Denning Law Journal 2024 Vol 33 p 201-220

SUSTAINABLE DEVELOPMENT AND ERADICATION OF POVERTY IN NIGERIA: INSTITUTIONAL INVESTORS AS A PRIMARY TOOL

Philip Osarobo Odiase and Opeyemi Yetunde Omotuyi***

ABSTRACT

In response to the growing challenge of inequality around the world, the United Nations in 2015 adopted the 2030 agenda for sustainable development, a set of seventeen (17) sustainable development goals (SDGs). Chief amongst them is the goal to reduce inequalities among and within countries by reducing income inequalities: SDG1. To enable effective implementation of the goal, the United Nations calls for a global partnership, involving the public and private sectors. Placing its core emphasis on the Nigerian private sector, this article examines, from a doctrinal and analytical perspective, the strategic contributions institutional investors in Nigeria can make in combating inequality. The article identifies 'Responsible Investment', a growing international phenomenon, as one of the veritable instruments that can be engaged in bridging the inequality gap prevalent in the country.

Keywords: SDGs SDG1 poverty and income inequalities Nigeria institutional investors public and private sector partnerships

INTRODUCTION

After the 1972 United Nations Conference on the Human Environment,[1] at which one of the seminal issues was the recognition of poverty[2] alleviation as a

---

* PhD, Reader, Department of Commercial & Industrial Law, Faculty of Law, Adekunle Ajasin University, Akungba-Akoko Ondo State philip.odiase@aaua.edu.ng

** PhD, Senior Lecturer, Faculty of Law, Federal University, Oye-Ekiti, Ekiti State opeyemi.omotuyi@fuoye.edu.ng

[1] United Nations Department of Economic and Social Affairs (UN DESA), https://sdgs.un.org/events/united-nations-conference-human-environment-stockholm-conference-24552#background accessed 15 September 2024.

[2] UN, 'Report of the United Nations Conference on the Human Environment, Stockholm, 5-16 June 1972' A/CONF 48/14/Rev 1 (1972), https://documents.un.org/doc/undoc/gen/

vital tool for environmental protection, the concept of sustainability became the benchmark for measuring ideal development. Progressively, the application of the concept of sustainability has expanded exponentially to the extent that it now applies to every sphere of human development.[3] Though the term sustainable development remains elastic, there is a consensus in the literature that sustainable development consists of the triple bottom line of economic prosperity, environmental protection, and social equity.[4] In other words, it connotes a development paradigm integrating environmental and social concerns in the pursuit of economic developments.[5]

Progressively, at different forums, particularly at the level of the United Nations (UN), world leaders have collectively entered into commitments designed to promote sustainable development in line with its tripartite structure.[6] The extant UN commitment is the millennium declaration.[7] The commitment underpins the

---

nl7/300/05/pdf/nl730005.pdf accessed 15 September 2024. Within the context of this paper poverty, inequality and economic inequality are used interchangeably.

[3] Ralph Hamann, 'Can Business make Decisive Contributions to Development? Towards a Research Agenda on Corporate Citizenship and Beyond' (2006) 23(2) Development Southern Africa www.tandfonline.com/doi/epdf/10.1080/03768350600707587?needAccess=true accessed 15 September 2024.

[4] Stefan Schaltegger and Roger Burritt, 'Corporate Sustainability' in Henk Folmer and Tom Tietenberg (eds), *The International Yearbook of Environmental and Resource Economics 2005/2006: A Survey of Current issues* (Edward Elgar Publishing '2005); Stefan Schaltegger, Roger Burritt and Holger Petersen, *An Introduction to Corporate Environmental Management: Striving for Sustainability* (Greenleaf Publishing 2003); Thomas Dyllick and Kai Hockerts, 'Beyond the Business Case for Corporate Sustainability' (2002) 11 Business Strategy and the Environment 130; Mark Diesendorf, 'Sustainability and Sustainable Development' in Dexter Dunphy, Jodie Benveniste, Andrew Griffiths and Philip Sutton (eds), *Sustainability: The Corporate Challenge of the 21[s] Century* (Allen & Unwin 2000).

[5] Christian Rammel, 'The Paradox of Sustainable Development: Socio-Ecological System, Stability and Change' in Alexander D Maples (ed), *Sustainable Development: New Research* (Nova 2005); Bill Hopwood, Mary Mellor and Geoff O'Brien, 'Sustainable Development: Mapping Different Approaches' (2005) 13 Sustainable Development 38; Bob Giddings, Bill Hopwood & Geoff O'Brien 'Environment, Economy and Society: Fitting them together into Sustainable Development' (2002) 10(4) Sustainable Development 187.

[6] United Nations Report of the World Summit for Social Development (6-17 March 1995) UN Doc A/CONF.166/9.

[7] United Nations Millennium Declaration (2000) UNGA Res/55/2 (18 September 2000). The declaration sets out eight millennium development goals (MDGs) Member-States were committed to achieving by the end of 2015.

'2030 Agenda for Sustainable Development', a set of seventeen (17) sustainable development goals (SDGs) and one hundred and sixty-nine (169) targets.[8] Like others before it, the fulcrum is the eradication of poverty (SDG1)[9] with an ambitious timeline of 2030.

The trio of economic prosperity, environmental protection, and social equity remains the main plank of the 2030 Agenda for Sustainable Development. In setting the agenda, leaders recognised that eradicating poverty in all its forms and dimensions, including extreme poverty, is the greatest challenge and an indispensable requirement for achieving the goals.[10] In other words, poverty is the greatest challenge to securing economic and social equity, simply because the equity angle to sustainable development also implies freedom from economic poverty. Accordingly, the goal of eradicating poverty may be regarded as the most cross-cutting of the 2030 Agenda for Sustainable Development goals and essential to the realization of the 2030 agenda goals.[11]

Consequently, it is imperative that in the search for economic prosperity and social equity the emphasis should be on achieving social-inclusiveness. In other words, all persons irrespective of their social circumstances should be accorded unimpeded access to resources and opportunities.[12] This pursuit, if juxtaposed against the prevailing milieu in most developing countries like Nigeria where inequality and large disparities in access to basic amenities (health-care, education services and so on), may prove unattainable unless eradication of poverty is top on the priority list.

