INSTITUTIONAL INVESTORS AND SUSTAINABILITY REPORTING OF LISTED FIRMS IN NIGERIA

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Abstract

The prevalent environmental and social issues had drawn recent attention to the need for more corporate disclosures apart from the traditional financial reports. Various stakeholders' groups tend to influence the quality of firms' corporate disclosure policies. Therefore, this study examines the influence of institutional investors on the sustainability reporting of listed firms in Nigeria. The population of the study was the listed firms on the Nigerian Stock Exchange (NSE), and a sample of fifty (50) firms was drawn including financial and non-financial firms. The study employed the Panel Correlated Standard Errors (PCSE) to estimate the model. Results revealed that domestic institutional investors positively influence sustainability of listed firms in Nigeria. Also, the size, performance, and industry type of firms significantly affect the reporting of sustainable development by Nigerian companies. Therefore, the study recommended the active participation of foreign institutional investors and involvement in activities related to firms. Also, there is a need to ensure a general framework for these reports to ensure comparability over time.

Keywords: institutional investors; sustainability reporting; voluntary disclosure; stakeholders' theory.

1. Introduction

Beyond financial figures reported in the annual financial reports, stakeholders are interested in other non-financial disclosures of the organisations activities on the environment and society. Thus, need to monitor the operations of firms on the environment and community arose. The importance of corporate responsibility and social disclosure of firms cannot be overemphasized as this influence firms' reputation and value.

While figures provide information on the financial performance of a firm, in recent years, this has been found to be insufficient as organisations began to focus on social responsibility (Boiral, 2013; Buhr, 2007). Innovations of forward-looking information further from financial-related information as led to many reports such as 'triple-bottom line report', 'sustainability report' among others. Elkington (1997) reported that triple bottom line reporting measures corporate performance against economic, environmental and social parameters while sustainability reporting is the disclosure of non-financial

information in association with firms' sustainable development (Onwuka, 2021).

Sustainability is related to ensuring the development of the present while not hindering the future generation from meeting their own needs. Sustainability deals with economic, environmental and social indicators. Economic activities of companies affect the environment and, these activities have resulted in the decline in the quality of the environment causing the release of harmful gases affecting living and non-living things. However, in firms' financial reports, these costs tend not to be accounted for, rather the economic affairs are only documented. Therefore, the need to account for companies' activities affecting sustainable development.

The quality of information disclosure in financial report can be enhanced through pressure from relevant stakeholders of a firm (Feijoo, Romero & Ruiz, 2014). Studies have found that dominant shareholders are drivers of GRI guidelines adoption (Prado-Lorenzo, Gallego-Alvarez & Gracia-Sanchez, 2009). In relations to this, OECD (2018) noted the importance of institutional investors and their impact on green financing in economies. This is in relation to the growing number of institutional investors in the stock markets and the value of their investment in an economy especially emerging one. Institutional investors have significant interest in the strategic decisions of the business which are reported through corporate disclosures (Prasetio & Rudyanto, 2020). These investors are increasing number of companies (such as financial-related firms) investing in other companies.

Institutional investors are firms such as financial institutions (banks, insurance firms, pension fund), investment companies, mutual funds, unit trust and other finance companies who act on behalf of beneficiaries. Institutional investors are more proficient in analyzing financial statements as a result of the large amount of wealth they manage and shareholdings (Boudriga, Boulila & Jellouli, 2012; Chen, Weng & Lin, 2017; Velury & Jenkins, 2006). These investors are concerned about the interest of their clients and drive towards maximizing their wealth. Institutional investors serve as watch dogs in preventing managerial opportunistic behaviours (Bushee, Goodman & Sunder, 2018; Zheng 2016). Whetman (2018) opined that institutional owners are interested in the management of a firm. This is because the value of their investment is at stake.

There are arguments on the involvement of the types of these investors in the activities of a firm. While studies have found foreign institutional investors to be more active and participative in corporate policies (Tsang, Xie & Xin 2018), there are other findings showing that they suffer from information gap (Chen, Weng & Lin 2017; Huang & Shiu, 2009). Shareholders are unable to properly monitor the affairs of a company because they do not possess relevant

information (Eldiri, 2017), not excluding institutional investors. Hence, voluntary disclosures such as sustainability reports reduce information asymmetry and agency conflict between management and shareholders (Darus, Hamzah & Yusoff, 2013).

