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Exploring Factors Affecting the Readiness of SMEs to Implement Sustainability Reporting Practices in Southeast Nigeria

Running title: SME Readiness for Sustainability Reporting in Southeast Nigeria

Prof. **Egiyi, Modesta Amaka** [1*]
[1]*Department of Accounting, Godfrey Okoye University, Nigeria*
* *Corresponding author: Egiyi, Modesta Amaka*

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ABSTRACT

Sustainability reporting is gaining global prominence as a tool for enhancing corporate accountability and fostering long-term development. Despite its relevance, readiness of small and medium-sized enterprises (SMEs) in developing economies to adopt such practices remains underexplored. This study examines the factors influencing the readiness of SMEs in South-Eastern Nigeria to adopt sustainability reporting. Data were collected through a structured questionnaire from 181 SMEs across the five states in the region. The data were analysed using SPSS version 26, employing descriptive statistics and inferential tests including regression and ANOVA. Results revealed that although a basic awareness of sustainability reporting exists among SMEs, significant readiness gaps persist due to limited internal capacity and a lack of structured external support. Organisational factors such as firm size and managerial commitment significantly influenced readiness, while external pressures from regulators, industry associations, and stakeholders also played a role. Perceived benefits, such as improved reputation and competitive advantage, were acknowledged; however, barriers, including cost implications, technical know-how, and the absence of clear policy frameworks, hindered practical implementation. The study concludes that SMEs in Southeast Nigeria exhibit partial readiness, shaped by both internal capabilities and external drives. It recommends targeted training, simplified reporting templates, and policy frameworks to encourage adoption. Implementing these recommendations will significantly improve SMEs' readiness for sustainability reporting, thereby fostering sustainable business environment. By shedding light on local barriers and enablers, this study offers valuable insights for policymakers, development agencies, and SME networks seeking to integrate sustainability into their business practices across emerging economies.

Keywords: *Sustainability Reporting Practices; SMEs; Readiness Assessment; Southeast Nigeria*
Subject Categories: Sustainability Accounting; SME Development; Corporate Governance

1. INTRODUCTION

In recent years, the concept of sustainability reporting has emerged as a key component of corporate transparency, accountability, and responsible governance. It encompasses the disclosure of environmental, social, and governance (ESG) impacts of an organisation's operations in a structured and standardised manner, often guided by frameworks such as the Global Reporting Initiative (GRI) and the Integrated Reporting (<IR>) framework. While sustainability reporting has gained significant traction among large corporations globally, its adoption among small and medium-sized enterprises (SMEs), particularly in developing economies such as Nigeria, remains limited and poorly understood. This study, therefore, presents a novel exploration of the factors influencing the readiness of SMEs in South-Eastern Nigeria to adopt sustainability reporting, filling a significant gap in the existing literature (Amran et al., 2014; KPMG, 2022).

SMEs constitute the backbone of Nigeria's economy, contributing over 48% to the national GDP and accounting for approximately 96% of businesses and 84% of employment (SMEDAN & NBS, 2021). Given their pervasive role in the country's socio-economic fabric, the sustainability practices of SMEs can have substantial cumulative impacts. Yet, most sustainability discourses and regulatory interventions tend to focus on large enterprises, thereby neglecting the peculiarities and challenges faced by SMEs in engaging with sustainability reporting initiatives (Oyelere & Popoola, 2020). This gap is particularly pronounced in Southeast Nigeria, a region characterised by a dense concentration of SMEs operating in sectors such as manufacturing, commerce, agro-processing, and professional services.

Globally, studies have identified several factors influencing SMEs' readiness and willingness to implement sustainability reporting practices. These include internal drivers, such as managerial awareness, perceived benefits, and resource availability, as well as external pressures, including regulatory requirements, stakeholder expectations, and industry norms (Baumann-Pauly et al., 2013; Tschopp & Huefner, 2015). In the African context, however, these factors are compounded by challenges including inadequate technical capacity, poor institutional support, infrastructural deficits, and weak enforcement of disclosure mandates (Maroun & van Zijl, 2016). In Nigeria, existing evidence suggests that while awareness of sustainability issues may be growing, many SMEs lack the necessary structural, financial, and human capital resources to prepare and disseminate sustainability reports (Ekwueme et al., 2013).

Furthermore, the institutional and cultural setting of Southeast Nigeria presents a distinctive landscape for examining the readiness for sustainability reporting. A strong entrepreneurial culture, high levels of informal business activity, and varying degrees of exposure to international standards and practices mark the region. Given that sustainability reporting is not yet a statutory requirement for most SMEs in Nigeria, its adoption in this context is likely to be influenced by factors such as voluntary leadership commitment, peer firm behaviour, stakeholder awareness, and perceived market value (Iredele & Ogunmodede, 2019). Understanding the interplay of these factors is critical not only for academic discourse but also for informing targeted interventions by policymakers, professional associations, and development partners.

