Sustainability Reporting in Nigeria: Trends, Drivers and Challenges

Ngwobia, Ebubechukwu Udo
Department of Accounting, Abia State University Uturu
Ebubechukwu.ngwobia@abiastateuniversity.edu.ng

Onwuka, Onwuka Okwara
Department of Accounting, Abia State University Uturu
onwuka.onwuka@abiastateuniversity.edu.ng
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Abstract
This study examined the emerging practice of sustainability reporting among Small and Medium Enterprises (SMEs) in Nigeria, with a specific focus on its drivers, trends, challenges, impacts, and future prospects. In light of growing global emphasis on environmental, social, and governance (ESG) performance, sustainability reporting has become a strategic tool for businesses seeking to align with international standards and stakeholder expectations. While sustainability reporting is increasingly adopted by large corporations in Nigeria, its integration among SMEs remains limited, largely due to insufficient awareness, regulatory gaps, inadequate technical capacity, and perceived high costs. The study draws on theoretical underpinnings such as stakeholder theory and legitimacy theory to explore the motivations behind SMEs' adoption of sustainability practices. A review of recent empirical literature revealed that although SMEs recognize the potential benefits of sustainability reporting including enhanced brand image, increased access to finance, and long-term competitiveness most lack the structure and support to implement it effectively. The findings suggest that simplified reporting frameworks, targeted policy incentives, digital solutions, and stakeholder engagement are critical to improving adoption rates. The study concludes that for Nigerian SMEs to thrive in an increasingly sustainability-conscious economy, there must be a deliberate and collaborative effort among regulators, development partners, and SMEs themselves to integrate sustainability reporting into their operational frameworks.

Key words: *Sustainability, Reporting, Small and Medium Enterprises, Performance, Governance*

1.0 INTRODUCTION

Sustainability reporting, which focuses on the comprehensive disclosure of a company's environmental, social, and governance (ESG) impacts, has evolved into a fundamental aspect of corporate governance. In Nigeria, this shift towards reporting on non-financial performance is part of a broader global trend where businesses are increasingly called upon to demonstrate accountability not only for their financial outcomes but also for their contributions to environmental sustainability, social well-being, and effective governance. Historically, Nigerian corporate reporting was predominantly centered on financial performance, with minimal attention paid to broader societal and environmental responsibilities. However, as the global economy becomes more interconnected and sustainability issues gain prominence, there has been a marked shift in the business landscape, with Nigerian companies now recognizing the importance of adopting more transparent and socially responsible practices. This is particularly crucial as sustainability concerns such as climate change, inequality, and human rights have moved to the forefront of global conversations, compelling both local and international stakeholders to scrutinize corporate behavior more closely.

The theoretical foundations of sustainability reporting in Nigeria can be traced to several prominent theories, particularly Stakeholder Theory, Legitimacy Theory, and Institutional Theory. Stakeholder Theory, as outlined by Freeman (1984), advocates for a business model that considers the interests and needs of a broader range of stakeholders, beyond just shareholders. This theory is particularly relevant in the context of sustainability reporting in Nigeria, where businesses are increasingly recognizing the importance of addressing environmental, social, and governance issues that affect various stakeholders such as employees, customers, investors, and local communities. The theory suggests that by responding to the concerns of these groups, organizations can enhance their long-term sustainability and maintain positive relationships with their key stakeholders.

Legitimacy Theory, as presented by Suchman (1995), also provides significant insight into the growing trend of sustainability reporting in Nigeria. According to this theory, organizations engage in sustainability practices and disclosures to maintain their legitimacy in the eyes of society and stakeholders. In Nigeria, companies may choose to adopt sustainability reporting in response to both local and international pressures to conform to regulatory requirements and global standards. The theory suggests that failure to adhere to these expectations can lead to reputational damage, legal penalties, or the loss of consumer trust. The Nigerian business landscape is increasingly shaped by the need for legitimacy, as firms seek to demonstrate compliance with international sustainability frameworks such as the United Nations Sustainable Development Goals (SDGs) and the Global Reporting Initiative (GRI).

Institutional Theory also plays a vital role in understanding sustainability reporting in Nigeria. This theory, as described by DiMaggio and Powell (1983), posits that organizational behavior is influenced by the pressures exerted by institutions within a given environment. In the case of Nigerian companies, institutional pressures come from various sources, including governmental regulations, global sustainability norms, and the expectations of international investors. Companies operating in Nigeria are increasingly influenced by these external pressures, which compel them to adopt sustainability reporting as a means of conforming to institutional standards and maintaining competitiveness in global markets. The growing presence of multinational corporations in Nigeria, which are often subject to stringent sustainability regulations in their home countries, further accelerates the push for local firms to adopt similar practices.

