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Institutional Ownership and Governance Reporting of Quoted Manufacturing Companies in Nigeria from 2008-2020

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ABSTRACT

This study assess the relationship between Institutional Ownership and Governance Reporting of quoted Manufacturing Companies in Nigeria from 2008-2020. The study adopted *Ex-post facto* research design while the panel data sets were analyzed using Descriptive Statistics, The study employed secondary data extracted from Nigeria Stock Exchange fact books, annual reports and accounts, stand-alone sustainability reports of sample firms. Institutional Ownership and Governance Reporting (t-Statistic = 10.46036; p-value = 0.0000 < 0.05) of quoted manufacturing companies in Nigeria at 5% level of significance. It was recommended the study recommended that the relationship between Institutional shareholders and sustainability reporting should be sustained in order to strengthen firms with higher growth opportunities.

KEYWORDS: *Institutional Ownership, Governance Reporting and Leverage*

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INTRODUCTION

The recent trend towards higher accountability and transparency in financial reporting and communication is reflected in an organization's efforts towards more comprehensive disclosure of corporate performance. These corporate disclosures include the environmental, social and economic dimensions of an entity's activities; this trend is aimed to add value to the quality of financial disclosure for different firm's stakeholders (Ekwueme & Aniefor, 2019). Sustainability reporting is aimed at providing information to holistically assess organizational performance in a multi-stakeholder environment. Due to accountability pressure and the demand for corporate behaviour transparency, sustainability reporting has proliferated in response to stakeholders' concerns about environmental and social issues, governance and responsibility. In the past, no generally accepted standard to govern such reports existed, which made it difficult to compare them and rendered them less credible (Wachira, Berndt & Romero, 2019). In order to ensure the homogeneity and quality of these reports, standards for reporting were developed. The most commonly used standard is the *GRI Sustainability Reporting Guidelines* from the Global Reporting Initiative (GRI).

The need for credibility has accelerated the development of relevant assurance frameworks (FEE, 2004, 2006), such as the AA1000 Assurance Standard (AA1000AS) from Accountability, and the International Standard of Assurance Engagements Other Than Audits or Reviews of Historical Financial Information (ISAE 3000) from the IAASB. AA1000AS is an internationally accepted, freely available standard that provides requirements for conducting sustainability assurance, and it is based on the principles of inclusivity of stakeholders,

materiality (from a stakeholder perspective) and responsiveness to stakeholders' concerns (Accountability, 2008a; 2008b). ISAE 3000 is a generic standard that provides principles and procedures for accounting firms to follow when reviewing non-financial information (IAASB, 2003). Neither standard is conflicting nor a substitute, but both are complementary as they provide comprehensive and robust external assurance (KPMG, 2011; Raji, 2018).

This study identified the determinants that could influence the adoption, the extent, and the quality of reporting in line with Global Reporting Initiative (GRI) framework (2019) which include determinants such as company's size, corporate visibility, corporate governance structure, sector-affiliation, profitability, leverage cash flow capacity, presence of sustainability committee, legal requirements, type of industry, country of origin, firm age (GRI, 2019). There is now an increasing awareness that companies are made increasingly responsible for consequential environmental and social impact of their activities to the host communities and other stakeholders. According to Ekwueme (2011) the big corporations once looked upon as the exclusive concern of its owners is now viewed as being responsible to the society also. This implies that companies are no longer paying attention to the maximization of shareholders wealth alone but are embracing activities that tend to maximize the benefits accruable to all the stakeholders. This to a larger extent means that companies are responding positively towards issues of sustainability.

The Nigerian manufacturing sector is dominated by the production of food, beverages and tobacco, with sugar and bread products generating the greatest value of output. To encourage more output in these and other sectors, the government has been making it cheaper for consumers to purchase locally manufactured goods by making the smuggled foreign alternatives prohibitively expensive or totally unavailable through prohibitions. Most recently, the Central Bank of Nigeria (CBN) announced plans to facilitate the issuance of single-digit interest rate loans to firms operating in the agriculture and manufacturing sectors. Port reforms and other ease of doing business initiatives by the government are also helping to make the manufacture of goods easier in the country; relatively, at least. Owing to reforms, Nigeria's ease of doing business ranking moved to 145th place in 2019 from 169th in 2018, for instance. Corporations have become more sensitive to social issues and stakeholder concerns and are striving to become better corporate citizens. Whether the motivation is concern for society and environment, government regulation, stakeholder pressures, or economic profit, the result is that managers must make significant changes to more effectively manage their social, economic and environmental impact.

