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INTERNAL SOCIAL LABOUR DISCLOSURES AND SHAREHOLDERS VALUE IN NIGERIAN LISTED MANUFACTURING COMPANIES.

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Abstract

Extant studies on the influence of internal social labour disclosures on shareholders' value have been showing divergent views. Hence, this study aimed at examining the impact of labour disclosures on the shareholders' value of listed manufacturing firms in Nigeria. The study adopted ex post facto research design and applying the GRI 3.1 disclosure requirements, the secondary data were obtained from purposefully selected 34 manufacturing firms' financial statement from 2010 to 2020. The panel data were analysed using, descriptive statistics and Generalised Method of Movements (GMM) estimators to account for heterogeneity, Nikel's biasness and endogeneity, and explaining the effect of components of labour disclosure on shareholder value added. The results revealed that internal social–labour disclosure factors namely, employment; labour/management relation; occupation, health & safety; training & education have positive impact on shareholders' value as they all have positive coefficients of 1.06, 0.33, 0.001, 0.45 respectively while, diversity & equal opportunity and remuneration for women/men maintain negative impact with coefficient of -0.76 and -0.08 respectively. The study majorly recommended [redacted] that Government should discourage child labour through enforcement of extant relevant laws. Government should extend the fight against corruption to manufacturing companies' employees. Management should delight employees via freedom of association, periodic remuneration reviews, structured training. Companies to focus on quality improvements while ensuring control of advertisement expenditures.

Key words: Internal Social Labour Disclosure, sustainability, Global Reporting Initiative, Shareholders Value Added

Introduction

Social labour disclosures are voluntary reports that provide information about the social and environmental impacts of a company's activities, such as employee welfare, human rights, community development, and health and safety. These disclosures can have various benefits for the company, such as enhancing its reputation, attracting and retaining talent,

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improving stakeholder relations, and reducing risks. However, social labour disclosures can also entail costs, such as increased compliance, monitoring, and auditing expenses, as well as potential exposure to criticism and litigation.

There is substantial evidence that CSR improves corporate financial performance (CFP) (Flammer, 2013; Nollet, Filis, & Mitrokostas, 2016; Rodriguez-Fernandez, 2016). According to Herman and Nair (2014), spending on CSR destroys economic value. However, Elkington proposed the "Triple Bottom Line" concept in 1995, combining environmental and social reporting with traditional financial reporting (TBL). According to the TBL, a company should focus on both economic value added (EVA) and SVA. Because of its intangible nature, measuring sustainability becomes a difficult task. Accounting scandals in Nigeria and elsewhere have called the value of financial statements to question. Accounting experts thus claimed that scandals resulted from the shareholder theory, which proposed that managers' primary responsibility is to increase shareholder returns. Similarly, the success of the theory (that is, stakeholder) that managers have a task to equalize or harmonise the interests of all stakeholders of a company as each plays an important role in the creation of wealth. Stakeholder Theory by Freeman, which includes gaps in traditional accounting reporting and practices, sets the tone for future research. This resulted in the incorporation of sustainability terms into companies' basic or fundamental business practices.

Despite many years of research, the link or association between sustainability performance and shareholder value remains elusive. On the one hand, studies support the view that sustainability performance increases shareholder wealth; on the other hand, several researchers argue that sustainability performance decreases shareholder value (Tang, Hull & Rothenberg, 2012). Firms Managers are constantly pressed to increase shareholder wealth because it has been identified as an important goal that must be met (Nassos, 2014). Managers are now concerned with the implementation of sustainability strategies. As a result, achieving both goals have become difficult. According to Das (2015), it is difficult for firms to know the extent of value creation if there is no mechanism for measuring social objectives and performance because societal expectations extend beyond profit generation and the provision of goods and services. As a result, in order for a company to be sustainable, it must establish sustainable value goals and make strategic decisions that capitalize on sustainable competitive advantages. Faupel and Schwach (2011) proposed an SVA measurement tool that described the amount of value created or eroded from a firm's environmental, economic, and social resources when compared to monetary standards. This allowed users to assess the firm's negative and positive contribution to sustainability. The authors linked SVA and EVA and concluded that when the two concepts are combined, a significant win-win stance or condition occurs (Faupal & Schwach, 2011). According to Porter, Hills, Pfitzer, Patscheke, and Hawkins (2012), shared value is a concept for measuring or determining sustainability. Despite widespread acceptance of corporate sustainability, the resources required to put the concept into action or practice are still insufficiently developed or mature (Das, 2015). As a result of its abstractness, assessing a corporation's social and environmental efficiency has become the most difficult task to accomplish.

Financial reporting practices have been criticized for providing insufficient information about current economic efficiency, potency, and infirmity of the business, as well as only a brief view or impression of past monetary performance. As a result, there is growing concern among stakeholders about the direct values or effects of economic activities on surrounding communities and environments. As a result, businesses demanded non-economic performance disclosures in

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terms of environmental and social impact (Yongvanich & Guthrie, 2006). In developed countries, empirical documentations on SR or accounting abound; those from developing countries, particularly Nigeria, are focused on oil and gas firms. Studies that evaluated social disclosures and shareholder value failed to capture, break down, or separate the aspects of social reporting in order to distinguish the impact on shareholder value.

