Journal of Business and Economic Policy
UNIZIK Business School, Nnamdi Azikiwe University, Awka

UBSJBEP Volume 1 Issue 4
https://journals.unizik.edu.ng/index.php/ubsjbep
Quarterly Journal of UNIZIK Business School, Awka, Nigeria

STAKEHOLDERS' PRESSURE, IT GOVERNANCE AND TRANSPARENCY OF SUSTAINABILITY REPORTING: EVIDENCE FROM NIGERIA

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CITATION: Yahaya, K.A, Daramola, I.E., Kolawole, K.D., Odediran, T.H. & Aina, T.J. (2023). Stakeholders' pressure, IT governance and transparency of sustainability reporting: Evidence from Nigeria, *UBS Journal of Business and Economic Policy*, 1(4), 45 - 59.
Paper Type**: Original Research Paper;**Correspondence: khadijatadenola@yahoo.com.

Abstract
Access to information and technology (IT) have evolved over the years which has resulted in increased pressure from stakeholders on businesses to be more transparent in reporting the influence of their actions on the society beyond financial metrics. However, there is lack of beneficial information on sustainability reporting due to lack of transparency in the reporting requirements and application of the reporting requirement. The objective of this paper is to examine the impact of stakeholders' pressure and information technology governance on the transparency of sustainability reporting of listed Nigerian financial services firms. The 49 financial services companies listed on the Nigerian stock exchange make up the study's population, and information was gathered from 41 companies' annual reports and sustainability reports. Random effect regression was employed and the results showed that stakeholders' pressure and IT Governance have a positive and significant influence on the transparency of the sustainability reporting of the listed Nigerian financial services firms at 1% and 5% respectively. The study concluded that stakeholders' pressure and IT governance influence the transparency of sustainability reporting of listed Nigerian financial services firms and therefore recommended that diverse stakeholders' like consumers, employees, environmental organisations, investors and governments should continue to exert pressure on companies so that they will not relent in reporting the impacts of their activities as it affect different stakeholders. In addition, the Financial Reporting Council of Nigeria (FRCN) should continue to ensure good corporate governance practices especially as it relates to IT Governance in Nigerian companies.

Key Words: IT Governance, Stakeholders' Pressure, Sustainability Reporting, Transparency.

Introduction
The globalisation of economies, along with developments in technology and access to information, has brought about a notable transformation in the corporate landscape. Consequently, this transformation has resulted in a heightened awareness and emphasis on social and environmental issues. Consequently, organisations are under pressure

from stakeholders to acknowledge and mitigate their societal and environmental implications. According to Torelli et al. (2019), sustainability reports serve as a means of conveying and distributing information on the activities undertaken by corporations in relation to the concerns of stakeholders and society. The global community is currently confronted with the substantial challenge of sustainability, which encompasses climate change, equality concerns, and other significant social and environmental issues. In response, regulators, policymakers, and intergovernmental organizations have undertaken comprehensive measures to transform individuals' lifestyles, work practices, and pathways to prosperity (Ernst & Young, 2023). Financial institutions are very crucial to every major national economy and the global economy as a whole and they play a systemic role in advancing sustainability across most economic sectors, from the most polluting and socially sensitive to the sustainable businesses (Nestor et al., 2023). Since the inception of Nigeria's sustainable banking principles, the financial institutions in the nation have been incorporating economic and social frameworks to effectively handle risks and capitalise on opportunities in their business operations and activities (Emejo, 2022). In addition, the use of technology in the banking sector has led to increase in efficiency and productivity just as digitalization has changed and continues to transform global markets which will have an impact on corporate reporting (Kumari & Kumar, 2018; Institute of Management Accountants of (IMA), 2020).

