

## Challenges and Barriers to Sustainability Reporting in the Nigerian Context

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### Abstract

This study examines the challenges and barriers of sustainability reporting faced by reporting entities in the Nigerian context. To conduct the literature review more systematically, the systematic review method was employed. Therefore, this study reveals that firms are still facing significant barriers and challenges in reporting sustainability such as lack of knowledge and understanding of sustainability reporting; lack of integration of sustainability performance with incentives; lack of sustainability communication with various stakeholder groups, lack of standardization in reporting sustainability; lack of collective efforts for sustainability. The study further, suggested that firms' sustainability initiatives are being delayed due to lack of government policies regarding the determination of social and environmental programs which was also part of the hurdles to effective sustainability reporting. It was concluded that those barriers and challenges to sustainability reporting can be group into individual factors which include managers' mind set and willpower and managers' knowledge and skills; institutional factors such as Global Reporting Initiative (GRI) guidelines/standards, sustainability reporting award schemes, and stakeholder pressure; and finally the organizational factors which comprise top management support, employee support and resistance, technical issues with data, organizational reputation, and organizational culture. Therefore, the responsibility for promoting sustainability issues lies with the collective efforts of both organizations and institutions such as responsible investors, NGOs, consumers, governments, and stock exchanges. If these are achieved, would provide effective sustainability reporting in the future.

**Keywords:** Individual factors, Institutional factors, Organizational factors, Systematic Review, Sustainability Reporting.

### 1.0 Introduction

Sustainability reporting is phenomena that will continue to receive the attention of researchers and policy makers for its immense importance in the wellbeing of reporting entities as well as the society in which the firms operate. Business entities operate within the society and their operations can be hazardous to the wellbeing of the habitants of that society especially human being. As a result, entities need to find a way of protecting or keeping and sustaining the environment properly and smoothly as well as reporting those sustainability activities in their financial statements. Similarly, their focus should not to be limited to reporting economic information of the entity but to include both social and environmental information in their financial statements. This will go a long way in providing corporate social responsibility as well as reducing the negative effect of their operations and foster or promote their social standing. According to Anderson (2023) sustainability reporting entails the disclosure of environmental, social, and governance (ESG) goals, along with communicating the progress made towards achieving these objectives. It goes beyond merely stating the company's sustainability aspiration by actively assessing the action plan implemented to reach targets.

Nigeria is a country with abundance natural resources where companies from different part of the world come and operate. For instance, the multinationals that participate in the oil exploration and production

include Shell Petroleum Development Company of Nigeria Limited (SPDC), Chevron Nigeria Limited, Mobil Producing Nigeria Unlimited and Nigeria Agip Oil Company Limited among others. These companies operate largely onshore on dry land or in the offshore. In addition, cement companies are also tapping from the country's natural resources which include Dangote cement company Ltd, Bua cement company Ltd among others. Operations of these companies can cause environment degradation and pollution which indicate the need for environmental sustainability as a way for corporate social responsibility. Meaning that, businesses must ensure lowering any harmful environmental consequences while generating value for everyone, be it stakeholders, employees, consumers, or shareholders. In short, businesses are to foster innovation and preserve our way of life by protecting our natural environment, global warming as well as protecting human and ecological health.

Spiliakos (2018) viewed business sustainability as doing business without negatively impacting the environment, community or society as a whole. Sustainability business is that approach to doing business that considers the needs of both current and future generations. It balances economic growth, environmental protection, and social progress. It does not compromise the ability of future generations to meet their needs. It also involves making investments in renewable energy sources.

Challenges and barriers to sustainability reporting include individual factors which take account of managers' mind set and willpower and managers' knowledge and skills; institutional factors such as GRI guidelines/standards, sustainability reporting award schemes, and stakeholder pressure; and finally the organizational factors which comprise top management support, employee support and resistance, technical issues with data, organizational reputation, and organizational culture (Thoradeniya et al., 2015).

Reporting sustainability becomes a big deal by reporting entities due to so many hurdles that affect its reporting practices. These hurdles include lack of information about sustainability reporting and its benefits, lack of regulations and more importantly lack of awareness about sustainable development in South Africa (Mhlop, 2020). Therefore, Mhlop conducted a study in South Africa which could serve as a location and time gap if similar study is focusing here in Nigeria like this study.

