

STAKEHOLDER THEORY AND CORPORATE SOCIAL RESPONSIBILITY: IMPLICATIONS FOR SUSTAINABLE CORPORATE GOVERNANCE IN NIGERIA.

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Abstract

Traditionally, corporate governance has been centred on shareholder dominance, prioritizing profit maximization over community returns. However, the limitations of this approach are increasingly evident, particularly in emerging economies like Nigeria, where corporate failures, environmental degradation, and social conflicts highlight the need for broader governance rethinking, hence the stakeholder theory. Closely linked to stakeholder theory is Corporate Social Responsibility (CSR), which implements stakeholder-oriented governance. The study argued that sustainable corporate governance cannot be achieved through stakeholder approval of papers or discretionary CSR practices. It further argued that although stakeholder interests and CSR are recognized, particularly in the Companies and Allied Matters Act, 2020 (CAMA), the commitments remain largely symbolic and weakly enforceable, thereby limiting their effectiveness in promoting sustainable corporate standards. Drawing on stakeholder theory, this study evaluates the continued dominance of shareholder-centred governance under Nigeria's governance regulatory framework. Using a doctrinal approach, this study examined how regulatory gaps, weak enforcement mechanisms, and Nigeria's socio-economic context undermine meaningful stakeholder engagement and CSR implementation. It further explored the relevance of ESG principles, Industry 4.0 technologies, among others, in strengthening transparency, accountability, and long-term value creation. It concluded that Sustainable corporate governance demands stakeholder inclusion, strong disclosure rules, and ethical leadership. It was recommended, amongst others that regulators should move towards clearer, mandatory CSR and sustainability reporting standards, aligned with internationally recognized ESG frameworks, while ensuring robust enforcement mechanisms

Keywords: Corporate Social Responsibility (CSR), Nigeria Governance Framework, Stakeholder Theory, Sustainable Corporate Governance.

1.0 Introduction

From its early beginnings to present-day frameworks, corporate governance has undergone significant evolution, emerging as a cornerstone of modern corporate practice.¹ Accordingly, the interrelation between business, society, and sustainability has become central in contemporary corporate discourse, as businesses are no longer assessed only based on their economic performance but also on their environmental, social, and corporate governance practices.² This change constitutes a shift from a conventional shareholder dominance model of governance to a stakeholder-oriented framework in which accountability goes beyond investors to include employees, consumers, host communities, regulators, and the environment. Within this norm, CSR has emerged as a foundational element of sustainable business practice. It does not reduce to a public relations effort but rather constitutes a governance device whereby companies embed social, environmental, and ethical concerns into their decision-making processes.³ Therefore, CSR is better understood as an inherent component of corporate governance on its social and ethical aspect. While corporate governance provides the structural and procedural framework through

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¹ M.Z. Hossain, et al, 'Corporate Governance as a Global Phenomenon: Evolution, Theoretical Foundations, and Practical Implications' *Journal of Financial Risk Management*, [2024](13)342 <<https://doi.org/10.4236/jfrm.2024.132017>> accessed on 10 December 2025.

² E.J. Dzage, et al, 'Corporate Social Responsibility, Sustainable Environmental Practices and Green Innovation; Perspectives from the Ghanaian Manufacturing Industry.' *International Journal of Corporate Social Responsibility*, [2024](9)(4)2. <<https://doi.org/10.1186/s40991-024-00090-2>> accessed on 10 December 2025.

³ Jing Zhang & Ziyang Liu, 'The Impact of Corporate Social Responsibility on Financial Performance and Brand Value' *MDPI*, [2023](15)(24) <<https://www.mdpi.com/2071-1050/15/24/16864>> accessed on 10 December 2025.



which organizations are guided and controlled, CSR operationalizes such principles by converting commitments of corporate governance into concrete and socially responsible practices.

Another concept that is similar to CSR is the Stakeholder Theory, which was conceptualized by Freeman in 1984.⁴ This theory holds that “successful business requires that corporations create value for all stakeholders, not just shareholders. Stakeholders, not stockholders, are those who are most deeply affected by an organization’s actions.”⁵ This shows that, ideally, CSR appears to be an important governing technique which promotes stakeholder loyalty and encourages organizational legitimacy.⁶

The connection between CSR and corporate governance has recently assumed prominence in Nigeria, mainly due to the continuing cycles of governance failure and the escalating level of mistrust in corporate governance in the country. Notwithstanding the adoption of new regulations in the Companies and Allied Matters Act (CAMA) 2020 and the Nigerian Code of Corporate Governance (NCCG) 2018, the perception in many corporations in Nigeria today is that CSR remains a minor part of governance.

