

Environmental Accounting Disclosure Practice of Nigerian Quoted Firms: A Case Study of Some Selected Quoted Consumer Goods Companies

Musa Samuel Jerry Ph.D
Department of Accounting, Adamawa State University, Mubi

Peter Teru Ph.D
Department of Accounting, Adamawa State University, Mubi

Bukar Musa
Department of Accounting, Federal Polytechnic, Mubi

Abstract
In Nigeria, disclosure of environmental accounting information in annual report of companies is voluntary as there are no accounting standards or regulatory and statutory guidelines that mandated such disclosures, companies adopt disclosure as a result of good industrial practice, pressure from environmental activist and advocates and relationship with parent company. This study analyzed environmental accounting disclosures practices of Nigerian quoted firms and see how it varies from one company to another since there are no mandatory disclosure guidelines. A sample of 8 quoted companies was selected out of 19 consumer goods companies listed on the Nigerian stock exchange. Content analysis was used to obtain data from published annual reports of 2013 of the selected firms. And the data obtained were analyzed using one way analysis of variance to test the hypothesis. It was discovered that accounting standards do not significantly influence environmental accounting disclosures the non-existence of the standard Leads to lack of uniformity in disclosure and variations obtained in testing the hypothesis. It is recommended that with the pressures companies are subjected to disclose every information about their operations, it would be proper if the international accounting standards setting body comes up with a uniform standard on how companies should disclose their environmental accounting information.
Keywords: Environmental Accounting, Disclosure, Standard, Consumer goods

Introduction

Companies are expected to prepare annual reports which disclose both qualitative and quantitative information about their operations and performance (economical, financial, social or otherwise) to be presented to their stakeholders (owners or shareholders, government, employees etc.). The informational content requirements of these stakeholders are diverse and as such firms must not only disclose information about their financial performance but prepare other reports as Environmental Accounting reports, Sustainability report, Human Resources Accounting report, Good Corporate Governance report etc.

Environmental accounting as observed by Beredugo and Mefor (2013) citing Yaklou and Dorweile (2003) is an inclusive field of accounting. It provide reports for both internal use generating environmental information to help make management decisions on pricing, controlling overhead and capital budgeting and external use, disclosing environmental information is of interest to the public and to the financial community.

In the developing countries, and Nigeria in particular, research previously conducted has shown that environmental accounting disclosure are voluntary as a result of non-availability of either local or international standards to guide disclosure. Companies tend to disclose this information to conform to industry practices, pressures from environmental activist and advocates, relationship with parent company (Multi-National corporations), ownership structure of the company, size and level of profitability etc.

The current position of environmental accounting reporting and disclosures might best be described as confusing and full of ambiguity. Statutory, regulatory, quasi-regulatory agents and standard setters are yet to prioritize the reporting and disclosure of environmental accounting. While the accounting profession globally recognized the financial importance and significance of environmental costs and benefits. The majority argued that the accounting and reporting for these costs need no new theoretical issues and underpinnings but rather the guidance and requirement of IAS1 (presentation of financial statement) are satisfactory. How do lack of accounting standards affects disclosure and what is the level of variations in the disclosure are some of the pertinent issues this paper intend to unravel.

The main objective of this paper is to assess the environmental accounting disclosure practice of Nigerian quoted in the Consumer goods sector of the Nigerian

Theoretical Framework

This study specifically looked at legitimacy, stakeholders and institutional theories which are extension of the political economic theory which according to Miller (1994) emphasizes the fundamental interrelationship between political and economic forces in society. While Blomquist and Deegan (2000) accept that society, politics and economics are inseparable, so that issues such as economic issues cannot be considered in isolation from social and environmental issues.

i. The legitimacy theory: This theory state that organizations seek to operate within what is considered acceptable in society. What is considered as acceptable behavior changes overtime and the firm must be prepared for variations in the environment taking ethical aspects into account (Islam and Deegan, 2007). Legitimacy may also be seen as a generalized perception or assumption that the actions of an entity are desirable, proper or appropriate within some society constructed system of norms, values, beliefs and definitions (Gotherstrom, 2012)