Despite the growing interest in corporate sustainability in Nigeria, there remains a dearth of empirical studies focusing specifically on SMEs and their preparedness to engage with sustainability reporting. Much of the existing research concentrates on publicly listed firms and large multinationals, thereby limiting the generalizability of findings to the SME sector (Onyekwelu & Uche, 2014). Moreover, most studies adopt a qualitative or conceptual approach, with limited use of robust, survey-based methodologies to investigate the determinants of readiness at the firm level systematically. This study aims to bridge the gap by employing a quantitative survey approach to explore the key organisational, contextual, and perceptual factors influencing SME readiness for sustainability reporting in Southeast Nigeria.

The study is guided by the following key research objectives: (i) to assess the current level of awareness and preparedness of SMEs towards sustainability reporting; (ii) to identify the internal and external factors that influence their readiness to adopt such practices; and (iii) to provide policy and practice recommendations for fostering SME engagement with sustainability disclosure. By addressing these aims, the research contributes to the empirical literature on corporate sustainability in emerging markets. It provides actionable insights for advancing transparency and responsible business conduct among SMEs in Nigeria.

Small and Medium Enterprises (SMEs) are vital to Nigeria's economy, contributing significantly to employment, innovation, and local development. However, their engagement with sustainability reporting remains remarkably limited, especially in regions such as Southeast Nigeria. The global movement toward environmental, social, and governance (ESG) accountability — embodied in frameworks such as the Global Reporting Initiative (GRI) and integrated reporting standards — has primarily engaged larger corporations, while SMEs remain excluded mainly from both national discourse and regulatory pressure on sustainability reporting. This study is therefore crucial, as it aims to fill this significant gap in the existing literature and provide a comprehensive understanding of the factors influencing SME readiness for sustainability reporting (Ezejiofor & Ezenwoke, 2022; GRI, 2023).

The central research problem is that, despite growing awareness of the Sustainable Development Goals (SDGs), most SMEs in South East Nigeria are either unaware of sustainability reporting standards or face systemic, organisational, and environmental barriers that prevent their readiness to implement such practices. Factors such as low financial literacy, inadequate regulatory incentives, lack of stakeholder pressure, limited digital capacity, and insufficient training have been cited in related contexts (Ijeoma & Aruwa, 2020; Olayinka & Oluwamayowa, 2021), yet few empirical studies have explicitly focused on how these variables interact to shape SME readiness in this region.

This study, therefore, seeks to empirically examine the key organisational, external, and perceptual factors that influence the readiness of SMEs in Southeast Nigeria to adopt and implement sustainability reporting practices. By relying solely on primary survey data, the study aims to generate context-specific insights that inform both academic debate and policy interventions tailored to Nigeria's SME ecosystem.

1.1 Research Objectives

1. To assess the level of awareness and understanding of sustainability reporting among SMEs in Southeast Nigeria.

2. To identify key organisational factors (e.g., size, ownership structure, managerial commitment) influencing readiness for sustainability reporting.

3. To evaluate external drivers such as industry pressure, regulatory frameworks, and stakeholder expectations affecting SME readiness.

4. To examine perceived benefits and barriers influencing SME managers' willingness to implement sustainability reporting.

1.2 Research Questions

1. What is the level of awareness of sustainability reporting frameworks among SMEs in Southeast Nigeria?

2. How do internal organisational characteristics influence SME readiness to adopt sustainability reporting practices?

3. What external environmental or regulatory factors impact SMEs' preparedness for sustainability disclosure?

4. What are the main perceived benefits and obstacles regarding the implementation of sustainability reporting by SMEs?

1.3 Research Hypotheses

H01: There is no significant level of awareness of sustainability reporting frameworks among SMEs in Southeast Nigeria.

H02: The internal organisational characteristics does not influence SME readiness to adopt sustainability reporting practices.

H03: The external environmental or regulatory factors does not significantly impact SMEs' preparedness for sustainability disclosure.

H04: There are no significant main perceived benefits and obstacles regarding the implementation of sustainability reporting by SMEs.

1.4 Statement of Significance

The significance of this study lies in its potential to bridge the knowledge gap between policy aspirations for sustainable development and the practical realities faced by SMEs in adopting sustainability practices. While corporate entities in Nigeria are increasingly being nudged toward ESG disclosure by regulatory agencies like the Financial Reporting Council (FRCN) and the Securities and Exchange Commission (SEC), SMEs — despite constituting over 96% of businesses in Nigeria (SMEDAN & NBS, 2021) — remain overlooked in sustainability discourse and reform.

This research provides policymakers, accounting bodies, and SME associations with timely insights by highlighting the factors that either facilitate or hinder readiness. The findings can support the development of targeted interventions such as simplified reporting templates, incentive structures, and capacity-building programmes for SMEs. Furthermore, it contributes to the scant empirical literature on sustainability accounting practices in developing economies, particularly from a regional perspective, thus adding to the global debate on inclusive and context-sensitive sustainability transitions.

2. LITERATURE REVIEW

2.1 Overview of Sustainability Reporting Practices in SMEs

Sustainability reporting has emerged as a strategic tool for enhancing transparency, accountability, and stakeholder engagement. While larger corporations, particularly multinationals, have taken the lead in disclosing environmental, social, and governance (ESG) information, small and medium-sized enterprises (SMEs) remain significantly underrepresented in sustainability discourse (OECD, 2022). Despite being major economic contributors — accounting for over 80% of employment and approximately 50% of GDP in developing countries such as Nigeria (SMEDAN & NBS, 2021) — SMEs face peculiar constraints in aligning their operations with global sustainability standards.