In the light of the foregoing, the divergent views of prior literatures on the factors that specifically determine sustainability reporting led to sectorial and variable gap. This study filled the variable gap by considering board experience and institutional ownership in addition to profitability and firm size as sustainability reporting determinant factors. The focus of prior studies has been on board size and board independence as board experience and institutional ownership is yet to be considered as Sustainability determinant factors by prior studies in Nigeria (to the best knowledge of the researcher). Also, this study bridged the sectorial gap by concentrating on the entire manufacturing sector as against prior studies that focused on one or two industries and majorly on the oil and gas sector only. Also, currency gap was resolved by extending the scope of this study to 2020 as the financial period of previous works ended in 2019. This study assesses the relationship between Institutional Ownership and Governance Reporting of quoted Manufacturing Companies in Nigeria.

REVIEW OF RELATED LITERATURE

Institutional Ownership

Institutional ownership is the amount of a company's available stock owned by mutual or pension funds, insurance companies, investment firms, private foundations, endowments or other large entities that manage funds on behalf of others. Institutions generally purchase large blocks of a company's outstanding shares and can exert considerable influence upon its management (Will, 2019). Given the considerable sums of money that institutions invest, it is not surprising that they tend to be much more knowledgeable than the average investor when it comes to the companies and industries in which they have invested. Institutional portfolio managers often meet personally with a company's top executives, and in many cases the research they conduct is further supported by equity analysts known as "buy side" analysts who evaluate prospective companies and industries in great depth before making specific investment recommendations (Kee & Zhang, 2011). Institutional ownership is not governed solely by a particular security's fundamental prospects. Internal policies or objectives, SEC regulations, time horizon, and a variety of other factors can have a major impact on a particular institution's investment decisions and thus its ownership positions. For example, some institutions

may be restricted from investing in certain companies or industries, and others may make decisions based on future cash needs (as is often the case with pension funds) (Steve, 2019).

Considering the vast amount of resources, talent, and research capacity these large money managers have at their disposal, their investing decisions tend to carry a great deal weight with smaller investors, many of whom scrutinize institutional trading patterns carefully. For this reason, institutional trading can have an enormous impact on the price of individual securities and can even influence the direction of the broader markets. Many investors regard institutional support for a security as a sign of approval, and institutional accumulation of a stock can raise its price considerably. However, other investors believe that once many institutions have piled into a company's shares, it is too late to realize substantial gains. These investors deliberately seek investments with little or no institutional ownership under the assumption that bigger traders will soon discover the security and push its price higher (Jagerson, 2019).

Just as rising institutional ownership can lift a security's price, decreasing ownership can sometimes trigger a collapse in the shares. Aside from the adverse impact of the large "sell" orders themselves, the actions are often taken as a lack of confidence in the company, which may motivate other investors to sell the shares as well. Thus, institutional buying and selling particularly so-called "program trading" can inject a large amount of volatility into a stock. Therefore, institutions are seldom able to purchase thinly-traded, small-cap stocks, and large positions must often be sold off in pieces (Hudspeth, 2019).

Finally, institutions wield tremendous influence in other matters as well. Since these major organizations are often a company's largest shareholders, they are not shy about offering suggestions or opinions from time to time often publicly. For example, institutional owners may sometimes pressure management into restructuring the company, divesting certain business segments, selling off assets, or even putting the firm itself up for sale. Occasionally, they may even express their disapproval by launching a proxy battle.

The importance of governance reporting to the stakeholders, shareholders, and executives has been the subject of focus for some time among the scholars of management (Samaha, Khlif & Hussainey, 2015; Trireksani & Djajadikerta, 2016). The social and environmental reporting has become an intangible resource for many companies which also have influenced the already complex governance system. However, sustainability performance may not fairly influence the institutional ownership due to the challenges faced by the companies towards the frequency, quality, and extent of reporting required to create added value. This suggests the importance of studying the relationship between the institutional ownership, CSR, and sustainability costs. Plumlee, Brown, Hayes & Marshall (2015) stated that there is a need to adopt a systematic approach to balance between the stakeholder and shareholder goals, and at a same time, to incorporate methods of institutional ownership related to the corporate governance reporting. Similarly, Terjesen, Couto and Francisco (2015b) state that the acceptance of a wider audience of stakeholders resulted in an expectation beyond profitability, focus towards social and environmental performance embedded frameworks of the corporate governance. The triple-bottom-line analysis of sustainable development includes economic, environmental and social aspects. The corporate citizenship demands ethical business behavior, good corporate governance, active participation in the social welfare, and balancing the needs of shareholders and environment protection practices such as, recycling and waste management. Ott, Schiemann & Günther (2017) believe that sustainability relates to intangible resources that may be valuable to the firm and therefore to its shareholders. It is also an important part of the corporate development and to society in terms of how companies operate, sustain, and succeed in the market and contribution to social welfare. Sun, Zhu and Ye (2015); Luo, Le and Tang (2016); Talavera, Yin & Zhang (2018) state that institutional ownership contributes positively towards wealth maximization objective and in some circumstances it is pre-requisite.