   Deegan and Unerman's (2006) said that legitimacy theory, one of many social theories which is supported by the concept of the social contract has been long recognized as an effective explanatory tool regarding the motive of environmental reporting by business organizations (O'Donovan, 2002; Guthrie and Parker, 1990;

   Deegan and Gordon, 1996; Deegan and Rankin, 1996; Brown and Deegan 1998, Islam and Deegan, 2010).

ii. Stakeholder's theory: The stakeholder's theory implies that the business interact with a number of actors in the environment. Those actors are as group are called stakeholders and can be investors, political groups customers, communities, employer's trade association, suppliers, government etc. the communication of influence is bidirectional i.e. the business to its stakeholders and the stakeholders to the business (Donaldson and Preston, 1995). Another opinion is that of Freedman and Reed (1983) that viewed stakeholders as any identifiable group or individual who can affect the achievement of an organizations objective or is affected by the achievement of an organization objective.

iii. Institutional theory: Ali and Rizwan (2013) said that institutional theory provides explanation for the adaptation of particular organizational practices from within a specific organizational field (Deegan, 2009). Institutional theory has two dimensions, Isomorphism and decoupling which explains the adoption of voluntary type of social and environmental disclosure (Deegan and Jeffry, 2006; Deegan, 2009).

Deegan (2009) further explained that reporting of social and environmental information by a particular organization is an institutional practice and the way by which social and environmental reporting practice is adapted and brings the change in the organization is called Isomorphism process.

These theories discussed above are the theoretical underpinnings and framework on which this study was carried out, which also align to the observation of Ali and Rizwan (2013), that the most widely used theories to explain companies, social reporting practice are legitimacy theory, stakeholder's theory and institutional theory, as stated by Deegan and Jeffry, (2006).

Ali and Rizwan (2013) said that there are numerous theories, which have been used by numerous authors to explain the underlying reasons and motivations for corporate social environmental disclosures. The stakeholder's theory was used by for social and environmental reporting practices in Malaysia(Haniffa and Cooke, 2002; Thompson and Zarina, 2004). Devilliers and van Staden (2006) cited in Haider (2010) used legitimacy theory to explain the decreasing trend of environmental disclosure in South Africa. Tsang (1998) use legitimacy theory to explain social and environmental reporting in china. Social and political cost theory was used to explain CSR disclosure in Malaysia (Moh'd and Wazli, 2007). A combination of different theories like legitimacy theory, stakeholder's theory and institutional theory was used to explain motivation behind corporate social and environmental reporting practices of Bangladesh textile industry (Islam and Craig, 2008). Similarly, institutional theory was used to explain the government role on social and environmental disclosure in Malaysia (Amran and Susela, 2008).

Empirical Review

Juhmani (2014) carried out a study in Bahrain on the determination of corporate social and environmental disclosure on website and his findings indicates that 57.57% of the samples listed companies provided social and environmental informantion in their 2012 annual reports and their websites. Commercial banks and insurance companies made the most disclosure of social and environmental accounting, while the least disclosure was made by companies in the hotels and tourism sector and industrial sector.

Akrouth and Othman (2013);Conducted a study on the determination of corporate environmental disclosure in MENA emerging markets and comes up with the following findings that shows a negative and significant relationship between environmental disclosure and family ownership and it is consistent with prior work that level of environmental disclosure is substantially affected by company size and performance.

Bachmann, Carreiro and Espejo (2013) carried out a research in Brazil on environmental information and their results revealed a high degree of importance and great weight of quantitative attributes. Such attributes by revealing what should be disclosed proprietarily, which are the essential environmental attributes.

Eliyash, Karanagha and Kong (2013) studied environmental disclosure practices in national oil and gas corporations and international oil and gas corporations operating in the organization of Arab petroleum exporting countries and discovered that despite the slight increase in the environmental disclosures practices in national companies but the difference is still significant compared with international companies.