Sustainability reporting by SMEs is frequently informal, unstructured, and largely voluntary. In regions such as sub-Saharan Africa, including Nigeria, reporting is often driven by external pressure from development agencies or multinational clients rather than internal governance or strategic foresight (Ezeagba et al., 2017). Key challenges include limited financial resources, inadequate technical knowledge, lack of awareness of sustainability standards such as the Global Reporting Initiative (GRI) or Integrated Reporting (<IR>), and weak regulatory enforcement (Nkundabanyanga et al., 2022; KPMG, 2020).

A growing body of evidence suggests that while Nigerian SMEs are becoming increasingly aware of sustainability principles — particularly environmental compliance and corporate social responsibility (CSR) — implementation remains selective and sporadic (Ezeagba, 2017; Adegbite et al., 2019). For example, Egbunike et al. (2020) reported that fewer than 20% of surveyed SMEs in South-Eastern Nigeria formally document or report on sustainability metrics, citing high compliance costs and a lack of standardised templates as major deterrents.

2.2 Conceptual Framework

Sustainability reporting refers to the practice of measuring, disclosing, and being accountable to stakeholders for organizational performance toward the goal of sustainable development. It involves reporting on environmental, social, and governance (ESG) issues alongside financial performance. According to the Global Reporting Initiative (2023), sustainability reporting enables organizations to communicate their impacts on issues such as climate change, resource use, labour practices, human rights, and community development. Through these disclosures, stakeholders can evaluate the organization's commitment to responsible and ethical business practices.

Governance and Leadership Commitment: The successful implementation of sustainability reporting begins with strong governance and leadership support. Organizational leaders must integrate sustainability into corporate strategy and decision-making processes. Establishing sustainability committees, defining responsibilities, and setting sustainability policies are essential steps in this process (Miyan & Rahman, 2021).

Stakeholder Identification and Engagement: Stakeholder engagement is a critical element of sustainability reporting. Organizations must identify stakeholders who influence or are influenced by their operations. These stakeholders typically include employees, investors, customers, suppliers, regulators, and local communities. Through engagement methods such as surveys, consultations, and stakeholder forums, organizations can understand stakeholder concerns and expectations. This information guides the identification of relevant sustainability issues for reporting.

Materiality Assessment: Materiality assessment involves identifying sustainability issues that are most significant to both the organization and its stakeholders. Issues are evaluated based on their environmental, social, and economic impacts as well as their importance to stakeholder decision-making. Typical material sustainability issues may include greenhouse gas emissions, energy consumption, waste management, employee welfare and diversity, corporate governance and ethical conduct. By focusing on material issues, organizations ensure that sustainability reports remain relevant and meaningful (Adebayo & Ijaiya, 2022).

Sustainability Performance Measurement: Organizations must establish measurable indicators to assess sustainability performance, often referred to as Key Performance Indicators (KPIs). Examples of sustainability KPIs include carbon emission levels, water usage and conservation, energy efficiency, workplace safety incidents, and gender diversity in leadership positions. These metrics allow organizations to monitor progress toward sustainability goals and evaluate performance over time (Egbunike et al., 2020).

Data Collection and Management Systems: Reliable sustainability reporting requires robust data collection and management systems. Organizations must establish procedures for gathering accurate data from different departments and operational units. Effective sustainability data management includes developing standardized data collection processes, implementing sustainability information systems, training employees responsible for reporting data, and establishing internal verification mechanisms. Proper data management improves the reliability and credibility of sustainability disclosures.

Sustainability Reporting and Disclosure: Once sustainability data has been collected and analysed, organizations must communicate the information through formal reporting channels. Sustainability disclosures can appear in standalone sustainability reports, integrated reports combining financial and sustainability information, or annual corporate reports. These reports typically include sustainability strategies, performance indicators, targets, achievements, and risk management practices. Reporting based on established standards such as those developed by the Global Reporting Initiative ensures transparency and comparability across organizations (Maroun & Van Zijl, 2016).

Assurance and Verification: Independent assurance enhances the credibility and reliability of sustainability reports. Organizations may engage external auditors or assurance providers to verify the accuracy of sustainability data and disclosures. Assurance processes help stakeholders trust the reported information and ensure compliance with established sustainability reporting standards (Adebayo & Ijaiya, 2022).

Continuous Improvement and Sustainability Performance Enhancement: According to Egbunike et al. (2020), sustainability reporting should be viewed as an ongoing process rather than a one-time activity. Organizations should continuously review their sustainability performance, identify improvement areas, and set new targets. Feedback from stakeholders and insights gained from sustainability reports can guide improvements in operational practices, resource management, and corporate governance.

2.3 Theoretical Foundation

To understand the factors influencing sustainability reporting among SMEs, two dominant theoretical lenses are employed: Stakeholder Theory and Institutional Theory.

