EFFECT OF SUSTAINABILITY ACCOUNTING REPORTING ON PROFITABILITY OF LISTED MANUFECTURING COMPANIES IN NIGERIA: 2012-2022

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Abstract

The broad objective of this study is to examine the effect of sustainability accounting reporting on profitability of listed manufacturing companies in Nigeria (2011-2022). The study examined specifically the effect of dividend payout, community development cost, employee safety cost and research and development cost on the profitability of quoted manufacturing companies in Nigeria. This is anchored on stakeholders' theory and Ex-post facto design was adopted for the study. The collected data was analyzed using Pearson Product Moment Correlation Coefficient model with the aid of E-view 9.0 econometrics tool. The findings revealed that dividend payout, employee relations cost and research and development has positive significant effect on profitability of quoted manufacturing companies in Nigeria. These were validated by their Correlation Coefficient values of r = 0.835 and the p-value = 0.002, r = 0.802 and the p-value = 0.000 and r = 0.798 and the p-value = 0.009 respectively while only community relations cost does have negative significant effect on profitability of quoted manufacturing companies in Nigeria as validated by the value of its r = -0.783 and the p-value = 0.003. The implication of the findings is that listed manufacturing companies in Nigeria need to change from the traditional way of reporting to sustainability accounting reporting as this exposes their companies' operations with the environment they exist vi-sa-vis their actual profit performance. This study therefore recommend that management of list manufacturing companies in Nigeria should continue to make dividend payment timely and regular as this will help potential investors and investors make investment decisions about the companies, that the burden of community development should be reduced in the social responsibility of listed manufacturing industry in Nigeria as it exert negative influences on the profitability of the companies. More so, that employee relations cost should be increased and firms should invest more on their employees in term of training, health, promotion and other benefits in line with labour laws and global best practices as this will increase the profitability performance of their companies and finally that listed manufacturing companies in Nigeria should invest more on research and development as this will give their companies competitive edge advantage over counterpart company hence continuous boost in their profitability.

Introduction

Firms all over the world are increasingly being challenged to expand on and enlarge their financial reportage to include both those targeted at profiteering as well as social efforts being made to improve the environment. To this extent, sustainability accounting as a business philosophy is fast gaining momentum in this millennium especially in the face of the adoption of International Financial Reporting Standards (IFRS) which emphasizes a lot on disclosure. Sustainability accounting can be defined as the integration of reporting and accounting for social, environmental and economic issues in corporate reporting or simply the 'Tipple bottom line reporting (Elkington, 2004). It is an improvement of the traditional way of financial reporting which is fast gaining acceleration with the adoption of International Financial Reporting Standards (IFRS) which compels thorough and full information on firms' monetary and non-monetary activities within their operational localities. These dimensions of reporting are measured through dividend payout, community relations cost, employee relations cost, customer's satisfaction, waste production cost, research and development, energy and water consumption among others are the core issues in sustainability reporting. For the purpose of this study, the researcher specifically examined the extent to which dividend payout, community development cost, employee safety cost and research and development affect profitability of Listed manufacturing companies in Nigeria.

Profitability is a measure of an organization's profit relative to its expenses over particular time duration and can be used for comparison of general performance of different firms' operating in the same industry (Henri & Journeoult, 2010). Khavel, Nikhasemi, Haque & Yousefi (2012) asserted that sustainable accounting reporting is germane to achieve organization overall aim of profit making and diversification through assessment of a firms' impact on its environment.

The connection between sustainable accounting reporting and profitability is deeply rooted in Stakeholders' Theory propounded by Freeman in 1984. The theory argues that firms' should create value for all stakeholders not just for shareholders. The theory posited that organizations cannot operate and exist in isolation. The stakeholder's theory proposed an increased level of environmental awareness which creates the need for companies to extend their corporate planning (Malarvizhi & Yadav, 2008). The main concern of the stakeholder's theory in environmental-accounting reporting is to address the environmental cost elements and valuation and its inclusion in the financial statements. Listed manufacturing companies in Nigeria are anticipated to make voluntary full disclosure report as it regards the communities where they operate. Proper sustainability report by this crucial sector of the economy is highly appreciated for their survival and sustainability. Elkington (1998) as cited in (KPMG International, 2011) initiated the triple bottom line concept of profit (economic), people (social) and planet (environment) factors that are relevant to stakeholders. It is against this background that this study examined the impacts of sustainable accounting reporting on profitability of listed manufacturing companies in Nigeria.

Research Problem

The problems facing today's managers portray on how to manage performance across sustainability dimensions in order that synergistic advantages can be derived to evade the in-balance in the system. The question of whether there is a balance between investments in corporate sustainability and profitability has not been well debated. The issues of decision making connecting administration of current return and reinvestment of the same for future return are of serious concern to the management of the business organizations (Kouser, Luqman, Yaseen & Azeem, 2015). The study is intellectually focused and is supposed to expose the lapses of sustainability accounting reporting and its effects on profitability of Agro-allied companies in Nigeria.