Over time, sustainability reporting promotes socially responsible managerial practices (Ioannou & Serafeim, 2011). Furthermore, this improves the transparency of information on social and environmental impact of companies, as well as, enhance firm-stakeholders relationship (Fernandez- Feijoo *et al.* 2014; Ioannou & Serafeim, 2011), thus, enhancing firm value. Onwuka (2021) opined that sustainability is a firm's commitment to operate in an economically, environmentally and socially sustainable manner while ensuring the interests of stakeholders are met. This is a major thrust for institutional investors who are driven to maximise the wealth of their clients.

In 2012, the Central Bank of Nigeria (CBN) released a circular on the Nigerian Sustainable Banking Principles which provides a framework for sustainable reporting in the sector (CBN, 2012). As a result, quoted banks are expected to provide sustainability report alongside other components of financial statements. Moreover, the Code for corporate governance for public companies (SEC, 2012), encourages the disclosure of social, environmental, health, safety and ethical policies of listed companies. Similar to this, the Nigerian Code of Corporate Governance [NCCG] (2018) stated that a company's board should monitor and report the implementation of sustainability policies. Amongst other countries-specific guidelines for sustainability reporting, a notable guideline commonly adopted by firms is the Global Reporting Initiative (GRI) guidelines. GRI is a non-profit organization that promotes economic, environmental, and social sustainable development. The goal of the initiative is the development of a global reporting framework for sustainable reporting (Clarkson, Li, Richardson & Vasvari, 2008).

Among others, the sector of a company determines the level of sustainability disclosure. Therefore, there has been documented disclosures in extractive and manufacturing industries in comparison to others. These industries are considered more environmentally sensitive (Fernandez- Feijoo, *et al*. 2014). While studies have focused more on the oil and gas industry and other manufacturing firms in Nigeria because these companies are at the fore-front of environmental hazards ranging from fire outbreak, water pollution, gas flaring, destruction of farmlands, e.t.c other sectors such as telecommunications, financial institutions are also relevant in monitoring social and environmental developments.

Sustainability reporting has become a consistent and common practice by firms to keep stakeholders informed about the impact of their activities on the

environment and society (Boiral, 2013). As a result of the voluntary disclosures on sustainability, there are reported inconsistencies and variations in report of firms in Nigeria (Asaolu, Agboola, Ayoola, & Salawu, 2011; Haladu & Salim, 2016). Also, studies have documented that firms tend to only disclose positive information which attracts investors and enhance the image of the firm while neglecting negative ones (Gray & Milner, 2002; Elaigwu et al. 2020; Unerman, Bebbington, & O'Dwyer, 2014). Moreover, factors affecting sustainability disclosure in many emerging economies such as Nigeria include cost, weak governance, managerial opportunism among others (Elaigwu, Ayoib & Salau 2020). While there is an increasing adoption of assurance services to examine and certify this report (Giron Kazemikhasragh, Cicchiello, & Panetti 2021) this may increase the cost of reporting such information. Therefore, this study seeks to examine the influence of institutional investors (foreign and domestic) on corporate disclosure notably sustainability reporting. The scope of this study includes all listed companies on the Nigerian Exchange Group including financial and non-financial firms.

2. Review of Literature

Basic Concepts: Institutional Investors

Firms' ownership structure is diverse ranging from managerial, family, institutional, government ownership. Institutional ownership depicts ownership by institutions (Haladu & Salim) such as banks, hedge funds, mutual funds, pension funds, insurance companies among others. Institutional investors have well-diversified portfolios, large stakes and have incentive to monitor management's activities and influence firms' financing decisions (Firth, 1995). Investors tend to examine the financial position of firms through published corporate reports. therefore, the objective of the general-purpose financial statement (GPFS) is the presentation of fair and true reports to potential and current investors and creditors for relevant decision making (Drake, Roulstone & Thornock, 2016; IASB, 2018). In addition, institutional investors monitor financial reporting process as they use available value-relevant information to evaluate their investments (Chen *et al.* 2017; Velury & Jenkins, 2006). Institutional investors have professional expertise, impact, power to induce disclosure (Haladu & Salim, 2016). Olorede, Abiola & Ogunwole (2020) noted that institutional investors tend to play significant role in the operations of an entity and enhance the value of the firm.