Empirical Review

Annisa and Burhan (2012) examined the relationship between sustainability reporting as a whole and each of the elements of sustainability reporting with company performance. It consisted of 32 companies listed on Indonesian stock exchange during the period of year 2006-2009. The independent variables were sustainability reporting, economic performance disclosure, environmental performance disclosure, and social performance disclosure. These variables are measured by means of disclosure index. Sustainability Reporting Guidelines from Global Reporting Initiative (GRI) was used as the basis of calculating the index score. The dependent variable was Return on Asset (ROA) as a measure of economic performance. This research used secondary data collected from company website and Indonesian stock exchange. The multiple regression result showed that sustainability reporting influenced company performance. Branco, Delgado, Gomes and

Eugenio (2014) analyzed the engagement in sustainability reporting assurance (SRA) by a sample of Portuguese firms between 2008 and 2011. Bivariate and multivariate non-parametric statistics is used to analyze some factors that influence the decision to have sustainability reports assured. Results indicated that size, leverage, profitability, listing status and industrial affiliation are determinants of SRA, whereas type of ownership is not. A downward trend in sustainability reporting and its assurance was also detected. Burgwal and Vieira (2014) identified variables that impact significantly the level of environmental disclosure practices provided by Dutch listed firms. A content analysis scorecard was used. The scorecard was based on the Global Reporting Initiative sustainability reporting guidelines. The environmental information for 2008 was collected from a sample of 28 Dutch listed companies, which represented 90% of the total market capitalization on the Dutch stock exchange, and the selected variables that affected the level of environmental disclosure were firm size, industry membership and firm profitability. The multiple regression results proved that firm size and industry membership were significantly and positively associated with the level of environmental disclosure. Fathyah, Amran, Nejati &Ismail (2016) determined the factors that influence sustainability reporting on the websites of local authorities in Malaysia from 2007-2014. Specifically, the study aimed to examine the role of the vision/mission statement, categories of local authorities, system star rating, and Local Agenda 21 on the sustainability web-reporting of Malaysian local authorities. Secondary data were gathered through a review of 98 Malaysian local authorities/ websites. Data was then analyzed via regression analysis. The study found that two determinants, namely the category of local authorities and star rating, had a significant impact on the sustainability web-reporting of local authorities in Malaysia. Costa (2017) assessed the degree of comprehensiveness of corporate sustainability reporting (CSR) of Brazilian companies and its determinants. A content analysis of 272 CSR reports of Brazilian companies that follow the Global Reporting Initiative (GRI) guidelines was conducted for the period from 2010 to 2013. Results indicate that, despite the still low coverage of contents in CSR reports, there has been an increase in the degree of comprehensiveness over the period of study. Some firm attributes affect the comprehensiveness degree of CSR reports: ownership concentration in hands of the main shareholder; company presence in the ISE (Corporate Brazilian Sustainability Index); the environmental risk of firm industry; firm size and profitability. Tong (2017) comparatively assessed the effects of company-specific variables on the level of corporate social responsibility (CSR) information disclosed in publicly-traded companies from United Kingdom (UK) and Malaysia from 2014-2016. Content analysis was applied to sampled reports from the FTSE 100 Index and FTSE Bursa KLCI against inferred meanings from the Global Reporting Initiative (GRI)-derived coding base to identify similarities and/or differences in CSR disclosure practices. The Spearman's correlation coefficients and multiple linear regressions (MLR) analyses further gauged the associations between the variables and total quantity of CSR disclosure (TQCSR); and, determined the predictive determinants on sustainability reporting. The Spearman's correlation identified a negative association on leverage with TQCSR for UK companies. In contrast, the TQCSR in the Malaysian sample was positively associated with directors' CSR-related experiences and profitability but negatively associated with company size. Results from MLR analyses presented company size as a significant determinant on sustainability reporting in the UK model, while directors' experiences were indicated as the crucial determinant in the Malaysian model. Ezeoha and Omkar, (2017) investigated the relationship between sustainability practices and performance in a financial sense for Malaysian Oil and Gas sector. Objectives include to study the state of sustainability disclosure among Malaysian oil and gas companies, to understand if companies that practiced sustainability had better performances to their financial bottom-line and to conduct a data analysis to understand the relationship between Environmental, social and governance performance and financial performance. Sustainability performance was measured using ACSI checklist, which is an adaptation of the GRI 3.0 by Global reporting initiative while financial performance was measured on financial and profitability parameters namely EBITDA, EPS and PE ratio. Secondary data sources were used which were then converted into a rating scale to develop quantitative data. SPSS 21 was used for the analysis. The result showed that the majority of oil and gas companies in Malaysia had poor performance in terms of sustainability disclosure. On all three chosen profitability parameters, the companies that practiced sustainability were found to perform better than their counterparts that did not. Strong and significant relationship exists between sustainability practices and better financial performance. Costa and Crisóstomo (2017) assessed the degree of comprehensiveness of corporate sustainability reporting (CSR) of Brazilian companies and its

