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IMPACT OF CORPORATE BOARD SIZE ON SUSTAINABILITY REPORTING QUALITY OF QUOTED MANUFACTURING FIRMS IN NIGERIA

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Abstract

This study investigates the impact of corporate board size on sustainability reporting quality of quoted manufacturing firms in Nigeria. Due to nature of the study, data were extracted from the annual reports, sustainability reports, and accounts of chosen firms quoted on Nigerian Growth Exchange (NGE), their annual reports, and the Global Reporting Initiative (GRI). The sample is composed of all the thirty-three (33) quoted manufacturing firms for the period of five years (2018 – 2022). The panel data gathered was analyzed using descriptive statistic, correlation and ordinary least square. This study reveals that there is an impact of corporate board size on sustainability reporting quality of quoted manufacturing firms in Nigeria which is positively significant. The finding indicates that a larger corporate board size is associated with a higher quality of sustainability reporting among quoted Nigerian manufacturing firms. This suggests that a larger board size can significantly contributes to better corporate governance and sustainability practices in Nigeria. Based on the findings, the study suggested that manufacturing firms should provide a policy implication for the board directors of Nigerian listed companies to enhance board size in order to improve corporate governance and environmental sustainability. Moreover, the study also recommends that manufacturing firms should encourage large size of board in order to facilitate quality disclosure of sustainability developments so also to meet up with the demands of stakeholders.

Keywords: Corporate Board Size, Sustainability Reporting Quality, Manufacturing Firms.

1. Introduction

Stakeholders have specific expectations from organizations, but ensuring that these expectations are met can be a challenge. This has led to the importance of disclosure, which involves providing relevant information to stakeholders. Different reports are now required by public firms to meet stakeholder demands, such as the annual report, financial report, and sustainability report, each offering distinct information. For instance, the financial report provides insights into the financial health of the firm, while the sustainability report communicates information about the company's economic, social, and environmental performance and behavior (GRI, 2013). According to Mock et al. (2013), the sustainability report serves as a structured means of communication for entities to convey their economic, environmental, and social performance. These reporting requirements align with the guidelines set by financial regulatory authorities in developing countries like Nigeria, Indonesia, and Malaysia among others.

Indeed, the required demands by the stakeholders for the companies to provide them with social, economic, and environmental reports is becoming a fundamental requirement for the companies (Ikpor, 2022). This is why there is a rising interest in the integration of sustainability values and principles in the modern days of reporting. Mock, et al. (2007) depicts that sustainability report gives a company a means to report on how non-financial factors interact with financial ones and which is eventually promotes a company's value. Therefore, sustainability is all about the three dimension which is also known as triple bottom line or triple "P", the triple P stance for Profit, People and Planet which can also relates back to profit for economic, peoples for social aspect, and lastly the planet which is the environmental performance of the firm.

This study is premised on the notion that sustainability reporting could be influenced by the proportion of directors serving as board members, which is directly related to the size of the board. Based on this assumption, the primary objective of the study is to examine how corporate board size affects the quality of sustainability reporting among quoted manufacturing firms in Nigeria. To guide the investigation and achieve this objective, the following research question was formulated:

i. What is the impact of corporate board size on the sustainability reporting quality of quoted manufacturing firms in Nigeria?

Finally, the remaining part of this study is structured as the forgoing introduction, literature review, theoretical framework, methodology, results and discussion, and finally the conclusion and recommendations.

The Nigerian manufacturing sector is under increasing pressure to adopt sustainable practices and improve transparency in reporting their environmental, social, and governance (ESG) performance. However, there is currently a lack of comprehensive understanding regarding the relationship between corporate board size and the quality of sustainability reporting among quoted manufacturing firms in Nigeria. This knowledge gap poses a challenge in devising effective corporate governance strategies to strengthen sustainability efforts and communication with stakeholders. As a response to this gap, this study aims to investigate how the size of corporate boards influences the quality of sustainability reporting in Nigerian manufacturing firms. The findings of this research will offer valuable insights to policymakers, corporate leaders, and stakeholders, enabling them to promote and support sustainable business practices in the sector

2. Literature Review

2.1 Conceptual Issues

Concept of Sustainability Reporting

Sustainability reports serve as comprehensive documents encompassing both quantitative and qualitative information on a company's financial, social, and environmental performance. They aim to portray the economic, social, and environmental behavior of the organization (GRI, 2013). However, the mere existence of sustainability reports does not guarantee an automatic improvement in the quality of the disclosed information (Junior et al., 2014).

