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Disclosure of Community Development Cost and Its Impact on Turnover of Listed Manufacturing

Enya, Francis Ejeje
Lecturer, Department of Accounting, University of Calabar, Nigeria
Inyang, Ethel Ohanya
Lecturer, Department of Accounting, University of Calabar, Nigeria
Inyang, Ochi Inyang
Lecturer, Department of Accounting, University of Calabar, Nigeria

Abstract:
The disclosure policies regarding environmental accounting information on the annual financial report of firms became a significant and influence element to preserve the environment globally. Environmental accounting disclosure contributes in increasing the environment consciousness for organizations, and also helps in reducing harmful impacts of organization processes especially on environment and on society in general.This paper examines the impact of disclosure on community development cost on turnover of listed manufacturing firms in Nigeria.To produce valid empirical results, preliminary tests such as normality, serial correlation, heteroscedasticity, multicollinearity were conducted on research data. In addition, the Analysis of variance ANOVA was done to examine the importance of the predictors and finally regression analysis was conducted. The OLS and GLS regression analysis was conducted to show the effects of the predictor on financial performance as represented by sales revenue.The results strongly showed that environmental accounting information disclosure has a significant impact on the financial performance of quoted manufacturing firms as represented by sales revenue. In view of the findings, the researcher concludes that effective disclosure and reporting of environmental information in the annual report positively influences financial performance. The researcher recommends that, firms should continue to disclose more information on environmental related issues due to the inherent advantage derivable there from, while firms that are not disclosing their environmental activities should be encouraged to do so in view of the fact that they may be losing the patronage of ethical stakeholders who may be tempted to regard them as not environmentally friendly firms.

Keywords: *Community development cost, environmental disclosure, legitimacy theory*

1. Background of the Study

The state of world's environment and the impact of mankind on the ecology of the world have led to increased public concern and scrutiny of the operations and performance of organizations. Globally, corporations are expected to include environmental concerns in business operations and in interaction with stakeholders. As a result, firms can no longer ignore the problems of the society in which they operate. This has thus instituted a social contract between organizations and the environment thereby making environmental responsibility a corporate dictate. Corporate environmental disclosures can be defined as an umbrella term that describes various means by which companies disclose information on their environmental activities to users of financial statements (Alok, Nikhil and Bhagaban, 2008).

Disclosures are necessitated because of the importance of the environment and the destructive impacts of firms' activities on the environment. This has caused the emergence of many global institutions enunciating varying norms that guide human interaction with the environment; the United Nations' Protocols and Agreement on Environment, the Kyoto Protocol to the United Nations Framework on Climate Change with some of its offshoot, the EU Directive on Environmental Issues. All these have sought to provide a legal foundation for environmental disclosures (Enahoro, 2009). In Nigeria particularly, the birth of agencies such as the Federal Environmental Protection Agency (FEPA) in 1988 and the National Environmental Standards and Regulation Enforcement Agency (NESREA) in 2007 marked a new era of environmental regulations for the nation. NESREA requires all companies whose activities have significant impact on the environment to obtain operational license and permit as a way of complying with the environmental regulations of NESREA.

The inconclusive prior empirical findings of the relationship between environmental disclosure and financial performance have led to conflicting results due to the three-competing school of thoughts that exist recently in this field (Horvathova, 2011). Researchers within the neoclassical school argue that environmental regulation imposes additional costs for firms (Palmer, Oates, and Portey, 1995; Walley&Whitehead, 1994). Meanwhile; standard neoclassical theory argues that improved environmental performance leads to an increase in costs. This view is based on the premise that pollution abatement and environmental improvements have been decreasing marginal net benefits. Nevertheless, a third line of thought that proposes an inverse unshaped relationship (Lankoski, 2000, and Wagner, 2005) challenges these two views, i.e. a negative traditionalist vs. a positive 'Revisionist' relationship between environmental disclosure and financial performance. This view predicts a positive relationship between environmental performance and financial performance up to the level of environmental performance where economic benefits are maximized. Different from other schools of thoughts. McWilliams and Siegel (2001) argue for a neutral relationship between social (environmental) and financial performance because firms that do not invest in social responsibility will have lower costs and lower prices, while firms that invest in social responsibility will have higher costs but will have customers eager to pay higher prices. Those competing thoughts intuitively produce contradictory empirical findings. It is because prior studies on this topic posit either a positive relationship or a negative relationship. For instance, Spicer (1978) found a significant positive correlation between environmental disclosure in the pulp and paper industry firm financial performance. However, Mahapatra (1984) concluded, on the contrary, by using a larger sample and time period and Jaggi and Freedman (1992) report similar findings. In the context of event studies of firm performance over time, Klassen and McLaughlin (1996) found significant negative abnormal returns when firms had bad environmental news such as oil spills, and positive returns when firms received environmental awards.