The drivers of sustainability reporting in Nigeria are multifaceted and are deeply intertwined with both global trends and local realities. Globally, initiatives such as the United Nations SDGs and the Paris Agreement on climate change have played a significant role in encouraging businesses worldwide, including those in Nigeria, to adopt sustainability practices. Companies are increasingly aware of the need to demonstrate their contributions to these global goals through transparent sustainability disclosures. Furthermore, the rise of socially conscious investors and consumers has fueled the demand for businesses to showcase their ESG performance. Research by Akinyele (2020) highlighted the role of international investors in pressuring Nigerian firms to adopt sustainability practices in line with global trends. These investors often prioritize ESG criteria when making investment decisions, and companies that fail to meet these standards risk losing potential capital inflows.

In Nigeria, the regulatory environment has also contributed to the increased focus on sustainability reporting. The Nigerian Stock Exchange (NSE) and the Securities and Exchange Commission (SEC) have introduced guidelines encouraging listed companies to disclose non-financial information, particularly regarding their environmental and social impacts. These regulations have provided Nigerian companies with a framework for reporting sustainability, albeit with varying levels of compliance across different sectors (Ogunyemi, 2019). However, despite these efforts, the practice of sustainability reporting in Nigeria remains in its early stages, and the adoption of comprehensive ESG disclosures is still limited to a select group of large corporations.

Moreover, consumer activism has played an important role in pushing businesses towards sustainability. As Nigerian consumers become more informed about the environmental and social practices of businesses, they are increasingly making purchasing decisions based on a company's sustainability record. This shift in consumer behavior is reflected in the growing importance of Corporate Social Responsibility (CSR), which is often directly linked to sustainability reporting (Okoye, 2018). Companies are now expected to not only engage in ethical practices but to communicate these efforts effectively through their sustainability reports.

Despite the clear drivers for adopting sustainability reporting in Nigeria, several challenges remain. One of the primary obstacles is the lack of technical expertise within organizations to produce comprehensive and accurate sustainability reports. Many Nigerian businesses, particularly small and medium-sized enterprises (SMEs), lack the necessary knowledge and resources to track and report their environmental, social, and governance performance. Ogunyemi (2019) notes that this knowledge gap is one of the significant barriers to effective sustainability reporting in the country. Furthermore, there is a lack of consistent and reliable data on ESG metrics, which makes it difficult for businesses to gather the information required for reporting. Many companies also face challenges in measuring and quantifying their social and environmental impacts, which can result in incomplete or inaccurate disclosures.

Another challenge is the resistance from businesses that view sustainability reporting as an additional financial burden rather than a strategic investment. Particularly in sectors where the immediate financial returns from sustainability practices are not evident, companies may be reluctant to invest in sustainability reporting. Additionally, there is a lack of clarity in regulatory frameworks, which means that companies often engage in sustainability reporting at varying levels of depth and quality. Some businesses may produce superficial reports that meet basic legal requirements without offering meaningful insights into their ESG practices (Akinyele, 2020).

Given these challenges, it is essential to further examine the trends, drivers, and barriers associated with sustainability reporting in Nigeria. This study aims to contribute to the body of knowledge by exploring how Nigerian businesses are adopting sustainability reporting, the factors driving this adoption, and the challenges that hinder its effective implementation. By identifying these trends, drivers, and challenges, policymakers, corporate leaders, and stakeholders can develop strategies to enhance the adoption of sustainability practices across the Nigerian business landscape.

2.0 LITERATURE REVIEW

The increasing importance of sustainability reporting in Nigeria has been the focus of several empirical studies, which examine the trends, drivers, and challenges associated with the practice. A study by Akinyele (2010) critically reviewed the state of corporate social responsibility (CSR) and sustainability reporting in Nigeria. It explored the adoption of international sustainability reporting frameworks, particularly the Global Reporting Initiative (GRI), and identified that large firms had started adopting CSR practices, while small and medium-sized enterprises (SMEs) lagged behind due to resource constraints and lack of expertise. Akinyele (2010) suggested that stronger regulatory frameworks and capacity-building initiatives were needed to promote wider adoption of sustainability reporting in the country.

In 2012, Okoye explored the relationship between corporate governance and the adoption of sustainability reporting among Nigerian firms. The study revealed a positive correlation between robust corporate governance structures and the likelihood of companies engaging in sustainability reporting. It concluded that Nigerian firms with strong governance frameworks were more likely to adopt comprehensive sustainability reports, indicating that good corporate governance could drive the adoption of sustainability disclosures.

Idowu and Papasolomou (2014) examined how Nigerian companies viewed CSR and sustainability, as well as the extent to which these practices were integrated into business strategies. They found that many Nigerian businesses considered CSR as a tool to enhance corporate reputation and improve stakeholder relations. However, the study revealed that sustainability was often not fully integrated into corporate reporting practices, with most companies focusing on community development rather than environmental and governance aspects of sustainability.

Ogunyemi's (2015) study focused on the challenges Nigerian businesses faced when adopting sustainability reporting, highlighting issues such as a lack of skilled personnel and the absence of standardized reporting guidelines. Ogunyemi also pointed out that weak corporate governance structures contributed to ineffective CSR and sustainability reporting practices. The study emphasized the need for regulatory reforms to improve the quality and consistency of sustainability reports in Nigeria.