The difficulty has been the divergent insights that researchers have documented over the years. Some studies concluded that sustainability disclosure reduces value, while others claimed that it increases value. As a result, the purpose of this research is to investigate the impact of internal social-labour disclosure on shareholder value added of manufacturing firms listed on the Nigerian Stock Exchange. Nigeria is an interesting context to study this topic because it is a developing country with a large and diverse population, a vibrant economy, and a complex socio-political environment. Moreover, Nigeria has a relatively weak regulatory framework for social and environmental reporting, which leaves considerable discretion to the companies on whether and how to disclose their social labour practices.

Review of Literature

Shareholder Value

The highest company goal is to maximize shareholder wealth. Shareholder value entails striving to increase the value of shareholders' returns regardless of environmental impacts. Rappaport (1986) defined wealth maximization as optimizing or increasing a company's long-term returns to shareholders, which must correspond to the company's market present value development. The present value of future earnings streams that shareholders can expect from their investments is referred to as shareholder value. It can also be defined as the value created by a company for its shareholders. The most reliable way to rank a company is by its market value or stock price. Market-based valuation incorporated several elements from basic finance knowledge.

According to Berk and DeMarzo (2007), investors and analysts evaluate the present value of a company's stock and compare it to the firm's capital cost and future cash flow. Analysts' predictions in the form of offers or suggestions in the form of sell, hold, or sell are frequently risky; lowering the capital cost appeared more concrete. Previous research demonstrated that voluntary non-financial reporting reduced capital costs; firms with relatively high capital costs would voluntarily disclose (Dhaliwal, Li, & Yang, 2011). While the authors concentrated on corporate social responsibility disclosure (CSRD) and capital costs, they discovered that firms that voluntarily disclosed CSR had lower capital costs for at least the first two years after disclosure. Furthermore, companies with high capital costs were more likely to disclose. This demonstrated a significant relationship between analysts, investors, and the firm's long-term viability.

This suffice that, if a firm proved, acted and think in sustainable manners, specialised investors who have good knowledge of the firm are attracted to it and scattering of values or conflicts would not occur between analysts. To ascertain if the quantitative aspect of the sustainability disclosure influence market related issues, the scores would be computed with capital cost and stock price of each listed firm (Eccles & Klimenko, 2019).

Factors of Shareholders Value Creation or Maximization

According to Berk and DeMarzo (2011), value maximization to shareholders appeared to be a critical goal among companies' various goals, and thus firms strived to create wealth for

shareholders and other stakeholders, with equity holders being the last to be attended to. To improve shareholder value creation, many validated approaches with roots in finance and social sciences have been developed. In finance, for example, the market value to book value (mv/bv) ratio and the strategic profit model (SPM) are used. Ben-Naceur and Goaied (1999) and Caby (1996) empirically assessed the relationship between value creation indicators and shareholder value measures using cross-sectional panel data of firms. Economic value added (EVA) and MV/BV were also employed as proxy for value creation.

Shareholder Value Added

Rappaport introduced shareholder value added (SVA) as a value metric in 1986. SVA is the difference between wealth accrued or held at the end or finish of one year and wealth accrued or held the previous year. However, an increase in equity market value is not the same as an increase in SVA (Fernandez, 2002). SVA is defined as the difference between the current or present value of incremental income or cash flow before new investment and the current or present value of equity or investment in working and fixed capital by Largani, Kaviani, and Abdollahpour (2012). When the return on capital (ROC) exceeds the capital cost of the company, value creation is guaranteed.

Sustainable Development

At the corporate and global levels, sustainable development (SD) is a well-accepted concept. Despite the fact that SD has older roots, organizations and researchers viewed and described the concept from various perspectives (Sahoo, Swain & Bal, 2018). SD is thought to have begun in 1987, following the report of the United Nations World Commission on Environment and Development titled "Our Common Future," which was chaired by Gro Harlem Brundtland. The Commission defined SD as development that meets the needs of the present without jeopardizing future generations' ability to meet their own needs. The concept encompasses three fundamental areas: economic growth, ecological balance, and social progress.

Though all three concepts are important, the first two - economic growth and ecological balance - have received more attention in the literature, while social progress has been somewhat overlooked. As a result, there is a call for a greater emphasis on the social aspects of SD. There is a growing focus or concern on social issues such as poverty, social inequality, and corruption, as well as environmental issues such as carbon emissions, ozone layer depletion, water and noise pollution. These have put pressure or demand on businesses to treat SR more systematically.

As a result, stakeholders desired the government to be an active change agent in advancing SR. However, there is a difficulty in conceptualizing sustainability because the term means different things to different people. According to Korhonen (2003), sustainability is impossible to define and extremely difficult to measure, particularly in monetary terms.

Sustainability Reporting

Sustainability reporting (SR) is a subset of reporting and accounting that focuses on methods, activities, and systems for recording, dissecting, and disclosing environmentally and socially-induced financial effects, as well as ecological and social imports of an established economic system (Schaltegger & Lüdeke-Freund, 2004). The authors went on to say that sustainability reporting measures, analyses, and communicates the interactions and relationships between the three aspects of sustainability: economic, environmental, and social.

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According to Choi and Sirakaya (2006), large firms, particularly those in environmentally and socially sensitive industries or companies like oil and gas, chemical, automotive, mining, computers, and electronics, publish sustainability reports to meet the demands of various stakeholders like employees, investors, suppliers, creditors, customers, governments, suppliers, activist groups, and the general public.