The increasing demand for companies to be socially responsible seems to have witnessed considerable perceptual divergences especially within the context of the stakeholder-shareholder debate. The awareness about state of environment is not a new phenomenon among various groups of stakeholders (Johnson, 2005). There are a lot of researches about the environment disclosure (Nilandri, Pattanayak, &Mitali, 2008). Nowadays, the demand for company to apply environment disclosure is very high in order to save the world and it is proved that company with environment disclosure can achieve good performance. There are many impacts to the financial performance with the existence of environmental disclosure. The question demanding imminent answer is what the impact to financial performance as there is existence of environmental disclosure in a company? This research aims to identify the influence of the existence of environmental disclosure reporting (base on the global reporting initiatives guidelines GRI) towards the financial performance of listed firms in Nigeria.

Environmental Disclosures has become critically important to the informed public and financial stakeholders. It has become the concern and focus of nations and responsible corporate managements for firms to disclose their environmental impact. The environmental accounting disclosure contributes in increasing the environment consciousness for organizations, and also helps in reducing harmful impacts of organization processes especially on environment and on society in general. Previous literature reveals that ethical investors will only invest in ethical companies and therefore, will watch out for these ethically responsible companies. Ethical companies will voluntarily disclose environmental related information in its annual report for public consumption; thereby, enjoying marketing advantage if they strategically position themselves environmentally. On the relationship between environmental disclosure and financial performance, Ullmann (1985) investigated 13 studies, eight found positive correlations, four found no correlation, and one reported a negative correlation showing inconsistencies in literature; The primary focus of this study is to examine the quantity and quality of the environmental disclosures adopted by listed manufacturing companies in Nigeria based on the guidelines suggested by Global Reporting Initiative, 2002, and its impact on financial performance.

1.1. Objective of the Paper

The objective of this study is to:

Measure the relationship between disclosure on community development cost on the financial performance of listed manufacturing firms in Nigeria.

This paper is also guided by the following research hypothesis:

1.2. Research Hypothesis

There is no positive relationship between disclosure on community development cost on the financial performance of listed manufacturing companies in Nigeria

2. Review of Related Literature

2.1. Environmental Disclosure

Environmental disclosure increases transparency which improves public image and relations with stakeholders (Robbins, 2003). It also increases relationships with customers and employees (Baker, 2001) who increase the value of intangible assets of the company (Ernst & Young, 2002). Increased transparency and pushes a company towards more effective and efficient allocation of resources. Increased disclosure reduces regulatory cost, decreases legal liability and increases government's impact on the firm (Robbins, 2003). Thus, it will improve the competitiveness, profitability and share price of the organization (CERES, 2002). Research attention over the years has attempted to understand and explain this area of corporate reporting which appears to lie outside the conventional domains of accounting disclosures. The evolving challenge in contemporary business firms is the need to reconfigure their performance indices to incorporate societal and environmental concerns as part of the overall objective of business. Environmental and social reporting provides a strategic framework for achieving this holistic re-appraisal of corporate performance. Although it is not a new concept, environmental disclosures remain an interesting area of discourse for academics and an intensely debatable issue for business managers and their stakeholders. According to Deegan and Rankin (1996) corporate environmental reporting refers to the way and manner by which a company communicates the environmental effects of its activities to particular interest groups within society and to society at large. Companies through the process of environmental communication may seek to influence the public's perception towards their operations. They attempt to create a good image (Deegan & Rankin, 1999).