The increase in institutional ownership in firms has brought lots of research on the impact of institutional investors in the market, financial reporting quality, firm performance, liquidity (Bamahros & Wan-Hussin, 2016; Bushee, 1998, 2001; Bushee, Goodman & Sunder; 2018; Ferreira & Matos, 2008; Hsu & Wen, 2015; Olorede *et al*, 2020). Institutional investors have been classified into various types: dedicated and transient institutions (Bamahros & Wan-Hussin, 2016; Borochin & Yang, 2017; Zheng, 2016). Dedicated institutional investors

are believed to more involved in the activities of the firm (Bamahros & Wan-Hussin, 2016; Bushee *et al*. 2018). Other researchers classify institutional investors as active and passive investors (Afza & Mian, 2015; Baig, DeLisle & Zaynutdinova, 2019); independent and grey investors (Ferreira & Matos, 2008; Moussa, 2019).

In line with Chen *et al*. 2017; Grinblatt and Keloharju, 2000; Huang and Shiu, 2009; Hsu and Wen (2015); and Tsan, Xie and Xin (2018), this study classifies institutional investors into two – foreign and local institutional ownership.

Sustainability Reporting

Shift in corporate reporting began in 1970s with emphasis on social responsibility (Buhr, 2007). Corporate social responsibility (CSR) reports were related to corporate image, increased value of companies, market share, companies' brand, reduction in operating costs (Iswaiti, 2020). Corporate social responsibilities of firms grew and the need for companies to add value to the society was imperative. Corporate sustainability disclosure reduces information asymmetries and enhance transparency of firms' operations (Giron, Kazemikhasragh, Cicchiello & Panetti 2021; Nobanee & Ellili, 2016).

Sustainability reporting is the framework through which firms' stakeholders are communicated sustainability information relating to the firms' sustainability performance (Elaigwu, Ayoib & Salau, 2020; Hernandez-Perlines & Ibarra Cisneros, 2017; Schaltegger & Wagner, 2006). Sustainability reporting enhance financial reporting quality as good sustainability performing firms tend to disclose more information while poor sustainability performing firms may conceal relevant information (Onwuka, 2021). Moreover, Saji (2014) posited that a sustainability report should provide a balanced representation of a firms' sustainable performance including both positive and negative contributions. Ioannou and Serafeim (2011) defined sustainability report as a firm-issued non-financial report which provides information to investors and other stakeholders about the firm's activities in relations to social, environmental, and governance issues. The Global Reporting Initiative (2011) defined sustainability reporting as:

"the practice of measuring, disclosing, and being accountable to internal and external stakeholders for organisational performance towards the goal of sustainable development." (GRI, 2011, pg. 3).

Sustainability reporting strengthens the public visibility of firms; signals firms' commitment to the environment and social development; improves competitive advantage; influences firms' performance (Ameer & Othman, 2012; Giron *et al*. 2021; Kuzey and Uyar 2017; Onoja, Okoye & Nwoye, 2021; Uwuigbe *et al.* 2018).

3. Theoretical Framework

Stakeholders Theory

The stakeholder theory considers the interest of all stakeholders in the firm. Stakeholders are referred to as individuals or group of individuals who are/can be affected by the activities of an entity (Freeman, 1984). This include shareholders, employees, customers, government, public, among others. Various authors have classified stakeholders into various groups. This includes internal and external stakeholders (Carroll & Nasi, 1997; Freeman, 1984); contractual and non-contractual stakeholders (Friedman & Miles, 2002; Pesqueux, 2002) e.t.c; these classifications are a means of showing the relationship between various stakeholders' groups and the organization.
Stakeholder theory ensures that all stakeholders are treated equally and fairly (Harrison, Freeman & Abreu, 2015). This theory arose from the criticisms and deficiency of the shareholder theory which was more tilted to shareholders' interest. Hence, an entity should be managed while taking into consideration the interest of all stakeholders rather than the shareholders alone. Corporate activities should purse more balanced objectives involving all variety of stakeholders (Harrison *et al.* 2015; Jamali & Neville 2011).

Environmental and social issues may affect the reputation of an entity leading to a decline in its financial performance. There is a need to consider the consequences of organizations' activities on the environment and society at large. Therefore, shareholders owning block of shares monitor the activities of firms to ensure a good reputation is maintained (Harrison, *et al*. 2015). In extension, this will affect the value of the company's shares.

Stakeholders drive corporate disclosures to monitor the financial and non-financial performance of a firm. As a result of their large shareholdings, institutional investors have been documented to monitor firm performance in order to maximise the value of their shares.
Institutional investors are major resource holders of a firm. They are mostly financial institutions such as banks, insurance companies, pension fund administrators, investment/ wealth management firms e.t.c. They play a significant role in the governance structure of a firm (SEC, 2012; NCCG, 2018). These investors are interested in how firms take care of sustainability issues. Friedman and Miles (2002) pointed that institutional shareholders may directly influence corporate policies as a result of their large shareholdings. Moreover, they can also serve as intermediaries for smaller shareholders (Friedman & Miles, 2002).