Previous studies showed inconsistencies on empirical findings regarding the connection linking sustainable accounting reporting and profitability of firms. Menike (2020) investigated the impact of human action on firm performance in Sri Lanka between 2012 and 2019 and result disclosed that environmental accounting and company size had positive connection with accomplishment. The findings provide an incentive for managers to adopt environment-friendly resources/activities to satisfy all expectations and save the earth. More so, Dalida (2020) examined the effect research and development intensity and the financial-performance of listed pharmaceutical companies in Egypt between 2000 and 2019. The result showed negative significant connection linking research-and-development and financial performance. Again, Abose, Eze and Sowunmi (2018) examined the effect of human resource management measured by reward-management, employee performance management and employee-resourcing on financial performance of banks in Nigeria. The findings revealed that human resource management significantly affects banks' financial-performance. Likewise, Amaramiro and Raymond (2019) evaluated the impact of dividend policy on corporate performance on ten (10) quoted-manufacturing companies in Nigeria and the findings revealed positive significant connection linking financial performance. Olarewaju, Migiro and Sibanda (2018) in their study examined the casual connection linking dividend-payout, retention policy and financial-performance in 30 Sub-Sahara African countries from 2006 to 2015. The findings revealed significant positive outcome on profitability. Meanwhile, Olabisi, Faberu and Onyekuwuluje (2017) examined the determinants of dividend policy among consumer goods manufacturing companies in Nigeria and the results revealed negative significant connection linking profitability and dividend-policy.

Despite the fact that the adoption of sustainability accounting reporting by firms, the study of the relationship between it and profitability of listed agro-allied firms has not been extensive in Nigeria and the few available studies arrived at conflicting conclusions. This forms the foundation for this study. Thus, this paper therefore seeks to identify how sustainability accounting reporting affects profitability of Agro-allied companies in Nigeria.

Objectives of the Study

The general objective of this study is to ascertain the effect of sustainability reporting on profitability of quoted manufacturing companies in Nigeria.

Specifically, this study sought;

1. To ascertain the effect of dividend payout on profitability of quoted manufacturing companies in Nigeria.
2. To examine the effect of community development cost on profitability of quoted manufacturing companies in Nigeria.
3. To investigate the effect of employee safety cost on profitability of manufacturing companies in Nigeria.
4. To assess the effect of research and development cost on on profitability of quoted manufacturing companies in Nigeria.

Research Questions

The study revolves around the following research questions as posed to direct the study:

1. To what extent does dividend payout affect profitability of quoted manufacturing companies in Nigeria?
2. To what degree does community development cost influence profitability of quoted manufacturing companies in Nigeria?
3. To what degree does employee safety cost affects profitability of quoted manufacturing companies in Nigeria?
4. To what level does research and development cost affects profitability of quoted manufacturing companies in Nigeria?

Statement of Hypotheses

To achieve the general objective this study, the following null hypotheses were formulated and tested in line with the specific objectives variables;

$Ho_{1:}$ Dividend payout does not have significant effect on profitability of quoted manufacturing companies in Nigeria.

$Ho_{2:}$ Community development cost does not
have significant effect on profitability of quoted manufacturing companies in Nigeria.

$Ho_{3:}$ Employee safety cost does not have significant effect on profitability of quoted manufacturing companies in Nigeria.

$Ho_{4:}$ Research and development cost does not have significant effect on profitability of quoted manufacturing companies in Nigeria.

Significance of the Study

The findings will be useful to the general public and the government especially with the general concern to the government and quoted manufacturing companies over poor financial performance.

This study shall be of importance to communities in which these companies operate as this will create awareness to these communities on the questions of sustainability and what to do.

The outcome will be of importance to investors and potential investors who want to know how these companies relate with their communities, investors, staff and investment. Investors will discover how profit and dividend paid by these companies have grown because of their involvement.

Environmental analyst will know how to relate with the community and company as regard sustainability reporting.

Researchers will also find the outcome very crucial as it will give academics depth of sustainability report. Students of accounting will have this as an adjunct literature to the existing dearth of literature.

Scope of the Study

This study looked at the effect of sustainability accounting reporting on profitability of quoted manufacturing companies in Nigeria. It employed three key sustainability reporting areas which are economic, social and environmental factors using dividend payout, employee safety cost, community development cost and research & development cost while return on assets was used to proxy for profitability. The study also focused in five out of the six major quoted manufacturing companies in the Nigerian Stock Exchange (NSE) which include the following; FTN Cocoa Processors Plc, Livestock Feeds Plc, Okomu Oil Palm Plc. Preco PLc and Honeywell PLc. Why the study used five selected companies out of the six quoted manufacturing companies in the Nigerian Stock Exchange (NSE) was because of lack of data availability and accessibility in one of the manufacturing companies Ellah Lakes PLC within the considered period. More so, the choice of selected quoted manufacturing companies for the study save others is because, companies in this sector have the potentials and capabilities of easily diversifying the Nigerian economy and boost the country's gross domestic product (GDP) as it has the human, social, land, market and capital to drive the economy (Iwarere and Akinleye, 2010).

Conceptual Review

Sustainability Accounting Reporting

Sustainability reporting is the term which is widely used to communicate the companies' effect on social, environmental, and economic performance. Such report is disseminated and published to fulfill the needs of a wide range of stakeholders such as investors, creditors, employees, customers, suppliers, governments, activist groups, and the general public. It is recently used to cover the disclosure of a company's commitment to sustainable practice (Burhan & Rahmanti, 2012). Sustainability reporting is a systematic tool to gather and present sustainability information for the management process and to stakeholders which include apart from the ones already mentioned, local communities, NGOs, financial analysts (INTOSAI WGEA, 2013).