2.2. Environmental Accounting

From all definitions, it seems that Environmental Accounting is not the effect of environmental factors on the production sectors and productivity as generally considered by some opinions. Rather, it is costs identification and assessment of the effect of technology and human productivity on the natural environment (bio-diversity) and the impact of environmental degradation. It is also the consequent accountability for the environment and environmental protection. Furthermore, Salomone and Galluccio (2001) consider information as 'information expressed in qualitative terms (only descriptive) and quantitative terms (physical and financial) connected to the impact that the company's activity has on the natural environment, and that can have consequences on the financial and economic structure of the company'. They conclude that 'environmental information is that which makes the managerial context described in the Annual Report more understandable and complete.'Hansen and Mowen's (2000) definition is critical in this study. It emphasizes the accounting for costs which relate to the creation, detection, remediation and prevention of environmental degradation.

According to Salomone and Galluccio,(2001) key indicator areas of most relevant environmental information identified by the World Business Council for Sustainable Development and the Global Reporting Initiative are: Environmental policy, Environmental impacts, Environmental management systems, Environmental targets, Ecological products, Reference and/or cross reference to the Environment Report, Environmental financial information, such as operative expenses and environmental investments; extra-ordinary environmental costs; environmental liabilities; accounting policies of environmental items; environmental commitments and contingencies; and Environmental insurance; tangible and intangible environmental assets.

2.3. Objectives of Environmental Accounting

According to Pramanik, Shil& Das (2007), environmental accounting is required to fulfill a lot of demands from different stakeholders. However, for academic reason, the following basic objectives can be identified on the logical ground.

Environmental accounting would aid the discharge of the organizations accountability and increase it environmental transparency, it helps negotiation of the concept of environment and determines the company's relationship with the society in general and the environmental pressure group in particular. This helps an organization seeking to strategically manage a new and emerging issue with its stakeholders. Because of the ethical investment movement, ethical investors require the companies to be environmentally friendly. Therefore, by upholding friendly image, companies may be successful in attracting fund from 'green' individuals and groups.

Environmental accounting consumerism movement launched by the environmental lobby groups encourages the consumers to purchase the environmentally friendly products i.e. green products. Companies, thus producing green products may take competitive marketing advantage by disclosing the same.By making environmental disclosure, companies may show their commitments towards introduction and change and thus appear to be responsive to new factors.Companies engaged in environmentally unfriendly industries arose strong public emotion. There is s strong environmental lobby against these industries. Green reporting may be used to combat potentially negative public opinions.

2.4. Environmental Information and Their Users

Environmental information connected with the company which is object of attention of the interested parties, may be divided into two basic groups (Burrit, Halu & Schattegger 2004). Environmentally induced inputs on the economic system of the company; and Environmental aspects of the company activities products and services, and impacts on the environment caused by the company. Environmentally induced impacts on the economic system of the company are expressed in monetary units (according to the approach of Horngren, 2000, these are, therefore, financial information).

This concerns all impacts on past, current or future cash flows of the company, on its financial position and on economic results, which are caused by the influence of the company, on its financial position and on economic results, which are caused by the influence of the company, on its financial position and on concerns environmentally induced financial impact – a part of this information is, for example, information on capital costs spent in connection with cleaner production, on lines for violating laws on the protection of the environment, on environmental liabilities, etc.

2.5. Corporate Environmental Disclosure

ACCA (2007) defined environmental disclosure as the combination of narrative including objectives, explanations and numerical information such as emission amount, resources consumed on a corporations' environmental impact for the particular accounting period. It is defined as a systematic statement that describes the burden and environmental efforts including company's' objective, environmental policies, environmental activities and impacts, reported and published periodically to the public. According to Deloitte Touche Tohmatsu International (1993) there are two types of disclosures namely mandatory disclosures and voluntary disclosures. However, Uwaloma (2011) suggested another type of disclosure. The Involuntary Mandatory Disclosure is whereby companies disclose sustainability information as per requirement of the legal rules and regulations of the country (Uwaloma, 2011). However, environmental disclosure is not mandatory in Nigeria. Voluntary Disclosure is whereby Companies disclose environmental information on voluntary terms. They are not obligated by law to disclose as is a practice in Nigeria. They do this from pressures from financial institutions, investors, and the community at large. Culture of the organization may also influence such disclosures as may be the preference of dominant management and CEOs. Organizations do this as a way of remaining legitimate in the eyes of the society as there may be benefits to be reaped. In the long run (Eltaib, 2012).Involuntary Disclosure is a type of disclosure that goes against the will of the company. Permission has not been granted by the company against such disclosure. This disclosure is done by the media, civil society groups, and green groups 'activists as a result of the detrimental actions of the company toward the society or environment (Uwaloma, 2011). It is mainly exposed after the adverse action has occurred. Many companies in Nigeria attempt to disclose the measures they take in environmental protection for instance, Air emission information. Water discharge information, Solid waste disposal information. Environmental policies; Conservation of natural resources, Recycling plant of waste products, Installation of effluent treatment plant, Anti-litter and conservation campaign.

