and how they prefer to account for their business practices to environmental sensitivity. The study makes the following recommendations; firstly, there is a need for Nigerian firms to increase sustainability which may increase patronage or investment in firms and increase profitability. The study recommends that regulatory authorities can use these attributes as incentives to encourage sustainability reporting.

Keywords: Firm's Attributes, Liquidity, Profitability, Environmental Disclosure, Sustainability Reporting.

regarding the reporting level for sustainability. Despite this, there have been some steps taken. The number of studies conducted to investigate sustainability reporting for Nigerian organisations is, for the most part, minimal. For example, Asaolu, Agboola, Ayoola, and Salawu (2011) evaluated the sustainability reporting done by the Nigerian nonfinancial sector; Oyewo and Badejo (2014) examined the practise of reporting on sustainable development done by Nigerian banks using a 30-item checklist; Nwobu (2015) utilised content analysis; and Onyali, Okafor, and Onodi (2015) utilised. All of these studies were carried out in Nigeria.

A previous study has put a limited emphasis on sustainability reporting, but more needs to be done. Nwobu (2015), Oyewo and Badejo (2014), and Asaolu, Agboola, Ayoola, and Salawu (2011) are some examples. They confined their investigation to gauge the extent to which the organisations under scrutiny reported their efforts towards sustainability, but they did not further demonstrate the factors that influence this level of reporting. This research investigates the elements and corporate characteristics that determine the quantity of sustainability reporting in Nigeria to fill the void created as a result of this vacuum. In addition, it offers a comprehensive analysis of the efficiency of the theoretically postulated drivers for boosting sustainability reporting. Therefore, this study aims to explore the influence of company characteristics (firm size, leverage, and profitability) on the amount of information reported on sustainability in Nigeria. The topic has earned prominence among financial experts, researchers, and company management due to significant empirical efforts on environmental performance to answer the mysteries of sustainability. However, the findings of the earlier studies on the firm's qualities and sustainability in Nigeria have produced contradictory conclusions (Adelegan and Inanga, 2001; Uwuigbe, 2013; Nwodibie, 2013; and Adelegan, Adeyemo, Adejuwon, and Taiwo, 2015).

Even though concerns concerning the firm's attributes and sustainability practise have received a large amount of attention in established economies, there is a substantial lack of suitable literature on the subject in economies that are still expanding, such as the economy in Nigeria. This is the case even though the literature on the subject exists in developed nations. It is a commonly held belief that businesses are more concerned with profitability and return on assets than sustainability issues. Not nearly enough studies have been conducted in Nigeria that have combined eight (8) to ten (10) different measures of company attributes to investigate sustainability reporting. To improve the overall explanatory capacity of the model used in this research, the researchers decided to incorporate variables with a more extensive scope. Based on this concept, a study was commissioned to investigate the relationship between a firm's qualities and the reporting of its progress towards sustainability by publicly traded nonfinancial companies in Nigeria.

Literature Review and Theoretical Framework

Although several other explanations for sustainability reporting can be found in the existing body of research, the Resource-Based theory will serve as the foundation for this analysis because it was determined to be the most pertinent to the questions being asked.

The Resource-Based View (RBV)

In the 1990s, with the growing adoption of the resource-based approach, the attention of strategy scholars about the sources of "sustainable competitive advantage" migrated from industry towards firm particular features. This shift occurred due to a change in where the emphasis should be placed. The resource-based view (RBV), which was initially presented in the middle of the 1980s by Wernerfelt (1984), Rumelt (1984), and Barney (1986), has subsequently developed into a significant modern method for analysing "sustained competitive advantage." reporting on Nigeria's publicly traded nonfinancial companies. In the early 1990s, researchers in strategic management began to explore the concept of RBV. Therefore, the study contends that a firm's resources, such as leverage, size, financial performance, liquidity, and other resources and assets, can influence whether or not a firm adopts sustainability reporting as part of its stewardship and even its competitive strategies. This is especially pertinent given the recent emphasis on sustainability investing and the growth in the number of investors interested in it. Branco and Rodrigues (2006) provide insights into why companies carry out sustainability reporting projects by highlighting the internal and external benefits they obtain. These reasons are based on the RBV. This study contends, through the application of the RBV theory, that the level of sustainability disclosures depends on several internal and external factors. These elements include the features of the organisation as well as the structure of the firm.

Concept of Sustainability Reporting

Sustainability reporting (SR) refers to a relatively new concept. The objective of sustainability reporting is to collect and provide data on sustainability for both the management process and stakeholders. This is accomplished using a systematic instrument known as sustainability reporting. (Saji, 2014). In layman's terms, "sustainability reporting" or "triple bottom-line reporting" is a mechanism for evaluating and disclosing a firm's performance to meet "social, economic, and environmental" parameters. However, in a broader sense, it covers entirely the values, issues, and procedures organisations must attend to reduce the negative impacts associated with their activities and, as a result, give better results. Elkington (1997) defines "sustainability reporting" According to Dyllick and Hockerts (2002), for a firm to be considered sustainable, it must first ensure that it will be able to continue to serve the interests of its direct and indirect stakeholders in the foreseeable future while simultaneously pursuing and achieving the goals of all of its stakeholders, both direct and indirect. According to Choudhuri and Chakraborty (2009), "social responsibility" can be defined as a reporting framework that emphasises "the economic, social, and environmental performance" in addition to a company's overall financial health.