Notably, as the priorities of worldwide business standards continue to focus on Environmental, Social, and Governance factors, Nigerian businesses are under increasing pressure to adopt stakeholder-focused CSR approaches as a way of incorporating ethical accountability into governance structures.⁷

2.0 Clarification of Concepts

2.1 Corporate Social Responsibility

CSR has transformed from a generous, voluntary, and charitable activity into a crucial and key component of corporate governance principles. Despite the different interpretations and definitions the concept has received at the hands of various scholars and organizations, the core essence of CSR can indeed be identified as the expectation that businesses must abide by while conducting their activities, and also positively contribute to the welfare of society, apart from the mere fulfillment of legal requirements and profits. According to Carroll,⁸ CSR is made up of four crucial components: ‘economic, legal, ethical, and philanthropic’ duties, which form a hierarchical representation of the different duties that a business enterprise is expected to fulfill. This is further highlighted by the fact that the generation of profits remains a basic principle of a business, along with the fulfillment of legal, ethical, and philanthropic principles.

In modern debates, CSR has moved beyond the classical philanthropy concept to become a strategy that companies use to assess, manage, and mitigate social, environmental, and economic effects

⁴ Freeman R.E., ‘*Strategic Management: A Stakeholder Approach*’ (Pitman Press. 1984).

⁵ Hossain (n.1) 342.

⁶ K.G. Ariyo, ‘Corporate Governance and Corporate Social Responsibility: Good Practices and Prospects’ *Texila International Journal of Management*, [2023]2. <<https://doi.org/10.21522/TIJMG.2015.09.02.Art008>> accessed on 10 December 2025.

⁷ A.I. Hassan, et al, ‘Corporate Social Responsibility in Nigeria: Investigating Discrepancy between Practices and Blind Spots’ *Munich Personal RePEc Archive*, [2024]. <https://mpra.ub.uni-muenchen.de/121668/1/MPPA_paper_121668.pdf> accessed on 10 December 2025.

⁸ A.B. Carroll, ‘The pyramid of corporate social responsibility: Toward the Moral Management of Organizational Stakeholders’ *Business Horizons*, [1991] (34)(4) <[https://doi.org/10.1016/0007-6813\(91\)90005-G](https://doi.org/10.1016/0007-6813(91)90005-G)> accessed on 12 December 2025.

that derive from business activity.⁹ United Nations Educational Scientific and Cultural Organization explain that CSR captures “the responsibility of corporations to take into account these effects in line with principles of ethical behavior.”¹⁰ CSR, therefore, entails taking a firm stance informed by a desire to pursue sustainability, transparency, and accountability within the behaviors that companies use, thus ensuring that societal well-being is enhanced, apart from the profits that are gained.¹¹

From a corporate governance practice viewpoint, the implementation of CSR is now an integral part of responsible corporate action and shapes the future reality of corporate regulations especially in a Nigerian jurisdiction, as corporations are now required to embrace social and environmental concerns within their decision-making structures. This approach is also in line with the modern trends and developments in relation to what is known as the Environmental, Social, and Governance (ESG) trend.

2.2 Stakeholder Theory as a Foundation for Corporate Social Responsibility

The debate on CSR and corporate governance is based on different theories such as the Agency theory, Stewardship, and Stakeholders’ Theory, among others, which justify and clarify the underlying motives for actions taken by a company, as well as mechanisms of control and accountability of company managers. The Agency Theory describes the principals’ and agents’ relationship in companies, particularly shareholders and company managers respectively, and how conflicts of interest can develop when their interests differ from each other.¹² Agency Theory, as developed by Michael C. Jensen and William Meckling,¹³ describes how conflicts of interest happen because of separation of ownership and control of companies. According to these scholars, corporate governance is a very relevant mechanism that can be used to control conflicts of interest between shareholders and company managers, who are agents of shareholders. The Agency Theory uses a shareholder-centred approach without considering social and environmental aspects of governance in companies hence its weakness.

The Stewardship Theory proposed by Donaldson and Davis¹⁴ provides an alternative approach with its assumption that managers are instead motivated by internal corporate values such as trust, commitment, and organizational purpose in terms of corporate trust. The corporate governance approach encompasses managers and executives who are initially driven by motives to act effectively in the best interest of the company, which conceivably prioritizes success for all over

⁹ J.O. Nnaeto & G.C. Nwagwu ‘Corporate Organizations and Corporate Social Responsibilities: Does the CSR practice boost the Financial Performance of Oil and Gas Corporations in the Niger Delta region of Nigeria?’ *International Journal of Business and Management Review*, [2024](12)(7)46-63. <<https://doi.org/10.37745/ijbmr.2013/vol12n74663>> accessed on 15 December 2025.