2.6. Determinant of Environmental Disclosure in Nigeria

The environmental reporting or sometimes known as 'green reporting' is one of the voluntary social reporting included in the financial statements. At the beginning the issue of social and environmental reporting is somewhat neglected. The nature of accountant's focus is dominated by traditional economic thinking, which tends not to take account social and environmental impacts (Pasker, 1996). In fact, the concern goes more towards cash flows, prices, profits and properly, ecological issues such as quality of air usage of sea and the pollution of rivers are intangible matters, which easily overlooked. In addition, the general views of social and environmental accountability are among the unfamiliar concerns. Junaina& Ahmad (2008) identified the main determinants of environmental reporting to include:

<u>2.6.1. Company Size</u>

A study by Trotman and Bradley (1981) has found a positive association between size and voluntary social responsibility disclosures. There are numerous explanations for such association. Firth (1979) suggests that firms, which are more visible in the 'public eyes', are likely to voluntarily disclose information to enhance their corporate reputation. Watts & Zimmerman 1986) suggest that larger firms would have higher political costs because the firms are more politically visible and may attract more resentment due to their perceived market power. Leftwich, Watts and Zimmerman (1981) maintain that firm size is a comprehensive variable, which can proxy a number of cooperate attributes, such as competitive advantage, information production costs and political costs.

<u>2.6.2. Financial Leverage</u>

Jensen and Meckling (1976) and Myers (1977) have used agency theory to assert that political transfers of wealth, from bondholders to shareholders can take place in highly leveraged firms. Agency theory predicts that restrictive covenant may be written into debt contracts to protect firm's economic interests. Management may also voluntarily disclose information in financial report for monitoring purposes. Thus, agency theory predicts that level of voluntary disclosure increases as the leverage of firm grows. Leftwich (1981) suggest that he the proportion of outside capital tends to be higher for larger firms as the potential benefits of voluntary disclosure increase with shareholder debt holder-manager conflicts. Moreover, companies with high leverage may disclose more, information to satisfy the needs of long-term creditors (Malone, fires & Jones, 1993) and to remove suspicious of debt holders regarding wealth transfer (Myers, 1979).

<u>2.6.3. Profitability</u>

There are two different conceptions regarding profitability and the tendency to disclose voluntary information. First, more profitable firms are more likely to disclose more while less profitable firms tend to be more secretive. Profitable firms may be more inclined to disclose more information in order to screen themselves from led profitable firms (Akerlof, 1970). A well-run company has incentives to distinguish themselves from less profitable company in order to raise capital on the best available terms, one way to do this is through disclosure. Inchausti (1997) also argues that managers of very profitable companies would use external information in order to obtain personal advantages such as continuance of their positions and compensation arrangement, while provides some agency notion of this variable. However, Lang and Lundhlom (2002) suggests that there is a certain ambiguity in theoretical and empirical studies regarding the sign of profitability in relation to disclosure and therefore the relationship between disclosure and profitability is non-monotonic. This is because less profitable firms may disclose more information to explain the reasons for the negative performance and reassure the market about future growth. Companies also disclose bad news at an early opportunity in order to mitigate the risk of legal liability, severe devaluation of share capital and loss reputation (Skinner, 1994).