The stakeholders' theory stressed the legitimacy of stakeholders and their influence on corporate policies (Friedman & Miles, 2002). Institutional investors are an important segment of stakeholders identified by the theory influential in corporate policies. The theory posits that some stakeholders may

affect an organization than others. Also, some stakeholders are more influential in the firm based on the structure of the organization, existing contractual relationship, and the institutional support available (Friedman & Miles, 2002).

Therefore, the study hypothesizes a significant relationship between institutional investors and sustainability reporting and disclosures in a firm. Specifically, the study seeks to examine the relationship between domestic and foreign institutional investors on disclosure quality in relations to sustainability reporting of firms in Nigeria.

4. Empirical Review

Extant studies have examined the relationship between ownership concentration and corporate social disclosure. Ownership structure consist of family ownership, state/ government ownership, managerial ownership, institutional ownership among others.

Prasetio and Rudyanto (2020) assessed the effect of ownership structure on corporate social responsibility disclosure in Indonesia. Ownership structure was measured with government, foreign, managerial, and institutional ownership. The multiple regression result showed that only managerial ownership has a positive relationship with CSR disclosure while institutional ownership has an insignificant relationship with corporate disclosure.

Hartomo and Hutomo (2020) examined the impact of ownership structure on anti-corruption disclosure of firms in Indonesia. The authors found a significant relationship between the measures of ownership structure employed (managerial, block and government) on companies' anti-corruption disclosure.

Bamahros and Wan-Hussin (2016) examined the types of institutional investors and audit lag. The study found that long-term oriented institutional investors are able to monitor the process of reporting and build influence with management thus enhancing quality reporting. The study is similar with Baig *et al.* (2019) which documented that passive institutional ownership improves financial reporting quality. Fernandez-Feijoo et al. (2014) studied the impact of stakeholders' pressure on transparency of sustainability reporting. The study found that stakeholder groups including customers, employees, investors and those in the environment positively affect the quality of sustainability reports.

Angelstig and Gustavsson (2016) studied the effect of various ownership type on sustainability reporting assurance practice in Sweden. The authors found that institutional investors positively affect sustainability reporting. Moreover, the study further found that private institutional investors influenced sustainable report assurance than public institutional investors.

In Nigeria, Anazonwu, Egbunike and Gunardi (2018) assessed the effect of board diversity on sustainability reporting of manufacturing firms. The variables used for board diversity include gender, nationality, multiple

directorship and directors' independence. The result of the study revealed that board member nationality does not have a significant effect on sustainability reporting. This is also supported by the study of Janggu *et al.* (2014) found that foreign board members do not significantly influence sustainability disclosures. Also, Iyoha and Osakwe (2016) studied the effect of managerial, government, foreign and institutional ownership on environmental disclosure in Nigeria. With a sample of ten oil and gas companies covering a period of six years from 2009 to 2013, the study employed the ordinary least square regression technique. The study documented a significant effect of managerial, government and institutional ownership on environmental disclosure while foreign ownership was not significant.

Asaolu, Agboola, Ayoola and Salawu (2011) examined sustainability reporting in Nigerian Oil and Gas industry. The study discovered that there was variability in sustainability reporting across the sampled companies as there was no generally acceptable framework for sustainability report. Haladu and Salim (2016) reported a negative relationship between foreign ownership and sustainability reporting in Nigeria measured with GRI. The research sampled 67 firms from six (6) environmentally sensitive firms. The study concluded that this might have resulted from the voluntary nature of disclosure rather than mandatory disclosure. Onoja, Okoye and Nwoye (2021) assessed firms' characteristics influencing sustainability reporting in Nigeria and South African companies. The research reported a significant relationship between ownership structure and firm size on sustainability reporting.

Haladu and Bin-Nashwan (2020) noted the importance of environmental agencies in Nigeria in enhancing sustainability reporting. The research moderated the effect of companies' characteristics and environmental policy administrators on sustainability reporting. The study controlled for leverage, board size and firm age. The study three environmental agencies (DPR, NSE and NESREA) using an index. The study found that firms tend to disclose more sustainable information with the intervention of environmental regulatory agencies.

There are certain characteristics or features of companies that publish sustainability reports. These features are related to their sectors, organization structure, location, profitability e.t.c (Andrikopoulos & Kriklani, 2013; Angelstig & Gustavsson, 2016; Dilling, 2010; Onoja *et al*. 2021). Hence, this study controls for the industry type, size and performance of the firm as significant variables influencing sustainability reporting as documented in extant literature.