SR is a critical asset or medium through which firms' accountability is communicated or made known in relation to a diverse range of roles played by firms to shareholders (return on investment to shareholders), the state (tax payment), people (social responsibilities to people), and the environment (reducing environmental pollution and threats from daily operations). Accountability of businesses is revealed through disclosures in corporate or firm communication or dissemination channels or media. To ensure continuity, the firm's accountability is communicated through SR (channels or media) that are accessible to the individuals who comprise the firm and society (Nwobu, Faboyede & Onwuelingo, 2015).

The Tripple-Bottom-Line (TBL) principle proposed by John in 1994 supported SR initiative known as Sustain-Ability, a British Consultancy (Elkington, 1998). John argued that firms or companies should prepare three distinct bottom lines, namely, the traditional or crude measure of firm or corporate profit, the traditional or crude measure of firm or corporate profit, and the traditional or crude measure of firm or (that is, profit and loss account). The second bottom or base line of the company is - people account - which measures environmental responsibilities or responsiveness of the firm to its environment since its inception, and the third bottom or base line of the company is - planet account - which measures environmental responsibilities or responsiveness of the firm to its environment since its inception. He further stated that SR consists of three 'Ps': people, profit, and planet, with the goal of determining the firm's or company entity's social, financial, and environmental performance over time. SR is commonly used to explain how firms communicate their impact on environmental, social, and economic performance (Elkington, 1998).

Global Reporting Initiative (GRI)

The GRI is a global organisation that has since 1997 engineered SR independently. The initiative has assisted governments and businesses understood and expressed impactful vital concerns like environmental change, governance, fundamental rights, and social well-fare globally, which enabled environmental, social and economic benefits for every individual (GRI, 2016). The initiative has contributions from diverse stakeholders, rooted in public interest and whose basis products are sustainability reporting standards (SRSs), a public good, made freely available and accessible to everyone. The standards have evolved for over 20 years and represented global best practices for reporting environmental, economic, and social issues. The GRI SRSs is considered novel and adopted worldwide standards for SR (GRI, 2016). It spelts out indicators for the three major aspect of sustainability reporting (i.e economy, environment and social).

The economic sub-category has 4 indicators namely; economic performance, economic impact, market presence, and procurement practices. The environment aspect has 12 indicators namely; material, water, energy, biodiversity, effluents & waste, emission, product & services, transport, compliance, overall, suppliers' assessment and governance mechanism.

The social aspect of the disclosure has 30 indicators; sub-categorised into 4 namely; labour practices & decent work (that is, labour/management relations, employment, training & education,

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health & safety, equal remuneration for men & women, diversity & equal opportunity, and labour practices grievance mechanism and suppliers' assessment for labour practices. The human right embraces non-discrimination, freedom of association & collective bargains, investment, child labour, forced & compulsory labour, indigenous rights, security practices, supplier human right assessment, assessment, and human right grievance mechanism.

The third indicator which is society embraces local communities, public policy, anti-competitive behaviour, anti-corruption, compliance, governance mechanism for impact on society, and suppliers' assessment for impact on society (GRI, 2018). Lastly, product responsibility (which covered marketing communication, customer health & safety, customer privacy and compliance and product & services labelling) GRI 4 spelt out two (2) set of principles to be followed in reporting sustainability index. This are the principles for defining content (that is inclusiveness, materiality, context, and completeness of stakeholders) and the principles for value or quality (that is, comparability, balance, accuracy, clarity, timeliness, and reliability) (GRI, 2018).

Conceptual flow

Internal social labour disclosure is depicted as a subset of Sustainability Reporting in the flow below. As detailed in the GRI, the labour and decent work subcategory of social reporting has specific indicators for disclosure. These indicators are depicted in the flow: employment, labour-management relations, occupational health and safety, training and education, diversity and equal opportunity, and equal remuneration for men and women. According to the Legitimacy and Stakeholders theories, there may be pressures from labour and related groups for more sustainability disclosures in financial statements, particularly where it affects the value creation within which an organization operates. As a result, there is a need to determine the effects of labour disclosure on shareholder quality or value. Figure 2.1 depicts the relationship between internal social labour disclosure and shareholder value.