<u>2.6.4. Effective Tax Rates</u>

Another measure of political visibility is the effective tax rate (Salamon and Dhaliwal, 1980). The taxation system provides the most direct means by which wealth transfers can be made from companies to the government. Income tax can be viewed as one of the components of political costs borne by a company (Watts, and Zimmerman, 1986). This suggests that a company that is liable to pay relatively higher levels of taxation may be seen to be presently subject to high levels of the political costs. A company which is subjected to high taxation burden, may be motivated to employ technique that reduce these costs (Deegan and Carroll, 1993).One way to achieve this is by disclosing environmental related activities performed by the company. Moreover, it has been shown in the literature that companies with higher effective tax rates more likely to disclose more voluntary information that companies with lower effective tax rates as an effort to reduce political costs (Deegan &Horllau, 1991).

2.6.5. Industrial Membership

Each industry has different characteristics from each other, which may relate to competition, growth and risks, and specific culture to historical factors. These may provide scope of differential disclosures policy as suggested by Dye and Sridhar (1995). Holthausen (1983) detected that limitation and tradition can ensure that new entrants to an industry are likely to follow accounting methods used by industry leaders. Moreover, different industries have different proprietary costs, which give incentives for companies belonging to the same industry to disclose, or less information than companies belonging to another industry (Verrechia, 1983).

2.6.6. Audit Firm

Jensen and Meckling (1976) considers that auditors play a major role in limiting opportunistic behavior by agents, thereby reducing the agency costs borne by principles and agents. Watts (1986) argue that auditors incur costs from entering contracts with audit clients, and so will influence clients to disclose as much information as possible in theory annual reports. Auditors with high reputation such as the big five are less to be associated with clients to disclose low levels of information in their published annual reports. Nevertheless, empirical studies that examine the relation between the size of audit firms and the extent of voluntary disclosure by companies are contradictory. A study done by Tan, Kidman & Cheong (1990) also found no support that audit firms influence disclosure strategies of companies in Nigeria. In order to test the relationship between disclosure choice audit firm.

2.7. Theoretical Framework

2.7.1. Legitimacy Theory

Legitimacy is a generalized perception or assumption that the actions of an entity are desirable, proper, or appropriate within some socially constructed system of norms, values, and definitions (Suchman, 1995). According to Tilling (2008), legitimacy theory offers a powerful mechanism for understanding voluntary environmental disclosures made by corporations, and that this understanding would provide a vehicle for engaging in critical public debate. Legitimacy theory provides a view that the interrelationship between an organization and the related social expectations is simply a fact of social life. According to this theory, the survival of an organization is established both by market forces and community expectations, and hence an understanding of the broader concerns of society expressed in community expectations becomes a necessary precondition for an organization's survival. The theory focuses on the assumption that an organization must retain its social role by responding to society's needs and giving the society what it wants (Shocker &Sethi, 1974; Suchman, 1995; and Deegan, 2002).

Organizational legitimacy has long been acknowledged as crucial for the survival of any organization (e.g., Dowling and Pfeffer, 1975; Meyer and Rowan, 1977; DiMaggio and Powell, 1983; Suchman, 1995). Suchman (1995) defined legitimacy as 'a generalized perception or assumption that the actions of an entity are desirable, proper or appropriate within some socially constructed system of norms, values, beliefs and definitions'. The notion of a 'social contract' between an organization and the society in which it operates underpins legitimacy theory. The social contract is defined as the 'multitude of implicit and explicit expectations that society has about how an organization should conduct its operations' (Deegan, 2007).

The risk of losing legitimacy would surface for organizations which are perceived by institutional actors to be acting in ways that are inconsistent with the values emphasized in the contract. Organizations lacking legitimacy are deemed as less respectable and trustable, and thus are less likely to assured the resources for survival while organizations that gain and maintain legitimacy are viewed as trustworthy and deserving of approval. There are two streams of literature on organizational legitimacy – strategic and institutional (Suchman, 1995). According to strategic approach (e.g., Dowling &Pfeffer, 1975; Pfeffer, 1981; Ashforth and Gibbs, 1990) legitimating is purposive, calculated, and frequently oppositional. This approach contends that organizations are able to make strategic choices to alter their legitimacy status and to cultivate the resources through corporate actions, by adapting their activities and changing perceptions (Aerts& Cormier, 2009). As such, one of the strategies organizations can undertake to gain, repair or maintain legitimacy is to use communication to project an image of social legitimacy (Dowling and Pfeffer, 1975).Therefore communication plays a crucial role in the legitimation process and this association potentially explains why strategic approach of legitimacy theory has been widely analyzed, tested and validated in the environmental disclosure literature.