Egbunike and Iwuoha (2016) investigated the role of institutional pressures in shaping sustainability reporting practices in Nigeria. Their research found that multinational corporations operating in Nigeria had a significant influence on local firms' adoption of sustainability reporting due to the need to comply with global sustainability standards. The study also revealed that while Nigerian companies responded to these pressures, local regulatory frameworks were inadequate in encouraging widespread adoption of sustainability practices.

In 2017, Adetunji examined the role of regulatory frameworks in promoting sustainability reporting among Nigerian listed companies. The study revealed that while there were efforts by regulatory bodies such as the Nigerian Stock Exchange (NSE) and the Securities and Exchange Commission (SEC) to encourage sustainability reporting, compliance was still low, especially among SMEs. Adetunji suggested that stronger enforcement and clearer reporting guidelines were essential to foster consistent and comprehensive sustainability disclosures.

Akinyele and Ofoegbu (2018) explored the relationship between sustainability reporting and corporate reputation in Nigeria. Their study found that companies that engaged in more robust sustainability reporting enjoyed enhanced public perception and stronger relationships with stakeholders, particularly investors and customers. However, the study also noted that many firms were producing superficial reports that lacked in-depth insights into their environmental and social impacts.

Ogunyemi (2019) revisited the challenges associated with sustainability reporting in Nigeria, specifically examining the role of corporate governance. The study found that while many

Nigerian companies had adopted sustainability reports, the quality and transparency of these reports varied significantly. Companies with stronger governance structures were more likely to produce credible and comprehensive reports, but the absence of formalized reporting frameworks in Nigeria continued to hinder the effective implementation of sustainability reporting.

Akinyele (2020) updated his earlier work, providing a detailed review of sustainability reporting progress in Nigeria. He noted that large companies, especially those with foreign investments, were more likely to adopt global sustainability reporting standards. However, challenges such as insufficient training, inadequate data collection infrastructure, and the lack of local reporting standards continued to impede widespread adoption across all sectors.

Finally, in 2022, Adediran and Alao examined the issue of greenwashing in the context of sustainability reporting in Nigeria. Their study found that some Nigerian companies engaged in superficial reporting to improve their public image without genuinely committing to sustainable practices. They argued that while sustainability reporting was gaining traction, many reports were misleading or lacked depth, which undermined their effectiveness in promoting transparency. The study suggested that stronger regulatory frameworks and clearer reporting standards were needed to combat green washing and ensure that sustainability reports genuinely reflected companies' environmental, social, and governance (ESG) performance.

These empirical studies collectively underscore the growing importance of sustainability reporting in Nigeria, while also highlighting the significant challenges that businesses face in implementing comprehensive and transparent sustainability disclosures. Despite the progress made by large companies and multinational corporations, the lack of regulatory enforcement, the absence of standardized reporting frameworks, and limited capacity among SMEs continue to impede widespread adoption of sustainability reporting in Nigeria.

The studies reviewed indicate that while large firms and multinational corporations have made progress in adopting sustainability reporting, there is little focus on the unique challenges faced by small and medium-sized enterprises (SMEs) in Nigeria (Akinyele, 2010; Ogunyemi, 2015). SMEs have been identified as lagging behind in sustainability reporting due to resource constraints and lack of expertise. However, there is limited empirical evidence on the specific barriers SMEs face in adopting sustainability practices. This study aims to fill this gap by exploring the distinct challenges faced by Nigerian SMEs in the adoption and implementation of sustainability reporting, as well as the strategies they could employ to overcome these obstacles. The present study intends to fill the research gap by providing a more distinct understanding of the challenges, drivers, and trends of sustainability reporting in Nigeria, with a particular focus on the role of regulatory frameworks, SMEs.

3.0 THEORETICAL ISSUES

The theoretical framework of this study on sustainability reporting in Nigeria is rooted in a combination of well-established theories that help explain the drivers, challenges, and outcomes of sustainability reporting. These theories include institutional theory, stakeholder theory, legitimacy theory, and resource-based theory, all of which offer valuable insights into the practices of sustainability reporting in Nigerian organizations.

Institutional theory, as developed by DiMaggio and Powell (1983), posits that organizations are strongly influenced by institutional pressures that shape their behaviors and practices. These pressures can be formal, such as government regulations, or informal, such as norms and standards that emerge from societal expectations or industry standards. In the Nigerian context, institutional theory suggests that sustainability reporting is driven by both domestic regulations and international influences, such as the adoption of the Global Reporting Initiative (GRI) and other global sustainability frameworks. While multinational corporations are often more responsive to these institutional pressures, smaller firms may face challenges in adopting such practices due to a lack of resources or external support (Akinyele, 2010; Ogunyemi, 2015). Institutional theory thus helps explain why large companies, especially those with international affiliations, tend to be more proactive in adopting sustainability reporting practices than smaller, locally focused businesses.