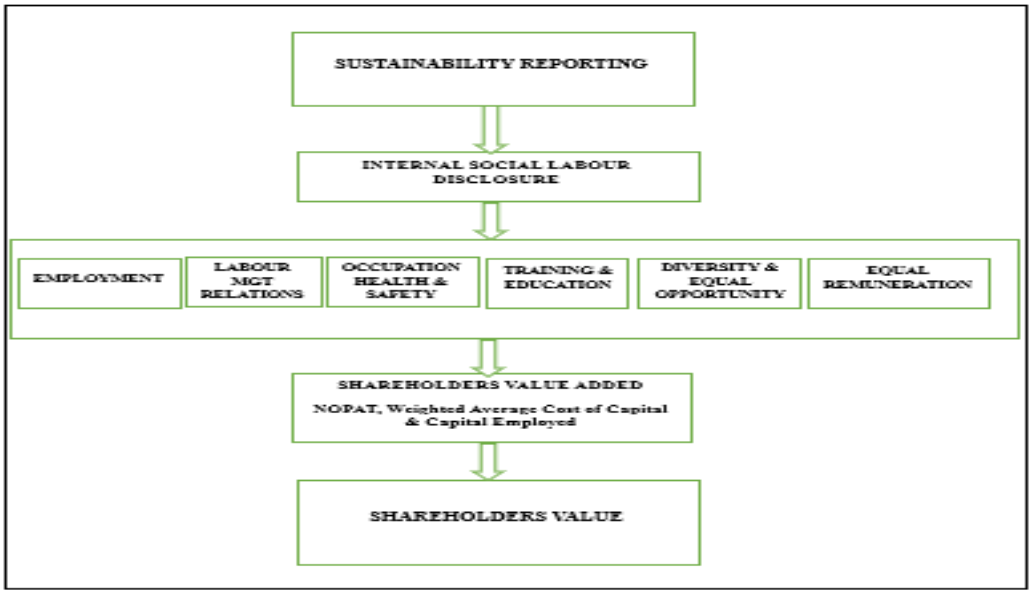


Fig 1 Conceptual Flow
Author's design 2023

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Theoretical Review

In a number of related studies, theories of agency, legitimacy, and stakeholders have been adopted as pivots on which these studies are based. Agency theory originated by Berle and Means (1932), and was later developed and popularized by Jensen and Meckling (1976). In general, this theory advocates the separation of ownership and management, as in the principal and agent relationship. Jensen and Meckling (1976), and Somoye (2011).

Dowling and Pfeffer developed legitimacy theory in 1975 in response to the concept of organisational legitimacy (Guthrie & Ward, 2007). Theory proposed that organisational legitimacy exists when an organization's value system is congruent with the value system of the larger society in which the organization operates, and when the contrast exists, the legitimacy of the organisation is threatened. According to Gray, Owen, and Adams (1995), legitimacy theory is useful in analysing corporate behaviour because it is relevant to organizations and the constraints imposed by social norms and values. Organizations strive to achieve congruence between social values associated with or implied by activities and the norms of acceptable behaviour in the larger social system of which they are a part (Suchman, 1995).

Stakeholders' theory developed by Freeman (1984) stated that a firm is a system of stakeholders operating within the larger system of the host society that provides the necessary legal and market infrastructure for the firm's activities. The firm's goal is to generate wealth or value for its stakeholders by converting their stakes into goods and services. Therefore, the goal of directors and management should be total wealth maximization by the firm. In summary, all parties to a firm's interest in terms of information, wealth, and value creation should be protected (Porter, 1992; Adekanmi, Adedoyin & Adewole, 2015; Akintoye & Anyahara, 2018).

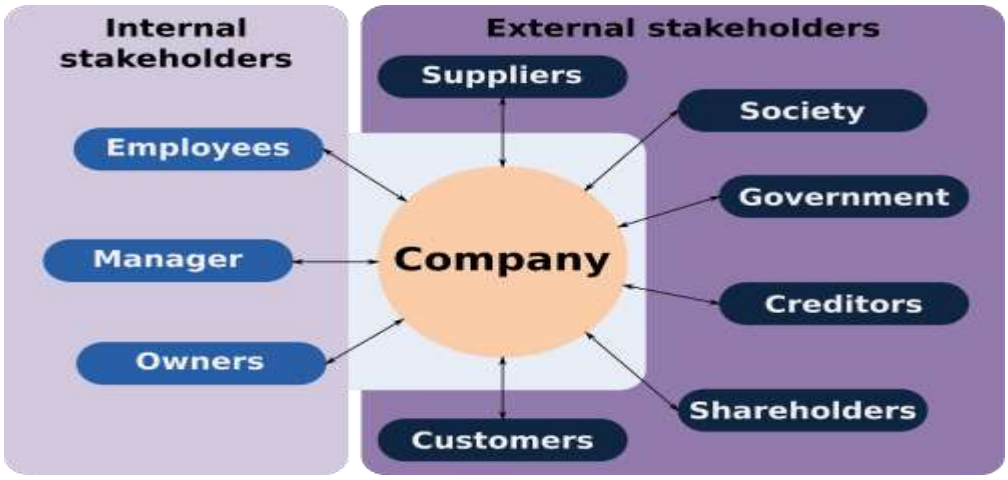


Figure 2 Internal and External Stakeholders,
Source: Adapted from Ledechy (2021)

This study rests on the propositions of stakeholders' theory to investigate the effect of internal labour disclosure on shareholder value of Nigerian listed manufacturing firms. This is based on the idea that all stakeholders expect companies to be socially and environmentally responsible in order to improve performance and value.

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Review of Empirical Studies

Evidence from Developed Countries

Rasool and Saeed (2020) investigated how occupational health and safety influenced performance and discovered that employee occupational health and safety positively impacted performance, which had a significant impact on FV. Jillian and Luyang (2019) used panel data from 95 companies in Norway from 2013 to 2016 to examine the impact of gender diversity on firm efficiency using Tobin's Q. The researchers tested hypotheses based on four different theories: upper echelons, resource dependency, agency, and human capital theory, and discovered that gender diversity had no effect on firm performance.

Between 2009 and 2017, Maji (2022) investigated the patterns of disclosure of decent work and labour practices by Indonesian, South Korean, Indian, and Japanese firms, as well as the impact on the firms' corporate financial performance. The GRI framework was used for content analysis. When compared to information disclosed by firms in other countries, the study's descriptive analysis results revealed that Indonesian firms disclosed very little information about decent work in their annual accounts and reports. There was a significant difference in the quality and quantity of decent work disclosure, with firms in Japan leading the way, followed by firms in Indonesia, India, and South Korea.