There are number of researches on sustainability reporting in general. These include Abdullahi and Makama (2021), Ikpore et al. (2022), Benameur et al. (2023) among others. However, in terms of the challenges and barriers to sustainability reporting, they offer little or no answers for the developing countries, particularly Nigeria. Thus, inadequate body of knowledge still exists on the challenges and barriers that affect entities from being effectively reporting sustainability such as lack of knowledge and understanding of sustainability reporting; lack of integration of sustainability performance with incentives; lack of sustainability communication with various stakeholder groups, lack of standardization in reporting sustainability; lack of collective efforts for sustainability. It was also concluded that lack of accounting information attributes such as understandability, comparability and consistency where all of part of the hurdles of sustainability reporting practices in Nigeria.

These challenges and barriers to sustainability reporting were group into individual factors; institutional factors and finally the organizational factors. Therefore, it is against this background the paper finds it worthy to examine the effect of sustainability barriers and challenges to effective sustainability reporting in the Nigerian context.

## 2.0 Literature Review

This literature review aims to walk around the barriers and challenges of sustainability reporting studies conducted locally in Nigeria and at international arena. Furthermore, those barriers and challenges to sustainability reporting were group and reviewed into individual factors; institutional factors; and finally, the organizational factors as follows.

### *Individual Factors and Sustainability Reporting*

Individual factors to sustainability reporting include managers' mind set and willpower and managers' knowledge and skills. The empirical studies with respect to that were reviewed as follows:

Abdullahi and Makama (2021) conducted a study on sustainability reporting in Nigeria. The study reveals that some firms consider sustainability reporting too luxurious and of slight or no paybacks at all, as such they shy away from reporting it. The study also found barriers that restricted non-reporting firms from reporting sustainability such as lack of expertise on environmental accounting, engineering and social knowledge; Lack of pressure from shareholders and top managements of companies, organizational structure and appropriate legal backing. On the other hand, firms that are reporting sustainability in Nigeria were due to the perceived submission to institutional coercive, mimetic and normatic pressures. The study recommended that non-reporting firms should get enlightened on the benefits of SR through conferences, workshops and seminars to be organized by stakeholders. Government should also develop a suitable legal framework and organizational structure appropriate for SR practice in Nigeria so as to encourage the non-reporting firms to practice SR. In the same vein, understanding the concept of sustainability reporting and its benefits as well as mandatory sustainability reporting may be the building blocks to encourage sustainability reporting practices.

Okwuosa and Amaeshi (2018) seeks to gain an insight into the views, attitude and understanding of the concept of sustainability reporting by the Nigerian professional accountant who is expected to play a role in integrating sustainability and financial reporting in the Nigerian environment. The study adopts an exploratory qualitative research design and snowball sampling survey. The finding shows that the accountants understand corporate sustainability as the incorporation of social and environmental concern in business decisions to ensure responsible business practices but within the context of shareholders value maximization as opposed to being about the right thing to do. There is also evidence that the accountants' sustainability knowledge derives 65% from international linkages and only 1% from the local accounting profession, with a high 24% claiming no knowledge of sustainability reporting. The study recommends that the accounting professional bodies should intervene to equip its members with the relevant knowledge of sustainability reporting.

### *Institutional Factors and Sustainability Reporting*

Institutional factors such as Global Reporting Initiative (GRI) guidelines/standards, sustainability reporting award schemes, and stakeholder pressure. Their reviews are as follows:

Oluwamayowa & Omowunmi (2017) established the level of environmental management accounting practices among listed firms in Nigeria and South Africa. The study utilized primary data through the administration of structured questionnaire distributed to 44 accountants, 22 from each country. The study found that EMA practices are higher in South Africa than Nigeria given the number of EMA techniques applied by firms in South Africa (n=72) compared to Nigeria (n=41). The study identified institutional barrier as the major factor preventing EMA practices in Nigeria while EMA practices in

South Africa are prevented mainly by financial barriers. The study recommends that the government and other stakeholders in Nigeria should play active roles in making and enforcing environmental laws and regulations so as to curb complacency in relation to environmental issues among firms. Similarly, EMA practices may face challenges to include lack of mandatory disclosure requirement, and inadequate sustainability professionals to improve sustainability reporting.