Gray (1996) argue that information is a major element that can be employed by the organization to manage (or manipulate) the stakeholder in order to gain their support and approval, or to distract their opposition and disapproval. Thus environmental disclosure is an effective way in which companies can try to convince institutional actors that their existence and their operations are legitimate. If corporate disclosures can persuade institutional actors that the firm's operations are legitimate in that firm does not pose unacceptable environmental risks and operating as an environmentally responsible citizen, the risk to legitimacy will be reduced (Hrasky, 2012). In contrast to this strategic tradition, institutional researchers (Meyer & Scott, 1983; DiMaggio and Powell, 1983; Zucker, 1987; Meyer and Rowan, 1991) depict legitimacy not as an operational resource, but as a set of constitutive beliefs. Organizations do not simply extract legitimacy from the environment in a feat of cultural strip mining; rather, external institutions construct and interpenetrate the organization in every respect.

Within this tradition, legitimacy and institutionalization are virtually synonymous (Suchman, 1995). Suchman (1995) articulates three broad types of legitimacy that an organization might seek: (1) pragmatic legitimacy, based on audience self-interest; (2) moral, based on normative approval and (3) cognitive, based on comprehensibility and taken-for-granted. Of these, pragmatic and moral legitimacy involve and rely on discursive interaction with the organization's audience (Suchman, 1995), and are thus the most pertinent to explore in the context of corporate environmental disclosure strategies (Mobus, 2005; Mahadeo et al., 2011; Hrasky, 2012). Pragmatic legitimacy rests on the self-interested calculations of an organization's most immediate audiences. Often, this immediacy involves direct exchanges between organization and audience; however, it also can involve broader political, economic, or social interdependencies, in which organizational action nonetheless visibly affects the audience's well-being (Suchman, 1995).

In other words audiences will ascribe legitimacy to the organization as long as they perceive that they will directly or indirectly benefit from its activities. For this reason, environmental disclosure as a means to pursue pragmatic legitimacy will underline the benefits of being committed to environmental management such as reduced pollution, fewer greenhouse gas emissions, resource conservation, less waste etc. On the other hand,Suchman (1995) suggest that audiences often react as though organizations were individuals-possessed of goals, tastes, styles, and personalities. Thus, constituents are likely to accord dispositional legitimacy (one particular variant of pragmatic legitimacy) to those organizations that 'have our best interests at heart,' that 'share our values,' or that are 'honest,''trustworthy,''decent,' and 'wise.'

2.8. Award Received (Environmental Certification) and Financial Performance

One of the ways of limiting environmental liabilities resulting from the utilization of the resources of the environment for wealth creation is through the improvement of environmental performance of corporation. Therefore, 1S0 14001 Environmental management systems provide a framework for achieving this goal (Mmom, 2006). EMS provides the structure by which specific activities related to environmental protection and compliance can be effectively and efficiently carried out. It enables an organization to reduce its environmental impact, and increase its operating efficiency. In other words, implementing environmental management system that would conform to the 1SO 14001 series would help firms integrate environmental values into their business operations and reduce liabilities. 1SO 14001 is the internationally recognized standard for the environmental management of business. It prescribes controls for those activities that have effect on the environment and implementing EMS is a way to discovering and controlling the effect a company has on the environment. A company which has an environmental management system in place following a successful audit by an accredited certification body will be issued with a certificate of registration to 1SO 14001. This demonstrates that the organization is committed to environmental issues and is prepared to work towards improving the environment. The resultant effect is that it gives a competitive edge to the company and enhances its corporal image in the eyes of the customers, employees and shareholders. Since companies' value is enhanced through environmental certifications there should be deliberate effort to implement 1SO 14001 EMS to enhance the value of quoted companies in Nigeria.