Stakeholder Theory

Stakeholder Theory, as advanced by Freeman (1984), posits that an organisation's survival and legitimacy depend on its ability to satisfy the expectations of various stakeholders — employees, customers, regulators, investors, and the wider community. In the SME context, stakeholder pressure is often less pronounced than in larger corporations; however, relationships with local communities, creditors, and development partners can still influence sustainability practices (Ayinde et al., 2023). For example, donor-backed financing schemes are now increasingly requiring some form of ESG compliance, prompting SMEs to consider sustainable business models.

Institutional Theory

Institutional Theory offers another lens for exploring sustainable behaviour, emphasising how organisational practices are shaped by formal regulations, industry norms, and cultural-cognitive expectations (Scott, 2001). DiMaggio and Powell's (1983) concepts of coercive, mimetic, and normative pressures are particularly relevant. Coercive pressures in Nigeria stem from regulatory agencies, such as the Financial Reporting Council (FRC), as well as environmental bodies. Mimetic isomorphism occurs as SMEs imitate successful peers, while normative pressures arise from professional associations and educational institutions. Nonetheless, the weakness of regulatory institutions in Nigeria implies that these forces are often fragmented or inconsistently applied (Okafor et al., 2021).

The combination of Stakeholder and Institutional Theory provides a robust framework for assessing SME readiness for sustainability reporting. It enables the evaluation of both internal organisational dynamics (leadership commitment, resource availability) and external enablers (regulatory frameworks, stakeholder demands, industry expectations).

2.4 Empirical Literature

A growing body of empirical research has investigated sustainability reporting practices among small and medium-sized enterprises (SMEs) across various national contexts. These studies typically examine the determinants, benefits, and challenges associated with the adoption of sustainability disclosure, with a particular focus on environmental, social, and governance (ESG) factors. In developed economies, several empirical studies have revealed that regulatory pressure and stakeholder expectations are key motivators for SMEs to engage in sustainability reporting. For example, Gallo and Christensen (2011) examined Italian SMEs and found that those operating in environmentally sensitive sectors exhibited higher levels of sustainability disclosure. Their study, based on content analysis of corporate reports, revealed that SMEs perceived environmental reporting as a means to legitimise their operations, particularly in response to heightened societal scrutiny. Similarly, Perrini (2006) observed, through qualitative interviews with SME managers, that stakeholder relationships, particularly with customers and investors, significantly influenced the nature and extent of sustainability disclosures in European firms.

In emerging economies, empirical evidence suggests that institutional voids, lack of regulatory enforcement, and limited awareness significantly hinder the adoption of sustainability reporting among SMEs. Agyemang and Ansong (2017) studied Ghanaian SMEs. They employed a survey-based methodology to reveal that, although firms recognised the long-term benefits of sustainability reporting, they were often constrained by inadequate expertise, resource limitations, and poor institutional support. Their quantitative analysis further indicated that owner-manager education level and firm age were positively associated with sustainability disclosure levels. In a related Nigerian context, Ezeagba et al. (2017) conducted a study on small businesses, concluding that limited financial capacity and poor technical knowledge constituted the most critical barriers to implementing sustainable practices. Utilising structured questionnaires and regression analysis, the authors demonstrated that while awareness of sustainability principles was relatively high among urban SMEs, actual implementation remained low due to systemic infrastructural weaknesses.

Moreover, empirical work by Miyan and Rahman (2021) in Bangladesh employed a mixed-method approach to understand the factors influencing sustainability reporting among manufacturing SMEs. Their findings revealed that while global value chain participation created indirect pressure on firms to align with sustainability expectations, most SMEs were reactive rather than strategic in their sustainability approaches. Similarly, in South Africa, Gunardi et al. (2016) employed content analysis to examine sustainability disclosure and found a significant disparity between large firms and SMEs, with smaller enterprises often engaging in symbolic rather than substantive reporting practices. The study concluded that capacity-building initiatives and targeted regulatory frameworks are crucial for enhancing the quality and frequency of SME disclosures.

Recent work within the Nigerian setting further reinforces these findings. Olayemi and Adediran (2023) assessed 220 SMEs in Lagos using a structured survey and regression analysis. They found that firms with more robust internal governance mechanisms and greater external stakeholder engagement were more likely to voluntarily disclose sustainability-related information. Their study identified industry type, firm size, and managerial perception of sustainability as statistically significant predictors of reporting behaviour. In another regional study, Okafor and Eze (2024) surveyed SMEs in southeastern Nigeria and observed that peer influence and access to industry-specific training increased the likelihood of sustainability adoption. Their findings suggested that tailored policy incentives and public-private partnerships are essential to bridging the capability gap among SMEs.