¹⁰ <<https://www.unesco.org/en/dtc-finance-toolkit-factsheets/corporate-social-responsibility-csr>> accessed on 15 December 2025.

¹¹ V. Meseguer-Sánchez, et al, ‘Corporate social responsibility and sustainability. A Bibliometric Analysis of their Interrelations’ *MDPI*, [2021](13)(4)1636. <<https://ideas.repec.org/a/gam/jsusta/v13y2021i4p1636-d492714.html>> accessed on 15 December 2025.

¹² R.A. Wienclaw, ‘Agency Theory and Corporate Governance’ EBSCO (2021) <<https://www.ebsco.com/research-starters/economics/agency-theory-and-corporate-governance#research-starter-title>> accessed on 16 December 2025.

¹³ C.M. Jensen & H.W. Meckling, ‘Theory of the firm: Managerial behavior, agency costs and ownership structure’ *Journal of Financial Economics*, [1976](3)(4) <<https://www.sciencedirect.com/science/article/pii/0304405X7690026X>> accessed on 16 December 2025.

¹⁴ A. Younas, ‘Review of Corporate Governance Theories’ *European Journal of Business and Management Research*, [2022](7)(6)79-83. <<https://eu-opensci.org/index.php/ejbmr/article/view/51668>> accessed on 18 December 2025.



personal gain.¹⁵ Nevertheless, despite its emphasis on ethics in corporate leadership, the Stewardship Theory has not yet presented a comprehensive approach for addressing the different needs within the broader stakeholder community, which is all affected by the company's actions.

The Stakeholder theory, proposed by Freeman,¹⁶ can be deemed a more encompassing model of understanding CSR and governance. The theory states that companies are embedded in a complex web of relationships with different stakeholders, including shareholders, employees, customers, suppliers, society, governments, and environmental stakeholders.¹⁷ It asserts that the company must achieve a balance among the different stakeholders, rather than a mere focus on shareholder wealth maximization, for it to achieve sustainable success and growth.¹⁸ Accordingly, CSR can no longer remain an optional activity, as proposed by Stakeholder Theory, and instead becomes a part of sustainable and effective governance practices. The theory redefines the purpose of a company with its focus on ethical decision making, social accounting, and sustainable stakeholders' value maximization and creation.

In contrast to Agency theory, stakeholder theory argues that any successful corporation must seek to harmonize the often conflicting interests of all stakeholder groups.¹⁹ This is because, 'success in an organization is no longer measured solely in terms of the bottom-line profitability to its shareholders, organizational success is increasingly determined by an organization's ability to balance the interests of key stakeholder groups, such as shareholders, consumers, employees, and local communities.'²⁰ At its foundation, the stakeholder theory is built on three key principles. The first is that the survival and prosperity of the corporation are utterly contingent upon the establishment and maintenance of positive stakeholder relations. The second is that management's key aims should no longer be strictly limited to economic criteria, but should include an appreciation of moral or ethical principles. The third is that stakeholder engagement is linked to an increase in the corporation's overall legitimacy. In other words, the theory places primary emphasis on moral accountability and emphasizes the stakeholder's belief that its legitimacy is tied to its contributions to its key stakeholders.²¹

Right to say that Stakeholder theory broadened the horizon of accountability not only for financial results but for social and environmental results as well. It poses a challenge to boards of directors to develop a broad-based governance approach where stakeholder representation, communication, and feedback become integral to their strategic oversight function. Not only does this broad based

¹⁵ J.S. Kolawole, et al, 'Unveiling Stewardship Theory: Emerging Trends and Future Direction' *Journal of Business and African Economy*, [2025](11)(2)96. <<https://www.iardjournals.org/get/JBAE/VOL.%2011%20NO.%202%202025/Unveiling%20Stewardship%20Theory%2095-112.pdf>> accessed on 18 December 2025.

¹⁶ Freeman (n.4)

¹⁷ J.S. Harrison, et al, 'Stakeholder Theory as an Ethical Approach to Effective Management: Applying the Theory to Multiple contexts' *Review of business management*, [2015](17)(55)1. <<https://scholarship.richmond.edu/cgi/viewcontent.cgi?article=1094&context=management-faculty-publications>> accessed on 26 December 2025.