Sustainability reporting started with private sector companies in developed countries. It, however, always has global links. For instance, the transparency of supply chains and responsible business, such as respect for the society and environment are also essential for less developed countries. There has, however, been a new wave of interest in sustainability reporting after the financial crises started in 2008, as there have been calls for more extensive transparency, better long-term considerations and highlighting of systemic risks. Investors are increasingly seeking to invest in companies that follow good sustainability practices (Burhan & Rahmanti, 2012; INTOSAI WGEA, 2013). Sustainability reporting requires a systematic presentation of sustainability data for comparison with the past and progress concerning selected targets. Sustainability information includes both financial and non-financial information.

Financial data has a direct link with the financial accounting system and is expressed in monetary units. Non-financial information means that it is not presented in monetary terms and is not based on an accounting standard. Non-financial information can be both quantitative, such as tons (or units) of greenhouse gas, or qualitative, such as governance processes, the reputation of an organization or the organization's impact on the state of biodiversity (NIVRA, 2009 as cited in INTOSAI WGEA, 2013).

Sustainability Reporting in Nigeria

`The Companies and Allied Matters Act of 1990 Cap C20 2004 is the guiding law for companies in Nigeria. It regulates how companies are conducted and statutory reports published by companies. However, the Act focuses mainly on financial reporting. No provision was made for sustainability reporting in the Act. In trying to improve environmental disclosure by companies, the Federal Government formulated several environmental laws through the ministry of Environment and Natural Resources. Examples of such laws are (Leyira, Uwaoma & Olagunji, 2011).: Federal Environmental Protection Agency Act of 1988; The National Environmental Protection (Effluent Limitation) Regulation; National Environmental Protection (Pollution Abatement in Industries and Facilities Generating Waste) Regulation; National Environmental Protection (Management of Solid and Hazardous Waste) Regulation; Environmental Impact

Assessment Act of 1992; and Harmful Waste Act of 1988 These laws aimed at (Adediran & Alade, 2013).; Restricting the release of a toxic substance into the environment. These Acts mainly established the standards which industries and facilities generating waste must meet; requiring organizations to develop contingency plans for handling unusual and accidental discharge and developing strategies for waste reduction; as well as install facilities capable of reducing or eliminating pollution arising from their production activities. The laws also established the maximum limits of effluent parameter discharge allowed into the air, streams, rivers, drains, and ground.

In the absence of any sustainability code, Nigeria adopted ISO 26000 in 2013, which is the NIS: ISO 26000. The ISO 26000 is a standard on social responsibility launched by the International Organization for Standardization in 2110. It is aimed at giving guidance to organizations on how to make their operations sustainable. It encourages organizations to be ethical and transparent in their dealing thereby contribute to the welfare of the society in which they exist). It requires organizations to conform to global best practice while they take into account the social, environment, laws, culture, as well as the political and economic environment in which they find themselves (International Organization for Standardization,2010). One of the purposes for its adoption in Nigeria was for ensuring that charity and philanthropic activities of many corporate organizations are well documented in their reporting in line with global sustainability reporting standards. Despite this adoption, sustainability reporting in Nigeria was still unregulated and voluntary (Aondoakaa, 2015), and many corporate organizations do not present their report to reflect their suitability impact on society.

However, in January 2019, Nigeria launched its first sustainability code for private sector companies operating in Nigeria through the Securities and Exchange Commission (SEC). While some firms believe, account for, and render sustainability report, others feel reluctant to embrace sustainability reporting because they think that it is not aligned to profit maximization (Whetman, 2018). The result of this paper could help in convincing firms that sustainability practices constitute a potential for long-term value creation from which shareholders can benefit (Ching, Gerab & Toste, 2017).

- **Dividend Payout**

Corporate dividend payout is the proportion of earnings paid out as dividend to shareholders typically expressed as a percentage. Some companies pay out all their earnings to shareholders while some only pay out a proportion of their earnings. The concept of dividend-payout and financial performance was developed to assure stakeholders of their interest (Enekwe, Nweze & Agu, 2015). Pandey (2005) defined dividend as the earnings-distributed to shareholders. Ramakrishnan, Gillani and Ahmad (2018) posited that firms made dividend policy paramount for its shareholders so that performance will be increased. Dividend payout could be in form of cash, bonus shares or stock dividend.

- **Employee Safety Cost**

In a globalized environment that produces new employment models and poses new employee resources management challenges, stakeholders pay increasing awareness to firms' working conditions and treatment of employees, diversity and equal opportunities (Dalziel, Gentry & Bowerman, 2018). Anything short of a fair and equitable wages can quickly attract the wrath of employees in corporate organizations. The prestige of the organization is to strengthen its' employees' self-esteem with regards to other organizations.

- **Community Development Cost**

Organizations as corporate citizens are supposed to give back. Community development, an aspect of organizations social responsibility holds that companies have a duty and business decisions to maintain the link as it regards to ethical values and respect for individuals, society and environment (ICAN, 2014). Community relations align with the philanthropic expectation placed on corporate organizations at any given time. However, Oti, Effiong and Akpan (2017) buttressed that community relation is anchored on firm's initiative at cushioning the impacts of their externalities on the host communities.

- **Research & Development Cost**.

Gitman, Chad and Zutter (2012) describe research-development as the outcome of creative activities (such as those undertaken in an organization's) over time. Accounting standard No. 2 describes research and development expenditures as cost incurred to further advance knowledge. Uwuigbe (2012) measured research & development using four (4) categories namely environment, energy, research-development and employee health and safety.