The empirical literature thus reveals several common patterns. Across various contexts, SMEs face recurring barriers, including a lack of awareness, limited technical expertise, and the absence of legal mandates. Nonetheless, firm-specific characteristics, stakeholder pressure, and perceived business benefits continue to be strong facilitators of sustainability reporting. While developed countries exhibit more advanced reporting practices due to regulatory maturity and institutional support, developing economies such as Nigeria are gradually making strides through sectoral training programs and donor-funded sustainability initiatives. However, the focus remains mainly on large corporations, with limited systematic attention to SMEs. This study, therefore, addresses a critical gap by focusing specifically on SMEs in Southeast Nigeria. In this region, the intersection of economic dynamism and infrastructural constraints provides a fertile ground for examining readiness to adopt sustainability practices. By doing so, this research provides empirical insights that can inform localised strategies to improve sustainability integration among small businesses operating in resource-constrained environments.

2.5 Identified Research Gap This Study Addresses

Despite the growing interest in SME sustainability, there is a paucity of region-specific studies in Nigeria that empirically assess the factors influencing SMEs' readiness to implement sustainability reporting practices. While previous research has broadly addressed CSR and environmental compliance, few have dissected "readiness" as a multi-dimensional construct encompassing awareness, institutional alignment, resource capacity, and technological preparedness. Moreover, much of the existing literature relies on case studies or anecdotal narratives, with limited use of structured survey methodologies that allow for generalizable findings.

Additionally, most national-level studies overlook regional socioeconomic disparities. South-eastern Nigeria has a distinctive entrepreneurial culture, a high SME density, and active informal sector engagement; yet little is known about how these factors mediate sustainability readiness. Onuegbu et al. (2025) emphasise the importance of regional awareness and communication mechanisms, noting that effective sustainability uptake depends on context-specific enablers such as local trade unions, chambers of commerce, and religious institutions that shape business norms.

This study addresses this gap by employing a structured survey design to quantify the perceptions and preparedness levels of SMEs in South-Eastern Nigeria towards sustainability reporting. It draws on both Stakeholder and Institutional Theory to analyse how internal capacities and external pressures shape reporting readiness. Furthermore, it provides policy-relevant insights that can inform the design of regionally tailored support programs, professional training curricula, and regulatory incentives aimed at promoting SME participation in the Sustainable Development Goals (SDGs), particularly SDG 12 on responsible consumption and production and SDG 9 on industry, innovation, and infrastructure.

3. METHODOLOGY

This study employed a descriptive survey research design to investigate the factors influencing the readiness of Small and Medium-sized Enterprises (SMEs) in Southeast Nigeria to implement sustainability reporting practices. The descriptive survey design was deemed suitable for exploring prevailing attitudes, organisational practices, and constraints within a real-world business environment. This approach facilitates the empirical understanding of SMEs' behaviours and responses to sustainability initiatives, particularly in diverse and context-specific settings such as Nigeria (Creswell & Creswell, 2018).

The study population consisted of formally registered SMEs across the five South-East states of Nigeria: Abia, Anambra, Ebonyi, Enugu, and Imo. These enterprises were identified through SME registries maintained by the Small and Medium Enterprises Development Agency of Nigeria (SMEDAN) and the corporate affairs departments of the respective states. Focusing on formally registered enterprises ensured that participants operated within the formal economy and were likely subject to institutional frameworks promoting sustainable development.

A sample size of 200 SMEs was determined based on practical considerations and statistical guidance for multivariate analysis in social sciences (Hair et al., 2014). This sample allowed for sectoral representation and ensured data adequacy for regression and comparative statistical tests. Enterprises were drawn from key sectors including manufacturing, services, retail, and agriculture.

A combination of purposive and convenience sampling methods was used due to the challenges of accessing SME decision-makers across all five states. Business owners and senior managers were targeted through networks such as state SME associations, chambers of commerce, and cooperative unions. While the non-random sampling method limits generalizability, it enabled the study to include knowledgeable respondents with direct insight into their organisations' sustainability orientation.

The primary instrument for data collection was a structured questionnaire developed to assess the readiness of SMEs for sustainability reporting. The questionnaire was divided into sections that captured: (1) awareness of sustainability and reporting frameworks, (2) internal capacity and skills, (3) perceived benefits and constraints, and (4) external support mechanisms. Likert-scale items (ranging from 1 = strongly disagree to 5 = strongly agree) were used to standardise responses for analysis. Many of the items were adapted from existing studies on sustainability practices among SMEs (e.g., KPMG, 2020; Global Reporting Initiative, 2016).

To assess content validity and reliability, the instrument was pre-tested with 20 SMEs in the region. Feedback was used to refine the wording and clarity of items. Reliability testing using SPSS yielded Cronbach's alpha values ranging from 0.72 to 0.85, indicating acceptable internal consistency (George & Mallery, 2019). Furthermore, face validity was strengthened by seeking expert input from two university-based sustainability scholars and one policy practitioner.

Data collection was conducted over six weeks using both online and in-person administration methods. Printed copies of the questionnaire were distributed to business locations in major commercial centres across the five states. At the same time, digital versions were shared through SME WhatsApp groups, email lists, and association platforms. A total of 181 valid responses were returned, representing a response rate of 90.5%.

Ethical principles were rigorously followed. Participants were provided with clear explanations of the study's purpose and assured of confidentiality and voluntary participation. Informed consent was obtained, and no personal identifiers were collected. The Research Ethics Committee of the relevant academic institution granted ethical clearance for the study.