¹⁸ L.B. Parmar, et al, 'Stakeholder Theory: The State of the Art' *The Academy of Management Annals*, [2010](3)(1)5. <https://www.researchgate.net/publication/235458104_Stakeholder_Theory_The_State_of_the_Art> accessed on 20 January 2026.

¹⁹ Harrison (n.17)

²⁰ Michael James, 'Alignment Stakeholder Goals with Organizational Objectives' (2026) <https://www.researchgate.net/publication/399758896_Aligning_Stakeholder_Goals_with_Organizational_Objectives/link/696792af21a46d6f702145b0/download?tp=eyJjb250ZXh0Ijp7InBhZ2UiOiJwdWJsaWNhdGlvbGlzInByZXZpb3VzUGFnZSI6bnVsbH19> accessed 2 February 2026.

²¹ *ibid*

approach promote trust and transparency, but it also reduces the likelihood of conflict that may adversely affect the sustainability of corporations. Fritz²² divided stakeholder theory into primary and secondary and pointed out the importance of primary stakeholder consisting of customers, employees, suppliers, financiers, and local communities being directly affected in the operational continuity and survival of a business entity, while secondary stakeholder consisting of government authorities, media, industry rivals, and advocacy groups having an indirect yet strong influence on the behavior of business entities.

Although CSR serves as an operational tool that facilitates the connection between corporate governance and stakeholder protection, CSR remains theoretically distinct from stakeholder theory, as the two do not share the same objectives or goals. According to Amodu,²³ CSR is an elastic concept that remains generally neutral and can be integrated within the context of the shareholder primacy approach, which acts as an internal mechanism undertaken by management either as a risk management concept or profit-oriented on behalf of the organization without necessarily undermining the preeminence of shareholders. On the contrary, the stakeholder theory demonstrates an opposition to the idea that shareholders are the true domain within the context of corporate management. According to this theory, stakeholders such as employees, the community, or even the environment are considered to have inherent values that need to be factored within the organization.²⁴ Consequently, while CSR may coexist with shareholder-centered governance, stakeholder theory seeks a reorientation of corporate purpose itself, particularly in stakeholder protection discourse.²⁵

2.3 Sustainable Corporate Governance

Corporate governance can be referred to as the way in which the power of the corporation is exercised and controlled. Structures, processes, and relationships will determine the way in which the corporation will be controlled or guided.²⁶ Accountability, integrity, and responsible decision-making practices will determine corporate governance.²⁷ Senior management of the corporation will use accountability, integrity, and decision-making practices to determine the way in which the power of the corporation will be exercised in accordance with institutional expectations.

The idea of sustainable corporate governance develops this established definition by enshrining values of long-term value creation, care for the environment, and social responsibility within the framework of governance of corporations. While prioritizing financial performance at a very short-term perspective, sustainable corporate governance of this sort emphasizes resilience and the ability to withstand challenges, which translates to a corporation's ability to make long-term economic and social contributions. In this context, the definition of sustainability has found its place as a basic hallmark of effective governance. The Organization for Economic Co-operation

²² Fritz M.M.C., 'A supply chain view of sustainability management' *Cleaner Production Letters*, [2022](3)2. <<https://doi.org/10.1016/j.clpl.2022.100023>> accessed on 26th December, 2025.

²³ Amodu N., 'Stakeholder Protection and Corporate Social Responsibility from a Comparative Company Law Perspective: Nigeria and South Africa' *Journal of African Law*, [2020](64)(3)438. <<https://doi.org/10.1017/S0021855320000212>> accessed on 27 December 2020.

²⁴ Parmar (n.18)6

²⁵ Amodu (n.23)

²⁶ Danjuma N, 'The Role of Company Secretary in Corporate Management' (HERN Publisher Plc, Revised edn., 2009)

²⁷ T.O. Abe, et al, 'Corporate Governance Mechanisms and Financial Reporting Quality Among Listed Nigerian Oil and Gas Firms' *International Journal of Innovative Research in Accounting and Sustainability*, [2025] (10)(1), <<https://ijiras.org/article/ART1743452528>> accessed 5 February 2026.



and Development (OECD)²⁸ in 2015, sustainability as a factor of governance has been found to be a very important role in this context. Sustainability covers the profitability aspects of organizations while ensuring integrity.