Abdullahi and Makama (2021) conducted a study on sustainability reporting in Nigeria. The study reveals that some firms consider sustainability reporting too luxurious and of slight or no paybacks at all, as such they shy away from reporting it. The study also found barriers that restricted non-reporting firms from reporting sustainability such as lack of expertise on environmental accounting, engineering and social knowledge; Lack of pressure from shareholders and top managements of companies, organizational structure and appropriate legal backing. On the other hand, firms that are reporting sustainability in Nigeria were due to the perceived submission to institutional coercive, mimetic and normatic pressures. The study recommended that non-reporting firms should get enlightened on the benefits of SR through conferences, workshops and seminars to be organized by stakeholders. Government should also develop a suitable legal framework and organizational structure appropriate for SR practice in Nigeria so as to encourage the non-reporting firms to practice SR.

Toriola-Coker et al. (2021) established the likely barriers to successful application of sustainable construction in the Nigeria construction industry and factors to overcome the possible barriers. A qualitative approach was used for the study and a questionnaire survey was conducted among the professionals and other stakeholders. Among the highly ranked sustainability barriers to construction practice are poor sustainability education in academic institutions, lack of incentives for designers to facilitate sustainable design, ignorance of lifecycle cost benefits, sustainable construction regarded as low priority and other issues take priority and resistance to cultural change in the industry. The research recommends adequate sustainability education in academic institutions to positively impact the required cultural change in the industry as well as proper government policies that support implementation of sustainable construction practices. However, sustainability cost may also serve as a barrier that hinders the sustainability reporting practices as well as the absence of mandatory regulation to that effect.

Mhlope (2020) examine the challenges and barriers faced by SMEs, together with the potential benefits in sustainability reporting. As the South African government begins to respond to issues such as climate change, skills development and good governance, it will become necessary for them to introduce regulations to manage this risk and that reporting will become a regulatory requirement that SMEs will be forced to comply with to continue to do business. The research finds that challenges such as lack of information about sustainability reporting and its benefits, lack of regulations and more importantly, lack of awareness about sustainable development need to be addressed. The participating SMEs are also able to show that they have attained a competitive advantage as a result of engaging in sustainability reporting. However, since SMEs have attained competitive advantage for reporting sustainability activities then forcing them to comply with the regulatory requirement on sustainability does not arise due to the benefits, they usually drive from reporting sustainability.

Kumar and Devi (2015) conducted a study on sustainability reporting practices in India: Challenges and Prospects. This paper mainly focuses on the state and overview towards the development of sustainability reporting Practices in India. The results of the study reveal factors that caused slow pace in sustainability reporting like Unclear/rapidly evolving reporting standards and frameworks, Breadth of topics under sustainability can be overwhelming, Lack of management support or understanding -

Fear of risking credibility and reputation, risking misinterpretation, Training and education of management and employees responsible for report. The study concludes that the benefits of sustainability reporting are not clearly understood within companies, either by leadership or employees. There is a skills gap between what is required to create a comprehensive sustainability report and what companies have available and are willing to commit to the task.

Munoz, et al. (2017) studied issues in sustainability accounting reporting in the U.S. The study identifies seven issues of the reporting frameworks of sustainability accounting such as definitions, measurements and disclosures, motivations, compliance, enforcement, standardization, and the ultimate effect on reliability and comparability. An archival analysis approach is used to summarize and compare Dow 30 sustainability accounting reporting frameworks and information disclosed in 2015 annual reports and websites. The study reveals that the most popular framework is the Global Reporting Initiative (GRI) G4 Sustainability Reporting Guidelines. It also found that some companies developed sustainability accounting reporting frameworks and others did not disclose any information regarding sustainability accounting reporting. Although the GRI framework is the most used, external assurance is present in only a few companies.

### ***Organizational Factors and Sustainability Reporting***

Organizational factors to sustainability reporting comprise top management support, employee support and resistance, technical issues with data, organizational reputation, and organizational culture. The related empirical reviews are as follows:

Ojo et al. (2021) investigated the barriers to Environmental Management System (EMS) implementation in the Nigerian construction industry (NCI) to group them into a smaller form. Impact of different hazardous substances constitutes an adverse effect on the quality of life of construction workers and the populace at large. A questionnaire survey was developed and administered to construction professionals in Nigeria using a purposive sampling technique. The study findings reveal three main categories of barriers affecting EMS implementation, namely; knowledge barrier; process barrier; and culture and management barrier. It was recommended that the training of construction professionals is important to enhance improvement culture in the NCI. Furthermore, lack of management commitments could be a strong barrier to sustainability reporting practice which may lead to process and knowledge barriers.