In search of primary tools for achieving the goal, this article argues that one of the strategies that may provide the needed trajectory-pedestal in a country like Nigeria is the inclusion of environmental and social considerations as part of the deciding factors in the choice of investment portfolios by institutional investors.

---

[8] Transforming our world: the 2030 Agenda for Sustainable Development UNGA Res/70/1 (21 October 2015) www.un.org/ga/search/view_doc.asp?symbol=A/RES/70/1& Lang=E accessed 28 January 2020.

[9] Goal 1, Department of Economic and Social Affairs (un.org) accessed 14 September 2024.

[10] MDGs (n7) preamble to the Agenda.

[11] For instance, reduction in economic inequality is very essential to achieving poverty eradication (SDG 1), zero hunger (SDG 2), good health and well-being (SDG 3), quality education (SDG 4), economic growth (SDG 8), peaceful societies and access to justice (SDG 16).

[12] UN, DESA *The Inequality Predicament: Report on the World Social Situation 2005*, A/60/117/Rev.1 ST/ESA/299, 13. www.un.org/esa/socdev/rwss/docs/2005/rwss05.pdf accessed 16 September 2024.

NATURE OF INEQUALITY

Over the years, despite the plethora of commitments entered at national, regional[13] and global levels to end it, poverty has persistently constituted one of the greatest social challenges facing the world today[14] and may remain unabated without concerted action.[15] The greatest challenge to combating poverty is inequality in its various forms. In its ordinary meaning, inequality refers to a difference in the social status, wealth, income, rights or opportunities between people or groups.[16] Economic inequality has been described as the unequal or disproportionate distribution or allocation of income and opportunity to people or between different groups in society.[17] The World Bank defines equality as the capacity of individuals to have equal opportunities to pursue a life of their choice and be free from extreme deprivation in outcomes.[18] Conversely, inequality could be said to refer to a difference in opportunities and outcomes for different persons or groups of persons. Inequality of outcomes within this context refers to differences in what people achieve or attain in terms of personal economic advantages or standard of living in the course of life; unequal pay for equal work done.[19]

---

[13] A most recent example at the African regional level is the New Partnership for Africa's Development (NEPAD) a socio-economic Programme of the African Union (AU). NEPAD's four primary objectives are to eradicate poverty, promote sustainable growth and development, integrate Africa in the world economy and accelerate the empowerment of women by 2063. www.nepad.org/publication/nepad-brief accessed 10 April 2020.

[14] James A Crone, *How Can We Solve Our Social Problems?* (2nd edn, Pine Forge Press 2011) 47; Thomas Piketty, *Capital in the Twenty-First Century* (Arthur Goldhammer tr, Harvard University, 2014); Amina Mohammed, 'Deepening Income Inequality' in World Economic Forum, Global Agenda Council ed *Outlook on the Global Agenda 2015*, www3.weforum.org/docs/GAC14/WEF_GAC14_OutlookGlobalAgenda_Report accessed 2019; Milanovic Branko, *Global Inequality: A New Approach for the Age of Globalisation* (Harvard, 2016).

[15] UN, DESA, *The Inequality Predicament* (n12).

[16] Crone (n14) 49.

[17] Giuseppe Pignataro, 'Equality of Opportunity: Policy and Measurement Paradigms' (2012) 26(5) Journal of Economic Surveys, 800.

[18] Thomas Dyllick and Kai Hockerts, 'Beyond the Business Case for Corporate Sustainability' (2002) 11 Business Strategy and the Environment https://documents1.worldbank.org/curated/en/435331468127174418/pdf/322040World0Development0Report02006.pdf?_gl=1*qq4foh*_gcl_au*MTkwMDMzMjQ1Ny4xNzI2NDg0NTQ5 accessed 16 September 2024.

[19] UNICEF & UN Women, 'Global Thematic Consultation on the Post-2015 Development Agenda: Addressing Inequalities - Synthesis report of global public Consultation (2015)

Inequality of opportunities, on the other hand, refers to differences in people's backgrounds or circumstances that condition their outcomes, for instance, differences in social treatment and conditions such as unequal access to employment or education, etc.[20] In sum, inequalities of opportunities is attributable more to the result of circumstances while inequalities of outcomes are the result of personal efforts,[21] although discrimination on grounds of race/ethnicity, sex/gender, disability, age, sexuality and other recognised characteristics or attributes can impact detrimentally here. Being influenced by external social variables, inequalities of opportunities are generally regarded as 'unfair'. On the other hand, the 'fairness' of inequality of outcomes is reluctantly contested.[22] Simply put, inequality is more likely to be accepted where all persons have equal opportunities to improve their socio-economic position and outcomes. However, where some persons or groups have consistently worse opportunities than others, social justice and the human right to equality and non-discrimination are undermined.[23]

Agreed that the 2030 agenda for sustainable development promotes inclusiveness, this cannot be achieved with the exclusion of any part of the world's population from equal opportunities to pursue a life of their choice. The increasing inequality gap, especially in developing countries, shows that reported economic growth and development have not benefitted every section of the population in the same way.[24] Thus by nature, discussions around inequality tend to focus on people

---

https://genderandenvironment.org/wp-content/uploads/dropbox/Publication/Addressing%20Inequalities%20Synthesis%20Report%20of%20Global%20Public%20Consultation.pdf accessed 16 September 2024.