- **Profitability.**

Profitability is a difficult concept in terms of definition and measurement. It is described as the end result of activity, and the appropriate measure to ascertain corporate accomplishment of an entity upon which the entity is to be assessed. Fermandez (2012) affirmed that in relation to profitability measures, empirical studies typically use accounting-based measures, such as return on assets, return on equity and Tobin's Q, and/or market-based measures and risk-adjusted measures. Return-on-assets (ROA) is the most used by accounting analysts as a degree of firm accomplishment. ROA indicates the propensity of the firm to produce accounting based revenues in excess of actual expenses on a given portfolio of assets measured as amortized historical costs (Carter & Easton, 2016) and provides insights into the proficiency of management to perform well with the given resources (Dharmadasa, Gamage & Herath, 2014).

2.2 Empirical Review

Many authors have empirically investigated the effect of sustainability disclosure on the performance of firms though there is a dearth of literature on it in Nigeria. Some revealed positive and others the negative relationship between sustainability reporting and firm's performance. This part of the work will fist review those researched that has positive effect before those with a negative impact on a firm's performance. Whetman (2018) examined the impact of sustainability reporting on the firm's profitability. The study focused on 95 publicly traded firms from various sectors of the economy for the period 2015 – 2016. The work revealed a positive and significant effect of sustainability reporting on a firm's return on equity, return on assets, and profit margin in the subsequent year. The author further reported that the result applied only to firms with low institutional ownership and concluded that co-prate sustainability reporting represents an effective substitute for monitoring by institutional investors. Laskar (2018) did a similar study on the impact of corporate sustainability reporting on firm's performance in Asia using a total of 111 nonfinancial firms from four Asian countries namely Japan, South Korea, Indonesia and India. The study adopted content analysis to determine the disclosure score of sustainability performance based on Global Reporting Initiative (GRI) format. The regression result of the study indicated a significant positive association between sustainability reporting and firm's performance. The study further found that the relative impact of sustainability reporting on firm performance was more in developed countries than in developing countries of Asia. Buallay (2019) carried out a study on sustainability reporting and firm's performance comparing the result from the listed banking and manufacturing sectors of eighty 80) economies of the globe. The indices for sustainability were environmental, social, and governance (ESG) and their impact on operational, financial and market performances were tested. The finding showed a positive effect on operational, financial and market performance in the manufacturing firms.

However, ESG has a negative impact on the operational, financial and market performance in the banking sector. Uwuigbe (2018) carried a study of sustainability reporting and firms performance: A bi-directional approach focusing on Deposit Money Banks in Nigeria. Sustainability reports of the selected firms were analyzed through the use of content analysis and coded to obtain the sustainability disclosure index. The finding revealed a bi-directional relationship between sustainability reporting and firm performance of quoted Deposit Money Banks (MDB) in Nigeria. In Malaysia, Nur, Boon and Tze (2016) established that economic, social and environmental sustainability reporting is positively associated with financial performance measured using Return of Assets and Return on equity. The study was on sustainability reporting, and financial performance of Malaysian Public Listed companies and content analysis was used based on some sentences and GRI indicators. The following other studies indicated a negative relationship between sustainability reporting and firm performance. Ching, Gerub and Toste (2017) carried out a survey of the quality of sustainability reports and corporate financial performance using Brazilian listed companies. The period of this study was from 2008 to 2014 and limited to only those companies included in the corporate sustainability index (ISE) in Brazil. The study indicated no relationship between accounting and market-based indicators and control variables and reporting quality. Aggarwal (2013) investigated the impact of the sustainability performance of a company on its financial performance. The study focused on listed Indian companies. The finding shows the twofold results of corporate sustainability influence on financial performance based on the indices for performance. The result indicated on one hand that corporate sustainability practices influence financial performance measures such as Return on Assets (ROA), Profit before Tax (PBT) and Growth in Total Assets (GTA) positively.

On the other hand, corporate sustainability influences financial performance, such as Return on Equity (ROE) and Return on Capital Employed (ROCE) negatively. The author concluded that corporate sustainability reporting has no significant association with firm performance. It was supported by the result of the study by Asuquo, Dada and Onyeogaziri (2018) on the effect of sustainability reporting on corporate performance of selected quoted brewery firms in Nigeria for the period 2012 - 2016. The authors used economic, environmental and social disclosures as proxies for sustainability reporting and Return on Assets (ROA) as a proxy for performance. The finding was that economic performance disclosure (ECN), environmental performance disclosure (ENV) and social performance disclosure (SOC) have no significant effect on return on asset (ROA) of the firms studied. Priyanka (2015) did a similar study using companies in India. The finding shows that sustainability reporting practices of companies in India have a negative impact on the performance of companies in the short run and a positive effect on the long term.

The motivation for and Benefits of Sustainability Reporting

Sustainability information conveys the company's economic, social and environmental impacts caused by its everyday activities to stakeholders. By so doing, it presents the firm's value and governance model and demonstrates the link between its strategies and its commitment to a sustainable global economy. External stakeholders need to understand the company's real value, its tangible and intangible assets. Companies can no longer operate at the neglect of society and the environment (Whetmen, 2018). Companies need to be transparent about the risks, opportunities and their performance to establish trust with stakeholders (INTOSAI WGEA, 2013). It is through sustainability reporting that they can gain knowledge relating to the risks and different opportunities available to them. Saridewi and Koesrindartot, (2014);

Uwuigbe, (2011) posit that sustainability reporting can improve organizations' ability to understand and manage sustainability-related risks and help them better anticipate changing societal expectations. This knowledge can be used to inform and stimulate future practice (Corporate Citizenship, 2012). Reporting on sustainability issues is a recognized way of engaging and involving stakeholders in corporate practice (Corporate Citizenship, 2012), as they can play a role in identifying non-financial risks and opportunities for the organization. The involvement of stakeholders increases transparency, better decision making, and helps to build and maintain trust between the business and governments. Sustainability reporting has been found to improve the long term success of the reporting entity, one of the reasons for which investors are increasingly seeking to invest in the companies that follow good sustainability practices (Burhan & Rahmanti, 2012).