Furthermore, firms in India and Indonesia provided little information about equal pay for equal work, diversity and equal opportunity, and training and education, all of which are important components of internal social labour disclosure. For all countries, the mean value of quality of disclosure on equal opportunity and diversity was low. A quantile regression, on the other hand, revealed a positive relationship between decent work and labour practices disclosures and firm financial attainment; however, the positive relationship was not significant in the case of Indonesian firms.

Samet, Chikha, and Jarboui (2022) examined the relationship between CSR performance and stakeholder value in a data set of 600 non-financial listed companies from across Europe over an eight-year period (2008 to 2016). According to the study, firms that are concerned about the environment or the atmosphere, philanthropic safety, diversity, human rights, product quality, equal opportunities, and training tend to generate stakeholder value. On the contrary, the provision of job opportunities aided firms in gaining the trust and loyalty of their employees. However, the practice had no effect on stakeholder value.

Evidence from Developing Countries

Kurniasari and Warastuti (2015) investigated the relationship between CSRD profitability and firm worth, using CSRD items - health and safety - as the independent variables and firm value and profitability, as measured by return on asset, as the dependent variables. The study found a significant and positive relationship between profitability and firm value, but not between CSRD, or health and safety, and business value. These findings suggested that the company does not pursue CSRD initiatives that could increase firm value.

Nawaiseh (2015) examined yearly reports from 63 Jordanian firms listed on the Amman Stock Exchange to assess or evaluate the relationship between firm size, performance, and internal labour disclosure, a subcategory of social disclosure. The variable regression analysis revealed a positive correlation between performance and employee relation disclosure. Dave and Sinha (2016) used previous study findings to examine the relationship between training and firm

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performance, concluding that employee training had a direct impact on the performance of the firms chosen for the study. However, staff training had little impact on the firms' financial outcomes. Pedro (2021), on the other hand, discovered that employee training had a significant and positive impact on the value added of the firms surveyed in his study.

Kristyanto and Sanjaya (2017) used 74 Indonesian manufacturing companies as samples to investigate the impact of CSRD components on firm value. Tobin's Q and firm value (FV) were used as explained variables, and the explanatory variables were social society disclosure, product responsibility disclosure, human rights disclosure, internal social labour disclosure, and environmental and economic disclosure. One of the study's hypotheses was that the labour theme of CSR influenced FV. The authors demonstrated that internal social labour disclosure had a positive but insignificant impact on the firm's value. Rahman, Mominur and Akhter (2021) investigated the relationship between human capital and bank efficiency in Bangladesh and discovered a strong correlation between employee training (one item of internal social labour disclosure) and bank performance.

Dura, Chandrarin, and Subiyantoro (2021) used a purposive sampling technique to select 171 manufacturing companies listed on the Indonesia stock exchange to assess the effects of social, economic, and environmental performance sustainability disclosures on firms' monetary efficiency and FV using the TBL approach from 2017 to 2019. Eight indicators of internal social labour disclosure were used specifically, and all of the factors positively influenced the financial efficiency and FV of the surveyed Indonesian companies.

Arlita (2022) investigated the influence of employee training on FV in a study involving banking firms listed on the Indonesian stock exchange between 2018 and 2021, using monetary efficiency as a mediating variable and signaling theory and human capital theory as the basic theory of the study. The study found that employee training improved financial performance and that financial performance influenced business value; however, staff training had no direct impact on company value. Financial performance moderated the impact of training on business value. This study demonstrated to the business community the importance of employee training as one of a company's human resource management strategies that can increase shareholder value.

Evidence from Nigeria

Avwokeni (2016) investigated whether IFRS reduced social disclosure in corporate yearly accounts and reports of Nigerian firms. The researcher gathered information on internal social labour disclosure, which is a component of corporate social disclosures. Thus, data on labour practices and job creation, employee welfare and safety, trade and leakages, community and government contribution, and, finally, the environment were collected during pre-IFRS adoption (2010 to 2011) and post-IFRS adoption (2012 to 2014). (2013 to 2014). The researcher spotted information on these disclosures and assigned a score of one if the information is available and zero if it is not. This was done to all of the companies chosen for this study. Following that, the researcher calculated the compliance score for each firm by dividing the number of items disclosed by the firm by the total number of items in each category of social disclosure items.

The data produced a cross-sectional distribution of each firm's compliance score. According to the findings of this study, social disclosures regarding environmental sustainability, welfare, health, and safety, as well as job creation and labour practices, improved under the IFRS regime, indicating that the IASB's voluntary agreement on corporate social disclosure had no impact on compliance.

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The progress in corporate social disclosure was related to the size of the company, not the auditee's identity, ownership, or financial structure. These findings backed up the anecdotal argument in organisational theory that, even in the absence of laws, management would continue to function to meet the information needs of its principals, which include shareholders and other stakeholders. According to the study, there was a direct relationship between firm size and health, safety, and welfare. Similarly, labour practices, job creation, the environment, and firm size all have a positive relationship.