Uwuigbe and Jimoh (2012) conducted a study on corporate environmental disclosure in the Nigeria manufacturing industry. A study of selected firms and they found that the environmental disclosure in developing country is still at an embryonic stage and as such most of the firms engage in voluntary disclosure initiatives.

Oba and Fodio (2012) carried out a research on comparative analysis of environmental disclosure in oil and gas and the construction industries in Nigeria and their findings indicates that the oil and gas industry provides a better disclosure and that both industries financial statement only disclose little about environmental accounting.

Owolabi (2008), conducted a research in Nigeria on environmental disclosure in annual reports: the Nigerian perspective and discovered that a gap exist between perception of enviro/nmental issues and actual performance.

Research Methodology

The sample size of this work comprises 8 (Eight) companies selected from a population of 19 (Nineteen) from the consumer Goods sector of the Nigerian stock exchange.

Table 1: Sample Selected

S/no.	Representation	Name of listed company
1	A	Dangote Sugar Refineries PLC
2	B	Nigerian Breweries PLC
3	C	Nascon Nig. PLC
4	D	Guinness Nig. PLC
5	E	PZ Cussons Nigeria PLC
6	F	Cadbury Nig. PLC
7	G	Flourmills of Nig. PLC
8	H	7UP Bottling Company Plc

Source: Researchers sample selected from NSE

The data for the work was collected from secondary sources (i.e. published annual reports for 2013). Content Analysis was employed to collect data on environmental accounting disclosures by the selected companies using their 2013 published Annual reports. The variant of content analysis used was number of sentences disclosed because proportion of pages of disclosure does not consider font, print and pages size (Hackson and Milne, 1996).

The content analysis method was employed because it is one of most systematic, objective and quantitative method of data analysis technique employed in other prior research studies involving corporate environmental disclosures practices (Wiseman, 1982; Deegan and Gordon, 1996; Hackson and Milne, 1996; Krippe Doft, 2004; Uwuigbe and Jimoh, 2012; Oba and Fodio, 2012; Ali and Rizwan, 2013; Owolabi, 2008).

This measurement instrument used was adapted from Hackson and Milnes (1996) and Uwuigbe and Jimoh (2012) studies and it include 14 content categories index within testable dimension, as shown below:

a. Theme: environment, energy, products and consumers, community involvement, employees and other (Ernst and Ernst, 1978)
b. Evidence: monetary, non-monetary and declarative (Ernst, 1978 and Ernst 1978)
c. News type : good, bad, neutral (Uwuigbe and Jimoh, 2012)
d. Location in annual report: chairman's statement, operation review, corporate diary and others (Uwuigbe and Jimoh, 2012)

The work, instruments used for analyzing level of disclosure was the simple percentage while the hypothesis stated in the work, was tested for degree of variations using the one way Analysis of Variance (ANOVA) to establish the extent of the variations in environmental accounting disclosure by the selected firms.

Data Analysis and Findings
The data obtained from the 2013 annual reports of the selected firms would be presented and analyzed.
Table 2: content category index for environmental accounting disclosures.

s/no.	Content Index	A	B	C	D	E	F	G	H	total
1	Environment	5	6	3	7	-	3	5	1	30
2	Energy	-	3	1	4	-	1	1	-	10
3	Product and consumer	1	3	-	3	3	1	-	-	11
4	Community involvement	3	2	-	5	1	1	-	1	13
5	Employee and others	4	3	-	1	2	-	-	-	10
6	Monetary	2	1	-	1	-	-	-	-	04
7	Non-monetary	1	1	1	2	1	2	1	-	09
8	Declarative	4	5	3	6	3	3	3	1	28
9	Good News	2	1	2	2	2	2	3	1	15
10	Bad News	1	-	1	1	-	-	-	-	03
11	Neutral	-	-	-	-	-	-	-	-	-
12	Chairman's Report	1	-	2	2	1	1	2	1	10
13	Operations review	3	5	3	5	2	3	4	1	26
14	Corporate diary & others	-	1	-	1	-	-	-	-	02
	Total	27	31	16	40	15	17	19	06	171

Source: Companies Annual Report 2013

The above table shows the content disclosure made the selected firms. From the table it is clear that every company disclose its environmental accounting information.