Thus, sustainable corporate governance requires such things as ethical leadership, informed board decision-making, stakeholder engagement, and the identification of potential risk liabilities other people may be faced with as a result of corporate operations. Through this, and by establishing such governance structures in corporations, governance failures can be mitigated and sustainable development reached in a more positive and ideal manner. Emerging economies such as Nigeria, whose operations carry serious marks on their social and environmental aspects, require that sustainable corporate governance is more of a necessity and imperatively essential for acceptability and stability.

3.0 Legal and Regulatory Framework for CSR and Stakeholder Protection in Nigeria

CAMA 2020 is the most important legislative move to incorporate stakeholder interests into Nigerian company law. Notably, its application portrays a superficial adoption of stakeholder theory, concomitantly codifying shareholder dominance. In a Nigerian context, discussions on CSR and stakeholder engagement have been far from straightforward or abstractly theoretical, largely shaped by the realities of its socio-economics, institutional framework, and trends of historical corporate community relations.²⁹ For instance, in resource-driven areas across the nation, a historical demand by the affected communities has developed CSR into a governance expectation, which has been at loggerheads over its implementation, especially in areas where multinational companies like those in the oil and gas industries have been at the center of village-level lending to environmental degradation and displacement by activities of these companies.

Historically, section 279 of CAMA, 1990 as amended, was generally concerned with shareholder protection and other fiduciary requirements of directors, like honesty in their conduct, care and diligence, and performing in the general interest of companies. These duties were generally seen as ensuring shareholder value without obligating directors, by express statutory provision, to take account of and consider, continually, environmental, community, and CSR issues. As a result, taking a broader stakeholder focus remained a matter of directors' benevolence and ethical commitment.

However, one could argue that the 2020 Act has had a remarkably transformative effect on CSR. For instance, under Section 305(3), it is required that the director must “act at all times in what he believes to be the best interests of the company as a whole to preserve its assets, further its business, and promote the purposes for which it was formed, and in such manner as a faithful, diligent, careful, and ordinarily skillful director would act in the circumstances, and, in doing so, have regard to the impact of the company’s operations on the environment in the community within which the company carries on business operations.”

On the positive side, this provision has profound implications for stakeholder theory and CSR in Nigeria. It explicitly requires directors (alter ego of the company) to consider the environmental

²⁸ G20/OECD Principles of Corporate Governance, (2015) <<http://www.oecd.org/corporate/principles-corporate-governance>> accessed on 5 February 2026.

²⁹ U. Nwoke, ‘Regulating Corporate Social Responsibility in Nigeria: An Evaluation Through the Lens of the Old Institutional Economic Theory’ *Journal of Developing Societies*, [2025](41)(1), <<https://journals.sagepub.com/doi/epub/10.1177/0169796X241306815>> accessed on 28 December 2025.

and community impact of corporate operations, thereby giving statutory recognition to stakeholder concerns. CSR activities such as environmental management, community development initiatives, and socially responsible business practices may now be directly aligned with directors' statutory duties. By linking the company's long-term interests with the welfare of the environment and local communities, Section 305(3) bridges traditional fiduciary duties of directors with stakeholder-inclusive governance and sustainable corporate governance principles.

However, on the other hand, the section is nothing but a legislative effort to internalize social responsibility in the decision-making process of companies by mandating directors to take into account the interest of workers and the community.³⁰ This kind of CSR-focused aspiration has been greatly undermined by subsection (9) of section 305, which limits the enforcement of these same obligations to the company itself. Through this negation of the rights of the implicated stakeholders, such as the affected community, to undertake actions against the irresponsible behavior of the company, the statute has diminished the force of the CSR to the status of weak aspirations rather than enforceable obligations.³¹

The persistence of the shareholder model definition of the 'company' renders the enforcement of the CSR to circumstances where the interests of the shareholders are involved, significantly undermining the potency of the CSR as a stakeholder protection mechanism. Consequently, while CAMA 2020 symbolically embraces CSR principles, it fails to translate them into meaningful legal accountability, exposing the limitations of CSR when it is not supported by corresponding enforcement rights within the corporate governance framework. What the law has done is simply to identify, without providing enforceable rights or remedies, stakeholder interests as aspirational considerations within a predominantly shareholder-centric governance framework.

Complementing CAMA 2020 are sector-specific regulations and governance instruments that embed stakeholder considerations more concretely into corporate operations. Indeed, the NCCG 2018 emphasizes transparency, accountability, and responsible management; thus, the code recommends that the board of management take cognizance of the effect of their decisions on diverse stakeholders. Although transparency is improved through the code, the code's CSR is still soft law without the force of law or sanctions for violation of same. Thus, the application of CSR as a matter of reputation or charity rather than as a central plank of the code of corporate governance in the entity is certainly not helpful but rather counterproductive to its use as a tool for sustainable governance practice; as such, the perception of CSR as a voluntary principle is strengthened rather than weakened.