determinants. A content analysis of 272 CSR reports of Brazilian companies that follow the Global Reporting Initiative (GRI) guidelines was conducted for the period from 2010 to 2013. Results indicated that, despite the still low coverage of contents in CSR reports, there has been an increase in the degree of comprehensiveness over the period of study. Some firm attributes affected the comprehensiveness degree of CSR reports: ownership concentration in hands of the main shareholder; company presence in the ISE (Corporate Brazilian Sustainability Index); the environmental risk of firm industry; firm size and profitability. Ibitoye, Adeniyi, Khobai and Roux (2017) examined the long-run equilibrium between green growth and some environmental variables like deforestation, energy depletion and carbon dioxide (CO2) emissions in Nigeria from 1980 to 2015. To examine these long-run linkages, the study adopted the autoregressive distributive lag bound testing approach to cointegration. The bound testing approach showed an evidence of a negative long-run relationship between carbon dioxide emission and environmental depletion and renewable energy which stand as the proxy for green growth variable which stand as the proxy for green growth variable. Inversely, a positive long-run relationship exists between green growth variable and deforestation. Usman (2018) investigated the relationship between corporate governance variables, namely, board size, board independence, board meeting (BM), risk management committee composition and corporate environmental reporting (CER) in Nigeria. This study utilized the data obtained from the annual reports of 24 non-financial public listed companies in the Nigeria Stock Exchange comprising three sectors, namely, industrial goods, natural resources and oil & gas for the period of 2011–2015. The data was analyzed using multiple regression analysis. The model of the study was theoretically based on agency theory. In analyzing data, the study utilized panel data analysis. Based on the Hausman test, the random effect model was used to examine the effect of predictors on CER. The result indicated a positive significant relationship between board independence and CER. Similarly, a positive significant relationship between BM and CER was revealed in the study. The result indicated a positive significant relationship between board independence and CER. Similarly, a positive significant relationship between BM and CER is revealed in the study. However, there is no significant relationship between board size and CER. Mehwish and Kashif (2018) empirically scrutinized the relationship between corporate governance (CG) characteristics and environmental reporting (ER) (a component of corporate social responsibility) of firms in Pakistan, through the lens of stakeholder and agency theory. The annual reports of 50 non-financial companies listed on Pakistan Stock Exchange (PSX) for the years 2014–2015 are content analyzed to compute the companies' environmental reporting practices. A multifactor model comprising of six elements of CG, i.e. board size, board independence, CEO duality, audit committee independence, proportion of female directors on board and institutional investors is used to assess the impact of CG elements on companies' environmental reporting initiatives. The results revealed that larger board size, higher proportion of independent non-executive directors on the board, partition of the dual role of chairman and CEO and institutional ownership is associated with greater environmental reporting. Uwuigbe, Obarakpo, Uwuigbe, Ozordi, Asiriuwa, Eyitomi and Oluwagbemi (2018) provided an insight into the bi-directional relationship between sustainability reporting and firm performance in quoted Deposit Money Banks (DMBs) in Nigeria. While the population size comprised of all deposit money banks quoted on the floor of the Nigerian Stock Exchange, judgmental sampling technique was used in the selection of the sampled banks. The panel regression technique was used to analyze the data. The empirical findings showed that there is a bi-directional relationship between sustainability reporting and firm performance of quoted Deposit Money Banks (DMBs) in Nigeria. This finding confirmed the proposition of the legitimacy theory. The study observed that the market price per share of the samples firms had a significant negative influence on sustainability reporting. In addition, the study also found that sustainability reporting had a significant positive influence on revenue generation of the sampled firms. Gnanaweera and Kunori (2018) evaluated the determinants of corporate sustainability disclosure practices for 85 Japanese companies listed on Tokyo Stock Exchange (TSE) in the First Section, from 2008 to 2014. The study examined disclosure information from CSR and annual integrated reports and corporate websites. The content analysis and regression analysis were conducted to examine the research objective. The results of content analysis indicated that listed firms on TSE disclose some extent on environmental, social and economic information but the level of disclosure is vary; CSDF indicator with maximum disclosure level attributed to "Total amount of greenhouse emissions" with 99% disclosing rate and the minimum is the "Index and Grades" with 0%. Moreover, the study found mixed results conforming to correlation and regression analysis. Sustainability disclosure level and sustainability performance indicators have no strong