Syder, Ogbonna, and Akani (2020) investigated the impact of sustainability accounting reports on the shareholder value of Nigerian listed oil and gas firms. Ex-post facto and cross-sectional methods were used in the study. The study's population consisted of nine quoted businesses from the NSE's 2016/2017 fact book (NSE). The study sample included only companies involved in the industry's upstream and downstream sectors. Secondary data were collected from the annual corporate reports of the relevant firms and the NSE from 2009 to 2018 using text mining techniques. For data analysis, E-view software version 7 was used. The diagnostic analysis made use of the Augmented Dicky-Fuller Unit root test, the error correction model, co-integration, and multiple regressions, as well as the Autoregressive Distributed Lag (ARDL) bound test and the descriptive statistic. Employee training was one of the items used by the researchers from labour practices and decent work/internal social labour. This item was one of the study's independent variables. The value of shareholders was the dependent variable. The authors came to the conclusion that employee training had a positive and significant relationship with the value added by shareholders.

Methodology

This study employed ex-post facto research. The study's target population was Nigerian manufacturing firms listed on the Nigerian Stock Exchange (NSE). The NSE had 161 companies listed as of November 2019. The manufacturing sector, however, was chosen as the research's focal point because it accounted for a higher proportion of companies on the NSE across five sub-sectors. The sub-sectors are conglomerate (6), consumer goods (32), health care (17), industrial goods (26), and natural resources (8). As a result, the population was reduced to 89 companies. This study used stratified sampling techniques, so the population was divided into five strata based on industry. Thirty-four (34) manufacturing companies were purposefully chosen to include firms that include sustainability activities in their annual report on a regular basis or have a stand-alone sustainability report.

As a result, the periods under consideration ranged from 2010 to 2020, for a total of 11 years, with 34 companies providing observation of 374 data points. The secondary data or sources used in this research were gathered from the annual or yearly reports and accounts of the 34 manufacturing companies listed on the NSE. For data analysis, the panel data technique was used with Generalised Method of Movement estimation methods. This method was used to deal with autocorrelation, endogeneity, and heteroscedasticity.

Model Specification

Based on the objective, we can say that shareholders' value added is a function of internal social labour disclosure, expressed as.

$$sva = f(lab) \qquad 3.1$$

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Where labour is subdivided to six factors, which are epl, lmg, ocs, tre, dep and erg
Therefore.

$$sva = f(epl,\ lmg,\ ocs,\ tre,\ dep\ and\ erg)$$

3.2

In a general form the model adopted in this study to test hypothesis is expressed as follows.

$$y_{it} = a_0 + \sum_{j=1}^{k} b_j x_{jit} + c_i + u_{it} \qquad 3.3$$

Where y_{it} is T x 1 row vector of dependent variable, b_j is 1 x K column vector of coefficients, x_{it} is T x K rectangular matrix of explanatory variables, c_i is 1 x m is column of unobserved variables and u_{it} is T x 1 row vector of random disturbances. Specifically, equation 3.3 can be defined as:

$$sva_{it} = a_0 + b_1 epl_{it} + b_2 lmg_{it} + b_3 ocs_{it} + b_4 tre_{it} + b_5 dep_{it} + b_6 erg_{it} + c_i + u_{it} \quad ; \quad u_{it} \sim IID(0, \delta^2) \qquad 3.4$$

Following Arellano and Bover, (1995) and Blundell and Bond (1998), equation 3.4 can be differenced to remove all the unobserved variables including constant, and to introduce predecessor variables as instruments, particularly the lags of the dependent variables to create additional moment conditions. Thus.

$$\Delta sva_{it} = a_0 + \Delta sva_{it-1} + \cdots + \alpha_p \Delta sva_{it} + b_1 \Delta epl_{it} + b_2 \Delta lmg_{it} + b_3 \Delta ocs_{it} + b_4 \Delta tre_{it} + b_5 \Delta dep_{it} + b_6 erg_{it} + \mu_{it} \qquad 3.5$$

Where:

- sva_{it} = shareholder value added of company i with GRI principles at time t;
- epl_{it} = employment disclosure quality of company i with GRI principles at time t;
- lmg_{it} = labour/management relation disclosure quality of company i with GRI principles at time t;
- ocs_{it} = occupation, health and safety disclosure quality of company i with GRI principles at time t;
- tre_{it} = training and education disclosure quality of company i with GRI principles at time t;
- dep_{it} = diversity and equal opportunity disclosure quality of company i with GRI principles at time t;
- erg_{it} = equal remuneration for gender disclosure quality of company i with GRI principles at time t;

Variable Description

Table 1 below shows the variable descriptions as adopted in the study.

Table 1 – Dependent and Independent Variables description and measurement.

	Variables	Description	Measurement
Dependent:			
Shareholder Value	SVA	Shareholder Value Added. This is a measure of the	Shareholders value added is arrived by net operating profit after tax minus

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		operating profits that a company has generated over and above its cost of capital.	the cost of capital based on the weighted average as a product of capital employed.
Independent**:**			
Sustainability Reporting	Internal Social – Labour	This is decomposed into 6 – Employment (EPL), Management Relation (LMG), Occupation Health & Safety (OHS), Training & Education (TRE), Diversity & Equal Opportunity (DEP) and Equal Remuneration (ERG)	The indicators will be tested based on disclosure attributes stated in GRI 3. non-availability of specific quality is assigned value zero (0); information that is narrative in nature is assigned one (1); describing social information attribute in specific detail attracts the value of two (2); social information attribute supplied in quantitative manner is assigned the value of three (3); social information disclosed in both monetary and quantitative manner is assigned the value of four (4)