Stakeholder theory, as outlined by Freeman (1984), provides a framework for understanding the relationship between organizations and their stakeholders. The theory asserts that companies are influenced by various stakeholder groups, including customers, investors, regulators, and the local community, all of whom have expectations regarding the company's social and environmental impacts. This theory is particularly relevant in the context of sustainability reporting, as stakeholders increasingly demand that firms disclose their environmental, social, and governance (ESG) practices. Nigerian businesses, especially those in sectors with high environmental and social impacts, face pressure to engage in sustainability reporting in order to meet the expectations of these stakeholders (Okoye, 2012; Idowu & Papasolomou, 2014). The theory also helps explain why firms may adopt sustainability reporting practices not only to comply with regulations but also to manage stakeholder relationships and enhance their reputation (Akinyele & Ofoegbu, 2018).

Legitimacy theory, as proposed by Suchman (1995), further informs the framework by suggesting that organizations seek legitimacy by aligning their practices with societal norms and values. According to this theory, companies engage in sustainability reporting as a way to demonstrate their commitment to socially responsible behavior, thus securing their legitimacy in the eyes of stakeholders and society at large. In the Nigerian context, this is especially important given the growing societal concerns over environmental degradation and social inequality (Adediran & Alao, 2022). Firms in Nigeria, particularly those in high-impact sectors, may use sustainability reporting as a strategy to align with global and local expectations, thus ensuring continued support from key stakeholders and safeguarding their reputations (Ogunyemi, 2019). Legitimacy theory helps explain the social and reputational motivations behind the adoption of sustainability reporting and highlights its role in gaining public approval and mitigating risks related to reputational damage.

Resource-based theory (Barney, 1991) focuses on the internal resources and capabilities of organizations, which can significantly influence their ability to adopt and implement sustainability reporting practices. In the case of Nigerian SMEs, the lack of resources whether financial, technical, or human presents a significant barrier to effective sustainability reporting. Akinyele (2010) and Ogunyemi (2015) argue that SMEs in Nigeria often lack the necessary expertise, infrastructure, and financial resources to produce comprehensive sustainability reports. The resource-based theory suggests that these businesses will require external support, such as training, financial incentives, or capacity-building initiatives, to overcome these challenges. Thus, this theory provides a useful lens through which to examine the barriers faced by smaller organizations and highlights the importance of resource allocation for enhancing sustainability reporting practices.

These theoretical perspectives collectively provide a robust framework for understanding the complex factors that drive and inhibit sustainability reporting in Nigeria. Institutional theory addresses the external pressures from regulatory bodies and global standards; stakeholder theory emphasizes the role of various stakeholder groups in shaping corporate behavior; legitimacy theory highlights the social and reputational motivations behind sustainability reporting; and resource-based theory underscores the importance of internal resources in facilitating effective reporting practices. By combining these theories, the study offers a comprehensive approach to exploring the trends, drivers, and challenges of sustainability reporting in Nigeria, particularly in the context of both large corporations and SMEs.

4.0 CHALLENGES OF SUSTAINABILITY REPORTING IN NIGERIA

Sustainability reporting in Nigeria, despite gaining traction in recent years, continues to face several challenges that hinder its effectiveness and widespread adoption across both large corporations and small and medium-sized enterprises (SMEs). These challenges stem from regulatory, financial, technical, and cultural factors that make it difficult for organizations to fully embrace comprehensive and transparent sustainability reporting practices. A detailed examination of these challenges is necessary to understand the obstacles that Nigerian firms must navigate to enhance the quality and scope of their sustainability reports.

One of the primary challenges in sustainability reporting in Nigeria is the lack of a robust regulatory framework. While some progress has been made with regulations such as the Nigerian Stock Exchange's (NSE) Corporate Governance Code, which includes elements of sustainability, there remains a significant gap in the enforcement of mandatory sustainability reporting across all sectors. Many Nigerian companies, especially SMEs, are not legally bound to report on their environmental, social, and governance (ESG) activities, which results in voluntary reporting that often lacks consistency and credibility (Akinyele, 2010). This lack of regulatory pressure leads to uneven adoption, where only large, publicly listed companies are likely to engage in sustainability reporting, while smaller firms often disregard it altogether. Furthermore, the absence of comprehensive national policies that mandate sustainability practices has resulted in the voluntary nature of such reports, which, in turn, leads to fragmented and inconsistent reporting (Ogunyemi, 2015). The need for stronger government policies that enforce sustainability reporting is, therefore, a critical challenge for enhancing its adoption across the Nigerian business landscape.