Ikpor et al. (2022) investigates the factors that drive the choice of sustainability reporting in an emerging market economy context, with reference to Nigeria. Data were sourced from 3 different reports (annual accounts, sustainability reports and websites) of the top 50 large companies listed in the Nigeria Exchange Group Limited from 2015 to 2020. Fixed effect panel regression model was employed for the analysis. The findings indicate that size of firms, profitability and companies audited by Big-4 audit firms has a significant positive relationship with sustainability reporting in Nigeria. In contrast, ownership structure and the leverage position of firms affect sustainability reporting negatively. This indicates that sustainability reporting is mostly influenced by the above-mentioned internal factors. Furthermore, the study shows that the banking and oil and gas sectors take sustainability reporting more seriously than any other sectors in Nigeria.

Erin et al. (2021) carries out research on corporate governance and sustainability reporting quality: evidence from Nigeria. The study give emphasis to 120 listed firms on Nigeria Stock Exchange using the ordered logistic regression technique. The study measured sustainability reporting quality using a scoring system, which ranges between 0 and 4. The highest score is achieved when sustainability

reporting is independently assured by an audit firm. The lowest score refers to the absence of sustainability reporting. The results indicate that board governance variables (board size, board gender diversity and board expertise) and audit committee attributes (audit committee size, audit expertise and audit meeting) are significantly associated with sustainability reporting quality. Additional analysis reveals that external assurance contributes to the quality of sustainability reporting through corporate governance characteristics. Drawing from the result, the study provides strong interconnectivity between the corporate board and audit committee in driving sustainability reporting quality within an organizational context.

Paiva (2015) explored the views of a group of staff from Brazilian organizations that profess to be 'sustainable', on barriers to sustainability using qualitative research approach. The main barriers identified in the study were lack of clarity in the concept, resistance to change, lack of systems thinking, political factors, inability to ensure sustainable behaviour among suppliers, and the consumer culture of global capitalism. In investigating perceptions of barriers to sustainability by managers of business companies, the study contributes to a better understanding of how the tensions between the growth imperatives of an emerging economy and calls for sustainable practices are played out at organizational level. Moreover, lack of knowledge of sustainability may be a prime factor to lack of clarity in the concept, resistance to change as well as lack of system thinking.

Giacomini et al. (2018) study the role of public-sector organizations (PSOs) in promoting the agenda of sustainability accounting and accountability in Italy which is not often adequately considered. The empirical data showed that the Sustainability Report (SR) is not being as widely used as in past years. Over time, the majority of Italian municipalities have not initiated or continued sustainability reporting due to some barriers including cost reduction, voluntariness, and low SR effectiveness. The findings suggest the popularity of SRs in Italy is falling and the SR tool appears to be "mere trend reporting based on descriptive indicators leading to decreasing interest from internal and external audiences". The carrot has been unsuccessful. Perhaps the implementation of mandatory requirements could alternatively be used as a stick. Thus, mandatory regulations on sustainability reporting have the capacity to improve sustainability and enhance the reputation of the reporting entities due to environmental sustainability they provide.

Micco et al. (2020) investigate the challenges that companies could face over time when dealing with sustainability reporting (SR) and focuses on potential mechanisms they may adopt to cope with them. The study adopted the theoretical framework proposed by Baret and Helfrich (2018) and used longitudinal case study. The study established that stakeholders' engagement scarcely affected SR. The study recommends that dissemination, employees' involvement, managerial commitment and routinization/institutionalization of reporting practices appeared to be useful mechanisms to face the related challenges. Thus, the legislation impacted the extent and quality of disclosed contents and fostered the standardization of the reporting process. Hence, the study offers a useful example for companies approaching SR for the first time. SR development within a company depends on the continuous and integrated management of its multiple challenges, also suggesting that its interdependencies with the definition and execution of sustainability should be exploited.