20 UNICEF & UN Women (n19).

21 Taymar Manuelyan Atinc and Michael Waldren, *Responding to the Global Financial Crisis – Social Consequences of the East Asian Financial Crisis* (The World Bank Group, 1998) https://documents1.worldbank.org/curated/en/486441468770742543/pdf/310410PAPER0Social0consequences0eacrisis.pdf accessed 10 October 2024.

22 Ricardo Paes De Barros and others, *Measuring Inequality of Opportunities in Latin America and the Caribbean* (World Bank and Palgrave Macmillan, 2009) https://documents1.worldbank.org/curated/en/219971468045038979/pdf/468270PUB0Meas101OFFICIAL0USE0ONLY1.pdf?_gl=1*12cz17k*_gcl_au*MTkwMDMzMjQ1Ny4xNzI2NDg0NTQ5 accessed 16 Access September 2024; Brigitte Rohwerder, 'Poverty and Inequality: Topic Guide' (GSDRC, University of Birmingham 2016) https://gsdrc.org/wp-content/uploads/2016/06/PovertyInequalityTG.pdf accessed 7 February 2020.

23 Rohwerder (n22) 41.

24 Sergio Vieira, 'Inequality on the Rise? An Assessment of Current Available Data on Income Inequality at Global, International and National Levels' Background Document for the World Economic and Social Survey (UN DESA 2012) 5, www.un.org/en/

and groups at the bottom of the economic pyramid, or those who are excluded from economic development. Such an approach to inequality reduction ensures that economic growth and development are improved for all persons equally.[25] Accordingly, the goal of reduction in economic inequality may be regarded as the most cross-cutting of the sustainable development goals because significant progress in reducing economic inequality is essential to realizing other goals.[26]

INEQUALITY IN NIGERIA

Scrutiny of a plethora of empirical studies on the effect of inequality shows a correlation between inequality and social problems.[27] Studies show it as a major influencing factor behind several insecurity challenges including crime, social unrest, and violent internal conflicts prevalent in the world today.[28] Presently Nigeria is plagued by myriad social problems including a high rate of unemployment, increasing crime waves, kidnapping, terrorist and militancy activities, agitation promoting fragmentation of the country; the list is endless. The global index shows Nigeria as ranking almost highest in the inequality gap between its rich and poor population. Ironically, the relative increase in wealth witnessed in Nigeria in recent times has brought about rising inequality within the country. For instance, while a portion of Nigeria is thriving with a few individuals enjoying the fruits of the economy, some 87 million Nigerians, representing more than 50% of the population, live on less than $1.90 a day, making Nigeria home to the poorest persons in

development/desa/policy/wess/wess_bg_papers/bp_wess2013_ svieira1.pdf accessed 10 December 2019.

[25] Frederico Cingano, 'Trends in Income Inequality and its Impact on Growth' (2014) OECD Social, Employment and Migration Working Paper No. 163, DELSA/ELSA/WD/SEM(2014) 9, 21–23, www.oecd.org/els/soc/trends-in-income-inequality-and-its-impact-on-economic-growth-SEMWP16 3.pdf accessed 30 November 2019.

[26] For instance, reduction in economic inequality is very essential to achieving poverty eradication (goal 1), zero hunger (goal 2), good health and well-being (goal 3), quality education (goal 4), economic growth (goal 8), peaceful societies and access to justice (goal 16).

[27] Wilkinson Richard and Kate Pickett, *The Spirit Level: Why more Equal Societies Almost Always do Better* (Allen Lane, 2009); Karen Rowlingson, *Does Income Inequality Cause Health and Social Problems?* (Joseph Rowntree Foundation, 2011) www.drugsandalcohol.ie/15970/2/iJRF_nequality-income-social-problems-summary.pdf accessed 17 September 2024.

[28] Andrew McKay, 'Defining and Measuring Inequality' Inequality Briefing, Paper No. 1, March 2002 https://media.odi.org/documents/3804.pdf accessed 17 September 2024.

the world.[29] Inadequate and dilapidating public infrastructures have also contributed to the gap.[30] Nigeria's social spending is extremely low, resulting in very poor social outcomes and depriving millions of Nigerians access to basic social services.

In addition to inequality resulting from inequalities of opportunities, environmental challenges arising from unhealthy modes of exploring and exploiting natural resources in the country is another factor contributing to the inequalities gap in Nigeria. Activities such as fishing, farming, and hunting, the main sources of income and livelihood of the majority of the indigenous people of the Niger Delta communities of Nigeria (1/6 of Nigerian landmass and population), have been condemned to oblivion or near non-existence. This is due to the wanton destruction of both aquatic and farmlands in the region due to oil exploration and production activities.[31] With the increasing soil infertility and underdevelopment of the region, the local population are forced to abandon their land and traditional means of livelihood.[32] Aside from the economic setback, incessant oil spillages and gas flaring pose serious health challenges to the local population.[33] Oil spills

---

29 Ugo Aliogo, 'Nigeria: Tackling Economic Inequality' *This Day* (Lagos, 6 September 2018) www.thisdaylive.com/index.php/2018/09/06/tackling-economic-inequality/ accessed 17 September 2024.

30 Oxfam International, 'Inequality in Nigeria; Exploring the Drivers' (Oxfam May 2017) www-cdn.oxfam.org/s3fs-public/file_attachments/cr-inequality-in-nigeria-170517-en.pdf. accessed 17 September 2024. The report shows that in 2016 between 12.1% and 21.5% of the Nigerian youth were out of a job.

31 MAO Aluko, 'Social Dimensions and Consequences of Environmental Degradation in the Niger Delta of Nigeria' (2003) 14(4) Journal of Human Ecology 263; Basil Onuoha Chijioke, Itoro Bassey Ebong, and Henry Ufomba, 'The Impact of Oil Exploration and Environmental Degradation in the Niger Delta Region of Nigeria: A Study of Oil Producing Communities in Akwa Ibom State' (2018) 18(3) Global Journal of Human Social Science 55.