Results and Presentation of Data

Descriptive Statistics

Table 2: Descriptive Statistics on Internal Social Labour Disclosure

	EPL	LMG	OHS	TRE	DEP	ERG
Mean	4.0000	1.9013	1.9844	2.0519	1.7065	3.9429
Median	4.0000	2.0000	2.0000	2.0000	2.0000	4.0000
Maximum	4.0000	2.0000	4.0000	4.0000	4.0000	4.0000
Minimum	4.0000	0.0000	0.0000	0.0000	0.0000	2.0000
Std. Dev.	0.0000	0.3827	0.6573	0.7015	0.7427	0.3336
Skewness	NA	-4.0452	-0.3695	0.1095	-0.3484	-5.6595
Kurtosis	NA	18.780	7.1510	7.1587	3.1606	33.0291
Jarque-Bera	NA	5044.58	285.1718	278.2093	8.2017	16521.04
Probability	NA	0.0000	0.0000	0.0000	0.0166	0.0000
Observations	374	374	374	374	374	374

Source: E-View 12 Output

Table 2 displays descriptive statistics on the six internal social labour disclosure/labour practices and decent work constructs, namely employment (EPL), occupational health and safety (OHS), management relationship (LMG), training & education (TRE), equal remuneration (ERG), and diversity & equal opportunity (DEP). EPL, LMG, OHS, TRE, DEP, and ERG have mean values of approximately 4.00, 1.90, 1.98, 2.05, 1.71, and 3.94, respectively. EPL has a standard deviation of

zero, whereas LMG, OHS, TRE, DEP, and ERG have standard deviations of approximately 0.38, 0.66, 0.70, 0.74, and 0.33, respectively.

DEP has the highest value, implying that it is the most unpredictable or volatile of the internal social labour disclosure items or indicators. Except for EPL, all of the items in LMG, OHS, DEP, and ERG are negatively skewed when the skewness value is taken into account. EPL has no skewness value because its series are the same over the investigation period and across units. TRE has a positive skew. The kurtosis value for LMG, OHS, TRE, DEP, and ERG is greater than three, indicating that the five items or constructs are leptokurtic.

Inferential Statistics

This study employed dynamic model using one-step/two-step difference generalised method of moment (GMM). These techniques are used in the study to test the proposed hypothesis for the purpose of robustness check. It is argued that single test is not sufficient to ascertain the validity of a hypothesis, hence the need for multiple tests or techniques as presented in the subsequent part of this paper.

Table 3 Result of the test of the Relationship between SVA and Internal Social-Labour Based on One-Step Diff-GMM

Regressor	coef.	std. err	Z	p-value	95% conf. interval	
sva (-1)	0.0426	0.0091	4.6900	0.0000	0.0248	0.0604
Epl	1.0625	0.3099	3.4300	0.0010	0.4551	1.6699
Lmg	0.3337	0.3820	0.8700	0.3820	-0.4150	1.0824
Tre	0.0010	0.1994	0.0100	0.9960	-0.3898	0.3919
Ohs	0.4509	0.2466	1.8300	0.0670	-0.0324	0.9341
Dep	-0.7559	0.1673	-4.5200	0.0000	-1.0839	-0.4279
Erg	-0.0831	0.2722	-0.3100	0.7600	-0.6167	0.4505
AR (-1)	-0.9507			0.3418		
AR (-2)	0.1880			0.8508		
AR (-3)	-0.1375			0.8907		
Sargan-Hansen (X^2)	242.604			0.2417		

Note the regressors sva(-1), epl, lmg, ohs, tre, dep and erg denote shareholder value added at lag 1, employment, labour management relation, occupation, health & safety, training & education, diversity & equal opportunity and equal remuneration for women men respectively.

Table 3 shows the regression results for the relationship between SVA and the indicators or items of internal social-labour disclosure. According to the table, employment (EPL) has a coefficient of 1.06 and a probability of 0%, and the 95 percent confidence interval does not contain zero. This means that increasing EPL disclosure by one unit increases SVA by 1.06 units. The coefficients for LMG, OHS, and TRE are 0.33, 0.001, and 0.45, respectively. For each of these coefficients, the corresponding 95 percent confidence interval contains zero. They are also associated with high probability values, implying that the three indicators have no significant influence on SVA; however, all three are positive predictors of SVA. Increased LMG, OHS, and TRE disclosure in an

organization, particularly in manufacturing companies Granger, increases shareholder value added.

DEP and ERG, the final two indicators, have inverse coefficients of -0.76 and -0.08, respectively. While DEP has a 0% probability and the corresponding 95% confidence interval contains zero, ERG has a 76% probability and the range of confidence interval contains zero. As a result, disclosing ERG has no significant impact on SVA. DEP, as one of the internal social-labour disclosure factors, continues to have a negative impact on SVA. These findings show that the four components of internal social-labour disclosure (EPL, LMG, OHS, and TRE) have a positive impact on SVA, while only two factors (DEP and ERG) have a negative impact. The post estimation tests based on third order autoregression AR (3) and the Sargan-Hansen test show that the autoregression coefficients are not significant because the values for probability are both greater than 5%, indicating that the residuals are not autocorrelated. The Sargan-Hansen test's chi-squared (x2) value is associated with a high probability value. In this regard, the null hypothesis of overidentifying limitations restrictions is valid, and thus can be refuted or ignored. This indicates that all of the instruments are valid and that the model has a good fit for prediction.