Yulianita et al. (2021) look at the obstacles faced by LPHD Buana Utama in applying the principles of sustainable development which are reflected in the implementation of sustainability programs and reporting. Village Forest Management Institution is a village community institution tasked with managing village forests based on the principles of sustainable forest management. The principles of

sustainable forest management are in line with the principles of sustainable development. The study is designed using a qualitative approach. The findings of the study reveal that the main barriers to the implementation of sustainability reporting by LPHD Bhuana Utama are caused by lack of knowledge and understanding of sustainability reporting; lack of special team in charge of carrying out sustainability reporting; and finally, lack of communication with various stakeholder groups regarding the determination of social and environmental programs to be implemented. Though, the population of the study is scanty as it is case study research.

Permatasari and Gunawan (2023) observe sustainability policies to promote sustainability reporting and actions in companies, including small and medium enterprises (SMEs). The study uses a qualitative approach. The study reveals that, there is no policy that actively encourages and supports SME in developing sustainability reports in Indonesia. The two most relevant regulations are 29/POJK.04/2016 and 51/POJK.03/2017, which most apply to large companies and publicly listed companies. Large companies are obliged to promote the submission of sustainability reports, unlike the SMEs. The study highlights the crucial role of sustainability reporting in promoting sustainable practices among SMEs and emphasizes the importance of enforcing laws and regulations to promote corporate social responsibility (CSR) in SMEs to achieve sustainable development goals. On the other hand, quantitative approach needs to be explored for better results and objectivity.

Dissanayake et al. (2020) provide insights into the barriers for sustainability reporting practices in five different countries in the Indo-Pacific region. The study uses surveys and semi-structured interviews to explore the main barriers faced by the managers of listed companies in undertaking sustainability reporting. The findings of the study reveal that the main barriers for sustainability reporting are attributable to lack of knowledge and understanding, additional cost involved, time constraints, lack of awareness and education in sustainability reporting, and a lack of initiatives from government. These vary between three groups of countries: those with more developed reporting, those with less developed reporting and those with strong cultural constraints to reporting. The study recommends that reporting companies should come up with strategies to mitigate existing barriers and regulatory authorities should provide subsidies and other incentives to supplement the efforts of these listed companies. Also, non-reporting companies could use the findings as a measure of cautiousness in order to set up the necessary processes to have a smooth sustainability reporting process in their companies.

Kumar and Devi (2015) conducted a study on sustainability reporting practices in India: Challenges and Prospects. This paper mainly focuses on the state and overview towards the development of sustainability reporting Practices in India. The results of the study reveal factors that caused slow pace in sustainability reporting like Unclear / rapidly evolving reporting standards and frameworks, Breadth of topics under sustainability can be overwhelming, Resources: cost, time, expertise, New processes may feel uncomfortable, especially stakeholder engagement, Lack of management support or understanding – Fear of risking credibility and reputation, risking misinterpretation, Training and education of management and employees responsible for report, Mandating sustainability reporting places companies and stock exchanges at a competitive disadvantage to understand how to increase the depth and scale of the commitment of Indian Companies towards Sustainability Reporting. The study concludes that the benefits of sustainability reporting are not clearly understood within companies, either by leadership or employees. There is a skills gap between what is required to create a comprehensive sustainability report and what companies have available and are willing to commit to the task.

Munoz, et al. (2017) identifies seven issues of the reporting frameworks of sustainability accounting such as definitions, measurements and disclosures, motivations, compliance, enforcement, standardization, and the ultimate effect on reliability and comparability. An archival analysis approach is used to summarize and compare Dow 30 sustainability accounting reporting frameworks and information disclosed in 2015 annual reports and websites. The most popular framework is the Global Reporting Initiative (GRI) G4 Sustainability Reporting Guidelines. Some companies developed sustainability accounting reporting frameworks and others did not disclose any information regarding sustainability accounting reporting. Although the GRI framework is the most used, external assurance is present in only a few companies.

Benameur et al. (2023) conducted a study on sustainability reporting scholarly research: a bibliometric review and a future research agenda. The findings suggest that sustainability reporting has witnessed exponential growth, moved from a “paucity” stage in 2000 to the “saturation” stage in 2022, and is still on going. The collaboration among institutions producing sustainability reporting research reflects “locally-centralized-globally-discrete” cooperation. The collaboration between developed and developing world research organizations can be termed the “North-South” divide.