Beyond general company law, sector-specific regulations demonstrate a more targeted, though still fragmented, approach to stakeholder protection and CSR. Environmental laws, such as the National Environmental Standards and Regulations Enforcement Agency (Establishment) (Amendment) Act, 2018, and the Environmental Impact Assessment Act, by section 2(1) and 7(a-c), impose legal duties on corporations to mitigate environmental harm, directly supporting the statutory obligations under Section 305(3) of CAMA. Financial sector regulations issued by the Central Bank of Nigeria (CBN) and the Securities and Exchange Commission (SEC) promote corporate accountability to depositors, investors, and the public.

³⁰ O.M. Atoyebi, 'Corporate Social Responsibility under the Companies and Allied Matters Act 2020: A Myth or a Reality'. (2024). <<https://omaplex.com.ng/corporate-social-responsibility-under-the-companies-and-allied-matters-act-2020-a-myth-or-a-reality/#post-3379-footnote-ref-8>> accessed on 27 December 2025.

³¹ Amodu (n.23) 438.



Stakeholder theory is particularly salient in relation to host communities, as reflected in the Petroleum Industry Act, which mandates Community Development Agreements between mineral title holders and host communities to address local development needs. This statutory requirement underscores the central role of community stakeholders in Nigeria's corporate governance framework. These sectorial interventions illustrate that stakeholder protection in Nigeria is often reactive and issue-specific, rather than grounded in a coherent stakeholder-oriented corporate governance philosophy. The integration of these legal instruments highlights both opportunities and challenges for CSR and stakeholder-oriented governance in Nigeria.

In sum, Nigeria's legal and regulatory framework provides a foundation for integrating CSR and stakeholder theory into corporate governance, but the effectiveness of this integration depends on proactive board engagement, informed oversight, and the strategic involvement of company secretaries. Aligning corporate practices with statutory, regulatory, and ethical obligations enables Nigerian corporations to promote transparency, social accountability, and environmental stewardship, core elements of sustainable corporate governance, and positions them to contribute meaningfully to national development while meeting global sustainability standards.

Although Nigerian corporate law and governance frameworks acknowledge stakeholder interests and corporate social responsibility, these commitments remain largely aspirational and weakly enforceable, thereby limiting their capacity to promote sustainable corporate governance.

4.0 Implications for Sustainable Corporate Governance in Nigeria

Corporate governance in Nigeria has gone through several reforms aimed towards improving transparency, accountability, and ethical leadership. The persistence of governance failures from board inefficiencies and regulatory non-compliance to corporate fraud continues to hinder the practice of sustainable business. The law lays down frameworks for proper governance. However, implementation remains a challenge across different industries as many corporations continue to focus on short term financial benefits at the expense of sustainable and stakeholder welfare.³² Effective integration of both stakeholder theory and CSR remains crucial for the attainment of sustainable corporate governance in Nigeria, given those unique socio-economic realities and persistent developmental challenges that the limit shareholder-oriented models.³³

Therefore, the key aspects for fostering sustainable corporate governance include:

i. **The Integration of Profit and Business Purpose:** The integration of profit and business purpose is not only a desirable goal but a sine qua non for corporate governance. In fact, a corporate pattern that focuses on maximizing profits at the expense of societal and environmental factors is fast becoming irreconcilable with the framework for sustainable business development. The stakeholder theory strongly argues that a corporate entity can achieve lasting success only if it manages the relationship between all stakeholder groups whose collective impact influences the business environment. This will no doubt make CSR a risk management tool that positively impacts corporate profitability.

³² S.N.C. Agogbua, et al, 'Sustainability and Businesses in Nigeria: New Challenges and Readiness to Withstand the Pressure of Economic Development' *International Journal of Development and Economic Sustainability*, [2024](12)(4)10. <<https://doi.org/10.37745/ijdes.13/vol12n4815>> accessed on 28 December 2025.

³³ Nwoke (n.29)

Empirical and theoretical insights drawn from stakeholder theory challenge the assumption that profit maximization and social responsibility are inherently conflicting objectives.³⁴ On the contrary, company that proactively address stakeholder concerns such as environmental protection, labour welfare, and community development are better positioned to secure social licence to operate in the environment, reduce regulatory and reputational risk, and sustain long-term financial performance. Accordingly, the fulfillment of social responsibilities should be understood not as corporate benevolence, but as an integral component of sustainable value creation.