2.9. Empirical Review

A survey of empirical literature as far as our knowledge goes; the first study to use an indexing methodology in relation to environmental disclosure (Wiseman, 1982) employed a sample of 26 US companies in the steel, oil, and pulp and paper industries. The author turned to the environmental performance measures used by the Council of Economic Priorities (CEP), regarding pollution magnitude. An indexing procedure was constructed to evaluate the contents of the annual report environmental disclosures. The items of information included economic factors, environmental litigation, and pollution abatement. Rating of the disclosures was based on the presence or absence and the degree of specificity of each of the information items. The author concluded that, overall, there appeared to be no relationship between the measurable information companies disclose about environmental performance in their annual reports and their actual environmental performance. Analysis of the completeness, lengths, and items of information included in voluntary environmental disclosures was considered not to be a representative measure of actual environmental performance, imposing in fact a misrepresentation of the firm's performance compared to its industry peers. Similar results were found by using an enhanced sample, industry-specific control groups and the log it analysis (Cochran & Wood, 1984). Social performance was measured on a tripartite scale, rating a number of firms as 'outstanding', 'honorable mention' or 'worst' in terms of reputation. The authors' conclusion is that within industry groups the financial variable the most strongly correlated with corporate social responsibility (CSR) is asset age, and that omission of that variable results in a spurious correlation of CSR and financial performance.

Most of the studies published in the first years of the twenty-first century investigate an economic reality that was becoming obsolete, namely social and environmental disclosures being made in the early 1990s. However, some of them make an interesting contribution in terms of methodology. That is the case of Hughes (2001) who analyzed whether annual reports of US firms could be used to differentiate good performers from poor performers, based on CEP rankings. The content analysis method was also based on Wiseman (1982) and employed four categories of disclosure information: 'economic factors', 'litigation', 'pollution abatement', and 'other environmentally related information'. Content was classified as quantitative, descriptive, vague, and immaterial, and coded as such. The results indicate that there are differences in the extent to which different groups of environmental performers disclose environmental information.

Overall, it is the poor performer who makes the most disclosures; this is a consequence of the fact that poor environmental performers are subject to more remediation than those who have not engaged in environmental degradation. Although disclosures differed between groups in terms of quantity, there were no significant differences in the content of disclosures of good and mixed performers; hence the information provided did not convey the actual environmental performance levels. More surprisingly, the authors conclude that companies had not used discretionary disclosures to legitimize their activities, the information being confined to the standardized sections of the annual report.

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Russo and Fouts (1997) analyzed a sample of 337 Dutch and Chinese firms based on their communication of environmental disclosure to employees and the origin country of the firms, using a binary logistic regression model. The authors found that there was a significant positive relationship between environmental disclosure and firm's financial performance, measured in profit and revenue development. A firm's policy on the re-usage of materials is positively correlated to profit development, while a firm's policy on the reduction of pollution is positively correlated to revenue development.

3. Methodology

3.1. Research Design

The researcher used the ex-post factor research design and content analysis design. This is because the variable in question have already occurred or they inherently not manipulable. Inferences about the relationship among variables are made without direct intervention from related variation of independent and dependent variables. The choice of this design, was based on the fact that the independent variables, community development cost employee health and safety (EMPHS) in the company's financial reports used, already exist and the researcher had no control over them. Therefore, it is impossible, uneconomical and unethical to manipulate the independent variables; hence, it is only the relationship between the variables with turnover that could be studied.

The use of content analysis method in this research work is based on its popularity and suitability in measuring a company's environmental disclosure in annual audited reports (Milne and Adler, 1999).

The independent variables under study were investigated as there exert influence on the dependent variable financial performance. Ten years financial reports of the selected companies were however utilized in order to evaluate the effect of environmental accounting disclosures on firm's financial performance. Each annual report is carefully scrutinized and scored as a disclosure index based on researcher – developed checklist.

The researcher's attention was focused on the Manufacturing sectors of the Nigerian economy. As it is considered that, manufacturing activities generally impact adversely much on the environment through effluents and emission to the environment. To that effect, the study has considered secondary data through corporate annual reports of companies particularly those listed on the Nigerian Stock Exchange (NSE).