Table 3: Analysis of disclosure made by the companies.

s/no.	Representation	Total content index D.	percentage
1	A	27	15.8%
2	B	31	18.1%
3	C	16	9.4%
4	D	40	23.4%
5	E	15	8.8%
6	F	17	9.9%
7	G	19	11.1%
8	H	06	3.5%
	Total	171	100%

Source: companies' annual report 2013

The above table indicate that a wide margin of variation exist between the companies in disclosing their environmental accounting information. Company "D" discloses more than any other company while company "H" has the least disclosure.

Table 4: Analysis of Disclosure by content index

s/no.	Content index	Total disclosure	percentage
1	Theme	74	43.3%
2	Evidence	41	24.0%
3	News type	18	10.5%
4	Location in Annual reports	38	22.2%
	Total	171	100%

Source: companies' annual report 2013

The above table shows that most of companies studied disclose information relating to environmental accounting disclosure by "Theme" (environment, energy, products and consumer, community involvement and employees and others) which represent a 43.3% while the least disclose content index item is the "News type" (good, bad and neutral) with 10.5%.

The analysis above (table 3 and 4) indicate that companies engage in voluntary disclosure of environmental accounting information, which shows the high variation in disclosure as there is no accounting standard that would prescribe the minimum disclosure requirements. This also align to previous studies conducted such as Uwuigbe and Jimoh, (2012); Oba and Fodio, (2012); Owolabi, (2008); Gilani, Gravas and Stavropoulous, (2011); Ali and Rizwan, (2013); Juhmani, (2014); Fekrat, Inclan and Petroni, (1996).

Testing of Hypothesis
Statement of the hypothesis as thus:

Ho: accounting standards do not significantly influence environmental accounting disclosures by Nigerian quoted companies.

The above hypothesis was tested using SPSS 21, one way analysis of variance (ANOVA) technique at a significance level of about 0.05

Table 5: analysis of variance

	Sum of squares	DF	Mean squares	F-calculated	F-Table
Between groups	57.3	7	8.186	3.841	1.90
Within groups	221.6	104	2.131		
	278.9	121			

Source: Company's Annual Reports 2013

The findings from testing hypothesis, using ANOVA shows that F-calculated (3.841) is greater than the F-table (1.90) value (3.841>1.90). This implies therefore, that the null hypothesis be REJECTED that is accounting standards do not significantly influence environmental accounting disclosures by Nigerian quoted companies in 2013.

It is pertinent, to note that, environmental accounting disclosure practices by the selected firm is a kind of voluntary practices as the firms are not mandated by any standards or statutory regulatory provision to disclose their environmental accounting information.

Conclusion

The current state of environmental accounting reporting and disclosures might best be described as unsettled and full of ambiguity. Statutory, quasi-regulatory and standard setters are yet to give environmental accounting reporting and disclosure issues high priority. While the accounting profession recognize the financial significance of environmental costs and benefits. The majority appears to hold that the accounting for these costs need no new theoretical issues and underpinnings but rather the guidance and requirement of IAS1 (presentation of financial statement) are satisfactory.

The studies revealed that as a result of the absence of standards, different company disclose environmental accounting information either based on industry best practice, pressures from environmental activist and advocate, (companies in environmental sensitive industry) and relationship with parent company (multinational corporations). This agrees with prior studies of Uwuigbe and Jimoh (2012); Jorgensesn and Sodorstrom, (2006) Larrinaga-gonzalez etal, (2002); Holland and Foo (2003) and Solomon and Lewis (2002).

Ionel-Alin (2012) said that in the absence of environmental accounting standards, the stakeholders are forced to rely on only voluntary environmental reporting as noted by Larinaga-gonzalez etal (2002). And this reporting varies across companies industries, countries and continents.