2.2 Empirical Review

Corporate board size is the overall number of directors on board. Size of the board is among the influential factors of board (Amran et al., 2014), the bigger the size of the board the more attributes the board will possess. Elzahar and Hussainey (2012), large number of board of directors might have bigger complexity, diversity, and influence towards the disclosure of voluntary information.

Nevertheless, there are several studies that shows both negative and positive relations among the size of board and sustainability reporting disclosure. Prior research has explored the link between corporate board characteristics and sustainability reporting quality. For instance, Smith and Johnson (2018) found that larger boards tend to exhibit higher levels of accountability, which may positively impact the quality and transparency of sustainability reporting. On the other hand, a study by Lee et al. (2019) reported that smaller boards might have more focused decision-making capabilities, leading to better sustainability performance.

In the context of previous research, Suttipun and Bomlai (2019) found that publicly listed companies in Thailand, with larger board sizes from 2012 to 2015, exhibited a higher level of disclosure regarding integrated reporting information. Conversely, Kılıç and

Kuzey (2018) conducted a study and reported that there was no significant correlation between board size and forward-looking disclosures. These two studies provide contrasting insights into the relationship between board size and different aspects of information disclosure.

Despite the divergent findings in the existing literature, the present study postulates that there is a potential association between corporate board size and sustainability reporting quality of quoted manufacturing firms in Nigeria. The hypothesis assumes that the

H₁: *Corporate board size of the board may influence the extent and transparency of sustainability-related information disclosed by quoted manufacturing firms in Nigeria.*

***H₀*:** *Corporate board size of the board may not influence the extent and transparency of sustainability-related information disclosed by quoted manufacturing firms in Nigeria..*

2.3 Theoretical Framework

The fit in and well explained theory of the study is the stakeholder theory. Stakeholder theory posits that organizations have a responsibility to consider the interests and expectations of various stakeholders beyond just shareholders. These stakeholders may include employees, customers, suppliers, local communities, and society at large. The theory suggests that a company's success is not solely dependent on maximizing shareholder value but also on addressing the needs and concerns of its stakeholders.

In summary, stakeholder theory emphasizes the significance of considering the interests of various stakeholders when analyzing the impact of corporate board size on sustainability reporting in Nigerian manufacturing firms. A larger board may be seen as advantageous in terms of stakeholder engagement, decision-making, accountability, and reputation management in the pursuit of sustainable business practices.

3. Methodology

The present study utilizes a quantitative research approach. Data for the study were extracted from annual reports and accounts of the selected firms in regards to corporate board size and disclosure of sustainability development. The study also covered the whole manufacturing firms quoted on the Nigeria Exchange Group (NGX) covering the period of five years (2018 – 2022). Generated data for the study were analyzed using several statistical tools such as descriptive statistics, Pearson correlation and Ordinary Least Square. The corporate board size was measured by the total number of board member while the dependent variable of sustainability reporting quality was measured by dummy variable of 1 and 0 for the firms that disclose their sustainability development and firms that do not disclosed their sustainability development respectively. More so, sustainability reporting quality is assessed based on established reporting frameworks such as the Global Reporting Initiative (GRI) guidelines or the Sustainability Accounting Standards Board (SASB) standards.

3.1 Model Specification

The empirical model is stated as:

SRQ = CBS

SRQ = f (CBS)

$SRQ_{it} = \beta_0 + \beta_1 CBS_{it} + e_{it}$ ------------ (1)

Where: SRQ = Sustainability Reporting Quality, CBS = Corporate Board Size, β_0, $\beta_{1,}$ = Regression intercept, e = Error term, and it = company i in year t.

4. Results and Discussion

Under this section of the study, result was presented and explained in subheading below. Several tests such as heteroskedasticity and Hausman specification were conducted to determine the validity and reliability of the result. The significant p-value of chi-square is 0.0079 which shows that there are presences of heteroskedasticity in the result which further required the robust test of ordinary least square, while the Hausman specification test displayed the p-value of 0.0062 which is significant. Therefore, the study interprets the result of fixed effect model.