From table 4.2, the correlation coefficients of the variables are examined. However, of particular interest to the study is the correlation between (LNSALESREV) and the other explanatory variables. As observed, a positive correlation exists between LNSALESREV and COMDEV (r= 0.22). The positive coefficient suggests that increases in LNSALESREV could be associated with increases in the all the explanatory variables (environmental accounting disclosure) and vice-versa However, correlation analysis is limited for inferential purposes because it does not suggest causality or functional dependence in a strict sense. The correlation coefficient between the independent variables is low and this suggests that the potential for multicollinearity is likely to be low in the model. The variance inflation factor test for multicollinearity is however, conducted to confirm the collinearity status of the variables

4. Results and Tests of Hypothesis

The regression analysis was conducted to show the effects of the predictors on sales revenue of listed selected manufacturing firms in the Nigerian Stock Exchange. The estimations were conducted across several specifications. Firstly, examined the predictors by categories and then provided fixed and random effect results for the entire sample for both models.

4.1. Results

The regression results and analysis are presented in Table 1.

Variable	Panel OLS	Fixed Effects	Random Effects
C	13.601 [0.527] (25.81) {0.0000}	11.15 [1.046] (10.77) {0.0000}	13.232 [0.66] (20.07) {0.0000}
COMDEV	0.376 [0.21] (1.81) {0.071}	0.94 [0.20] (4.61)** {0.000}	0.45 [0.21] (2.19)* {0.029}
R2	0.077	0.28	0.066
ADJ R2	0.068	0.19	0.058
F-Stat	9.25	3.3	7.88
P(F-stat)	0.0000	0.0000	0.0000
D.W	1.89	2.23	2.10

Table1: Regression Analysis

*Source: Researcher's Compilation (2017) from E-View 9.5 * Sig @ Less Than 5%, ** @ Less Than 1%; [] Standard Error ;() T- Value; { } P-Value*

Table 1 shows the regression result of the effect of the predictors on the criterion variable using combination of both OLS and GLS estimation. The researcher regressed all the variables using the OLS technique. The effect of WMC on financial performance (LNSALESREV) is positive (t= 2.53) and significant (coefficient= 0.51, p= 0.012) and the result implies that disclosure on employee health and safety cost has significant effect on financial performance. Similarly, COMDEV has significant positive effect on financial performance (LNSALESREV)(t= 2.49) and significant (coefficient= 0.398, p= 0.013).

4.2. Tests of Hypotheses

In this section, the hypotheses of the study are tested based on the outcome of the model.

4.2.1. Hypothesis 3

There is no significant relationship between disclosure on community development cost on the financial performance of listed manufacturing firms in Nigeria.

In the result shown on Table 1 and as in the previous hypotheses, the coefficient of community development (COMDEV) is positive (0.456) and significant at less than 1% (2.795, p = 0.005). Therefore, the null hypothesis is rejected and the alternate hypothesis that disclosure on community development has significant relationship with financial performance is accepted implying that COMDEV has a significant relationship with financial performance. The result shows that a unit change in COMDEV will bring about 0.46 unit increase in the financial performance firms.

5. Summary of Findings

Firstly, the robust estimation results for the fixed effects estimation reveals that the effect of EMPLHS on financial performance is positive (0.94) and also significant at $p<0.01$. Thus, in Nigeria, increase in disclosure on employee health and safety cost could lead to an increase in the financial performance of firms.

6. Conclusion

Based on the findings above, the researcher wishes to draw the following conclusions:
Effective disclosure and reporting of environmental information in the annual report positively influences financial performance as represented by sales revenue.

Large firms significantly reports and discloses environmental related information as a prove of their environmental protective concern , thereby endearing them to all ethical stakeholders which in turn show some level of patronage reflected in the sales revenue which is the dependent variable of this work..

7. Recommendations

Based on the findings of the study, the following recommendations were made which may be useful to the stakeholders, such as accountants, auditors, company management, investors, financial analyst, lobby groups, community members and the regulatory bodies responsible for setting standards.

Firms should continue to disclose more information on environmental related issues due to the inherent advantage desirable there from, while firms that are not disclosing their environmental activities should be encourage to do so in view of the fact that they may be losing the patronage of ethical stakeholders who may be tempted to regard them as not environmentally friendly firms.

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