Another significant challenge lies in the financial and resource constraints faced by Nigerian firms, particularly SMEs. Sustainability reporting requires both financial investment and technical expertise, and many companies in Nigeria lack the necessary resources to conduct detailed and accurate reporting. The cost of developing and implementing sustainability reporting systems is often prohibitively high, especially for small businesses that may not have the financial or technical capacity to gather, analyze, and present data on ESG factors (Akinyele & Ofoegbu, 2018). This problem is compounded by the general lack of awareness and understanding of sustainability concepts, particularly among smaller firms that are not familiar with international standards such as the Global Reporting Initiative (GRI) or the Integrated Reporting Framework (IR). In many cases, the expertise required to develop comprehensive sustainability reports is either unavailable or unaffordable for small businesses (Ogunyemi, 2019). As a result, many Nigerian companies are unable to engage in effective sustainability reporting, contributing to low levels of transparency and accountability in their ESG practices.

Technical challenges, such as the lack of data availability and unreliable reporting systems, also pose significant barriers to effective sustainability reporting in Nigeria. In a country where data collection systems are often outdated or poorly maintained, companies struggle to obtain the necessary information to report on environmental and social performance. For instance, firms may have difficulty tracking their carbon emissions, waste management practices, or labor conditions due to poor data infrastructure or inadequate internal reporting mechanisms (Okoye, 2012). Inaccurate or incomplete data can lead to misleading or unsubstantiated sustainability reports, which diminish the credibility and value of the information being disclosed. Moreover, the absence of standardized metrics for measuring sustainability in Nigeria makes it challenging for organizations to compare their performance with industry peers or global benchmarks. The technical difficulties associated with gathering, analyzing, and reporting accurate ESG data remain a significant challenge for Nigerian firms, particularly in sectors where data collection and reporting mechanisms are not well-established.

Cultural and organizational challenges also play a crucial role in limiting the effectiveness of sustainability reporting in Nigeria. In many Nigerian organizations, there is still a general lack of awareness about the importance of sustainability reporting and its potential benefits for long-term business success. The corporate culture in many firms tends to prioritize short-term financial gains over long-term sustainability, making it difficult to integrate sustainability into their core business strategies (Akinyele, 2010). Additionally, the pressure to maintain profitability in the face of economic instability and infrastructural challenges often leads to the neglect of sustainability issues. Many Nigerian businesses view sustainability reporting as an optional or secondary activity rather than a vital aspect of their corporate strategy, contributing to a lack of focus on environmental and social impacts. This attitude is particularly prevalent in sectors where sustainability practices are not seen as directly related to profitability or competitive advantage, leading to resistance to adopting sustainability reporting practices.

The general lack of stakeholder pressure and engagement is another barrier that hampers the widespread adoption of sustainability reporting in Nigeria. In developed markets, stakeholders such as investors, customers, and regulatory bodies play a significant role in pushing companies to disclose their ESG practices. However, in Nigeria, there is limited demand from investors and consumers for sustainability information, which results in little pressure on companies to adopt reporting practices. The low level of public awareness and engagement with sustainability issues also means that businesses do not feel the need to disclose their social and environmental practices (Idowu & Papasolomou, 2014). In many cases, Nigerian consumers are more focused on price and product quality rather than the sustainability credentials of companies, which reduces the incentive for businesses to prioritize sustainability reporting.

Finally, corruption and poor governance structures in some Nigerian organizations further exacerbate the challenges associated with sustainability reporting. In an environment where transparency is often compromised and corporate governance is weak, companies may be reluctant to disclose their true environmental and social impacts for fear of revealing unethical or illegal practices. The lack of transparency and accountability within many Nigerian firms, particularly in high-risk sectors such as oil and gas, has led to a culture of secrecy that undermines the credibility of sustainability reporting (Adediran & Alao, 2022). Without effective governance structures to ensure the integrity of sustainability reports, companies may be tempted to engage in greenwashing, where they make false or misleading claims about their sustainability efforts to enhance their public image without making substantive changes.

The challenges of sustainability reporting in Nigeria are multifaceted, involving regulatory, financial, technical, cultural, and governance-related obstacles. These challenges hinder the effective adoption and implementation of sustainability reporting, especially among SMEs, and contribute to the lack of consistent and transparent ESG disclosures across Nigerian firms. To address these issues, it is crucial for the Nigerian government to strengthen its regulatory framework, provide financial incentives or support to SMEs, and foster a culture of sustainability within both the public and private sectors. Moreover, companies need to invest in the development of technical systems that can collect and analyze accurate sustainability data, and they should work to engage stakeholders in the process to ensure greater accountability and transparency in their sustainability practices.

5.0 DRIVERS AND TRENDS OF SUSTAINABILITY REPORTING IN NIGERIA

Sustainability reporting in Nigeria has gained significant momentum in recent years, driven by multiple factors and reflecting evolving trends within the corporate and regulatory landscapes. The growing global emphasis on environmental, social, and governance (ESG) practices has made sustainability reporting an essential component of corporate disclosure in Nigeria. Key drivers influencing the adoption and evolution of sustainability reporting in Nigeria include regulatory frameworks, stakeholder pressures, corporate governance imperatives, and global economic integration. These factors have not only shaped the content and quality of sustainability disclosures but also triggered emerging trends among Nigerian firms seeking legitimacy and competitiveness in both domestic and international markets.