The advancement of financial reporting may be attributed to the implementation of globally acknowledged accounting standards, which have contributed to enhancing transparency, accountability, and efficiency within global financial markets. However, same cannot be said of sustainability reporting as it is more complex due to the fact that there is a variety of users and therefore diverse objectives of sustainability information (Impact Management Project, World Economic Forum & Deloitte, 2020). In addition, despite the fact that a lot of companies provide information as regards their environmental, societal risks and impacts, very few provide useful, relevant and material information. The dearth of valuable information may be attributed to a lack of openness about reporting requirements, the implementation of these standards, and the methodologies employed in the preparation of reports (Deloitte, 2020). The corporate sector is facing mounting pressure to satisfy stakeholder expectations on sustainability in order to enhance Environmental, Social and Governance (ESG) reporting (The SustainAbility Institute, 2023). Numerous studies including Sari et al. (2022), Ramadhini et al. (2020), Almagtome et al. (2020) and Nurumina et al. (2020) have examined the connection between stakeholder pressure, corporate governance, and sustainability reporting examining board effectiveness, family ownership, audit committee as corporate governance components.

This study contributes to existing research in the area of sustainability by expanding our understanding of corporate governance and transparency in sustainability reports. The specific aims of this study are to:

i. examine the impact of stakeholders' pressure on the transparency of sustainability reporting
ii. investigate the impact of IT governance on the transparency of sustainability

reporting.

In view of this, the following hypotheses stated in null form guide the study:

H_{01}: Stakeholders' pressure does not influence transparency of sustainability reporting of listed firms in Nigeria.

H_{02}: IT Governance does not have an impact on transparency of sustainability reporting of listed firms in Nigeria.

Literature Review

Stakeholders' Pressure

Stakeholder pressure refers to the capability and capacity of stakeholders to exert influence on an organisation through impacting its decision-making processes (Kassinis & Vafeas, 2006; Fassin, 2012). The existing body of literature acknowledges that the extent to which stakeholders exert influence plays a vital role in determining the level of adoption of sustainable practices in a company (Rebs et al., 2019). Firms' sustainability initiatives are influenced by a range of factors, including government regulations, consumer demands, competition from successful firms, investor pressures, employee commitments, the values held by managers and owners, collaborative efforts with suppliers, and attention from non-governmental organisations (NGOs) (Melander, 2017; Shubham & Murty, 2018). Nevertheless, scholarly research has put forward the notion that the influence exerted by influential stakeholders from diverse backgrounds may lead to limited advancements in environmental sustainability (Tang & Tang, 2018; Yu et al., 2017). In the context of this research, stakeholder pressure refers to the influence exerted by stakeholders on an organisation's decision-making processes. In this research, five stakeholders' pressure was examined in line with previous studies (Fernandez-Feijoo et al., 2014; Rudyanto & Siregar, 2018; Vitolla et al., 2019; Sari et al., 2022) namely consumers' pressure, employees' pressure, pressure from the environment, investors' pressure and governments' pressure.

Information Technology (IT) Governance

IT governance is an essential part of the wider corporate governance framework, which aims to ensure the alignment of IT with organisational objectives and the provision of value through its investments (Posthmus et al., 2016). IT Governance Ltd (2022) also noted that IT governance aims at improving the overall management of IT and obtaining improved value from investment in information and technology. Haouam (2020) stated that businesses are becoming more reliant on IT to facilitate critical operational processes and enhance competitive advantage. Hence, it is imperative for businesses to proficiently oversee the intricate technology that permeates across the organisation so as to quickly and securely address the demands of the firm. According to IBM (2020), the current era is commonly referred to as the fourth industrial revolution, also known as Industry 4.0. This phase is characterised by a notable rise in automation, the use of intelligent equipment and factories, and the potential to enhance information transparency and decision-making processes. IT governance frameworks therefore allow organisations to manage their IT risks effectively and ensure that the activities linked with information and technology are aligned with their overall business goals. According to Joshi et al. (2013), corporate disclosures about IT governance lacks a

standardised or obligatory reporting format that reporting businesses can utilise to arrange their disclosures. While several IT governance frameworks, such as Control Objectives for Information and Related Technologies (COBIT) and Information Technology Infrastructure Library (ITIL), are available, only a limited number of these frameworks offer guidance specifically on matters related to external reporting.

Transparency of Sustainability Reporting

GRI/SASB (2021) defined sustainability reporting as the process by which firms disclose their most important economic, environmental, and social consequences resulting from their corporate operations. This practice holds corporations accountable for these impacts and establishes their responsibility for effectively managing them. Zsóka and Vajka (2018) assert that sustainability reporting has emerged as a prominent means of communicating company non-financial performance.