Continuing with the traditional shareholder focus governance structure, therefore, is not only normatively flawed but also economically misguided. As Di Yang & Juanjuan Wang rightly argued, there is a need to redefine the purpose of the corporation to emphasize CSR in its decision making frameworks to achieve sustainability of the enterprise.³⁵

ii. Managing the implementation challenges: The effective implementation of both CSR and sustainability initiatives in Nigeria often faces various challenges in the form of systemic and structural issues.³⁶First, corruption weakens the integrity of regulatory institutions and corporate accountability mechanisms. Where regulatory approvals, enforcement actions, or compliance processes are susceptible to corrupt practices, CSR obligations are easily circumvented or reduced to symbolic gestures. This system generally discourages genuine investment in sustainable practices and allows companies to externalize social and environmental costs with minimal consequences.

Secondly, lack of enforcement consistency in policies removes incentives for compliance, especially in a situation where there is uncertainty about what is expected of organizations in terms of compliance with sustainable practices. While there are different laws, codes, and sectorial regulations on issues of CSR and sustainability in Nigeria, there is a lack of consistency in their enforcement as companies prioritize profit driven objectives over sustainability commitments, knowing that sanctions are unlikely or inconsistently applied.

Thirdly, insecurity, especially in areas where there is conflict, militancy, or community unrest, directly impedes the execution of CSR initiatives. Insecurity disrupts business operations, limits access to affected communities, and diverts corporate resources toward risk management and security rather than long-term social or environmental investments. In such instances, CSR programmes are often suspended, scaled back, or rendered ineffective.

Again, limited access to financial resources, especially for small and medium-sized enterprises, restricts the capacity of companies to adopt sustainable practices. CSR and sustainability initiatives often require upfront investments in infrastructure, technology, and compliance systems. Without adequate financial support or incentives, many businesses lack the economic capacity to implement meaningful sustainability measures, even where there is normative or regulatory encouragement to do so.

³⁴ S.B. Banerjee, 'Corporate Social Responsibility: The Good, the Bad and the Ugly' *Critical Sociology*, [2012] (34)(1)51-79. <<https://doi.org/10.1177/0896920507084623>> accessed on 5 February 2026.

³⁵ Di Yang & Juanjuan Wang, 'The Relationship between Corporate Social Responsibility and Financial Performance from the perspective of stakeholder theory' *Advances in Social Science, Education and Humanities Research*, [2019](310)1786-1791 <<https://doi.org/10.2991/iccese-19.2019.390>> accessed on 29 December 2025.

³⁶ F. Nakpodia, et al, 'Navigating the Roadblocks: Exploring Challenges in Implementing Corporate Social Responsibility initiatives in a Sub-Saharan African Economy's Small and Medium Enterprises' *European Business Review*, (2025) <<https://doi.org/10.1108/eb-01-2024-0005>> accessed on 29 December 2025.



Collectively, these challenges show that the problem of CSR implementation in Nigeria is not merely one of corporate unwillingness, but of institutional weakness and governance deficits. Addressing these constraints therefore requires not only corporate commitment, but also stronger regulatory enforcement, institutional reform, improved security, and targeted financial incentives to support sustainable corporate behaviour.

iii. Enhancement of Sustainability Accounting and Reporting: The integration of Industry 4.0 technologies into sustainability accounting and reporting is not merely an operational enhancement but a governance imperative for Nigerian businesses.³⁷ Traditional CSR reporting practices in Nigeria are often retrospective, divided, and vulnerable to manipulation, thereby limiting their credibility and regulatory value. By contrast, Industry 4.0 technologies such as real time data capture, digital platforms, and predictive analytics enable continuous monitoring of social and environmental impacts, significantly improving the reliability and transparency of CSR disclosures. Industry 4.0 sometimes called Fourth Industrial Revolution, is a phase of industrial development characterized by the integration of digital, physical, and biological systems in production, management, and governance processes. It builds on earlier industrial revolutions (mechanization, electrification, and automation) but is distinct in its reliance on intelligent, data-driven technologies that enable real-time decision-making and system integration.³⁸

From a corporate governance perspective, accurate and timely sustainability data strengthens board oversight and enhances managerial accountability. When sustainability performance is measured in real time, corporate decisions can be aligned more closely with environmental and social objectives, reducing the tendency to treat CSR as a post-hoc reputational exercise. This shift is particularly important in Nigeria, where weak enforcement mechanisms often allow companies to engage in symbolic compliance without substantive behavioural change.