32 MAO Aluko (n31).

33 For instance, it was reported in 2011 that the drinking water in Ogoni land contained carcinogen at levels 900 times above World Health Organisation guidelines. See United Nations Environmental Programme, *Environmental Assessment of Ogoni Land* (2011) www.unenvironment.org/explore-topics/disasters-conflicts/where-we-work/nigeria/environmental-assessment-ogoniland-report accessed 21 March 2019. See also B Ordinioha and S Brisibe, 'The Human Health Implications of Crude Oil Spills in the Niger Delta, Nigeria: An Interpretation of Published Studies' (2013) 54 Nigerian Medical Journal 10; Oil spills in this region have reduced the ascorbic acid content of vegetables and the protein content of cassava resulting in 24% increase in the prevalence of childhood malnutrition in the region.

and gas flares contaminate surface and groundwater including the air and crops with hydrocarbons which can accumulate in aquatic organisms and food crops on which the local communities depend for food.[34]

Despite the foregoing, no visible palliative measures have been introduced in many of the rural communities by government or/and oil explorers to clean or decontaminate the region and supply basic amenities such as health facilities, electricity, portable water, roads and other basic infrastructures.[35] There is no visible record that oil explorers in the region have subscribed to the growing concept of corporate social responsibility (CSR) or incorporation of best environmental, social and governance (ESG) practices within the parameters of 2030 agenda for sustainable development in their activities.

IMPROVING THE MUNDANE MODES OF COMBATING POVERTY

Explicit from the preceding exposition is that to reduce inequality ipso facto to eradicate poverty, universal access to basic amenities such as housing, water, electricity, sanitation, as well as social services such as food, health, and education, must be achieved.[36] The ability to seamlessly access these basic infrastructures by all persons in a group, community, country and the world at large reinforces equality of opportunities.[37] In communities where universal access to core basic

---

[34] Elisha Dung, Leonard Bombom and Tano Agusomu, 'The Effects of Gas Flaring on Crops in the Niger Delta, Nigeria' (2008) 73(4) GeoJournal 297; Jerome Nriagu, 'Oil Industry and the Health of Communities in the Niger Delt a of Nigeria' in J Nriagu (ed), *Encyclopaedia of Environmental Health* (Elsevier 2011) 240; Angela K Werner and others, 'Environmental Health Impacts of Unconventional Natural Gas Development: A Review of the Current Strength of Evidence' (2015) 505 Science of the Total Environment 1127.

[35] Thisday Editorial, 'The Growing Inequality in Nigeria' *ThisDay* (Lagos, 15 October 2018) www.thisdaylive.com/index.php/2018/10/15/the-growing-inequality-in-nigeria/ accessed 17 September 2024.

[36] UN, DESA, 'The Inequality Predicament' (n 12); United Nations, 'Equality: Why it Matters' https://www.un.org/sustainabledevelopment/wp-content/uploads/2018/09/Goal-10.pdf accessed 17 September 2024.

[37] United Nations, 'A New Global Partnership: Eradicate Poverty and Transform Economies Through Sustainable Development' (2013) The Report of the High-Level Panel of Eminent Persons on the Post-2015 Development Agenda https://sustainabledevelopment.un.org/content/documents/8932013-05%20-%20HLP%20Report%20-%20A%20New%20Global%20Partnership.pdf accessed 17 September 2024.

amenities has been secured relatively, poverty is at the lowest ebb. For instance, investment in education has played a central role in the rapid industrialisation around the world. The higher educational levels of farmers and their children in the Republic of Korea and the Taiwan Province of China have been reported to contribute immensely to the fast industrialisation of these countries.[38] Research shows that the rise in enrolment in primary, secondary and tertiary education in Korea increased receptivity to new agricultural technology, provided a social basis for an educated workforce for the industrial sector, and contributed to significant reductions in income inequalities.[39] Similarly, increase in educational access and enrolment have been reported to result in a decline in the wage gap between skilled and unskilled workers in Latin America which was once one of the most unequal regions in the world.[40] Just as with access to education, ensuring universal access to the highest attainable standard of health has been described as a precondition to mitigating economic inequalities.[41]

At the international level, international commitments like the UN SDGs are generally entered into by sovereign States and therefore binding on them. Such international commitments are generally not directly binding on the individual citizens (natural or corporate persons).[42] However, a scrutiny of the SDGs reveals that it seeks to regulate not only the state parties but through the state parties it also seeks to regulate the behaviour of the citizens (including private enterprise) being the beneficiaries and sometimes the culprits.

Relatively to most developing countries, deducible from the preceding discussion is that environmental protection and conservation if vigorously pursued can bridge the inequality gap to promote a better standard of living within adversely affected communities. As outlined earlier, inappropriate exploration (and exploitation) can damage the environment and most times promotes inequality resulting from inequalities of opportunities.[43] Correlatively, enforcing and observing best environmental practice in the course of harnessing natural resources improves the quality of life of the inhabitants; it improves access and opportunity through the reduction of potential adverse environmental impacts

---

38 UN, DESA, *The Inequality Predicament* (n12).

39 UN (n38).

40 UN (n38).

41 Angus Deaton, *The Great Escape: Health, Wealth and the Origins of Inequality* (Princeton, 2015).

42 Developments in the Law: International Environmental Law. (1991) 104(7) Harvard Law Review 1484, 1551. https://doi.org/10.2307/1341598 accessed 17 September 2024.

43 Transforming our world (n8).

and/or at least halts further damage to the environment and its negative impact on habitats.[44]

Most laws regulating the winning of natural resources in Nigeria appear to be lacking in many respects. In the oil industry, the gist of what is recommended is good oil field practice.[45] This is an extremely subjective oil-field management parameter, leaving the determination of what is 'good oil field practice' to the discretion of the oil field operators.