This study measured transparency of sustainability reports by performing content analysis to check for balance, comparability, accuracy, clarity, reliability, and timeliness using GRI principles in accordance with Ismail et al., 2021). The primary aim of non-financial reporting is to furnish society with complete, relevant, balanced, comparative, accurate, timely, clear, and trustworthy information on a corporation's sustainability performance while duly considering the interests of stakeholders.

Theoretical Review

Stakeholder Theory

The concept of stakeholder theory, initially introduced by Freeman (1984), presents an analysis of the interconnections between external stakeholders and the operations of a corporation. The stakeholder theory is widely employed in the context of corporate sustainability, as evidenced by its frequent citation in scholarly literature (Freudenreich et al., 2020; Hörisch et al., 2014; Huang & Kung, 2010; Perrini & Tencati, 2006; Sharma & Henriques, 2005). Various scholarly works on stakeholder theory (Freeman, 1984; Freeman et al., 2010; Mitchell et al., 1997) posit that organisations ought to consider the concerns and demands of non-shareholding entities in order to secure the sustained prosperity of the enterprise. Various stakeholders exert pressure on enterprises to enhance their environmental performance through investments, policies, and strategies. The practice of environmental sustainability reporting, as well as sustainability reporting in general, serves as a means to connect stakeholders and management (Masud et al., 2017; Comyns, 2016).

Legitimacy Theory

Legitimacy theory is a prevalent theoretical framework used to analyse corporate, social, and environmental reporting. It is widely regarded as one of the key theories for understanding the voluntary nature of disclosing social and environmental information in annual reports (Deegan & Gordon, 1996; O'Donovan, 2002; Patten, 1991). The concept of legitimacy theory, first proposed by Davis (1973), posits that society confers legitimacy and authority upon businesses. In due course, those who fail to exercise power in a manner deemed responsible by society are prone to relinquishing it. According to the notion of legitimacy, it is imperative for businesses to demonstrate social responsibility and be accountable to society in order to maintain legal

authorization for their economic operations (Dowling & Pfeffer, 1975; Simnett et al., 2009; Deegan, 2002; O'Donovan, 2002; de Villiers & van Staden, 2006; van Staden & Hooks, 2007; Cong & Freedman, 2011). Stakeholders exert influence on an organisation by employing a mechanism known as institutional isomorphism, which involves assessing the organisation's alignment with its distinct value systems, prevailing regulations and legal frameworks, as well as commonly held social knowledge and cognitive frameworks (DiMaggio & Powell, 1983). The attainment of legitimacy occurs when stakeholders evaluate that the operations and objectives of an organisation align with their anticipated standards (Dowling & Pfeffer, 1975; Suchman, 1995). The adoption of legitimacy theory by a firm entails the voluntary disclosure of actions if management perceives that these activities are anticipated by the community in which the company works (Deegan, 2002; Deegan et al., 2000; Cormier & Gordon, 2001).

Empirical Review

Previous studies employed a stakeholder method to investigate sustainability reporting, revealing that certain stakeholder groups had the capacity to influence management towards adopting more transparent and comprehensive sustainability reports.

The study conducted by Ramadhini et al. (2020) revealed that the level of social and environmental disclosure is influenced by external stakeholders, specifically creditors and media exposure. However, the study concluded that pressure from consumers does not have a major impact on social and environmental disclosure. In contrast, the study conducted by Xin et al. (2020) showed that employees of small and medium-sized enterprises (SMEs) in Shanxi Province, China, exerted pressure on their employers to adopt environmental accounting reporting. According to Lulu's (2021) findings, there is a favourable correlation between environmental pressure and customer pressure and the quality of sustainability reports. However, shareholder pressure, employee pressure, government pressure, and creditor pressure do not demonstrate any significant impact on the quality of sustainability reports. The inclusion of profitability and firm size as control factors in the study does not exert any significant influence on the quality of sustainability reports. In the study conducted by Erin et al. (2021), it was discovered that some factors related to board governance, such as board size, board gender diversity, and board expertise, as well as qualities of the audit committee, including audit committee size, audit expertise, and audit meeting, exhibit a substantial association with the quality of sustainability reporting.