Table 4 Result of the test of the Relationship between SVA and Internal Social-Labour based on Two-Step Diff-GMM

Regressor	coef.	std. err	Z	p-value	95% conf. interval	
logsva (-1)	0.0227	0.0142	1.6000	0.1100	-0.0052	0.0505
Epl	1.1113	0.4571	2.4300	0.0150	0.2155	2.0071
Lmg	0.7869	0.4972	1.5800	0.1130	-0.1876	1.7613
Tre	-0.5354	0.3031	-1.7700	0.0770	-1.1294	0.0587
Ohs	0.7930	0.3602	2.2000	0.0280	0.0869	1.4991
Dep	-0.4867	0.1846	-2.6400	0.0080	-0.8485	-0.1250
Erg	-0.3884	0.3947	-0.9800	0.3250	-1.1621	0.3852
AR (-1)	-1.5200			0.1300		
AR (-2)	0.0700			0.9400		
AR (-3)	-0.6000			0.5100		
Sargan-Hansen (X^2)	24.8600			1.0000		

Note that the regressors sva(-1), epl, lmg, ohs, tre, dep and erg denoted shareholder value added at lag 1, employment, labour management relation, occupation, health & safety, training & education, diversity & equal opportunity and equal remuneration for women men respectively.

Table 4 summarizes the results of the test based on two-step difference GMM. As shown, the coefficients of employment (EPL), labour management relation (LMG), and occupation health and safety (OHS) are all positive - 1.11, 0.79, and 0.79, respectively. Only the EPL coefficient corresponds to a low probability value and a range of confident intervals that include zero. These results show that EPL, LMG, and OHS disclosures have a positive relationship with SVA; thus, any increase in the expected value of these three constructs results in a higher SVA. However, the TRE, DEP, and ERG coefficients are all negative. Only the DEP closure coefficient is associated with a low probability value or a confident interval that does not contain zero. In light of this, the study confirms that,

while DEP has an inverse but negative impact on SVA, TRE and ERG have no significant impact on SVA.

The null hypothesis that shareholder value added is not directly influenced by internal social-labour disclosure is refuted by the two-step difference GMM, owing to the positive relationship that exists between SVA and three components of internal social-labour disclosures (employment, labour management relation and occupation, health & safety). The post estimation test results show that the autoregression coefficients up to lag 3 do not correspond to probabilities less than or equal to 5%. This means that the model's residuals are not autocorrelated. With 100 percent probability, the x2 of the Sargam-Hansen test is relatively large. As a result, the instruments used in the model are correct.

Discussion of Findings

The empirical link between each of these components and shareholder value added reveals that labour management relationships, occupation, health and safety, employment, and training and education are all positive determinants of shareholder value added in the Nigerian manufacturing industry. The implication is that positive variations in any of labour management relations, employment, training and education, as well as occupation, health and safety, can be expected to increase the shareholders' value added of Nigerian manufacturing companies. Staff training and education to acquire new or special skills required to perform significant responsibility is a factor associated with value additivity. Similarly, labour-management relations improve the labour force and, as a result, increase shareholder value. Employing the right people to do the right jobs is an important factor in increasing shareholder value.

In essence, if the right personnel were not hired, labour forces were not optimally managed, and employees were not trained to acquire new skills, the value of shareholders could be distorted or, in some cases, perverted to induce suboptimal growth in any company. The remaining two components or indicators of social-labour disclosure, equal pay for men and women, and diversity and equal opportunity, are negatively related to shareholder value added. This means that the study's empirical stance supports the notion that when men and women are paid equally, regardless of the task or function involved, the value added by shareholders tends to decline. Value is harmed when remuneration is not based on the quality of one's contribution to industrial performance. Thus, social-labour disclosure increased shareholder value added for Nigerian manufacturing firms. This claim is consistent with the findings of Chaudhry, Ramakrishnan, Sulimany, and Sharif (2021), as well as Qiu, Jiang, Liu, Chen, and Yuan (2021), who found a positive relationship or association between SVA and CSR.

Conclusion and Recommendation

It is widely acknowledged that the seven components of internal social-labour disclosure determined the value added to shareholders. However, according to the current study, only five of these components are positively related to or are positive determinants of shareholders' value added, while the remaining two are negatively related to or are negative determinants of the variable. Based on these, an improved stance of occupation, health and safety, employment, training and education, and labour management relationship increases or enhances the shareholders' value added. Any increase in diversity and equal opportunity, or in equal

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remuneration, reduces the value added to shareholders. As a result, the conclusion here is not in line with a priori expectations.

The study offers the following recommendation:

1. The government should discourage child or forced labour by initiating and implementing policy and or regulations that deter and sanction companies that engage in children employment or child labour.
2. The government should ensure that the operations of the Economic and Financial Crime Commission (EFCC) and other anti-corruption institutions is broaden to contain and curtail financial frauds and malpractices in the Nigerian private sector especially private manufacturing companies whose optimal operations and finances management and control serve as motivators or inducements to shareholders and ultimately, improved shareholders' added value.
3. The mechanisms of selection and promotion of shareholders should be based purely on performance and merit rather than on recommendations.
4. Shareholders should be more financially committed to vested companies by increasing stock holdings or the weight of their portfolios.
5. The management of the Nigerian manufacturing companies should focus on the production of items or products that are reliable and of quality and at same time, harmless to users or consumers and safe from imitation while expenditure on advertisement and marketing of the items be controlled or reduced drastically.

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