Negative impacts of social, environmental and governance can be reversed through sustainable reporting, thereby improving and managing an organization's reputation and brand loyalty. Thus it is no surprise that the majority of the reporters are large companies and firms having severe environmental impacts. (INTOSAI WGEA, 2013). It is used in this case as a medium to show compliance, demonstrate the corporate point of view, and promote corporate image (Corporate Citizenship, 2012). Information is vital to the survival of every business. Sustainability reporting creates an information resource (Corporate Citizenship, 2012). It helps to gather and organize information to improve management systems and the quality of management information. As INTOSAI WGEA, (2013); Uwuigbe, (2011) noted, paying attention to sustainability can help to drive innovation, develop new market offerings and safeguard sustainable growth in the long run. Further, reporting can act as a tool for leadership, increase employee satisfaction and make organizations attractive to new employees (Aggarwal, 2013). Sustainability reporting can be a tool to attain cost savings, because it encourages an organization to use natural resources more efficiently, improve process efficiency, and use recoverable resources (Saridewi & Koesrindartot, 2014; Uwuigbe, 2011). It provides a framework for measurement and target setting of organizational goals (Corporate Citizenship, 2012). It helps companies to discover weaknesses, opportunities and set a new goal (Buniamin, Alrazi, Johari & Abd-Rahman, 2011). Finally, sustainability reporting can be used to address the demand for more transparency and better accountability brought about by the global financial crises and the sustainability issues currently facing the world today (INTOSAI WGEA, 2013).

Profitability and Sustainability Reporting

Profitability is one of the main objectives of a business organization. Profit in this sense could be either accounting profit which refers to the excess of income over expenses for a particular period or economic benefit which in addition to the former also incorporates opportunity cost or forgone alternative of the business (Hofstrand, 2009). A firm’s profitability is an indication of how efficiently the firm’s resources are managed, and so it is of particular interest to several stakeholders (Nwude, 2004). Previous research studies have demonstrated that sustainability reporting affects a firm's profitability. Still, some firms are not sufficiently convinced that sustainability reporting can affect profit positively. Some firms reluctantly report on their sustainable activities to show compliance with regulation while others consider it is a waste of resources. A research carried out by Laskar (2019) found out that the association between profitability and sustainability reporting is positive and significant with South Korean firms but the Indian firms, it was negative. The further finding indicates that the relative impact of sustainability reporting is found to be significantly more in South Korea as compared with India. Considerable data abound which show that companies which do not act sustainably perform considerably worse than those who are doing so (Nordea Equity, 2017). A GRI study of 2600 executives and managers from companies around the world revealed that the percentage of companies reporting profit from the implementation of sustainability increased from 23% to 37% in one year. The finding also showed that the degree to which a company incorporates sustainability concerns into its business model correlates with an increase in profit.

Theoretical Framework

Stakeholder Theory

Stakeholders are ‘groups and individuals who benefit from or are harmed by, and whose the right is violated or respected by corporate actions.’ (Freeman, 1998 as cited in Branco & Rodrigues, 2007). Post et al. (2002, p. 8) in Branco and Rodrigues (2007) defined the stakeholders of a company as the ‘individuals and constituencies that contribute, either voluntarily or involuntarily, to its wealth-creating capacity and activities, and who are therefore its potential beneficiaries and risk bearers.’ A company's stakeholders are those who supply critical resources, place something of value ‘at risk,’ and have sufficient power to affect its performance. In addition to shareholders, stakeholders include creditors, employees, customers, suppliers, and the communities at large. Stakeholder theory asserts that companies have a social responsibility that requires them to consider the interests of all parties affected by their actions. Management should not consider only its shareholders in the decision-making process but also anyone who is affected by business decisions. Proponents of this theory argue that it is relationships rather than transactions that are the ultimate sources of a company's wealth, and it is the ability to establish and maintain such relationships within its entire network of stakeholders that determines its long-term survival and success of the organisation (Branco & Rodrigues,2007; Freeman, Wicks & Parmar,2004).

Methodology

Research Design

The research was analytical; the study employed the ex-post factor design because of the secondary data used which cannot be manipulated. According to Onwumere (2009) this design was selected because it is suitable for studying events that have already taken place. A systematic design was chosen to determine the impact of the three pillars of sustainability reporting on the profitability of manufacturing firms. The researcher also made use of content analysis for data collection. The decision to use content analysis was to enable the researcher to extract both qualitative and quantitative information specified by the GRI from the annual reports of selected companies. The population of the study consists of all the five consumer goods manufacturing companies listed on the Nigerian Stock Exchange as at 31st December 2011. A judgmental sampling technique was adopted to select a total of five (5) listed firms for this study; based on their market capitalization status and availability of 2011-2022 annual reports. It means that the companies that made up the sample were listed in the Nigerian Stock Exchange as at 2011 and were still listed as at 2022. Judgmental sampling technique was chosen to enable the researcher to derive the desired data for the study.

Sources of Data

The study employed secondary source of data to generate the desired data. The companies data were extracted from annual financial report of manufacturing companies listed on the Nigeria stock exchange between 2012 to 2022.