Similarly, the study conducted by Yahaya et al. (2022) revealed that the existence of an environmental sustainability committee, the frequency of board of directors' meetings, and the size of the business have a substantial and favourable impact on the extent of environmental information disclosure. However, the impact of board size and board independence on the Environmental Disclosure Index of the firms included in the sample is shown to be statistically negligible. According to the findings of Tasnim and Khan (2022), it was determined that corporate governance has a favourable influence on sustainability reporting. However, it was observed that only the size of

the board has a negative effect on the disclosure of sustainability information. Both foreign investors and direct investors exert a substantial and constructive impact on sustainability reporting. The beneficial relationship between sustainability reporting and the presence of institutional investors, independent directors, and audit quality, while relatively small in magnitude, should not be overlooked.

Methodology

The population of the study is the 49 companies in the financial services sector listed on the NGX. The sampling frame includes all companies that have audited annual reports for the period under study. Census sampling technique was employed to include 41 companies.

Random effect regression technique was employed in this study. The study made use of secondary data from the audited annual reports and sustainability reports of the financial services companies listed on the Nigerian exchangee for the period 2018-2021. The study hypothesises the relationship between the dependent and independent variables, drawing upon the theoretical framework of this study and adapting the model proposed by Sari et al. (2022). However, IT governance was included and return on equity was used in place of return on asset as it is also an important measure of profitability.

Transparency of Sustainability Reports (TSR) = *f* (Stakeholders' Pressure (SP), IT Governance (ITG), Return on Equity (ROE).

that is,

TSR= *f* (SP, ITG, ROE)……..Eqn 1

Econometrically, the model was estimated as:

$TSR_{it} = \beta_0 + \beta_{1it}SP_{it} + \beta_2 ITG_{it} + \beta_3 ROE_{it} + \mu_{it}$…….....Eqn 2

Ex post facto research design was adopted in this study.

Variables Description

The independent variables in this research are stakeholders' pressure and IT governance while the dependent variable is transparency of sustainability reporting. The control variable is Return on Equity (ROE).

Stakeholders' pressure

Consumers' pressure, employees' pressure, pressure from the environment, investors' pressure and government pressure are proxies for stakeholders' pressure.

Consumers' pressure

This study adopted the classification of industries with consumers as the stakeholder using measurement from Fernandez-Feijoo et al. (2014). Other studies like Hamudiana and Achmad (2017), Rudyanto and Siregar (2018) and Nurumina et al. (2020) have also adopted this measure. The variable assumes a binary value of 1 when the firm is associated with an industry that is well recognised by the general public as a consumer of its products or services. In the context of all other industries, the variable assumes a value of 0.

Employees' Pressure

This variable was measured using the natural logarithm of the total number of employees following Rudyanto & Siregar (2018); Sari et al (2022). The natural logarithm of the total number of workers will be employed in order to mitigate the issue of the number of employees being disproportionately large in relation to other metrics.

Pressure from the Environment

The categorization of sectors that include the environment as a stakeholder employed the assessment framework developed by Fernandez-Feijoo et al. (2014), which has been modified to accommodate the specific businesses listed on the Nigerian Exchange. The variable assumes a value of 1 when the company's actions exert a significant influence on the environment, particularly in extractive or high-pollution industries. In the case of all other industries, the variable assumes a value of 0.

Investors' Pressure

The variable assumes a value of 1 when the firm operates in an industry characterised by a significant degree of investor pressure. This category encompasses industries where over 50% of firms are publicly listed on the stock exchange. In the case of all other industries, the variable assumes a value of 0. The study constructed an index using the Principal Component Analysis (PCA) that captures the dimension of these indicators.

IT Governance

This study measured IT governance using a framework for describing IT governance disclosure suggested by Joshi et al. (2013). It was changed to fit the specifics of the Nigerian situation. The score range for this metric span from 0 to 1, with 0 denoting the absence of information and 1 indicating the presence of information pertaining to the firm. The research findings presented in this study highlight the IT governance disclosures that were most prevalent during the empirical testing of the framework. These disclosures encompass five key areas of focus, namely IT strategic alignment, IT value delivery, IT risk management, IT resource management, and IT performance measurement. With regard to IT and information assets, a company has a special Chief Information Officer (Head of IT) or an analogous post at the executive level.