ISSN: 2773-1040

Taking part in the assessment, disclosure, and accountability to the stakeholders—both internal and external for the company's overall performance is what the Global Reporting Initiative (GRI), a well-known organisation in the subject of sustainability, defines as "social responsibility." According to the Association of Chartered Certified Accountants (ACCA 2005), sustainable reporting evaluates, records, and discloses information regarding an organisation's financial, environmental, and social performance. This improves corporate performance and moves forward the development of sustainable practises. Other terms can be used interchangeably with "social responsibility," such as "corporate social responsibility" (Christensen, Peirce, Hartman, Hoffman & Carrier, 2007); or "triple bottom line" (TBL), which is a concept whose tenet is that the value created by businesses or other organisations comes in multiple forms, including "social, economic, and environmental value added" (Elkington, 2006). Both of these terms can be considered synonymous with "social responsibility."

Firms Attribute

According to Al-Najjar and Kilincaslan (2017), the most important aspects of a company are its liquidity and profitability, as well as its size and age. These factors also have the potential to affect how the company reports on its progress towards sustainability. The following is further information regarding these characteristics:

Liquidity

The ability of a firm to use its existing assets to pay off its current debts when those obligations become due is measured by the company's liquidity. According to Alaeto 2020, businesses with strong liquidity positions are obligated to report on sustainability more frequently than those with liquidity issues. Jensen (1986) proposed that companies should be sufficiently conservative to mitigate the impacts of the agency problem. He stated that this could be accomplished by limiting the amount of money that is accessible to corporate management to discourage opportunistic behaviour and encourage shareholders to invest more money. Because of this, the problem with the government agency has been resolved by employing sustainability reporting as a method for cutting costs.

Profitability

By devoting more significant resources to sustainability reporting, profitable businesses give the impression of being forthright and open-minded in all their dealings with their stakeholders and suggest that profitability and sustainability reporting are positively connected. The signalling hypothesis (John & Williams, 1985) supports the argument, which asserts that high-profit firms are more inclined to express to shareholders their superior financial performance by filing sustainability reports. This hypothesis was developed to explain why high-profit corporations are more likely to do so. When their competitors, typically in a weaker financial position, cannot achieve such sustainability criteria, it sends the market the wrong impression.

Empirical Review

Mapparessa et al. (2017) investigated the relationship between gender diversity, corporate characteristics, and political visibility on sustainability result disclosure across Indonesian enterprises from 2014 to 2015. Firm size served as a proxy for political prominence. On stakeholders' theory, the research was based. The regression model's findings showed that company size has a negative, substantial impact on listed Indonesian companies' disclosure of sustainability reports. The research

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ISSN: 2773-1040

also demonstrates that gender diversity and firm type do not impact the disclosure of sustainability reports.

In a different research, Wang (2017) used a regression model to explore how company characteristics affect sustainability reporting disclosures across 105 and 262 listed manufacturing businesses in Indonesia and Malaysia from 2010–2013. According to the findings, the following factors were positively correlated with the disclosure of sustainability reporting among Taiwan 50-Index listed companies: board size, ratio of independent directors, audit committee, ratio of export income, percentage of foreign shareholders holding, fixed asset staleness, and firm growth.

Lucia and Panggabean (2018) examined how company characteristics affect sustainability disclosure across listed companies in Indonesia and Malaysia between 2013 and 2015. The findings showed that business size and return on assets (ROA) significantly influenced sustainability reporting in Indonesia and Malaysia. The research also showed that although listed companies in Malaysia are unaffected by audit committees, they adversely affect sustainability reporting in Indonesia. Leverage and the board of directors have no discernible impact on sustainability reporting in any nation.

The same goes for research on a firm's attributes and Inte GRTd Reporting: Evidence from Sri Lanka that was conducted by (Dhanajaya & Nadeesha, 2018). The dependent variable was the adoption of integrated reporting as assessed by the integrated reporting index. The independent factors were divided into three categories: market-related, performance-related, and structure-related (firm age, ownership, and leverage) (total assets, total sales and profitability). The findings showed that the amount of integrated reporting adoption in Sri Lanka is positively and significantly correlated with the firm's age, leverage, ownership dispersion, sales, and industry type.

Ololade and Adekanmi (2019) Assessed the sustainability information disclosure and financial reporting quality of fifty listed Nonfinancial Firms in Nigeria. They were using purposive. Sampling, qualitative data was sourced through content analysis and analysed using descriptive statistics and multiple regressions. The study found an increasing trend in the financial reporting quality of firms and sustainability information disclosure on socio-environmental policy and environmental research and development have a significant favourable influence on the quality of financial reporting in Nigerian.