Galli et al. (2023) analyses the links and potential limiting and supporting factors between sustainability actions and sustainability reporting. Comparing companies involved in sustainability actions and those whose reporting practices lack a formal reporting system. The study analysis focuses on Italian small and medium-sized enterprises (SMEs) in the meat and cured meat industry, identifying the perspective (formative) that links sustainability action to communication in these SMEs. The qualitative interpretative approach, based on semi-structured interviews, highlights the relevant strengths and weaknesses concerning substantive sustainability actions and the effect of communication on them, providing implications for international and sectorial policies and management choices. The study also introduces, as a widely used practice, ‘greenhushing’, i.e., the deliberate absence of or limited communication on effectively implemented sustainability practices or their salient results.

### *Summary of the Literature Review*

The summary of the review was carried out according to the individual factors, institutional factors, and organizational factors of sustainability reporting using tabulated format.



**Table 1: Summary of Literature based on Sustainability Factors**

S/N	FACTORS	AUTHORS	METHODOLOGY	FINDINGS
1	Individual Factors	Okwuosa & Amaeshi (2018), Dissanayake, et al. (2020), Ojo, et al. (2021) and Abdullahi & Makama (2021)	The studies employed exploratory qualitative research design in one hand and quantitative research design on the other hand, sourced from sustainability accounting reporting frameworks and information disclosed in annual reports and websites.	The studies suggested that individual factors that are barriers to sustainability reporting include lack of knowledge and understanding of sustainability reporting, lack of expertise on environmental accounting, engineering and social knowledge, time constraints, lack of awareness among management cadre and employees were found to be the individual factors related to human skills and experience in reporting sustainability. Therefore, its lacking is demotivating organizations to engage in sustainability reporting.
2	Institutional Factors	Kumar and Devi (2015), Oluwamayowa & Omowunmi (2017), Munoz et al. (2017), Giacomini et al. (2018), Mhlope (2020), Dissanayake, et al. (2020), Abdullahi and Makama (2021), Toriola-Coker et al. (2021), Permatasari and Gunawan (2023), Galli, et al. (2023)	The studies employed exploratory qualitative research design in one hand and quantitative research design on the other hand, sourced from sustainability accounting reporting frameworks and information disclosed in annual reports and websites.	Discover that institutional factors are the major barriers preventing sustainability reporting practices. These institutional factors include: lack of clarity in the concept, lack of communication with various stakeholder groups regarding the determination of social and environmental programs to be implemented, lack of appropriate legal backing/regulations, lack of institutional coercive, mimetic and normatic pressures, poor sustainability education in academic institutions, lack of incentives for designers to facilitate sustainable design, lack of funding and curricular materials, like unclear /rapidly evolving reporting standards and frameworks, lack of standardization, due to Global Reporting Initiative (GRI), G4 Sustainability Reporting Guidelines and some companies developed sustainability accounting reporting frameworks which ultimately affect the reliability and comparability of reporting, political factors, the deliberate absence of or limited communication on effectively implemented sustainability practices (greenhushing).
3	Organizational Factors	Kumar and Devi (2015), Paiva (2015), Micco, et al. (2020), Yulianita et al. (2021), Ojo, Olugbenga and Obi (2021), Erin, et al. (2021), Ikpor et al. (2022)	The studies employed exploratory qualitative research design in one hand and quantitative research design on the other hand, sourced from sustainability accounting reporting frameworks and information disclosed in annual reports and websites.	The organizational barriers to sustainability that were found include resistance to change, management culture, inability to ensure sustainable behaviour among suppliers, and the consumer culture of global capitalism, lack of stakeholders' engagement, lack of special team in charge of carrying out sustainability reporting, Lack of management support or understanding – Fear of risking credibility and reputation, lack of training and education of management and employees responsible for report.

Source: Researcher's Compilation, 2023.

### 3.0 Methodology

This study conducted a literature review examining the challenges and barriers to effective sustainability reporting. A literature review may be more useful and serve the purpose better if certain procedures are used to minimize subjectivity. Thus, systematic review has emerged as systematic review of a large group of analysis results obtained from individual studies in order to combine the findings. Therefore, the systematic review method is used in this study to conduct the literature review more systematically. This study adopts a systematic search strategy. It combines topics; challenges and barriers to effective sustainability reporting and sustainability reporting. The study chose empirical papers as a characteristic for sample inclusion. The study adopted the following methods in carrying out the research. Firstly, the researcher planned the review. The study focused on evidence on the combined topics by identifying the need for the literature review on the topics, and developing the review protocol for a comprehensive review method. Secondly, the researcher conducted the review using meaningful keywords and screening of identified papers to ensure that they were empirical scientific peer-reviewed studies. Finally, the study's findings, conclusions and recommendations reported aim to be useful for the reporting entities, academics, and practitioners and thus contribute to implement sustainable development practices.