association. Mukamana and Mulyungi (2019) determined the effect of corporate diversification on the financial performance of manufacturing firms in Rwanda. To achieve this objective the study used a descriptive survey. A census approach was used, and secondary data were used for five years (2012-2016). The data were gathered from financial statements and records. Data analysis was done using a regression model. The study found that corporate diversification was positively related to financial performance of 15 selected manufacturing firms in Rwanda. Data analysis was done using a regression model. The study found that corporate diversification was positively related to financial performance of the manufacturing firms in Rwanda. The correlation results were found to be weak but moderate between corporate diversification and financial performance of manufacturing firm. From the descriptive results, it was found that a few selected manufacturing firms had diversified their products. The mean value of the selected manufacturing firms that had diversified their products was 0.0209. García-Sánchez, Hussain, Martínez-Ferrero, & Ruiz-Barbadillo (2019) investigated the impact of corporate social responsibility (CSR) disclosure quantity, quality, and external validation concerning assurance on capital constraints. More specifically, the study examined the effects of disclosure quantity, quality, and assurance on the access to financial resources for reporting firms. The study gathered archival data from Thomson Reuters EIKON for all firms from the global indices. This comprised 3,594 firms belonging to 31 stock indices observed is an insignificant relationship between assurance quality and access to financial capital for the firms that encourage assurance for their CSR reports. The study observed an insignificant relationship between assurance quality and access to financial capital for the firms that encourage assurance for their CSR reports. Furthermore, the quality and external assurance of CSR disclosure further strengthen the relationship between disclosure and access to finance. Ibrahim (2019) determined the nature and extent of corporate social responsibility (CSR) disclosures in the annual reports in Tanzania. The documentary analysis of the annual reports of 15 listed companies on the Dar Es Salam stock exchange market was undertaken from 2000 to 2014. The data were analyzed using content analysis to determine the patterns and contents of information disclosed. The findings indicated that disclosure of CSR activities in the narrative section of the annual report is pleasing. Good reports disclosed social and environmental protection, education, health, and water supply to the stakeholders accompanied with monetary values. Other disclosures included contributions in sports and culture, empowerment of women and youth, community, employees, and human rights. However, some companies had unsystematic reporting and less monetary values to support their recipients. Njoroge (2019) assessed the determinants of corporate sustainability disclosure among large firms in Kenya. Specific objectives were; to determine the level of corporate sustainability disclosure among large firms in Kenya, to determine the effect of strategic posture on corporate sustainability disclosure among large firms in Kenya, to determine the effect of firm attributes on corporate sustainability disclosure among large firms in Kenya, and to determine the effect of stakeholder attributes on corporate sustainability disclosure among large firms in Kenya. A descriptive research design was employed so as to accomplish the study objectives by finding out if the independent variables determine the level of corporate sustainability disclosure among large Kenyan firms. The study's target population comprised Kenyan firms listed by the Kenya Revenue Authority (KRA) in its large tax payers category. The study collected primary data to meet the research objectives. Primary data was collected using a questionnaire. Data analysis was carried out on the collected quantitative data using descriptive and inferential statistics. Pearson R correlation was used to measure strength and the direction of linear relationship between variables. Multiple regression model was fitted to the data in order to test the effect of the independent variables on the dependent variable. Diagnostic tests were also considered to test the model for linearity, heteroscedasticity, multicollinearity, and normality. Strategic posture, firm attributes, and stakeholder attributes determine corporate sustainability disclosure among large firms in Kenyan. Results of the study revealed positive and significant effect of strategic posture, firm attributes, stakeholder attributes on corporate sustainability disclosure. This implies that there is need for large firms to improve on their levels of governance disclosure in comparison with environmental disclosure. Large firms ought to strategize measures geared towards strategic position, internal and organization culture should be geared on disclosing information which would aid minimizing cost of accessing required information. Thirdly, there is need for coherent communication amongst stakeholders to eliminate pressures which may jeopardize quality of information shared publicly. Muhammad (2019) assessed the determinants of sustainable reporting among food and beverage firms in Nigeria. A sample of six firms was randomly drawn from the firms' list on the Nigerian Stock Exchange, representing fifty