Moreover, improved sustainability accounting enhances corporate credibility with regulators, investors, and other stakeholders. As global investment increasingly prioritizes Economic Social Governance performance, Nigerian companies that adopt advanced reporting technologies are better positioned to attract long-term capital and maintain legitimacy in international markets. Predictive analytics further allow companies to anticipate sustainability risks such as environmental harm or community conflict before they crystallize into regulatory breaches or social crises.

Accordingly, leveraging Industry 4.0 for sustainability accounting should be understood as a strategic tool for embedding CSR within corporate governance structures, rather than as a discretionary technological upgrade. Without such innovation, CSR reporting in Nigeria risks remaining opaque, reactive, and insufficient to support sustainable corporate governance as Industry 4.0 represents a structural transformation that extends beyond efficiency and profitability to include sustainable corporate governance, enabling companies to integrate CSR and stakeholder accountability into core decision-making processes.

³⁷ K. Tiwari & M.S. Khan, 'Sustainability accounting and reporting in the industry 4.0' *Journal of Cleaner Production*, (2020) 258, <<https://doi.org/10.1016/j.jclepro.2020.120783>> accessed on 29 December 2025.

³⁸ Ibid.

Ultimately, sustainable corporate governance in Nigeria cannot be realized through compliance driven models alone. As Rodrigues & Franco³⁹ stated, “it requires the deliberate integration of stakeholder theory and CSR into core governance structures, ensuring that corporate decision-making responds substantively to the social, environmental, and economic consequences of business operations.” This shift necessitates strong leadership commitment, enabling government policies, and sustained engagement by stakeholders to overcome structural constraints and advance sustainable development.⁴⁰

5.0 Conclusion/Recommendations

This article has argued that sustainable corporate governance in Nigeria cannot be realized through symbolic stakeholder recognition or discretionary CSR practices. While Nigerian corporate law and governance frameworks increasingly acknowledge stakeholder interests and sustainability concerns, these provisions remain largely subordinate to shareholder primacy and lack effective enforcement. Consequently, CSR often functions as a compliance or reputational exercise rather than as a substantive governance mechanism capable of addressing Nigeria’s enduring social, environmental, and economic challenges.

The article concludes that meaningful progress requires a recalibration of Nigeria’s corporate governance framework towards a genuinely stakeholder-inclusive model. Embedding stakeholder theory and CSR as enforceable governance obligations supported by strengthened disclosure regimes, board diversity and stakeholder representation, institutional capacity building, and targeted regulatory incentives is essential for enhancing corporate legitimacy, investor confidence, and long-term value creation. Such reforms are critical to positioning Nigerian corporations as drivers of sustainable economic development rather than mere vehicles for short-term shareholder returns.

To advance sustainable corporate governance in Nigeria, there is the need to strengthen regulatory frameworks governing CSR disclosure. Existing disclosure obligations remain largely voluntary and inconsistently enforced, limiting their effectiveness as tools of accountability. Regulators should move towards clearer, mandatory CSR and sustainability reporting standards, aligned with internationally recognized ESG frameworks, while ensuring robust enforcement mechanisms. In parallel, corporate governance reforms should promote board diversity and meaningful stakeholder representation. Diverse boards reflecting a range of professional backgrounds, gender perspectives, and stakeholder interests are better positioned to balance competing interests, enhance decision making quality, and integrate sustainability considerations into corporate strategy.

Beyond formal regulation, sustainable governance outcomes also depend on institutional capacity and behavioural change within corporate leadership. Targeted capacity building initiatives on ethical leadership, stakeholder engagement, and sustainability reporting are essential to equip directors, company secretaries, and senior managers with the skills required to operationalize CSR effectively. At the same time, government and regulatory institutions should introduce incentives such as tax benefits, preferential access to public contracts, or regulatory recognition for companies that demonstrate genuine commitment to stakeholder-inclusive governance practices. Such

³⁹ M. Rodrigues & M. Franco, ‘The Corporate Sustainability Strategy in Organisations: A Systematic Review and Future Directions’ *Sustainability*, [2019](11)(22) <<https://doi.org/10.3390/su11226214>> accessed on 6 February 2026.

⁴⁰ Nakpodia (n. 36)



incentive-based mechanisms would not only encourage compliance but also foster a competitive culture in which sustainability and responsible governance are recognized as drivers of long-term corporate value.