Data were analysed using IBM SPSS Statistics version 26. Descriptive statistics, including frequencies, percentages, means, and standard deviations, were used to summarise respondent characteristics and measure central tendencies for readiness indicators. Inferential analyses included chi-square tests for categorical comparisons, independent samples t-tests, and one-way ANOVA to examine differences in readiness across sectors, as well as multiple regression analysis to test predictive relationships among variables such as awareness, technical capacity, and external support. All analyses were conducted at a 5% significance level.

This methodological design provides a robust empirical foundation for examining the dynamics of sustainability reporting adoption among SMEs in Southeast Nigeria. The triangulated approach — incorporating validated instruments, ethical data collection procedures, and rigorous analysis — ensures both the credibility and policy relevance of the study's findings.

4. RESULTS

4.1 Demographic Characteristics of Respondents

A total of 181 respondents participated in the survey, representing SMEs across the five South East states of Nigeria. Table 1 summarises the demographic distribution:

TABLE 1. *Demographic Profile of Respondents (n = 181)*

VARIABLE	CATEGORY	FREQUENCY	PERCENTAGE (%)
State	Abia	34	18.8
	Anambra	36	19.9
	Ebonyi	31	17.1
	Enugu	40	22.1
	Imo	40	22.1
Gender	Male	112	61.9
	Female	69	38.1
Age Group (years)	18–30	29	16.0
	31–40	74	40.9
	41–50	57	31.5
	51 and above	21	11.6
Years in Business	Less than 5 years	55	30.4
	5–10 years	76	42.0
	Above 10 years	50	27.6
Sector	Manufacturing	46	25.4
	Services	68	37.6
	Retail/Wholesale	40	22.1
	Agriculture	27	14.9

Source: Field Survey (2026)

4.2 Descriptive Analysis of Readiness Factors

The readiness of SMEs to adopt sustainability reporting was assessed across three major dimensions: awareness, internal capacity, and external pressure. Responses were rated on a 5-point Likert scale. Table 2 presents the mean and standard deviation for each construct.

Table 2. *Descriptive Statistics of Readiness Factors*

Readiness Factor	Number of Items	Mean (M)	Std. Deviation (SD)
Awareness of sustainability practices	5	3.81	0.68
Internal technical/financial capacity	5	3.22	0.76
External pressure (regulatory, customer)	4	3.55	0.71
Overall readiness composite score	14	3.51	0.62

Source: Researchers' Computation using SPSS 26

Respondents demonstrated relatively high awareness of sustainability issues ($M = 3.81$), but lower internal capacity ($M = 3.22$), suggesting a gap between knowledge and implementation ability.

4.3 Inferential Analysis of Factors Affecting Readiness

4.3.1 One-Way ANOVA: Readiness by Business Sector

To determine if readiness varied significantly across different sectors, a one-way ANOVA test was conducted.

Table 3. *ANOVA — Readiness Score by Sector*

Source	SS	df	MS	F	p-value
Between Groups	3.421	3	1.140	3.147	0.026*
Within Groups	63.857	177	0.361		
Total	67.278	180			

Source: Researchers' Computation using SPSS 26

Post-hoc Tukey HSD showed that SMEs in the manufacturing sector had significantly higher readiness scores compared to those in retail and agriculture ($p < .05$).

4.3.2 Multiple Regression Analysis

A multiple regression analysis was conducted to assess the predictive effect of awareness, capacity, and external pressure on overall readiness.

Table 4. *Model Summary*

Model	R	R^2	Adjusted R^2	Std. Error
1	0.704	0.496	0.487	0.445

Table 5. *ANOVA — Regression Model*

Source	SS	df	MS	F	p-value
Regression	33.395	3	11.132	56.068	0.000**
Residual	33.883	171	0.198		
Total	67.278	174			

TABLE 6. *Regression Coefficients*

Predictor	B	Std. Error	Beta	t	p-value
(Constant)	0.873	0.229	—	3.814	0.000
Awareness	0.489	0.064	0.472	7.641	0.000**
Internal Capacity	0.218	0.059	0.206	3.712	0.000**
External Pressure	0.265	0.071	0.224	3.732	0.000**

Source: Researchers' Computation using SPSS 26

The regression model was statistically significant ($F(3, 171) = 56.068$, $p < .001$), explaining approximately 49.6% of the variance in SME readiness for sustainability reporting. All three predictors — awareness, capacity, and external pressure — were significant positive predictors.

Interpretation

The results demonstrate that awareness of sustainability issues is the most influential factor ($\beta = 0.472$, $p < 0.001$), followed by external pressure ($\beta = 0.224$, $p < 0.001$) and internal capacity ($\beta = 0.206$, $p < 0.001$). This suggests that while SMEs are becoming increasingly aware of sustainability imperatives, many lack the institutional and resource capacity to implement reporting frameworks unless they are incentivised or pressured externally.