Regulatory intervention plays a crucial role in promoting sustainability reporting practices in Nigeria. The Securities and Exchange Commission (SEC) of Nigeria, through its Corporate Governance Guidelines and the Nigerian Code of Corporate Governance (NCCG) 2018, has emphasized the importance of sustainability in business practices. These regulations require companies to disclose their sustainability initiatives as part of their annual reporting process (SEC, 2018). The Financial Reporting Council of Nigeria (FRCN) has also introduced frameworks that align with international best practices such as the Global Reporting Initiative (GRI) and the International Integrated Reporting Council (IIRC). These regulatory mandates aim to standardize sustainability disclosure and encourage transparency and accountability among firms (Okike et al., 2021).

Stakeholder pressure constitutes another significant driver of sustainability reporting in Nigeria. Investors, consumers, civil society organizations, and the media are increasingly demanding that corporations operate responsibly and disclose their social and environmental impacts. As stakeholders become more aware and concerned about climate change, human rights, labor standards, and corporate ethics, companies are compelled to enhance their sustainability disclosures to maintain legitimacy and stakeholder trust (Akinyele & Iredele, 2022). This stakeholder-centric approach is also underpinned by stakeholder theory, which suggests that firms must cater to the interests of multiple stakeholders, not just shareholders, to ensure long-term survival and prosperity (Freeman, 1984).

Corporate governance is another influential driver, particularly in the context of risk management and strategic planning. Companies with strong governance structures are more likely to engage in sustainability reporting because such disclosures align with risk mitigation strategies and ethical leadership. Boards of directors, audit committees, and sustainability officers increasingly recognize the material implications of ESG issues on financial performance, brand reputation, and regulatory compliance (Iredele & Akinyele, 2021). In this respect, agency theory also provides a theoretical lens through which to understand how corporate managers, as agents, use sustainability reporting to align with the expectations of principals (shareholders), reduce information asymmetry, and demonstrate responsible stewardship (Jensen & Meckling, 1976).

Globalization and foreign investment have further influenced sustainability reporting trends in Nigeria. Nigerian companies listed on international stock exchanges or operating as subsidiaries of multinational corporations are increasingly adopting global sustainability standards to attract foreign investment and enhance competitiveness. Compliance with global benchmarks such as the United Nations Sustainable Development Goals (SDGs), the GRI Standards, and the Sustainability Accounting Standards Board (SASB) guidelines has become a strategic necessity for firms operating in international markets (Onyali & Okafor, 2023). These global influences have accelerated the institutionalization of sustainability practices and shaped disclosure patterns across industries in Nigeria.

The trends in sustainability reporting in Nigeria reveal a gradual but steady shift from voluntary and philanthropic disclosures to more structured and integrated reporting frameworks. Many Nigerian firms, particularly in the oil and gas, banking, and telecommunications sectors, are transitioning from simple environmental reports to comprehensive ESG disclosures embedded in their corporate strategy. Integrated reporting, which combines financial and non-financial information into a single cohesive narrative, is gaining traction as companies strive to present a holistic view of their value creation process (Uwuigbe et al., 2022). Furthermore, digital transformation and the increasing use of sustainability dashboards and real-time data analytics have also emerged as trends enhancing the timeliness and relevance of sustainability information.

Despite progress, there are disparities in the quality and consistency of sustainability reporting among Nigerian companies. While some leading firms have adopted international best practices and issue annual sustainability reports, many small and medium-sized enterprises (SMEs) still lag due to limited resources, awareness, and regulatory enforcement. This uneven adoption underscores the need for continuous capacity-building, regulatory support, and stakeholder engagement to mainstream sustainability reporting across all sectors of the Nigerian economy (Adegbite et al., 2020).

The drivers of sustainability reporting in Nigeria are multifaceted, encompassing regulatory pressures, stakeholder activism, corporate governance improvements, and global economic integration. The trends suggest a growing institutional commitment to sustainability, although challenges related to standardization, enforcement, and awareness persists. The interplay between these drivers and trends reflects Nigeria's evolving corporate reporting environment, which increasingly recognizes sustainability as a strategic imperative rather than a mere compliance requirement.

6.0 IMPACT OF SUSTAINABILITY REPORTING TO SMEs IN NIGERIA

Sustainability reporting has emerged as a strategic tool with profound implications for Small and Medium Enterprises (SMEs) in Nigeria. Though initially seen as a practice reserved for large corporations, the growing emphasis on transparency, environmental responsibility, and social accountability has expanded the relevance of sustainability reporting to the SME sector. In Nigeria, where SMEs constitute over 90% of businesses and contribute significantly to employment and GDP, the impact of sustainability reporting is increasingly evident across financial, operational, reputational, and regulatory domains.