Methodology

An ex post facto quantitative research design was adopted for the study since it was appropriate for the investigation. This information was obtained from the annual financial reports and MachameRatios Database of seventy-six publicly traded businesses not involved in the financial sector throughout the past ten years, from 2013 to 2022. Therefore, the population of this study consist of 112 listed firms on the floor of the Nigerian Stock Exchange (NSE), and the sample size was drawn based on environmentally sensitive firms, which consist of 76 utilised in the study.

Model Specification

The research utilised a regression model similar to that used in Muhammad and Muhammad's (2016) study. This model was updated to include all of the pertinent variables that were backed with empirical evidence. Both the testing of the study's stated hypothesis and the completion of the study's stated objective were facilitated by the utilisation of this paradigm. The following is how the functional specification for the model is written:

The econometric specification is as follows:

$$ENVD = \beta_0 + \beta_2 LEVG_{it} + \beta_3 PROF_{it} + \beta_5 FSIZE_{I} + \beta_4 FAGE_{it} + \varepsilon_{it}$$

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ISSN: 2773-1040

Whereas:
ENVD = Environmental disclosure
FLIQD = Firm Liquidity
FPROF = Firm Profitability
FSIZE = Firm size
FAGE = Firm Age
i = Firm;
t = year
β0 = the intercept
ε = he error-term
β1-5 = the coefficients

Table 1: Definition and measurement of the variable

Variable	Abbreviation	Descriptive
Dependent Variable		
Environmental Disclosure	ENVD	Analysis of the content based on the Global Reporting Initiative (GRI, 2018).
Independent Variable		
Firm Liquidity	LIQU	Total Debts/ Total Assets
Firm Profitability	PROF	Dividing net profit after tax to total assets;
Control Variable		
Firm Size	FSIZE	The natural log of total sales
Firm Age	FAGE	The number of years incorporated firms to date on the flow of Nigerian Stock Exchange

Source: derived from existing literature.

Result and Discussion

Descriptive Statistics

This section examines the descriptive statistics for the independent and dependent variables. Each variable is reviewed based on the mean, maximum and minimum. Table 3 below displays the descriptive statistics for the study.

Table 2: Descriptive statistics for all the Variables

Variable	Mean	St.Dev.	Maximum	Minimum	N	JB
ENVD	0.47	0.499	1	0	760	0.267 (0.000)
FLIQD	87.5	18.35	54.8	68.92	760	0.000 (0.000)
FPROF	31.3	25.71	43.1	1.02	760	0.000 (0.000)
FSIZE	8.936	0.434	9.75	8.03	760	0.251 (0.005)
FAGE	22.9	15.62	50	2	760	0.083 (0.000)

Notes: Environment disclosure (ENVD), Firm liquidity (FLIQD), Firm profitability (FPROF), firm size (FSIZE), firm age FAGE

The deviations between maximum and minimum for ENVD ranged from 1% to 0%. The standard deviation for firm profitability (FPROF) was highest (25.71), while the lowest belongs to firm liquidity (FLIQD) and

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ISSN: 2773-1040

environmental indicator (ENVD) with the value of 0.499 that were not much different from mean, suggesting that FLIQD and FPROF were centrally distributed. The mean value of FSIZE and FAGE (control variables) are 8.936 and 22.9 respectively.

Correlation Matrix

The correlations between each pair of variables are shown in Table 3. This study analyzes and shows the Pearson-correlation coefficient i.e. a widely-used method for assessing the correlation power between any two of the variables.

Table 3: Correlation (Pearson) ENVD as the Dependant Variable

Variable	ENVD	FLIQD	FPROF	FSIZE	FAGE
ENVD	1.000				
FLIQD	-0.080	1.000			
FPROF	-0.195	0.032	1.000		
FSIZE	0.472	-0.133	-0.282	1.000	
FAGE	0.237	0.093	-0.216	0.323	1.000

Note: Environment disclosure (ENVD), leverage (FLEVG), profitability (PROF), firm size (FSIZE), and firm age (FAGE).

Table 4 above shows a weak negative association between environmental disclosure on liquidity ((-0.080) and profitability (-0.195). The profitability (PROF) has a weak positive association with ENVD. On the control variable, a positive relationship exists between environmental disclosure and firm size (0.472) and firm age (0.237). Note +/- (60 or 80 highly correlated).

Conclusion and Recommendation

The study, therefore, concludes that firm liquidity and profitability negatively relate to environmental disclosure. The control variable firm size and profitability have positive nexus with environmental disclosure in Nigerian listed firms. It implies that Nigerian firms' voluntary interest in environmental sustainability revolves more on social responsibility.

Hence, the study recommends that the voluntary and unregulated nature of sustainability reporting affords corporations considerable latitude in determining if and how they prefer to account for their business practices to environmental sensitivity. The study makes the following recommendations; firstly, there is a need for Nigerian firms to increase sustainability which may increase patronage or investment in firms and increase profitability. The study recommends that regulatory authorities can use these attributes as incentives to encourage sustainability reporting.

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