### 4.0 Results and Discussion

Sustainability is progressively appearing in many businesses in annual report or as stand-alone in their financial reporting. Nonetheless, reporting sustainability is not simple and straightforward task. Therefore, companies are still facing significant barriers and challenges in reporting sustainability in the Nigerian context. Thus, according to the results from the systematic review, these barriers and challenges to sustainability reporting were group in to individual factors, institutional factors and organizational factors and discussed as follows:

#### *Individual Factors and Sustainability Reporting*

Individual factors include managers' mind set and willpower and managers' knowledge and skills. Therefore, individual factors and their relationship with sustainability have been deliberated below:

**Understandability:** Understandability is the measure of how easily users of accounting information can comprehend a company's financial report. This will represent good reporting or communicating of sustainability effectively. However, several studies have shown that managers' consciousness, knowledge and skills are lacking, among them are: Okwuosa & Amaeshi (2018); Dissanayake, et al. (2020); Ojo et al. (2021) and Abdullahi & Makama (2021) who found the main barriers for sustainability reporting as attributable to lack of knowledge and understanding, of sustainability reporting, lack of expertise on environmental accounting, engineering and social knowledge, time constraints, lack of awareness among management cadre and employees were found to be the individual factors related to human skills and experience in reporting sustainability. Therefore, its lacking is demotivating organizations to engage in sustainability reporting.

**Professional Accountants' Commitment:** Professional accountants in business represent the interest of the owners of the company. Their roles usually include governing the organization such as, approving annual budgets and accounting to the stakeholders for the company's performance; assist with corporate strategy, provide advice and help businesses to reduce costs, improve their top line and mitigate risks and communicating financial information. Moreover, their focus is more on the economic rather than environmental and social issues. This is consistent with the work of Okwuosa and Amaeshi (2018) which exposed that the accountants understand corporate sustainability as the incorporation of social and

environmental concern in business decisions to ensure responsible business practices but within the context of shareholders value maximization as opposed to being about the right thing to do. According to them sustainability is not about accountants helping corporations to provide stakeholders with social and environmental accountability information. There is also evidence that the accountants' sustainability knowledge derives 65% from international linkages and only 1% from the local accounting profession, with a high 24% claiming no knowledge of sustainability reporting.

### ***Institutional Factors and Sustainability Reporting***

Institutional factors composed of Global Reporting Initiative (GRI) guidelines/standards, sustainability reporting award schemes, and stakeholder pressure. Similarly, firms are facing obstacles in applying the principles of sustainable development which are reflected in sustainability reporting. Among the studies that supported this notion are discussed hereunder:

**Standardization:** Standardization is achieved when all relevant parties in an industry or organization adhere to processes associated with the creation of goods or performance of a service and measurement of accounting information within set guidelines which are prevalence to different nations across the world. However, due to voluntarily and mandatory disclosures, reporting entities find it difficult to make comparison of sustainability reporting within the industry and inter industry and across nations. This is not contrary to the study of Giacomini et al (2018) who suggested some barriers such as cost reduction, voluntariness, and low SR effectiveness for the majority of Italian municipalities. The study, further, found that the carrot has been unsuccessful. Perhaps the implementation of mandatory requirements could alternatively be used as a stick. On the contrary, Kumar and Devi (2015) offered that mandating sustainability reporting may not be conducive to the production of comprehensive and useful reports in India. Furthermore, mandatory disclosure is a good practice to those that do not voluntarily report their sustainability information.

**Performance Incentive:** Integration of sustainability performance with incentives can change behaviour and drive sustainability progress. However, many companies are not linking management incentives to sustainability performance, making it difficult to picture in annual remuneration packages. This is in agreement with Toriola-Coker et al. (2021) that reported highly ranked sustainability barriers to Nigeria construction industry practice to include poor sustainability education in academic institutions, lack of incentives for designers to facilitate sustainable design, ignorance of lifecycle cost benefits, sustainable construction regarded as low priority and other issues take priority and resistance to cultural change. In the same vein, Oluwamayowa & Omowunmi (2017) found institutional barrier as the major factor preventing environmental management accounting (EMA) practices in Nigeria while financial barriers as the major factor preventing EMA practices in South Africa.