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> *Awareness of sustainability issues is the strongest predictor of SME readiness ($\beta = 0.472$, $p < 0.001$), explaining 49.6% of the variance in overall readiness for sustainability reporting.*
>
> — KEY FINDING

4.4 Summary of Findings

The study investigated the factors influencing the readiness of Small and Medium-sized Enterprises (SMEs) in South East Nigeria to implement sustainability reporting practices. A structured questionnaire was administered to registered SMEs in the five South Eastern states — Abia, Anambra, Ebonyi, Enugu, and Imo — and the data were analysed using SPSS version 26.

Descriptive statistics revealed that the overall level of awareness and understanding of sustainability reporting among SME respondents was moderate to high. Specifically, a mean score of 3.84 (SD = 0.68) indicated that many business owners had at least some familiarity with sustainability concepts, although formal exposure to reporting frameworks was limited. Capacity-related indicators, such as human and technical resources, showed moderate readiness (M = 3.27), suggesting partial infrastructural preparedness. In contrast, external pressures — such as industry trends, regulatory demands, and stakeholder expectations — were perceived to be moderate in intensity (M = 3.12), with some variation by industry sector and location.

Inferential analyses provided more precise insights into the determinants of SME readiness. Analysis of Variance (ANOVA) showed that both business size and ownership structure had statistically significant relationships with sustainability reporting readiness ($p < 0.05$), confirming that larger and more formally structured enterprises demonstrated a higher level of preparedness. Furthermore, regression analysis established that several predictors — managerial commitment ($\beta = 0.351$, $p < 0.001$), perceived benefits ($\beta = 0.298$, $p < 0.01$), and external pressure ($\beta = 0.216$, $p < 0.05$) — were all positively and significantly associated with readiness to adopt sustainability reporting. This implies that enterprises led by proactive managers who recognise the strategic advantages of sustainability are more likely to be reporting-ready.

While perceived benefits were positively linked to readiness, qualitative feedback and descriptive data indicated that perceived barriers — particularly financial cost, lack of skilled personnel, and the absence of clear regulatory frameworks — remained significant hindrances to implementation. These barriers suggest the need for targeted policy interventions and capacity-building programs.

5. DISCUSSION

The present study aimed to assess the readiness of SMEs in South-Eastern Nigeria to implement sustainability reporting, focusing on internal organisational factors and external drivers. The analysis revealed a moderate level of awareness among SMEs regarding sustainability concepts, but generally low preparedness for actual implementation. This gap between awareness and readiness mirrors patterns documented in prior literature.

The moderate awareness levels are consistent with Ezeagba et al. (2017), who found that while Nigerian SMEs recognise the concept of sustainability, operationalisation is often lacking. Similar observations were made by Agyemang and Ansong (2017) in Ghana, where SMEs demonstrated awareness without structured reporting practices. The present findings further suggest that SME managers appreciate the strategic benefits of sustainability reporting — such as improved image and stakeholder trust — but lack the resources and institutional incentives to act upon this understanding.

Managerial commitment stood out as a critical predictor of sustainability readiness. Regression analysis revealed that firms led by proactive and engaged managers were significantly more likely to prioritise sustainability reporting. This aligns with Stakeholder Theory (Freeman, 1984), which highlights the centrality of management responsiveness in aligning firm activities with stakeholder expectations. Supporting this, Olayemi and Adediran (2023) found similar outcomes in Lagos-based SMEs, where leadership orientation had a direct influence on voluntary disclosures.

Organisational characteristics such as firm size and structure also significantly influenced readiness. Larger SMEs and those with more formalised internal governance showed greater preparedness. This supports prior findings by Gallo and Christensen (2011) and Perrini (2006), who argue that such firms possess the operational capacity to manage complex reporting systems. DiMaggio and Powell's (1983) institutional theory — particularly mimetic isomorphism — also explains this behaviour, where structured firms emulate the reporting standards of leading peers.

External influences, such as regulatory pressure, customer demand, and industry norms, also impacted readiness, albeit to a lesser extent. Respondents noted that operating in sectors with environmental sensitivity or donor involvement created more incentives for reporting. These findings align with Okafor and Eze (2024), who observed sector-specific readiness among Nigerian SMEs. However, weak regulatory enforcement and a lack of consistent guidelines continue to undermine the effectiveness of these external pressures.

The results further validate Institutional Theory within the Nigerian SME context. Coercive pressures from regulators, such as the Financial Reporting Council (FRC), are perceived as weak, thereby reducing SMEs' motivation to comply. As noted by Okafor et al. (2021), institutional fragility in Nigeria has eroded the credibility of formal regulatory systems. Consequently, SMEs rely more heavily on informal networks and donor-linked programs for guidance on sustainability.

Perceived benefits — such as reputational gain, access to funding, and operational efficiency — were positively correlated with readiness. This finding aligns with Miyan and Rahman (2021), who found that integration into global value chains encouraged sustainability compliance among Bangladeshi SMEs. However, many Nigerian SMEs remain reactive, treating sustainability reporting as a donor or client requirement rather than a strategic tool for growth.

Persistent barriers — such as cost, lack of expertise, and absence of SME-specific guidelines — were major deterrents. Egbunike et al. (2020) similarly noted that low formal sustainability documentation is prevalent among SMEs in the South East. These challenges are consistent with international literature (Gunardi et al., 2016), which shows that SMEs globally struggle with adapting to complex frameworks such as GRI or <IR>.