ITG 1: A company has a special Chief Information Officer (Head of IT) or an analogous post at the executive level with regard to IT and information assets; ITG 2: One or more independent or non-independent board members who are sufficiently knowledgeable about IT and information assets.; ITG 3: Risks associated with IT and information assets are on the agenda of the Audit or Risk committee; ITG 4- IT is highlighted as a strategic business concern to achieve the organisational mission and goals.; ITG 5-IT and information assets are stated as the organisational strength to accomplish the business objectives, goals, etc. ITG 6: IT is viewed as a potential risk to successful business functioning and is being treated as an operational risk; ITG 7: Use of IT for regulation and compliance; ITG 8: Clear details on IT expenditure; ITG 9-IT-related assets are stated under intangibles.

The study constructed an index using principal component analysis (PCA) that captures the dimensions of these indicators.

Dependent Variable

Transparency of Sustainability Reports

This study adopted the framework developed by Ismail et al. (2021), which incorporates the principles of the Global Reporting Initiative (GRI) and incorporates metrics utilised in previous studies that are aligned with GRI principles. The operationalization of the six principles for assessing reporting quality and transparency, as outlined in the GRI framework, will include the use of ten quality indicators.

Balance

TSR1: To what extent does the company, as discussed in the context of sustainability reports within the annual report, emphasise both positive and negative occurrences? TSR2: To what extent does the company, in the discourse of sustainability reports within the annual report, enable users to discern positive and negative performance trends on an annual basis? The rating scale ranges from 1 to 5, denoting the absence of events (either positive or negative), negative events, positive events, a balance of events (both positive and negative), and the impact of events (both positive and negative).

Comparability

TSR3- To what extent is the information of sustainability reports in the annual report comparable to information provided by other organization? TSR4- To what extent does the report compare sustainability information on a year-to-year basis. The scale is 1-5 represented by no comparability (no paragraph), limited comparability (one paragraph), moderate comparability (two paragraphs), very much comparability (two paragraphs with numbering), and very extensive comparability (more than two paragraphs).

Accuracy

TSR5- To what extent are sustainability activities accurately disclosed for stakeholders to assess the organization's performance? To measure the accuracy of sustainability information a scale of 1-6 will be applied. Where there is no accurate information, qualitative information is available, qualitative and quantitative information are available, more quantitative information, when companies adequately describe data measurement technique and where estimation and assumption are disclosed.

Timeliness

TSR6- Do information in the report clearly indicates the time period and updated accordingly? (For regularity); TSR7- There is a consistent reporting schedule (for proximity). Time is either specified (1) or not specified (0).

Clarity

TSR8- To what extent is sustainability information understandable to various stakeholders. This shows how companies disclose sustainability information easily and understandably to various stakeholders. Clear information is indicated where sustainability reports contain graphs, maps, table of contents, list of abbreviations,

pictures, tables and in multiple languages. This information is either available (1) or not (0).

Reliability

TSR9- There is an assurance statement which includes the assurance of reporting data; TSR10- Company contact information is provided in the sustainability report. These are either available 1 or not 0.

The study constructed an index using the Principal Component Analysis (PCA) that captures the dimension of these indictors.

Control Variable

Profitability is measured by return on equity. It has been noted that profitability has a relationship with sustainability reporting (Choiriah & Ria, 2020; Sari et al 2022)

Return on equity (ROE) is calculated as Net Profit/ Shareholders' Equity

Result and Discussion

Table 1: Correlation Matrix

Probability	1	2	3	VIF
1. SP	1.000			1.11
2. ITG	0.284	1.000		1.09
3.ROE	0.146	0.031	1.000	1.02

Source: Authors' Computation (2023)

The study examined the presence of multicollinearity among the variables included in the panel regressions. In order to evaluate this, a pairwise correlation analysis was performed. This demonstrates the inherent link between each pair of variables utilised. The outcome of the correlation analysis is displayed in Table 1. It shows that SP, ITG and ROE are positively correlated. Nevertheless, the correlation coefficient for all variables is below 0.5. Additionally, the Variance Inflation Factor (VIF) test was utilised to assess the existence of multicollinearity. The results of the Variance Inflation Factor (VIF) analysis indicate that the VIF values for the variables SP, ITG, and ROE are 1.11, 1.09, and 1.02, respectively. These values are all below the threshold of 5. Therefore, there is no multicollinearity in the model. Given the absence of multicollinearity, both fixed effect and random effect regressions were utilised without any variable exclusion.