per cent sample. Data for the study were collected from the annual reports and accounts of six randomly sampled food and beverages firms for 2013 financial period for cross sectional analysis. Content analysis was performed to determine the presents or absence of items mentioned by GRI framework, which include economic, environmental, labour and employment, human right, social, product and service, Linear regression analysis was performed to analyze the relationship between sustainability reporting and two of the firm attributes (size and profit). The findings showed that the firms exhibited some level of sustainability reporting though not significant because it only comprised of approximately two percent of the annual reports total disclosures. The statistics showed that environmental activities represent 20.40% of the total disclosures follow by product 19.75% and the least, human rights disclosures representing 12.84%. It was also discovered that the disclosures are determined by the size of the firms and it tend to varied inversely with firms' size. Nechita (2021) analyzed the influence of sustainability and other non-financial reporting on companies' engagement in earnings management practices, through a pre-post adoption of European Directive 2014/95/EU comparative analysis for firms listed on the Bucharest Stock Exchange (BSE) in the period 2015-2019. The research involved the assessment and analysis of three earnings management metrics resulted by running multiple linear regression models on a sample of 31 companies listed on BSE. Research findings emphasized a decrease in the use of income smoothing practices by sampled companies in the post-adoption period 2017-2019, compared to the period preceding the implementation of the EU directive related to mandatory disclosure of non-financial information, 2015-2016. Thus, firms characterized by a higher transparency in terms of sustainability reporting are less inclined to engage in earnings management practices.

Developments in businesses worldwide particularly in relation to sustainable development indicate the importance for companies to integrate sustainability aspects into their corporate reporting mechanism. The accountability side of companies is not complete without the reporting mechanism, hence the release of sustainability reports and inclusion of sustainability disclosures in corporate annual reports (Ekwueme & Aniefor, 2019). The contents of sustainability reports either published as stand-alone reports or integrated into corporate annual reports in Nigerian companies have received some attention in recent years. Kantudu and Samaila (2015) observe that sustainability reporting is voluntarily practiced by manufacturing gas companies in Nigeria, reporting was deficient as companies were not guided by any legislation on what to report. The accountability that financial results of companies communicate is an important aspect of their transparency that cannot be ignored but financial results alone cannot communicate a company's social and environmental impacts. These impacts are redefining the meaning of business value. Therefore, in order to improve the content of sustainability reports, external pressures and organizational context have roles to play in the transformation process (Ekwueme & Aniefor, 2019). Companies could be influenced by members of their organizational field such as stock market regulators, manufacturing sectors' sustainability reporting requirements, companies in the industry that are successful - in terms of their profit, size of the company, foreign presence, industry affiliation, membership of external bodies that govern sustainability such as United Nations Environment Programme (UNEP), United Nations Global Compact (UNGC) and global oil and gas industry association for environmental and social issues (IPIECA), and they gradually become homogenized by them. Sustainability reporting could also be influenced by the organizational context or process depicted by attitudes of key decision makers, board of directors' committee on sustainability issues, stakeholder engagement, sustainability framework and assurance (Amahalu, Egolum & Obi, 2019).

METHODOLOGY

Research Design

This study achieved its objectives by employing *ex-post facto* research design. This is because *ex-post facto* research design involves repeated observations of the same units (companies in this study) over a period of time (2008 to 2020).

Population of the Study

The population of this study comprised of all the seventy-seven (76) quoted manufacturing companies trading on the floor of the Nigeria stock exchange as at 31st December 2020. This was categorized into five (5) sectors, consisting of Industrial goods sector (21 companies); Health Care sector (11 companies); Consumer goods sector (27 companies) ; Agriculture & Agro Allied sector (5 companies); Oil and Gas Sector (12) (see appendix I). This study covered a thirteen (13) year period from 2008-2020.

Sample Size and Sampling Technique

The sample size for this study comprise of twenty-six (26) companies (see appendix II). Purposive sampling method was adopted based on the companies that consistently filed their annual financial statements with the Nigerian Stock Exchange (NSE) for the

period of interest (2008-2020) and whose data sets are complete for the study period.

Source of Data

The data for this study would primarily be obtained from secondary source. Secondary data would be extracted from the published annual reports and accounts of the sampled companies and the Nigeria Stock Exchange (NSE) fact book for the relevant years particularly stand-alone sustainability report, the comprehensive income statement and statement of financial positions of these firms as well as their respective notes to the accounts.