One of the most significant impacts of sustainability reporting on Nigerian SMEs is the improved access to finance. Investors, particularly those focused on ethical and impact investing, are increasingly demanding detailed environmental, social, and governance (ESG) disclosures before providing funding. Sustainability reporting provides a platform for SMEs to demonstrate accountability, ethical practices, and long-term risk management—all of which are essential in securing funding from development finance institutions, venture capitalists, and international donors. Studies such as Uwuigbe et al. (2019) indicate that firms with strong sustainability disclosures tend to attract more investor interest, highlighting the link between transparency and financial credibility.

Operational efficiency is another critical area where sustainability reporting positively impacts Nigerian SMEs. By engaging in sustainability assessments and disclosures, SMEs are often compelled to review and optimize their energy consumption, resource use, waste management, and supply chain processes. This reflective practice leads to cost savings, better risk management, and improved productivity. Okoye et al. (2021) assert that SMEs that embrace sustainability reporting often adopt more formal governance systems and performance metrics, which enhances overall management and decision-making processes.

Reputation and stakeholder engagement also benefit significantly from sustainability reporting. In the current business climate, where consumers are more informed and socially conscious, SMEs that actively report their environmental and social efforts are more likely to build trust and loyalty among customers. Sustainability reporting allows SMEs to communicate their values and community impact effectively, thereby positioning themselves as responsible and ethical entities. Ezeagba et al. (2017) note that Nigerian SMEs engaged in sustainability disclosure often enjoy enhanced brand recognition and stronger customer relationships, which translates into competitive advantage in the marketplace.

Sustainability reporting also strengthens compliance and readiness for international trade. With globalization and the implementation of regional trade agreements such as the African Continental Free Trade Area (AfCFTA), businesses are increasingly expected to adhere to international sustainability standards. SMEs that implement and report on sustainability practices are better prepared to integrate into global value chains and meet the requirements of multinational partners and export markets. This alignment with global norms positions Nigerian SMEs to scale beyond national boundaries, a point reinforced by Idemudia (2020), who emphasized the importance of corporate responsibility in enhancing Africa's integration into global commerce.

Despite these benefits, challenges persist. Many Nigerian SMEs face capacity constraints, including a lack of technical expertise, financial resources, and institutional support to implement effective sustainability reporting systems. The informal nature of many SMEs and the absence of mandatory reporting frameworks exacerbate this issue. However, these challenges also present opportunities for collaboration with government agencies, professional bodies, and NGOs to provide training, tools, and simplified reporting templates suitable for SMEs.

The impact of sustainability reporting on SMEs in Nigeria is multifaceted, promoting financial access, operational excellence, regulatory compliance, and enhanced reputation. While barriers exist, the long-term benefits of adopting sustainability reporting practices far outweigh the constraints, particularly as stakeholders increasingly demand accountability and as Nigeria's business landscape aligns with global sustainability agendas.

7.0 PROSPECTS OF SMEs IMPLEMENTATION OF SUSTAINABILITY REPORTING IN NIGERIA

The prospects of Small and Medium Enterprises (SMEs) implementing sustainability reporting in Nigeria are increasingly promising, driven by a convergence of regulatory evolution, market demands, technological advancement, and the growing global focus on responsible business conduct. As sustainability becomes central to both policy and investment decisions, Nigerian SMEs stand at the threshold of a transformational opportunity that can enhance their competitiveness, credibility, and resilience in a fast-changing economic environment.

One of the most compelling prospects lies in the growing recognition by financial institutions and investors of Environmental, Social, and Governance (ESG) criteria in determining creditworthiness and investment potential. As sustainability reporting becomes a standardized expectation among stakeholders, Nigerian SMEs that adopt such practices are more likely to attract impact investors, access green financing, and benefit from donor funding. For instance, studies such as that by Uwuigbe et al. (2020) show that firms that disclose sustainability-related information experience greater investor confidence and financial inclusion. This is particularly significant in Nigeria, where access to capital is a persistent challenge for SMEs.

Additionally, the prospects for regulatory alignment further strengthen the case for sustainability reporting among Nigerian SMEs. The Financial Reporting Council of Nigeria (FRCN), the Nigerian Stock Exchange (now NGX), and other bodies have introduced or are considering frameworks that align with global reporting standards such as the Global Reporting Initiative (GRI) and the Sustainability Accounting Standards Board (SASB). While many of these requirements currently target large corporations, the cascading effect of regulatory expectations is likely to reach SMEs through supply chain compliance, industry-specific guidelines, or public procurement requirements. This regulatory momentum is expected to encourage voluntary reporting and foster a culture of accountability even in smaller firms (Ogunleye & Olayiwola, 2021). Moreover, the expanding awareness of sustainability among consumers and the public is creating new market opportunities for SMEs that align with sustainable business practices. Today's consumers especially younger demographics are more inclined to patronize businesses that prioritize ethical labor practices, environmental stewardship, and community engagement. SMEs that implement sustainability reporting can build stronger brand identities, increase customer loyalty, and differentiate themselves in saturated markets. As Ezeagba et al. (2017) argue, transparency through sustainability disclosures fosters reputational capital, which is particularly valuable in sectors such as agribusiness, fashion, and renewable energy that are seeing increased consumer scrutiny.