Towards the sustainable exploration of natural minerals, negative outcomes can be prevented and the standard of living of the local inhabitants improved by simply applying and adhering to the best international practices in the course of extracting or 'winning' natural minerals. Achieving this within the Nigerian milieu requires ensuring explorers of natural resources play by the rules. While the existence of a robust legal framework and its enforcement by regulators is imperative, other non-coercive modes could be employed to persuade explorers to observe the principles of sustainable development (best practices) in course of winning natural minerals.

ENGAGING THE FINANCIAL MARKET IN SCALING UP SUSTAINABLE DEVELOPMENT

The indispensable role of the private sector in the realization of the SDGs cannot be overemphasized. Corporations are part of the larger social system whose aggregated activities impart the general wellbeing of the society particularly their host communities. Consequently, they are expected to reflect a positive impact on the system, and by implication simultaneously maintaining their legitimacy and sustainability.[46] This belief is technically reinforced and expressed in the 'social contract theory' which postulates the existence of a social contract between

[44] Transforming our world (n8).

[45] Associated Gas Re-injection Act, Cap A 25, Laws of the Federation of Nigeria 2004 (LFN), s 4; Petroleum Act, Cap P 10 LFN, s 8, etc.

[46] Keith Davis, William C Frederick and Robert L Blomstrom, *Business and Society: Concepts and Policy Issues* (McGrew-Hill, 1980) 4; William C Frederick, Keith Davis and James E Post, *Business and Society- Corporate Strategy, Public Policy, Ethics* (6 edn, McGraw-Hill, 1988) 28; Tom Cannon, *Corporate Responsibility* (Pitman, 1992) 1; George A Steiner and John F Steiner, *Business, Government and Society- A Managerial Perspective* (9th edn, Irwin/McGraw-Hill, 2000) 6; Mervyn King and Teodorina Lessidrenska, *Transient Caretakers- Making Life on Earth Sustainable* (Pan Macmillan, 2009) 8.

corporations and individual members of society.[47] Based on the contract, society is obliged to provide corporations with an enabling legal environment in which to operate.[48] The corollary is that corporate existence depends on the willingness of societies to continue to allow corporations to operate.[49] Thus, notwithstanding that the main objective of a company is to make profits, it should have a moral obligation to act in a socially responsible manner based on its social contract with society. It is argued that such social responsibility enhances the possibility of its continued operation.[50]

Consistent with the social contract theory is the 'legitimacy theory' which postulates that corporations do not possess any inherent right to exist. Rather, corporations exist to the extent that society considers that they are legitimate.[51] Thus, based on the argument that business contributes to global social problems,[52] the legitimacy theory assumes that corporate existence will be illegitimate if

---

47 M Reg Matthews, *Socially Responsible Accounting* (Chapman & Hall, 1993) 26. See also Allan D Shocker and Prakash S Sethi, 'An Approach to Incorporating Societal Preferences in Developing Corporate Action Strategies' (1973) 15(4) California Management Review 97.

48 Williams C Frederick, 'The Growing Concern Over Business Responsibility' (1960) 2 California Management Review 54; Keith Davis, 'Understanding the Social Responsibility Puzzle: What Does the Businessman Owe to Society?' (1967) 10 Business Horizons 45.

49 Robert B Reich, 'The New Meaning of Corporate Social Responsibility' (1998) 40(2) California Management Review 8; Craig Deegan, 'Introduction: The Legitimising Effect of Social and Environmental Disclosure- A Theoretical Foundation' (2002) 15(3) Accounting, Auditing and Accountability Journal 282, 290; Gary O'Donovan, 'Environmental Disclosures in the Annual Report: Extending the Applicability and Predictive Power of Legitimacy Theory' (2002) 15(3) Accounting, Auditing and Accountability Journal 344.

50 Shocker and Sethi (n 47); Matthews (n47); Gary O'Donovan (n49).

51 Craig Deegan (n 49) 292. See also Blake E Ashforth and Barrie W Gibbs, 'The Double Edge of Legitimisation' (1990) 1 Organisation Science 177; Kimberly D Elsbach and Robert I Sutton, 'Acquiring Organisational Legitimacy Through Illegitimate Actions: A Marriage of Institutional and Impression Management Theories' (1992) 35 Academy of Management Journal 699; David G Woodward, Pam Edwards and Frank Birkin, 'Organisational Legitimacy and Stakeholder Information Provision' (1996) 7 British Journal of Management 329.

52 Guler Aras and David Crowther, 'Governance and Sustainability: An Investigation into the Relationship between Corporate Governance and Corporate Sustainability' (2008) 46(3) Management Decision 434. Businesses contribute to the global social and environmental problem including environmental degradation, human rights violation, and workplace hazards, among others.

corporations do not assume a role in fixing the problems.[53] It is against this backdrop that the SDGs call for private sector participation in the implementation may be justified.[54]

Realising the need to fix the problems facing the world and in response to the clarion call to action, there is a need to encourage corporate bodies to embrace the concept of corporate social responsibility (CSR) with the expectation of playing a significant role in the realisation of the SDGs.[55] Corporations are expected to integrate, implement and promote socially responsible behaviour in their organisational policies and practices and those of other corporations within their sphere of influence.[56] The term ‘sphere of influence’ indicates leverage over other actors and the greater the leverage, the greater the responsibility to tailor the social behaviour of the other corporation.[57] In other words, an organisation may cause, contribute, or be directly linked to adverse social impacts through its activities or its business relationships.

Clear examples of the latter are financial institutions such as institutional investors[58] expected to use their leverage to change, stop, mitigate, and/or prevent negative social impacts arising from the activities of corporate actors under their influence.[59] One antiquated truism is that most corporations are rarely financially self-sufficient, thus often relying on the capital market[60] to finance corporate

---

[53] Archie B Carroll and Ann K Buchholtz, *Business and Society: Ethics and Stakeholder Management* (9th edn, Cengage Learning, 2014) 38; WC Frederick and others *et al.* (n 46), 38; Steiner & Steiner (n46), 132.