Studies of Haladu and Salim (2016); Iyoha and Osakwe (2016); Onoja, Okoye and Nwoye (2021) in Nigeria, Angelstig and Gustavsson 2016; Hartomo and

Hutomo, 2020; Prasetio and Rudyanto (2020) in other emerging countries examined the relationship between ownership structure and corporate disclosure, however, there is a dearth in literature on the specific relationship of various institutional types on sustainability reporting.

5. Methods

Research design: This study employed the *ex-post facto* research design as data used for the study were extracted from secondary data source, that is, audited annual financial statements of listed companies on the Nigerian Exchange Group (NGX) formerly Nigerian Stock Exchange (NSE).

Population and sample: The population of the study included all listed firms on the Nigerian Stock Exchange (NSE). The population of the study consisted of all listed firms on the Nigerian Exchange Group as at 31st December 2021. This amounted to 156 firms including financial and non-financial firms. The period of the study covers nine (9) years from 2012 to 2020. The sample size was arrived at after a filter of companies with required information on sustainability information and shareholdings structure. As such, the study purposively sampled fifty (50) firms including financial and non-financial companies with a period covering 2012 to 2020.

The study econometric model is estimated as:

$$SR_{it} = \beta_0 + \beta_1 FII_{it} + \beta_2 DII_{it} + \beta_3 SIZE_{it} + \beta_4 PERF_{it} + \beta_5 IND_{it} + \mu_{it} \quad \text{.........(i)}$$

where

FII = foreign institutional investors
DII = domestic institutional investors
SIZE = firm size
PERF = firm performance
Industry= firm industry proxy

Variable Measurement

Table I – Variable Measurement

Variables		Measurement	Supporting studies
Dependent Variable			
Sustainability Reporting	SR	Global Reporting Initiative (GRI) Guidelines	Iswati (2020);
Independent Variable			
Foreign Institutional Investors	FII	Percentage of shares held by foreign institutional investors	Chen *et al*. (2017); Tsang *et al.* (2018)
Domestic Institutional Investors	DII	Percentage of shares held by domestic institutional investors	Bushee *et al.* 2018; Chen *et al.* (2017); Tsang *et al.* (2018)

Control Variables			
Firm size	SIZE	Log of total assets	Darus *et al.* (2013); Borochin & Yang, (2017); Tsang *et al.* (2018)
Firm Performance	PERF	Return on total assets	Darus *et al.* (2013); Iswati (2020);
Firm Industry Proxy	IND	Dichotomous, 1 for firms in manufacturing industry, and 0 for otherwise	Angelstig & Gustavsson, (2016

Source: Authors' Compilation (2022)

In estimating the model specified in this study, the panel corrected standard error (PSCE) estimator was adopted because it produces accurate standard error estimates while correcting for heteroskedasity and multicollinearity.

6. Results and Discussion

6.1 Summary Statistics

The summary statistics of sustainability reporting (SR), foreign institutional investors (FII), domestic institutional investors (DII), Firm size (SIZE), firm performance (PERF), and Industry Proxy (IND) are presented in Table II.

Table II: Summary Statistics

Statistic	SR	FII	DII	SIZE	PERF	IND
Mean	38.03	4.20	19.12	17.69	0.08	0.46
Minimum	23	0	0	12.87	-0.35	0
Maximum	54	60.37	66.6	22.32	0.63	1
Std. Dev	7.14	16.36	16.36	2.22	0.12	0.50
Observation	450	450	450	450	450	450

Source: Authors' Computation (2022).

From Table II, the average values of SR, FII, DII, SIZE, PERF, and IND are 38.03, 4.20, 19.12, 17.69, 0.08 and 0.46 respectively. The minimum value of SR of 38.03 reveal the extent of sustainability disclosures presented in the financial reports which is very low. Moreover, the minimum value of sustainability disclosure show that some firms disclose few information on sustainability activities. Since sustainability reporting is a voluntary disclosure in the country, this may be associated with the low disclosure by firms as well as the cost of disclosure pointed out in various literatures. The mean value of foreign institutional investors depicts that the ratio of foreign institutional investors in Nigerian firms is small and should be considered as investments by foreign institutional investors are believed to signal information on the firm value. Similarly, the average value of domestic institutional investors is slightly

above that of foreign investors. More so, the low mean value of firm performance reveals the declining state of firms' profitability, further attesting to the minimum value of -0.35. The minimum values of FII and DII are 0, indicating that some Nigerian firms have no institutional investors.