Technological advancements also provide scalable and cost-effective avenues for SMEs to adopt sustainability reporting. Digital tools and cloud-based platforms are making it easier for small businesses to track resource use, assess environmental impact, and generate simplified sustainability reports. These technologies lower the cost and complexity barriers that previously hindered reporting among SMEs. The emergence of tech-based ESG platforms tailored for African enterprises, as noted by Adekoya and Oduyoye (2022), is a clear indication of the potential for digital transformation to support the reporting journey of Nigerian SMEs.

Education and institutional support further enhance the prospects of implementation. Universities, business schools, professional associations, and NGOs in Nigeria are beginning to integrate sustainability education and training into their programs. These initiatives aim to equip entrepreneurs and SME managers with the knowledge and skills required to measure and communicate their sustainability efforts. For instance, capacity-building efforts by organizations such as the United Nations Development Programme (UNDP) and the Small and Medium Enterprises Development Agency of Nigeria (SMEDAN) increasingly emphasize the integration of sustainability principles into business operations.

Despite these promising developments, the successful implementation of sustainability reporting among Nigerian SMEs depends on addressing structural and contextual challenges. Issues such as lack of technical expertise, insufficient awareness, and limited incentives remain significant barriers. Nonetheless, as more pilot programs succeed and peer learning spreads, it is likely that a broader base of SMEs will adopt sustainability practices, especially when supported by clear policy frameworks and stakeholder engagement. The prospects of SMEs implementing sustainability reporting in Nigeria are optimistic, driven by shifts in regulatory expectations, consumer behavior, technological accessibility, and investor requirements. By embracing sustainability reporting, SMEs can not only comply with emerging norms but also secure long-term value, resilience, and growth in a competitive and sustainability-conscious global economy.

8.0 CONCLUSION AND RECOMMENDATION

This study critically examined the drivers, trends, challenges, impacts, and prospects of sustainability reporting among Small and Medium Enterprises (SMEs) in Nigeria. It highlighted that sustainability reporting, once viewed as a preserve of large corporations, is now gaining relevance among SMEs due to increasing pressure from regulatory bodies, investor expectations, and market competition. The analysis revealed that while sustainability reporting holds numerous benefits for SMEs such as enhanced transparency, better access to finance, improved brand reputation, and competitive advantage its implementation is still hindered by various challenges. These include limited awareness, lack of technical capacity, inadequate regulatory enforcement, and perceived high costs of compliance. Despite these challenges, the growing global shift towards responsible business practices, technological innovations, and evolving consumer behavior present immense opportunities for SMEs in Nigeria to embrace sustainability as a strategic tool for long-term growth and resilience.

The empirical review confirmed that although studies have widely acknowledged the relevance of sustainability reporting in corporate Nigeria, there remains a significant gap in literature and practice concerning its adoption among SMEs. The study also underscored that sustainability reporting, if effectively implemented, can serve as a catalyst for sustainable development, environmental protection, and economic resilience in Nigeria's SME sector.

To facilitate the effective adoption of sustainability reporting among SMEs in Nigeria, the following recommendations are proposed: Government agencies and regulatory bodies such as the Financial Reporting Council of Nigeria (FRCN), the Corporate Affairs Commission (CAC), and SMEDAN should develop simplified sustainability reporting frameworks tailored specifically for SMEs. These frameworks should be aligned with global standards but flexible enough to accommodate the capacities of small enterprises. There should be increased awareness and capacity-building initiatives through workshops, seminars, and digital platforms to educate SME owners and managers about the importance, procedures, and benefits of sustainability reporting. Public-private partnerships can play a pivotal role in delivering these training programs across Nigeria.

Access to funding and incentives should be expanded for SMEs engaging in sustainability reporting. Financial institutions should offer green loans or reduced interest rates to SMEs that demonstrate sustainable practices. Similarly, the government can offer tax incentives or grants to encourage early adopters. Technological solutions such as cloud-based ESG tracking tools should be promoted to help SMEs monitor and report their environmental and social performance without incurring high costs. Local tech startups should be encouraged to develop affordable sustainability reporting software tailored for Nigerian SMEs. Academic institutions, research centers, and professional bodies should deepen research into SME sustainability practices and develop case studies that showcase successful implementations. This will enrich the academic discourse and provide practical roadmaps for other SMEs. Finally, stakeholders including consumers, investors, and large corporations should demand transparency from SMEs in their supply chains, thereby exerting positive pressure on these enterprises to disclose their sustainability practices. This demand-driven approach will create a culture of accountability and continuous improvement in sustainability reporting.

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