[54] Abdulkarim Rashed and Afzal Shah, ‘The Role of Private Sector in the Implementation of Sustainable Development Goals’ (2021) 23(5) Environment Development and Sustainability 1.

[55] Rashed and Buchholtz (n54).

[56] International Organization for Standardization, ‘ISO 26000: Guidance on Social Responsibility’ (2010). https://www.iso.org/obp/ui/en/#iso:std:iso:26000:ed-1:v1:en accessed 17 September 2024.

[57] 8. See also *Vedanta Resources PLC & Anor v Lungowe and Ors*[2019] UKSC 20*; Ogale Community & Ors v Royal Dutch Shell Plc & Shell Petroleum Development Company of Nigeria Ltd* [2018] EWCA Civ 191.

[58] Isabel-María García-Sánchez and others, ‘Are Institutional Investors “in Love” with the Sustainable Development Goals? Understanding the Idyll in the Case of Governments and Pension Funds’(2022) 30(5) Sustainable Development 1099 https://onlinelibrary.wiley.com/doi/full/10.1002/sd.2305 accessed 18 September 2024.

[59] Garcia-Sánchez (n58).

[60] Which include financial institutions such as pension and mutual funds, insurance schemes, banks, *inter alia*.

growth and new developments.[61] Against this backdrop, towards attracting investors it becomes imperative for companies that need access to equity capital for long term investment to strive to create market confidence and business integrity.

In recent times a significant increase in investment funds in the hands of institutional investors in Nigeria has eventuated. As an example, the Nigerian Pension Scheme, which has an average growth rate of 27.05% annually,[62] as at the end of 2023 has grown to N18.36 trillion.[63] Similarly, the Nigeria Mutual Fund Industry grew from a total net asset value of N17.5 million as at December 31, 1991[64] to a total Net Asset Value of N1.54 trillion by February 2024.[65] The Nigeria Insurance Industry is not left behind in this trend. It recorded an over 400% growth rate between 2007 and 2018; from an asset worth of about N347.1 billion in 2007, its net asset worth rose to N2.67 trillion as at December 2023.[66]

If properly harnessed, this growth is capable of positioning the Nigerian institutional investors as the strategic driver of corporate social responsibility in Nigeria. The excess funds in their custody provide them with the leverage to compel compliance with the principle of sustainable development and address most of the identified inequality challenges (particularly those arising from the

---

[61] Andreas Hackethal and Reinhard H Schmidt, 'Financing Patterns: Measurement Concepts and Empirical Results' (2004) No 125 Working Paper Series, University of Frankfurt; Jenny Corbett and Tim Jenkinson, 'How is Investment Financed? A Study of Germany, Japan, the United Kingdom, and the United States' (1997) 65 The Manchester School 69.

[62] Babajide Komolafe, 'Fund Managers move to attract N4.9trillion Pension Assets' *The Vanguard* (Lagos, 20 July 2015) www.vanguardngr.com/2015/07/fund-managers-move-to-attract-n4-9trn-pension-assets/ accessed 7 June 2020.

[63] Agusto & Co, '2024 Pension Industry Report' https://www.agustoresearch.com/report/2024-pension-industry-report/ accessed 18 September 2024.

[64] Taofik Salako, 'Nigeria's Collective Investment Funds Hits N1 Trillion' *The Nation* (Nigeria, 22 January 2020) https://thenationonlineng.net/nigerias-collective-investment-funds-hit-n1tr/ accessed 7 June 2020.

[65] Securities and Exchange Commission, 'Monthly Spreadsheet of Collective Investment Schemes' https://sec.gov.ng/monthly-spreadsheet-of-collective-investment-schemes/ accessed 18 September 2024.

[66] Thisday, 'Insurance Sector's 14 Years Journey to N1tn Premium Income' *Thisday* (Lagos 3 April 2024) https://www.thisdaylive.com/index.php/2024/04/03/insurance-sectors-14-years-journey-to-n1tn-premium-income/ accessed 18 September 2024. See also Omolade Oladipo, 'Nigeria's Insurance Sector: Growth Beckons' (2015) Africa Global Funds Forum www.africaglobalfunds.com/opinion/nigerias-insurance-sector-growth-beckons/ accessed 11 February 2020.

negative impact of corporate activities on the environment) in Nigeria. One of the ways the industry can do this is to filter the choice of investment against the touchstone of the reputable principles of Responsible Investment (RI).[67]

RI[68] has been defined in different ways. It is viewed by many as an investment philosophy combining ethical or environmental goals with financial goals.[69] It signifies the inclusion of ethical and social criteria, in addition to financial criteria, in the selection and management of investment portfolios.[70] As a process, RI is the practice of identifying and investing in companies that meet certain baseline standards or criteria of corporate social responsibility.[71] It connotes an investment strategy that considers environmental, social, and corporate governance criteria to generate long-term competitive financial returns and positive societal impact.[72] To

[67] Principles of Responsible Investment (PRI), 'What are the Principles of Responsible Investment?' https://www.unpri.org/about-us/what-are-the-principles-for-responsible-investment accessed 18 September 2024. In this regard, the UN's 'Principles Responsible Investment' provides a voluntary framework by which investors can integrate social issues into their investment practices to better align their objectives with those of the society at large. See also Taylor R. Gray, 'Investing for the Environment? The Limits of the UN Principles of Responsible Investment' (2009) http://dx.doi.org/10.2139/ssrn.1416123 accessed 18 September 2024.

[68] It is noteworthy that other terms such as socially responsible investment, ethical investment and sustainable investment have been used to describe responsible investment in the literature.