Model Specification

The research models for this would be adopted from Amahalu, Okoye and Obi (2018):

$EPS = \beta_0 + \beta_1 ENVR + \beta_2 OWNC + BDSZ + \mu$

Where:
EPS = Earnings per share
ENVR = Environmental reporting
OWNC = Ownership concentration
BDSZ = Board Size

To study the determinants of Sustainability Reporting, drivers such as, board experience, institutional ownership, firm size, profitability would be used as the independent variables, while, environmental reporting, governance reporting, social reporting and economic reporting would serve as the dependent variables.

The construct for this study would be modeled as:

$GOVR_{it} = \beta_0 + \beta_1 INSO_{it} + \beta_2 BIND_{it} + \beta_3 LEV + \mu_{it}$ - - - **--ii**

Where:

β_0 = Constant term (intercept) of the study model

β_1- β_3 = Coefficients of the explanatory variable

$\mu_{i,t}$ = Component of unobserved error term of firm *i* in period *t*

$GOVR_{it}$ = Governance Reporting of firm *i* in period *t*

$INSO_{it}$ = Institutional Ownership of firm *i* in period *t*

$BIND_{it}$ = Board Independence of firm *i* in period *t*

LEV_{it} = Leverage of firm *i* in period *t*

í = individual firms (1, 2, 3...27)

t = time period (2009, 2010, … 2018)

Method of Data Analysis

Data to be collect in this study were analyzed using content analysis and disclosure index which were subjected to preliminary and inferential analysis. Content analysis method is concerned with the number of words and sentences on particular information while disclosure index entails measuring the level of information reported in corporate reports using a set of pre-determined elements. Panel least square (PLS) regression analysis: was used to predict the effect of the independent variable on the dependent variable.

The disclosure indicators were measured by assigning a value to each of them, a value that is from zero (0) to five which reflects the quantity as well as quality of information. '0' is given to imply the absence of the disclosure. An indicator was assigned a value of 1, if there is only qualitative data; 2, if there is quantitative data (ACCURACY); 3, if there are quantitative data and also time series (COMPARIBITLITY & TIMELINESS); 4, if there are quantitative data, time series and targets (BALANCE & CLARITY); 5, if there are quantitative data, time series, targets and external assurance (RELIABILITY).

Thus, the maximum score for sustainability reporting is 270 (4+12+30+8 = 54 x 3 = 54x5 =270)

Therefore,
SRI =TDP/MP

Where;
SDI = Sustainability Reporting Index

TDP = Total Disclosure Points of a Firm

MP = Maximum Points for a Firm (270)

Decision Rule

The decision was based on 5% (0.05) level of significance. The null hypothesis (H_o) will be accepted, if the Prob (F-statistic) value is greater (>) than the stated 5% level of significance, otherwise reject.

DATA PRESENTATION AND ANALYSES

Data Analyses

Table 4.1 Descriptive Statistics

	GOVR	INSO	BIND	LEV
Mean	0.490	0.322	0.193	4.260
Median	0.450	0.140	0.220	4.560
Maximum	0.980	0.970	0.480	9.020
Minimum	0.060	0.040	0.020	1.460
Std. Dev.	0.221	0.331	0.156	1.874
Skewness	0.280	1.010	0.467	0.989
Kurtosis	3.639	2.457	1.902	4.399
Jarque-Bera	0.390	2.369	1.125	3.177
Probability	0.823	0.306	0.570	0.204
Sum	6.370	4.190	2.510	55.380
Sum Sq. Dev.	0.588	1.314	0.290	42.124
Observations	13	13	13	13

Source: E-Views 10.0 Descriptive Output, 2021

Interpretation

Table 1 presents the descriptive statistics for the different variables of the study. The 338 firm-year observations in table 1 is as a result of the panel data set with the combination of time series data and cross sectional data (i.e 26 firms x 13 years). Mean is the most commonly used measure of central tendency. The standard deviation shows the deviation/dispersion/variation from the mean. It is a measure of risk. The observed average rate of governance disclosure is 49%, with a maximum of 98%, a minimum of 6% and a standard deviation of 9%. The observed degree of the average social reporting of sample firms is 11.2% with a minimum of 9%, a maximum of 16% and a standard deviation of 2%. The observed average for Institutional Ownership is 32.2 percent, a minimum of 4 percent, a maximum of 97 percent, with a standard deviation of 33.1%. Skewness indicates the symmetry of the distribution. A skewed distribution which is positive indicates scores that are clustered to the left, and the tail of the distribution extending to the right while a negatively skewed distribution demonstrates scores that are clustered to the right and the tale of the distribution extends to the left. Kurtosis on the other hand, defines the peak of the distribution. Positive kurtosis is indicated by a peak. Negative kurtosis is indicated by a flat distribution.