Model Specification

The regression model was used and was as stated by Galton (1974),

Where; $\mathbf{Y = a+bx} \ldots$ **(1)**

Thus; Profitability of listed manufacturing companies in Nigeria is a function of sustainability accounting reporting. To empirically express the relationship between profitability represented by return on assets and sustainability accounting reports of manufacturing companies in Nigeria, the base line model equation is specified as thus; $\mathbf{Y = \beta 0 + \beta_1 DP + \beta_2 CRC + \beta_3 ERC + \beta_4 R\&DC} + \mu \ldots eq2$

Where; Y= Profitability of Listed manufacturing companies in Nigeria as measured by Return on Assets (ROA). i.e ROA = Net income/Assets

β_0 = Y intercept of the regression equation

β_1, β_2, β_3, β_4 = are the slope of the regression

β_1 = **Dividend Payout.** Measured using total dividend paid out by the companies' revenue generated. Dividend divided by Revenue

β_2 = **Community Development Costs.** Measured as the proportion of amount spent on donations and community development project to total income.

β_3 = **Employee Safety costs**. Measured as the percentage or ratio of salaries, wages and insurance paid to employees to the totality of turnover and other income.

β_4 = Research and Development cost. Measured using total cost of research and development to total revenue.

μ = Error term.

Analytical Techniques

The time series panel data gathered were analytically estimated using the Pearson Product Moment Correlation Coefficient model with the aid of E-view 9.0 econometric software to test the hypotheses and establish the effect of sustainability accounting reports on corporate profitability of selected manufacturing companies in Nigeria, while, the descriptive statistical tools were used to examine and analyze the characteristics of the collected panel data (the dependent and independent variables).

Result and Discussions

Descriptive Statistic Analysis

Table 1: Descriptive Statistics

	ROA	DP	CRC	ERC	R&D
Mean	0.064903	0.043952	0.014431	1.560304	0.137041
Median	0.043126	0.022769	0.001526	0.090413	0.004291
Maximum	3.237088	0.487146	1.968699	376.9860	21.80103
Minimum	-2.359907	0.000000	0.000000	0.003173	0.000000
Std. Dev.	0.303419	0.060109	0.121754	23.19431	1.357415
Skewness	2.390875	2.862122	15.76020	16.15435	15.50915
Kurtosis	63.39361	15.95867	253.3415	261.9767	247.6523
Jarque-Bera	40372.78	2199.272	700308.2	749240.5	668985.9
Probability	0.000000	0.000000	0.000000	0.000000	0.000000
Observations	44	44	44	44	44

Source: Researcher's Computation using E-view 9.0

Table 1 above report indicates that the average return on asset is 0.064 and median value of 0.043. The standard deviation of 0.303 indicates the existence of low degree of disparity among the firms' ROAs. It shows that their ROA is close. More so, the maximum of ROA is 3.23, while -2.359 is the minimum. ROA pooled across the firms report positive skewness of 2.3908. It was discovered that ROA failed to exhibit normality at 5% level of significance, because the Jarque-Bera statistics of 40372.78 has p-value less than 0.05. The mean and median statistics of the research and development variable show that the data point is not close to each other. The variable is positively skewed and exhibit leptokurtic distribution with kurtosis greater than 3. Employee safety disclosure reports a mean of 1.560304 for the sample period and median of 0.090413. It is positively skewed and leptokurtic. Employee safety disclosure reports a mean of 1.560304 for the sample period and median of 0.090413. It is positively skewed and leptokurtic. The Jarque-Bera statistics shows that the variable is not normally distributed; this reveals that the variables were far from being normally distributed. Dividend policy disclosure reports mean of 0.043952 and median of 0.022769. The skewness is positive and leptokurtic kurtosis. Community development disclosure reports mean of 0.014431and median of 0.001526. It reports Jaque-Bera statistics that the variable is positively skewed and leptokurtic.

4.2 Test of Hypotheses

Hypothesis 1

H_0 Dividend payout does not have significant effect on profitability of quoted manufacturing companies in Nigeria.

H_1: Dividend payout does have significant effect on profitability of quoted manufacturing companies in Nigeria.

Table 2: Relationship between Dividend payout and profitability of quoted manufacturing companies in Nigeria.

<table>
<tr><th>SN</th><th>Variable</th><th>N</th><th>Mean</th><th>STD</th><th>R</th><th>Sign Value</th></tr>
<tr><td>1</td><td>Dividend Payout</td><td>11</td><td>0.2092</td><td>0.0841</td><td rowspan="2">0.835(*)</td><td rowspan="2">0.002</td></tr>
<tr><td>2</td><td>Profitability of Quoted Manufacturing Companies In Nigeria</td><td>11</td><td>0.3868</td><td>0.1425</td></tr>
<tr><td></td><td colspan="6">* Correlation is significant at the 0.05 level (2-tailed)</td></tr>
</table>

Source: Researcher's Computation using E-view 9.0

From the result of the analysis carried out as shown in the table 2 above, the value of Pearson Product Moment Correlation Coefficient between the variable "Dividend Payout" and the variable "Profitability of Quoted Manufacturing Companies in Nigeria" done at alpha level of 0.05 is 0.835 and this value strongly lies between $0.5 \leq R < 1$ indicating that there is a strong correlation between the variable "Dividend Payout" and the variable "Profitability of Quoted Manufacturing Companies In Nigeria", this means that Dividend Payout have strong influence on Profitability of Quoted Manufacturing Companies In Nigeria.