6.2 Pre-Estimation Results

Table III: Pre-Estimation Results

Breusch Pagan/ Cook-Weisberg Test for heteroskedasticity		
Chi ^{2}	**P Value**	**Hypothesis**
5.78	0.0163	Reject
Wooldridge test for autocorrelation		
	P Value	**Hypothesis**
32.753	0.000	Reject

Source: Authors' Computation (2022)

Pre-estimation results from the pooled Ordinary Least Square results revealed the presence of heteroskedasticity and autocorrelation, hence, OLS was not appropriate for the study. This also validates the use of Robust Standard Errors technique, Panel Correlated Standard Errors (PCSE) which corrects for autocorrelation and heteroskedasticity.

6.3 Estimation Result

Table IV. Regression Result

Variables	DV= SR
FII	-0.0008 (0.957)
DII	0.0522 (0.000)*
SIZE	2.4133 (0.000)***
PERF	1.5099 (0.000)**
IND	1.8588 (0.000)***
CONS	-6.4998 (0.010)**
Model Stat.	
Wald chi^2	4532.42***
R^2	0.5201
Obs	450

Source: Authors' Computation (2022).
DV implies the Dependent Variable.
****, **, and * represents statistical significance at 1%, 5%, and 10% levels respectively.*

The regression result of the estimated model are presented in Table IV. The coefficient of foreign institutional investors is -0.0008 (p.value = 0.957), which indicates a negative and insignificant relationship of foreign institutional shareholders on sustainability reporting. However, domestic institutional investors showed a positively significant influence on sustainable reporting (coeff. 0.0522, p. value = 0.000). this implies that domestic institutional investors positively influence sustainable disclosures and reporting. Control variables employed in the study revealed a significant and positive relationship with sustainability reporting. The size of a firm revealed a coefficient of 2.4133 (p.value = 0.000), in a similar relationship, firm performance positively affects sustainable report with a coefficient of 1.5099 (p.value = 0.000). Also, the industry type affects the extent of sustainable report (coeff. 1.8588, p.value = 0.000).

7. Discussion

The result revealed that institutional investors have a significant effect on sustainability reporting.

The findings imply that domestic investors are more involved and active in monitoring corporate policies and performance. As a result, domestic institutional investors are seen to enhance the level of social, governance and environmental disclosures in the financial reports. This finding supports the stakeholders' theory which posits that stakeholder groups affect corporate policies. The theory also noted that institutional investors are relevant in ensuring compliance with corporate policies.

However, the result of foreign institutional investors is revealed to be insignificantly related to sustainability reporting. This contradicts the findings of Tsang *et al*. (2018). The findings of this study on the insignificant relationship between foreign investors and sustainability reporting may result from the knowledge or informational disadvantage that foreign investors have about the local environment of the business because of the limited information available to them and distance (Haladu & Salim, 2016; Iyoha & Osakwe, 2016).

Also, findings showed that firm characteristics which were employed as the control variables for the study were significant. The extent of sustainable disclosure is determinant on a firm size, such that the larger a company, more disclosures are made. This is consistent with findings of (Andrikopoulos & Kriklani, 2013: Angelstig & Gustavsson, 2016; Shamil, *et al.* 2014). Moreover, sustainability reporting is positively influenced by the performance of a firm. This motivates managers to disclose more information on environmental, social, health, safety and ethical practices. On industry type, the study documented that manufacturing firms are more likely to disclose more information on sustainability. This confirms findings of previous studies that firms in environmentally sensitive industries disclose more information on sustainability (Fernandez-Feijoo, *et al.* 2014). However, Angelstig and

Gustavsson, (2016) found industry insignificant in relations to sustainability reporting.

8. Conclusion and Recommendations

This study examined the influence of institutional investors on sustainability reporting. Specifically, the study assessed the effect of foreign and domestic institutional investors on the level of sustainability reporting of listed firms in Nigeria. In conclusion, this study found that domestic institutional investors significantly influence sustainability reporting in Nigeria. This study document that local institutional investors are more active and monitor firms' corporate social disclosures. Therefore, the study recommends the following:

i. Foreign institutional investors should be more actively involved in monitoring and encouraging compliance with corporate and regulatory policies;
ii. Board of directors should encourage more comprehensive report on environmental and social impact of companies' activities;
iii. Relevant regulatory authorities should develop a framework for sustainability reporting to encourage comparability of reports over a period of time.

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