Test of Hypothesis

Ho_2: Institutional Ownership has no significant relationship with Governance Reporting of quoted Manufacturing Companies in Nigeria

H_2: Institutional Ownership has significant relationship with Governance Reporting of quoted Manufacturing Companies in Nigeria

Table 2 Panel Least Square Regression Analysis testing the relationship between INSO, BIND, LEV and GOVR

Dependent Variable: GOVR				
Method: Panel Least Squares				
Date: 09/02/21 Time: 16:10				
Sample: 2008 2020				
Periods included: 13				
Cross-sections included: 26				
Total panel (balanced) observations: 338				
Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	0.375205	0.045973	8.161451	0.0000
INSO	0.317968	0.030397	10.46036	0.0000
BIND	0.053595	0.024629	2.176059	0.0303
LEV	-0.216850	0.071165	-3.047154	0.0025
R-squared	0.588016	Mean dependent var		0.319753
Adjusted R-squared	0.550894	S.D. dependent var		0.237739
S.E. of regression	0.237845	Akaike info criterion		-0.022632
Sum squared resid	18.89446	Schwarz criterion		0.022612
Log likelihood	7.824730	Hannan-Quinn criter.		-0.004600
F-statistic	15.76948	Durbin-Watson stat		1.705155
Prob(F-statistic)	0.000000			

Source: E-Views 10.0 Panel Regression Output, 2021

Interpretation of Regressed Result

The regressed coefficient correlation result in table 2 shows a positive association between INSO (β_1= 0.317968), BIND (β_2= 0.053595) and GOVR, while a negative association exist between LEV (β_3=-0.010160) and GOVR and statistically significantly at 5% as depicted by the probability values of the slope coefficient; P(x_1=0.0000<0.05; x_2=0.0303<0.05; x_3=0.0025<0.05). The coefficient of determination obtained was 0.550894 (55.09%), which is commonly referred to as the value of adjusted R^2. The cumulative test of hypothesis using adjusted R^2 to draw statistical inference about the explanatory variables employed in this regression equation, shows that 55.09% of the systematic variations in the dependent variable (GOVR) can be jointly predicted by all the independent variables (INSO, BIND and LEV) while 44.91% was explained by unknown variables that were not included in the model. The predictive power of this model is very high and good for users of financial statement for investment decision making.

Decision:

The Prob(F-statistic) of the model which is = 0.000000 is less than the critical value 0.05. In view of the rule of thumb, H_1 is accepted and H_0 rejected. Consequently, Institutional Ownership has a significant positive

relationship with Governance Reporting of quoted manufacturing companies in Nigeria at 5% level of significance.

Table 3 Hausman Test Comparing FEM and REM between INSO and GOVR

Correlated Random Effects - Hausman Test			
Equation: Untitled			
Test cross-section random effects			
Test Summary	Chi-Sq. Statistic	Chi-Sq. d.f.	Prob.
Cross-section random	14.847024	3	0.0048

Source: E-Views 10.0 Hausman Output, 2021

Interpretation of Hausman Test

On comparison of the results between the fixed effect model (FEM) and random effect model (REM), the results of the Hausman specification test in table 3 showed that the chi-square probability is significant at 5% with P-value of 0.0048. The result suggests that the fixed effect regression model is most appropriate for the sampled data. Thus, this result corroborates the regression results in table 4.8 which upholds that there is a significant positive relationship between Institutional Ownership and Governance Reporting of quoted manufacturing companies in Nigeria at 5% level of significance.

Discussion of Findings, Conclusion and Recommendation

For the hypothesis, the regressed coefficient correlation result in table 4.8 shows a positive association between INSO (β_1= 0.317968), BIND (β_2= 0.053595) and ENVR, while a negative association exist between LEV (β_3=-0.010160) and ENVR and statistically significantly at 5% as depicted by the probability values of the slope coefficient; P(x_1=0.0000<0.05; x_2=0.0303<0.05; x_3=0.0025<0.05). The coefficient of determination obtained was 0.550894 (55.09%), which is commonly referred to as the value of adjusted R^2. The cumulative test of hypothesis using adjusted R^2 to draw statistical inference about the explanatory variables employed in this regression equation, shows that 55.09% of the systematic variations in the dependent variable (GOVR) can be jointly predicted by all the independent variables (INSO, BIND and LEV) while 44.91% was explained by unknown variables that were not included in the model.

In line with the conclusion of this study, the study recommended that the relationship between Institutional shareholders and sustainability reporting should be sustained in order to strengthen firms with higher growth opportunities.

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