**Government Policy:** Firms' sustainability initiatives are being reduced or delayed due to political uncertainty and lack of government policies. This is in line with the study of Permatasari and Gunawan (2023) which reveal that, there is no policy that actively encourages and supports SME in developing sustainability reports in Indonesia. However, the study found that there are two most relevant regulations 29/POJK.04/2016 and 51/POJK.03/2017, which most apply to large companies and publicly listed companies. Therefore, large companies are obliged to promote the submission of sustainability reports in Indonesia, unlike the SMEs.

### *Organizational Factors and Sustainability Reporting*

Organizational factors comprise top management support, employee support and resistance, technical issues with data, organizational reputation, and organizational culture. Among the organizational factors are:

**Poor Communication:** Poor communication entails the practice of organization not communicating their strategy at all, communicating irregularly, or shared it only with specific organizational levels. This is consistent with the study of Galli, et al. (2023) who discloses that Italian small and medium-sized enterprises (SMEs) are of limited or absence communication on effectively implemented sustainability practices. Moreover, Yulianita et al. (2021) exposes that the main barriers to the implementation of sustainability reporting are caused by lack of knowledge and understanding of sustainability reporting; lack of special team in charge of carrying out sustainability reporting; and finally, lack of communication with various stakeholder groups regarding the determination of social and environmental programs to be implemented.

**Collective Efforts:** Sustainability is beyond individual action. It requires collective force for positive change. Firms must recognize that they are all part of the same global community and firms' operations have an impact on each other. This is not consistent with the work of Kumar and Devi (2015) who suggested that the responsibility on the relevance of sustainability issues lies collectively with the organizations and institutions which want to see increased sustainability disclosure, such as responsible investors, NGOs, special interest groups, consumers, governments, and stock exchanges. Thus, lack of collective efforts among stake holders is one of the barriers to effective sustainability reporting.

### **5.0 Conclusion**

Based on the above discussions, the study concludes in relation to individual factors, that non-existence of lectures, lack of holding lunch-and-learns for staff members to enhance their knowledge, not giving staff the freedom to play a part, not supporting board members and company executives to focus on sustainability and drive execution constitute lack of understandability in sustainability reporting in Nigeria. In addition, professional accountant's commitments towards sustainability have not adequately enhanced the quality of sustainability reporting in Nigeria due to inadequate number of experts in the field of environmental accounting as well as lack of relevant knowledge of sustainability reporting among professional accountants in Nigeria. Despite that, they support an accounting standard on sustainability reporting as well as Financial Reporting Council of Nigeria (FRCN) that is mandating it, playing roles in its reporting chain.

On the basis of institutional factors, different sustainability guidelines across nations including mandatory and voluntarily guidelines are the major barriers to lack of standardization in reporting sustainability in Nigeria, and at same time which is detriment to comparison of sustainability reporting within the same industry and inter industry in Nigeria and across the world. Moreover, absence of clarity in the concept of sustainability and lack of awareness on the benefits to be derived from reporting sustainability hinder the motivation of employees at all levels with sustainability. Therefore, sustainability performance has no linkage to bonuses. Similarly, absence of good sector coordination and public-private partnership approaches to execute the SDGs hold back government to develop a framework that necessitates action from corporations so as to reduce emissions and promote sustainability in Nigeria.

Sequel to the reviewed organizational factors, the study concludes that sustainability reporting requires disclosure and communicating environmental, social, and governance (ESG) goals to various users

identifying and taking into account its broad impacts on the environment, and the changes it generates. Nonetheless, lack of notes that will explain terminologies and metrics use in the sustainability reporting so as to inform the relevant users and based their decision, is the main barrier to good communication in sustainability practices. As a result, companies' reputation, regulatory compliance as well as brand value will not be enhanced. In the same vein, lack of organizational consciousness as well as lack of good sector coordination and public-private partnership approaches to execute the SDGs really blocks organizations to broaden their collaboration with Universities, R&D groups and downstream supply chain partners/end customers as well as NGOs to offer the tools and expertise required to support sustainable development.

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