[69] Russell Sparkes, 'A Historical Perspective on the Growth of Socially Responsible Investment' in Rory Sullivan and Craig Mackenzie (eds), *Responsible Investment* (2006) 39. See also Stephanie Giamporcaro and Lise Pretorius, 'Sustainable and Responsible Investment (SRI) in South Africa: A Limited Adoption of Environmental Criteria' (2012) 75 Investment Analysts Journal 17; Karen Heese, 'The Development of Socially Responsible Investment in South Africa: Experience and Evolution of SRI in Global Markets' (2005) 22(5) Development Southern Africa 729; Thomas W Dunfee, 'Social Investing: Mainstream or Backwater?' (2003) 43(3) Journal of Business Ethics 247, 248.

[70] Chris Cowton, 'The Development of Ethical Investment Products' in Andreas R Prindl and Bimal Prodhan (eds), *The ACT Guide to Ethical Conflicts in Finance* (Woodhead 1994) 213. See also Mark Mansley, *Socially Responsible Investment: A Guide for Pension Fund Managers* (Monitor Press 2000).

[71] Social Investment Forum, '2001 Report on Socially Responsible Investing Trends in the United States' (2001) https://www.griequity.com/resources/InvestmentIndustry/Trends/siftrensreport2001.pdf accessed 18 September 2024.

[72] United States Social Investment Forum, 'Report on US Sustainable, Responsible and Impact Investing Trends 2014' (10th edn, 2014) www.ussif.org/Files/Publications/SIF_Trends_14.F.ES.pdf accessed 23 May 2019.

the economist, RI is the ‘practice of creating economic and societal value through financial models, products and markets that are sustainable over time’.[73]

Thus, towards promoting the realization of the goals of the 2030 Agenda for Sustainable Development, institutional investors in Nigeria should be obliged to incorporate environmental, social and governance (ESG) issues into their investment analysis and decision-making processes. Further, as required under the UN’s principles of RI, institutional investors should endeavour to be active owners and incorporate ESG issues into their ownership policies and practices. Where they are not active owners, institutional investors should seek appropriate disclosure on ESG issues by the entities in which they invest, and promote acceptance and implementation of the principles ESG within the investment industry as well as collaborate to enhance effective implementation of the principles of ESG. Finally, complying with good corporate practice, institutional investors should require other corporations within their sphere of influence to report on their activities and progress towards implementing the principles of ESG.[74]

Against the backdrop of the huge fund at the disposal of most financial institutions in the country, if they were to apply the principles of RI in their choice of investment as envisaged here, most of the social challenges confronting the country would be substantially addressed.[75] As it were, institutional investors are in the business of rendering financial services. Financial services are regarded as ‘services’ because they are supposed to serve and be people-centred.[76] Hence,

---

[73] Giamporcaro and Pretorius (n 69); Suzette Viviers and Neil Eccles, ‘35 Years of Socially Responsible Investing (SRI) Research- General Trends Over Time’ (2012) 43(4) South African Journal of Business Management 1; Karen Heese (n 69) 730; Mark S Schwartz, ‘The “Ethics” of Ethical Investing’ (2003) 43(3) Journal of Business Ethics 195.

[74] PRI, ‘Responsible Investment Overview 2009’ https://www.unpri.org/private-debt/an-overview-of-responsible-investment/4058.article accessed 18 September 2024.

[75] International Finance Corporation, ‘The Business Case for Sustainability’ https://www.ifc.org/content/dam/ifc/doc/mgrt/business-case-for-sustainability.pdf accessed 18 September 2024; Michael Imeson and Alastair Sim, ‘Sustainable Banking: Why helping communities and saving the planet is good for business’ (2010) White Paper issued by Statistical Analysis System Institute White Paper. It expatiates that corporate organisations cannot afford to ignore societal expectations that business needs to be seen as acting on sustainability challenges. See also Djoko Subinarto Bandung, ‘Moving Towards an Era of Green Financing’ *The Jakarta Post* (Jakarta, 20 January 2015); Chris Hewett, ‘Civil Society urges Politicians to transform the Finance System’ *The Guardian UK* 5 January 2015.

[76] Justin Welby, ‘keynote address’ (Conference ‘Financial Inclusion: The Next Move Forward’, London, 19 January 2015), *Anglican Communion News Service* (London, 19

there is a rising trend globally whereby institutional investors are pressed to ensure that their investment activities contribute to the SDGs and are held accountable for such investment activities. This is attested to by major documents promoting the integration of environmental, social, and governance issues into institutional investments,[77] as well as the development of various national and regional RI initiatives.[78] The rationale is that institutional investors through their ownership stakes in companies possess the necessary leverage to influence corporate behaviour to more sustainable patterns of business operation.[79]

RECOMMENDATIONS

Today, Nigeria is plagued by numerous crises. The catalogue includes environmental degradation, economic, political, financial, social detriment and insecurity, corruption and high incidence of crime; the list of woes is endless. Most of these challenges are the causal effect of poverty and are the antithesis of peace and prosperity. However, the gravamen of this article is that some of these factors (particularly environmental degradation) can be mitigated effectively by compelling institutional investors to prioritise as a precondition the compliance with ESG principles by companies intending to access their funds. Should this be the rule rather than the exception, it will facilitate intending beneficiaries' compliance with ESG principles to create market confidence and business integrity.

January 2015) https://www.anglicannews.org/news/2015/01/banks-must-be-people-centred,-says-archbishop-of-canterbury.aspx accessed 19 September 2024.

[77] United Nations Environmental Program Finance Initiative, 'A Legal Framework for the Integration of Environmental, Social, and Governance Issues into Institutional Investment' (2005) www.unepfi.org/fileadmin/documents/freshfields_legal_resp_2005 1123.pdf accessed 14 February 2020.

[78] Such as the United Kingdom Social Investment Forum www.uksif.org/uksif; European Social Investment Forum www.eurosif.com/, United States Social Investment Forum www.ussif.org; Association for Sustainable and Responsible Investment in Asia www.asria.org/; Responsible Investment Association Australalasia http://responsibleinvestment.org/; Responsible Investment Association, Canada http://riacanada.ca/ accessed 29 November 2019.