Table 2 Result of Test

		Breusch-Pagan Lagrange Multiplier (BP) Test	**Hausman Test**
chi2(3)		4.33	2.64
Prob		0.22	0.45

Source: Author's Computation, (2023)

Interpretation of Breusch-Pagan Lagrange Multiplier (BP) Test

Table 2 shows the findings of BP tests, which are consistent in rejecting the null hypothesis of homoskedasticity. As a result, the statistical evidence suggests that panel data regression with fixed and random effects is the most suited technique for the models.

Interpretation of Hausman Test

It showed that the fixed effect and random effect models employed in this study both have good fit and are statistically viable. To contrast fixed and random effect models and then decide between them, the Hausman test must be used. Table 2 contains the outcomes of the Hausman test used in this study. The chi-square statistics of the Hausman test between FIXEDTSR and RANDOMTSR is 2.64 and the p-value is 0.45. This demonstrates that the random effect model fits the model better.

Table 3 Pooled OLS, fixed and random effect regressions for TSR

Independent Variables	Dependent variable: Transparency of Sustainability Reports (TSR)		
	(1) Pooled OLS	(2) Random effect	(3) Fixed effect
SP	.0617	.069**	.001**
	(.039)	(.052)	(.218)
ITG	.310***	.255***	.172*
	(.075)	(.079)	(.097)
ROE	.531*	.429	.320
	(.292)	(.272)	(.291)
CONSTANT	-.434**	-.471**	-.046
	(.212)	(.134)	(1.336)
OBSERVATIONS	163	163	163
NUMBER OF FIRMS	41	41	41

*significant at 10% **significant at 5%, ***significant at 1%, Robust standard errors in parentheses

Source: Author's Computation, (2023)

To evaluate stakeholders' pressure (SP), information technology governance (ITG) and sustainability reporting transparency (TSR), the pooled OLS, fixed effect and random effect regression techniques were employed and the result is presented in Table 3. The dependent variable is TSR while the independent variables are SP and ITG. Return on equity (ROE) is the control variable. Column 1, 2 and 3 of table 3 contain the regression results of the pooled OLS, fixed effect and random effect models respectively.

All the models show that SP, ITG AND ROE are positively related to transparency of sustainability. This implies that the higher the SP, ITG and ROE, the higher the transparency of sustainability reporting. However, the random effect model in column

2 show that SP and ITG are statistically significant at 1% and 5% respectively. The statistical significance of the variables is indicated by the robust standard errors. The robust standard error of the coefficient (in parenthesis) is less than half of coefficients of the variables. Thus, the variables are statistically significant.
By the magnitude of coefficients, the random effect model indicates that 0.069 and 0.255 units increase in TSR results from a unit increase in SP and ITG respectively. Therefore stakeholders' pressure and IT governance positively impact transparency of sustainability Reporting.

Conclusion and Recommendations

In conclusion, stakeholders' pressure and IT governance significantly influence the transparency of sustainability reporting of listed Nigerian financial services firms. Furthermore, the results show that the profitability variable also impact positively on the transparency of sustainability reporting of financial services firms listed on the NGX.

Since stakeholders' pressure have a significant impact on the transparency of sustainability reports of listed Nigerian financial services firms, it was trecommended that:

1. diverse stakeholders' like consumers, employees, environmental organisations, investors and governments should continue to exert pressure on companies so that they will not relent in reporting the impacts of their activities as it affect different stakeholders.
2. Also, the Financial Reporting Council of Nigeria (FRCN) should continue to ensure good corporate governance practices especially as it relates to IT Governance in Nigerian companies.

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