Also, the significant value of Pearson Product Moment Correlation Coefficient between the variable "Dividend Payout" and the variable "Profitability of Quoted Manufacturing Companies in Nigeria" is 0.002< 0.05; indicating a linear relationship between the variable "Dividend Payout" and the variable "Profitability of Quoted Manufacturing Companies in Nigeria". Meaning the more Dividend Payout continues, the more likely the Profitability of Quoted Manufacturing Companies in Nigeria is influenced.

Inferentially, since p-value = 0.002< 0.05 and it is significant at 95% confidence interval and the value of R is 0.835 indicating strong correlation, we reject the null-hypothesis and accept the alternative hypothesis and conclude that Dividend payout does have significant effect on profitability of quoted agro-allied companies in Nigeria.

The result implied that a rise in dividend payout of the sampled firms will enhance the profitability of the firms. This study's finding is in line with the findings of Olarewaju, Migiro and Sibanda (2018) who examined the casual connection linking dividend-payout, retention policy and financial-performance in 30 Sub-Sahara African countries from 2006 to 2015 that revealed significant positive outcome on profitability and Amaramiro and Raymond (2019) who evaluated the impact of dividend-policy on corporate-performance on ten (10) quoted-manufacturing companies in Nigeria and finding showed positive significant connection linking performance. However, the findings did not corroborate with the findings of Olabisi, Faberu and Onyekuwuluje (2017) which examined the determinants of dividend policy among consumer goods manufacturing companies in Nigeria and results revealed negative significant connection linking profitability and dividend-policy.

Hypothesis 2

H_0 Community relations cost does not have significant effect on profitability of quoted manufacturing companies in Nigeria.

H_1: Community relations cost does have significant effect on profitability of quoted manufacturing companies in Nigeria.

Table 3: Relationship Between Community Relations Cost and Profitability of Quoted Manufacturing Companies in Nigeria.

SN	Variable	N	Mean	STD	R	Sign Value
1	Community Development Cost	11	0.0579	0.0406	**-0.783(*)**	**0.003**
2	Profitability of Quoted Manufacturing Companies In Nigeria	11	0.3868	0.1425		
	* Correlation is significant at the 0.05 level (2-tailed)					

Source: Researcher's Computation using E-view 9.0

From the result of the analysis carried out as shown in table 3 above, the value of Pearson Product Moment Correlation Coefficient between the variable "Community Development Cost" and the variable "Profitability of Quoted Manufacturing Companies In Nigeria" done at alpha level of 0.05 is -0.783 and this value strongly lies between $-1 < R \leq -0.5$ indicating that there is a strong negative correlation between the variable "Community Development Cost" and the variable "Profitability of Quoted Manufacturing Companies in Nigeria". This means that Community Development Cost have strong influence on Profitability of Quoted Manufacturing Companies in Nigeria.

Also, the significant value of Pearson Product Moment Correlation Coefficient between the variable "Community Relations Cost" and the variable "Profitability of Quoted Manufacturing Companies in Nigeria" is 0.003< 0.05; indicating a linear relationship between the variable "Community Development Cost" and the variable "Profitability of Quoted Manufacturing Companies in Nigeria". Meaning the more Community Development Cost is being paid, the more likely the Profitability of Quoted Manufacturing Companies in Nigeria is influenced.

Inferentially, since p-value = 0.003< 0.05 and it is significant at 95% confidence interval and the value of R is -0.783 indicating strong negative correlation, we reject the null-hypothesis and accept the alternative hypothesis and conclude that Community development cost does have significant effect on profitability of quoted manufacturing companies in Nigeria.

This finding is at discrepancy with the findings of Nangil, Obuah, Wali and Turakpe (2020) that investigated staff cost and profitability of quoted companies in Nigeria between 2013 and 2018 and revealed significant positive connection between staff cost and profitability.

Hypothesis 3

H_0 Employee safety cost does not have significant effect on profitability of quoted manufacturing companies in Nigeria.

H_1: Employee safety cost does have significant effect on profitability of quoted manufacturing companies in Nigeria.

Table 4: Relationship Between Employee Safety Cost and Profitability of Quoted Manufacturing Companies in Nigeria.

SN	Variable	N	Mean	STD	R	Sign Value
1	Employee Safety Cost	11	0.3075	0.0876	**0.802(*)**	**0.000**
2	Profitability of Quoted Manufacturing Companies In Nigeria	11	0.3868	0.1425		
	* Correlation is significant at the 0.05 level (2-tailed)					

Source: Researcher's Computation using E-view 9.0

From the result of the analysis carried out as shown in table 4 above, the value of Pearson Product Moment Correlation Coefficient between the variable "Employee Safety Cost" and the variable "Profitability of Quoted Manufacturing Companies In Nigeria" done at alpha level of 0.05 is 0.802 and this value strongly lies between $0.5 \leq R < 1$ indicating that there is a strong positive correlation between the variable "Employee Safety Cost" and the variable "Profitability of Quoted Manufacturing Companies in Nigeria". This means that Employee Safety Cost have strong influence on Profitability of Quoted Manufacturing Companies in Nigeria.

Also, the significant value of Pearson Product Moment Correlation Coefficient between the variable "Employee Safety Cost" and the variable "Profitability of Quoted Manufacturing Companies in Nigeria" is 0.000< 0.05; indicating a linear relationship between the variable "Employee Safety Cost" and the variable "Profitability of Quoted Manufacturing Companies in Nigeria". Meaning the more Employee Safety Cost is being paid, the more likely the Profitability of Quoted Manufacturing Companies in Nigeria is influenced.