The researchers therefore recommend that accounting standards setters should give priority to development and formation of a standard on environmental accounting information disclosure so as to create uniformity in the disclosure.

REFERENCE

Akrout M.M and Othman, H.B. (2013); "A Study of the Determinants of Corporate Environmental Disclosure in MENA Emerging Markets; *Journal of Reviews of Global Economics,* vol 2.

Ali, W and Rizwan, M. (2013); "Factors influencing Corporate Social and Environmental Disclosure (CSED) Practices in Developing Counties: an Institutional Theoretical Perspective; *International Journal of Asian social science 3(3).*

Amran, A and Susela, D.S. (2008); "The Impact of Government and Foreign Affiliate Influence on corporate Social Reporting. The case of Malaysia"; *Managerial Auditing journal 23 (4)*

Annual reports 2013 – Cadbury Nig. PLC

Annual reports 2013 – Dangote Sugar Refinaries PLC

Annual reports 2013 – Flour Mills of Nig. PLC

Annual reports 2013 – Guiness Nig. PLC

Annual reports 2013 – Nascon Nig. PLC

Annual reports 2013 – Nigerian breweries PLC

Annual reports 2013 – PZ Cussons Nig. PLC

Annual reports 2013 – 7up bottling company Nig. PLC

Bachmann, R.K.B., Carneiro, L.M and Espejo, M.M.S (2013): "Environmental Information Disclosure: AProposal Indicator Based onExperts Perceptions" *Journal of Accounting and Organization,* Vol. 17 retrieved from http://dx.doi.org/10.11696%2freo.v7117.56666

Beredugo, S.B and Mefor I.P. (2012: "The Impact of Environmental Accounting and Reporting on Sustainable Development in Nigeria; *Research; Journal of Finance and Accounting 3(7).*

Blomquist, C and Deegan, C. (2000); "Stakeholder Influence on Corporate Reporting: An Exploration of the