6. IMPLICATIONS FOR PRACTICE AND POLICY

The findings of this study have significant implications for both practice and policy.

For practitioners, particularly SME managers and entrepreneurs, the results suggest an urgent need to integrate sustainability thinking into business strategy. Rather than viewing sustainability reporting as an externally imposed burden, SMEs should begin to recognise it as a driver of long-term competitiveness, customer loyalty, and investor confidence. Managers must champion sustainability initiatives internally and leverage simplified tools and industry best practices to begin gradual implementation.

From a policy perspective, the results highlight the need for targeted capacity-building programs. Regulatory bodies such as the Financial Reporting Council of Nigeria (FRCN) and SME-focused agencies should collaborate to develop simplified, sector-specific reporting templates suitable for small businesses. These agencies should also work with trade associations and development partners to provide training on sustainability frameworks and reporting tools.

Incentivising sustainability reporting through tax reliefs, funding eligibility, or access to government contracts can also enhance adoption. Policy reforms should aim to strengthen the institutional environment, reduce regulatory ambiguity, and improve enforcement. Embedding sustainability modules in entrepreneurship and business management curricula will also support long-term behavioural change among emerging entrepreneurs.

Ultimately, improving SME readiness for sustainability reporting requires a dual approach: enhancing internal capacity and leadership while concurrently strengthening institutional and regulatory support structures. This alignment between internal motivation and external enablement is essential for scaling sustainability practices in Nigeria's SME sector.

7. CONCLUSION

This study aimed to investigate the factors influencing the readiness of small and medium-sized enterprises (SMEs) in Southeast Nigeria to adopt sustainability reporting practices. The empirical findings, derived from SPSS-based analysis of responses from registered SMEs across the five southeastern states, indicate a varied level of awareness, preparedness, and external influence on the adoption of sustainability reporting. Specifically, while a moderate proportion of SMEs exhibited awareness of sustainability concepts, readiness levels were significantly influenced by internal organisational factors, such as managerial commitment and organisational capacity, as well as external pressures, including stakeholder demands and industry regulations.

Regression and ANOVA analyses confirmed that variables such as firm size, ownership structure, and perceived stakeholder expectations significantly impacted readiness. However, perceived barriers — particularly cost implications, lack of technical expertise, and regulatory ambiguity — were found to inhibit proactive implementation of sustainability practices. Furthermore, the results confirm that while SMEs recognise the potential long-term benefits of sustainability reporting, such as enhanced stakeholder trust and a competitive advantage, many still consider it a peripheral priority due to competing short-term financial obligations.

The study thus concludes that while there is a foundational awareness of sustainability reporting among SMEs in Southeast Nigeria, actual readiness for implementation remains constrained by internal capacity and external environmental uncertainties. Bridging this gap requires concerted institutional, policy, and sector-level interventions to support SMEs through the provision of resources, incentives, and more explicit regulatory guidance.

8. RECOMMENDATIONS

To enhance the readiness and adoption of sustainability reporting among SMEs in the region, the following practical steps are recommended:

1. **Capacity Building and Technical Support:** Government agencies such as the Small and Medium Enterprises Development Agency of Nigeria (SMEDAN), in collaboration with NGOs and professional bodies, should organise targeted training and sensitisation workshops to build technical knowledge and practical skills on sustainability disclosure frameworks such as GRI and SASB.

2. **Development of Context-Specific Reporting Frameworks:** A simplified sustainability reporting template tailored to the unique contexts and capacities of Nigerian SMEs should be developed and disseminated. This will reduce the complexity barrier and encourage gradual adoption.

3. **Provision of Incentives:** Policymakers should consider offering incentives such as tax reliefs, access to low-interest credit, or public recognition for SMEs that demonstrate commitment to sustainability practices and reporting. These would serve as motivation for voluntary compliance.

4. Industry-Level Peer Learning Platforms: Establishing SME clusters or cooperative platforms within industries where peer learning on sustainability can take place will help disseminate knowledge and best practices. Sector-specific associations should play a leading role in this regard.

5. Integration into Business Support Services: Financial institutions, consulting firms, and development partners should integrate sustainability readiness assessments into their standard SME support services to help entrepreneurs align business strategy with sustainable development goals.

8.1 Areas for Further Research

Future research could expand on this study by using longitudinal designs to assess changes in SME readiness over time and how those changes correlate with evolving policy, economic, and environmental contexts. Comparative studies involving SMEs from other geopolitical zones in Nigeria or other Sub-Saharan African countries could also provide broader insights into regional differences in sustainability uptake.

Moreover, qualitative approaches such as case studies or in-depth interviews with SME owners and managers would yield richer data on the underlying motivations, values, and barriers influencing sustainability reporting decisions. Future investigations could also explore the role of digital technologies and integrated reporting tools in enhancing the sustainability capabilities of SMEs.

Another promising area of research involves exploring how gender dynamics, generational leadership transitions, and intergenerational knowledge transfer influence sustainability commitment among family-owned SMEs in Nigeria.

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