Inferentially, since p-value = 0.000< 0.05 and it is significant at 95% confidence interval and the value of R is 0.802 indicating strong positive correlation, we reject the null-hypothesis and accept the alternative hypothesis and conclude that employee safety cost does have significant effect on profitability of quoted manufacturing companies in Nigeria.

This result is in tandem with the findings of Abose, Eze and Sowunmi (2018) that examined the effect of human resource management measured by reward management, employee performance management and employee-resourcing on financial performance of banks in Nigeria and findings revealed that human resource management significantly affects banks' financial-performance and Kayode, Adeyinka and Abiodun (2019) which assessed the effect of employees' remunerations on productivity in Nigerian Breweries Plc and the outcome revealed significant positive connection linking remuneration packages and employees performance.

Hypothesis 4

H_0 Research and development cost does not have significant effect on profitability of quoted manufacturing companies in Nigeria.

H_1: Research and development cost does have significant effect on profitability of quoted manufacturing companies in Nigeria.

Table 5: Relationship Between Research and Development Cost and Profitability of Quoted Manufacturing Companies in Nigeria.

SN	Variable	N	Mean	STD	R	Sign Value
1	Research and Development Cost	11	0.0729	0.1218	**0.798(*)**	**0.009**
2	Profitability of Quoted Manufacturing Companies In Nigeria	11	0.3868	0.1425		
	* Correlation is significant at the 0.05 level (2-tailed)					

Source: Researcher's Computation using E-view 9.0

From the result of the analysis carried out as shown in table 5 above, the value of Pearson Product Moment Correlation Coefficient between the variable "Research and Development Cost" and the variable "Profitability of Quoted Manufacturing Companies In Nigeria" done at alpha level of 0.05 is 0.798 and this value strongly lies between $0.5 \leq R < 1$

indicating that there is a strong positive correlation between the variable "Research and Development Cost" and the variable "Profitability of Quoted Manufacturing Companies In Nigeria", this means that Research and Development Cost have strong influence on Profitability of Quoted Manufacturing Companies In Nigeria.

Also, the significant value of Pearson Product Moment Correlation Coefficient between the variable "Research and Development Cost" and the variable "Profitability of Quoted Manufacturing Companies in Nigeria" is 0.009< 0.05; indicating a linear relationship between the variable "Research and Development Cost" and the variable "Profitability of Quoted Manufacturing Companies in Nigeria". Meaning the more Research and Development Cost is carried out, the more likely the Profitability of Quoted Manufacturing Companies in Nigeria is influenced.

Inferentially, since p-value = 0.009< 0.05 and it is significant at 95% confidence interval and the value of R is 0.798 indicating strong positive correlation, we reject the null-hypothesis and accept the alternative hypothesis and conclude that research and development cost does have significant effect on profitability of quoted manufacturing companies in Nigeria.

The finding is also in line with the findings of Adhikari, (2020) who examined the connection linking staff trainings and development costs, total-staff-costs and-profit of Nepalese firms between 2016 and 2020 and finding revealed that trainings and development cost has significant positive connection linking with operational profit.

Summary

Based on the data analyze using the Pearson Products Moment Correlation Coefficient Statistics model with the aid E-view 9.0, the summarized results yielded the following:

1. That dividend payout does have positive significant effect on profitability of quoted manufacturing companies in Nigeria. This was validated using Pearson Product Moment Correlation Coefficient with the value of r = 0.835 and the p-value = 0.002.
2. That the degree community development cost does have negative significant effect on profitability of quoted manufacturing companies in Nigeria is negative. This was validated using Pearson Product Moment Correlation Coefficient with the value of r = -0.783 and the p-value = 0.003.
3. That employee safety cost does have positive significant effect on profitability of quoted manufacturing companies in Nigeria. This was validated using Pearson Product Moment Correlation Coefficient with the value of r = 0.802 and the p-value = 0.000.
4. Finally that the degree research and development cost have significant effect on profitability of quoted manufacturing companies in Nigeria is positive. This was validated using Pearson Product Moment Correlation Coefficient with the value of r = 0.798 and the p-value = 0.009.

Conclusion

This study examined the effect of sustainability accounting reports on profitability of listed manufacturing companies in Nigeria. The study looked at how financial reporting has changed from the traditional way of reporting to sustainability. Manufacturing companies occupy very vintage position in the global economic growth and development and Nigeria is not an exception.

Having empirically reviewed some related literatures and having conducted analysis on the collected data in line with the variables in specific objectives, research questions and statement of hypotheses, the study therefore concludes that sustainability accounting report generally has positive and significant influence on profitability of Agro-allied companies listed in Nigeria Stock Exchange.

Recommendations

Based on the findings of this study and reached conclusion reached, the researcher therefore made the following recommendations;

1. That management of list manufacturing companies in Nigeria should continue to make dividend payment timely and regular as this will help potential investors and investors make investment decisions about the companies. Investors and potential investors perceive companies that pay dividend as companies that are worthy and can be trusted.
2. That the burden of community development should be reduced in the social responsibility of listed Manufacturing industry in Nigeria as it exerts negative influences on the profitability of the companies.
3 That employee safety cost should be increased and firms should invest more on their employees in term of training, health, promotion and other benefits in line with labour laws and global best practices as this will increase the profitability performance of their companies.
4. That listed Manufacturing companies in Nigeria should invest more on research and development as this will give their companies competitive edge advantage over counterpart company hence continuous boost in their profitability.

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