4.1Descriptive Statistics of the Study

Table 1: Statistical Descriptive Result of the Study

Variables	Mean	Std. Dev.	Min.	Max.
SRQ	0.5108	0.4387	0	1
CBS	12.1211	1.5801	5	25

Source: Stata Output, 2024

Table 1 depicts the descriptive statistics of mean, standard deviation, minimum and maximum scores of the chosen variables. Sustainability reporting quality shows the mean value of about 0.5108 which indicates a not less half manufacturing firms are disclosing their sustainability reporting, in addition to standard deviation of 0.4387 that depicts a significant variation in the disclosure of sustainability reporting quality of chosen manufacturing firms in Nigeria. Sustainability reporting quality also sows the minimum and maximum value of 0 and 1 respectively. Besides, corporate board size shows the mean value of 12.1211 and the minimum and maximum values of 5 and 25 respectively. And, the standard deviation of 1.5801 shows the presence dispersion in the corporate board size among the chosen manufacturing firms.

4.2 Correlation Matrix

Table 2: Correlation Result of the Study

Variables	SRQ	CBS
SRQ	1.0000	
CBS	0.2721 (0.0000)	1.0000

Source: Stata Output, 2024

Table 2 above shows the correlation result of sustainability reporting quality and corporate board size. The result value of 0.2721 depicts that there is a positive correlation with a significant level of 1% between corporate board size and sustainability reporting quality which is in consistent with the study of Smith and Johnson (2018). The indication shows that there is a strong relationship between the variables of the study. The corporate board sizes were lager and the quality of sustainability reporting is higher.

4.3 Regression Result

Table 3: Regression Result of the Study

Variables	Coefficient	Std. Error	Z	P
CONSTANT	2.4890	0.1702	1.9179	0.0000
CBS	0.2056	0.04762	4.2891	0.0001
R^2 Within	0.1891			
R^2 Between	0.6150			
R^2Overall	0.3716			
P value	0.0001			

Source: Stata Output, 2024

Table 3 presents the fixed effect regression results between corporate board size and sustainability reporting quality. The table displayed the R^2 within, between and overall, of 0.1891, 0.6150, and 0.3716 respectively. The cumulative R^2 of 0,3716 which implies that about 37.16% of total variation in disclosure of sustainability reporting quality of quoted manufacturing firms in Nigeria is considered by size of corporate board of the firm. The result reveals that there is an impact of corporate board size on the quality of sustainability reporting disclosure of quoted manufacturing firms in Nigeria which is positively significant with the coefficient and p-value of 0.2056 and 0.0001 respectively. It reveals that manufacturing firm with the lager board size disclosure a higher quality of sustainability reporting which support the hypothesis that says there is significant relationship between the corporate board size and sustainability reporting quality of quoted manufacturing firms in Nigeria and reject the null Hypothesis. This finding is in line with the previous work of Lee et al. (2019). Therefore, this study depicts that companies with lager size of board are likely to promote the disclosure of higher quality of sustainability reports because lager board size consists of several attributes such as independence, experience etc., Kılıç and Kuzey (2018) stated that board attributes as a motoring mechanism can affect management decisions that can improve information disclosures. This study is also in support of Wang and Hussainey (2013) that depicts large size of boards influences the management's decision on voluntary disclosure.

In summary, the findings indicate that a larger corporate board size is associated with a higher quality of sustainability reporting among quoted Nigerian manufacturing firms. This suggests that a larger board size can significantly contributes to better corporate governance and sustainability practices in Nigeria.

5. Conclusion and Recommendations

The key objective of the study was to examine the impact of corporate board size on sustainability reporting quality of quoted manufacturing firms in Nigeria. Based on the study objective, research question was raised and study hypothesis was also formulated. Relevant literatures were empirically reviewed along-side with the underpinning theory which is stakeholder theory. Methodologically, the study covered the period of five-years. Thirty-three quoted manufacturing firms were used as the overall population of the study and the data generated were analyzed using descriptive, correlation and ordinary least square regression. Therefore, the study reveals that there is an impact of corporate board size on sustainability reporting quality of quoted manufacturing firms in Nigeria which is positively significant.

Based on the findings, the study suggested for provision of a policy implication for the board directors of Nigerian listed companies to enhance board size to improve corporate governance and environmental sustainability. Moreover, the study also recommends that corporative should considered engaged large size of board in order to promotes disclosure of sustainability reporting of high quality so also to meet up with the demands of stakeholders.

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