[79] Anastasia O'Rourke, 'The Message and Methods of Ethical Investment' (2003) 11 Journal of Cleaner Production 683, 684; Bert Scholtens, 'Finance as a Driver of Corporate Social Responsibility' (2006) 68 Journal of Business Ethics 19; Coro Strandberg, 'Best Practices in Sustainable Finance' (2005) www.corostrandberg.com/wp-content/uploads/files/Sustainable%20Finance%20-%20Best%20Practices.pdf accessed 29 November 2019.

Despite its social-economic value, a scrutiny of the operational templates of most institutional investors and financial fund managers operating in Nigeria reveals an absence of reference to the concept of RI or ESG.[80] This state of affairs seems to be thriving because most Nigerian investors are either not sufficiently sophisticated or are yet to understand the inherent right (and obligation) of the investor to include such considerations in the filtration of investment choices.

More startling is the inexplicable absence of a statutory or regulatory framework for the implementation of the principles of RI in Nigeria. In line with the SDGs it is expedient that the Securities and Exchange Commission (SEC) as the apex regulatory body of the Nigerian capital market[81] formulate an ESG regulation constituting a legal foundation for other forms of regulation relevant for ESG in Nigeria as achieved in some jurisdictions.[82] To ensure accountability, the regulation should prescribe mandatory periodic reporting for financial institutions on the policies, procedures and practices fashioned by management to ensure achievement of the objectives of and compliance with the regulation. The general wording of sections 60(1) and 61 of the Investments and Securities Act 2007 are in the interim wide enough to provide statutory backing for SEC to issue such regulation.

While waiting for the SEC or the legislature's intervention, institutional investors can design and adopt in-house Responsible Investment Management System[83] (RIMS); a framework of policies and procedures that ensures institutional

---

[80] As of date, only six of Nigeria's institutional fund managers are signatories to the United Nations PRI. See https://www.unpri.org/searchresults?qkeyword=Nigeria&PageSize=10&parametrics=WVSECTIONCODE%7C1018&cmd=ReplaceKeyword&val=Nigeria accessed 18 September 2024.

[81] Nigerian Investments and Securities Act 2007, s 13.

[82] EU, UK, Canada, South Africa, India, South Korea, Singapore, Japan, and so forth. See Global guide on Responsible Investment Regulation www.unpri.org/sustainable-markets/examples-of-responsible-investment-regulation-from-around-the-world/210.article accessed 21 January 2020. As the case in most Scandinavia countries, the Danish Financial Statement Act, s 99a imposes annual mandatory on Corporate Social Responsibility (CSR) reporting for institutional investors and large companies including publicly owned companies in 2008 and further strengthened in 2012. See Karin Buhmann, 'Responsible Investment in Denmark; Practice among institutional Investors in the context of CRS reporting requirements' in Tessa Hebb and others (eds), *The Routledge Handbook of Responsible Investment* (Routledge 2015).

[83] To wit: incorporate ESG issues into their investments' analyses and decision-making processes; be active owners and incorporate ESG issues into their ownership policies and practices; seek appropriate disclosure on ESG issues by the entities in which they invest; promote acceptance and implementation of the principles for responsible investment

investors comply with their commitment under RI principles. It allows institutional investors to integrate the principles into their corporate governance framework. Similarly, regulators of the different industries including regulators like the Standard organisation of Nigeria should develop minimum standard RIMS for their respective industries. This is necessary as it will aid institutional investors in developing their RIMS.

Upon developing RIMS, the boards of financial institutions may designate board committees on RI (compliance committee) to be charged with the responsibility of ensuring that their institutions embrace the requirements of RI principles. Such board committees may further designate RI officers charged with the responsibility of implementing the RI principles in the institutions' investment analyses and decision-making processes. To effectively accomplish this, such RI officers may seek the expertise of ESG analysts or auditors to help in evaluating corporations in which the institutions have already invested, or in which they intend to invest, against universal acceptable ESG benchmarks.

Furthermore, the various professional associations within the investment industry[84] must collaborate to develop a code of conduct for RI which will guide the practice of responsible investment in the industry and also enhance compliance by institutional members.

Also, non-governmental organisations can help identify ways to encourage financial institutions to change their investment culture through appropriate mechanisms such as impactful engagement, campaigns, lobbying, partnerships, as well as advisory and consultancy services. Similarly, the media may challenge financial institutions to do more about their investment culture and hold them to a higher standard when evaluating and reporting about their activities.

CONCLUSION

The bottom line of United Nations 2030 agenda for sustainable development is to transform the world by making it more peaceful and prosperous by the year 2030. This is an undeniably ambitious objective but one not unattainable, particularly as it recognises that eradication of poverty as one of the greatest challenges to be addressed. Within this context, the high incidence of poverty in Nigeria poses a major challenge to the realization of the goals of the 2030 Agenda. However, since

---

within the investment industry; work together to enhance their effectiveness in implementing the principles for responsible investment; report on their activities and progress towards implementing the principles for responsible investment.

[84] Such as the Fund Managers Association of Nigeria, the Association of Investment and Portfolio Managers, among others.

the UN considers the private sector as a vital partner in the realization of the goals, and against the backdrop of institutional investors' financial leverage over the capital market, this article avers that institutional investors should be engaged as a primary tool to promote the active participation of the private sector in the realization of the goals; 'he who pays the piper calls the tune'. Consequently, for effectiveness, institutional investors should be obliged to take into consideration compliance with ESG principles by companies before investing in them. Such filtration presents a promising platform for addressing several of the poverty promoted challenges facing Nigeria. It is therefore imperative to put in place a robust framework to guide and integrate responsible investment principles into institutional investors' investment strategies and by necessary implications promote the objectives of the United Nations' 2030 agenda for sustainable developments.