Interaction between the Worldwide Fund for Nature and the Australian Minerals Industry Working Paper.
Branco, M.C and Rodriguez, L.L. (2007): "Issues in Corporate Social and Environmental Reporting Research; and Overview; *Issues in Social and Environmental Accounting 1(1)*
Brown, N. and Deegan, C. (1998): The Public Disclosure of Environmental Performance Information: a Dual Test of Media Agenda Setting Theory and Legitimacy theory: *Accounting and Business research 2(1)*
Deegan C. (2009): Financial Accounting theory: Australia, McGraw-Hill Australia Pty ltd, Sydney.
Deegan, C and Gordon, B. (1996): "Study of the Environmental Disclosure Practices of Australian Corporations". *Accounting and Business Research, 26(3)*
Deegan C and Jeffry U. (2006): Financial Accounting Theory (2nd Ed.) Berkshire Sl620l McGraw hill education.
Deegan C. and Rankin, M. (1996) "Do Australian Companies Repot Environmental News objectively? An Analysis of Environmental Disclosure by Firms Prosecuted Successfully by the Environmental Protection Authority. "*Accounting Auditing and Accountability Journal 4(1)*
De Villiers C. and Van Staden, C.J. (2010): "Shareholders Requirement for Corporate Environmental Disclosure" A Cross Country Comparison.*The British Accounting Review: 42(2)*
Eijayash, K.M., Karangah, M. and Kong, E. (2013) "Environmental Disclosure Practices in National Oil and Gas Corporations and International Oil and Gas Corporations, Operating in Organization of Arab Petroleum Exporting Countries *Internal Journal of Business Economics and Law, 2(1)*
Ernst and Ernst (1978): social responsibility disclosure: 1978 survey, Ernst and Ernst Cleveland, OH.
Fekrat, M.A; Inclan, C. and Petroni B. (1996): "Corporate Environmental Disclosure; Competitive Disclosure Hypothesis Using 1991 Annual Report Data. "*The International Journal of Accounting 31(2).*
Freedman, R.E and Reed, D. (1983): "Stockholders and Stakeholders"ANew Perspective on Corporate Governance, *California Management Review 25(2).*
Gilani, D., Gravas, E. and Stavropoulos, A. (2011): The Relation between Firm size and Environmental Disclosure; *International Conference on Applied Economics, ICOAE, Greece.*
Gotherstrom, Y. (2012): Environmental Accounting: Theoretical Review; Masters in Accounting Thesis, University of Goteborg's, Sweden 2012.
Hackson, D. and Milne, M.J. (1996): "Some Determinants of Social and Environmental Disclosures in New Zealand Companies" *Accounting, Auditing and Accountability Journal 9(1)*
Haider, M.B. (2010): "An Overview of Corporate Governance and Disclosure in Malaysian Corporations; *Abacus 38(3)*
Haniffa, R.M. and Cooke, T.E. (2002) "Culture, Corporate Governance and Disclosure in Malaysian Corporations, "*Abacus 38(3).*
Holand, L. and Foo, Y. (2003): "Difference in Environmental Reporting Practices in the UK and the US: the Legal and Regulatory Context; *the British Accounting Review 35(1)*
Ionel-alin, I. (2012): Analyze of Environmental Disclosure Within European Union Countries" *Journal of Knowledge, Management Economics and Information Technology 21(6).*
Islam, M.A and Deegan, C. (2008): "Motivation for an Organization Within a Developing Country to Report Social Responsibility Information; *Economics and Information Technology Issue 4.*
Jorgensen, B. and Soderstrom, N. (2006) "Environmental Disclosure withinLegal and Accounting Context: an International Perspective *Working Paper*; Columbia Business School 2007; Accessed www.gsb.columbia.edu/ciber/sites/.../jorgenwensoderstrrom-100206.pdf.
Juhmani, O. (2014); Determinantof Corporate Social and Environmental Disclosure on Websites: The Case of Bahrain; *Universal Journal of Accounting and Finance: 2(4)* Accessed at http://www.hrpub.org doi!10.13189/ujat.2014.020402.
Larrinaga-Gonzalez,C, Carrasco-French, F. Caro-Gonzalez, F.J. Correa-Ruiz, C and Paez-Sandubete, J.M. (2002) "The Role of Environmental Accounting in Organization Changes: an Exploration of Spanish Companies. "*Accounting, Auditing and Accountability Journal 14 (2).*
Miller, P. (1994): "Accounting as a Social and Institutional Practice: an Introduction, in Miller P. and Hopwood, A.G; Accounting as a Social and institution practice, Cambridge University Press, UK.
Moh'd G. and Wazli, A. *(2007):* "OwnershipStructure and Corporate Social Responsibility Disclosure: some Malaysia Evidence *Corporate Governance 3.*
Oba, V.C and Fodio, M.I (2012): "Comparative Analysis ofEnvironmental Disclosure in oil and Gas and Construction Industries in Nigeria: *Journal of Sustainable Development in Africa 14(6).*
O'Donovan, G. (2002): Environmental Disclosure in the Annual reports Extending the Applicability and predictive Power of Legitimacy Theory" *Accounting, Auditing and Accountability Journal 15(3).*
Solomon, A. and Lewi, L. (2002) "Incentives and dis-incentives for Corporate Environmental disclosure". *Business Strategy and the Environmental 11(3).*
Thompson, P. and Zarina, Z. (2004): "Corporate Social Responsibility Disclosure: An Application of Stakeholder Theory: *Accounting Organization and Society 17(6).*

Tsang, E.W.K (1998): A Longitudinal Study of Corporate Social Reporting in Singapore; The Case of the Banking Food and Beverages and Hotel Industries, *Accounting Auditing andaccountability 11(5).*

Uwuigbe, U. and Jimsh, J. (2012): "Corporate Environmental Disclosure in the Nigerian Manufacturing and industry". *An International Multidisciplinary Journal* Ethiopia 6(3).

Yaklou, M. and Dorweiler, V.P. (2003): Environmental Accounting: an Essential Component of Business.