CORPORATE ENVIRONMENTAL DISCLOSURE AND FIRM PERFOFMANCE OF LISTED MANUFACTURING FIRM IN NIGERIA

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CHAPTER ONE

INTRODUCTION

1.1 Background to the study

Disclosure practices can be mandatory or voluntary. Since 1990 developed countries like Australia, Belgium, Denmark, Norway, Spain, Sweden, The Netherlands have made environmental disclosure compulsory among corporations in its annual report. Many developing countries like South Africa, Bulgaria, Italy, Korea, Bangladesh, and Poland are now considering the need for its economic entity of certain stature to report on environmental issues. In Nigeria environmental disclosure in the annual report is voluntary as there are no set accounting standards or regulatory and statutory guidelines that mandate such disclosures. Sustainable development is the most important issue facing society today. Meanwhile it has been observed that some company's activities are devastating the natural environment which might not only prevent future generations from meeting their own needs but also lead to end of these resources. Recent awareness concerning dwindling of natural resources is one of the major threats to human survival and actualization of sustainable development by firms. As observed by Garg (2019), current generation has caused damage to the environment more than previous generations which might have future impact on the society, the ecosystem/ecosphere and the economy. Consider that gas flaring is a controversial environmental issue which contributes significantly to greenhouse gas (GHG) emission yet, Nigeria flares more natural gas than any other country in the world except Russia (Hassan & Kouhy, 2018). This lead to reputational damage based on perceived misuse of resources. Meanwhile investors are aware that how firms respond to environmental conditions in the society can have impact on current business operations and its long term sustainability.

There has been growing demand by investors and other stakeholders for reporting model to be repositioned in a way to adequately meet up to a business environment in which value creation depends not only on company's financial issues but also its ability to understand and respond to environmental issues (Kadiri, 2019). This was based on the increasing concerns that existing system of corporate reporting lack transparency and no longer provide all the information stakeholders need to properly assess corporate performance. It contains very little non-financial information necessary to provide a clear view on current performance and enable more accurate predictions regarding future prospects. In response to this concern, companies now reflect these emerging environmental issues which are drivers of long-term performance in their corporate report. The nature of company's culture and how they respond to these emerging issues are recognised as having significant impact on long term sustainability (Cleverly, Phillips, & Tilley, 2018).

According to Ezeabasili (2019), environmental sustainability is the ability of the environment to continue to function properly indefinitely. Environmental reporting is the practice of measuring, disclosing, and reporting to internal and external stakeholders the organizational environmental performance so as to achieve the goal of sustainable development (Grill, 2011). Corporate environmental reporting also 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 (Dibia & Onwuchekwa, 2017). Disclosing firm's environmental practices is important and useful for responsible investment that ignoring them will lead to distortions and incomplete performance measurement. In line with this view, Binh (2019) opined that having financial and non-financial items included in the list which listed companies disclose is relevant for investment decision-making. Environmental disclosure in addition to creating greater transparency, can provide firms with knowledge necessary to reduce their use of natural resources, increase efficiency and improve their operational performance.

Environmental reporting has been part of corporate reporting in both developed and emerging economies for well over two decade. However considering that countries are at different stages of economic development with corporations having differing levels of awareness and attitudes to corporate environmental disclosure, extent of its disclosure may not apply universally to all countries (Makori &

Jagongo, 2019; Suttipun & Stanton, 2017; Uwuigbe, 2018). On the extent of environmental disclosures in Nigeria, most companies show one form of environmental reporting or the other as part of the annual report, but these reports are not elaborate and do not follow a particular standard or guideline (Mgbame & Onoyase, 2019). The reason for the diversity in reporting content and format is because environmental disclosure still relies heavily on voluntary initiatives of the reporting entities (Uwuigbe, 2012). Nevertheless, Owolabi (2008) found that sixty percent of the sampled sectors provide some form of environmental disclosure in their annual report. He went on to add that with improved drive towards environmental information reporting and disclosure in annual reports at the international level, the level and content of disclosure of environmental information is also expected to increase in Nigeria. To support the concern for environmental disclosures, various countries have various regulations concerning environmental issues. In line with this trend, Nigerian Government has established various environmental laws among which include: Environmental Impact Assessment Act (Cap E12 LFN 2004). This law sets out the general principles, procedures and methods of environmental impact assessment in various sectors. Harmful Waste (Special Criminal Provisions etc) Act (Cap H1 LFN 2004). This law prohibits the carrying, depositing and dumping of harmful waste on land and in territorial waters. The National Environmental Standards and Regulations

Enforcement Agency (NESREA) Act of 2007 among others. Also each States in Nigeria including the Local jurisdictions within each State of the country have also enacted many other environmental laws based on hazardous contamination control like the waste disposal law, law against bush burning and periodic environmental sanitation exercises.

Increase in firms providing information on environmental practices have led to considerable researches from developed and emerging markets on whether the inclusion of environmental issues does indeed influence the financial performance of the firm. Makori and Jagongo (2018) noted that several approaches have been used to study this relationship: regression analysis (longer-term econometric approaches); portfolio analysis; and event studies (Fisher-Vanden & Thorburn, 2017; von Arx & Ziegler, 2018). These previous research produced mixed results concerning the relationship between different variables of environmental disclosure/reporting and firm performance. Inability of previous studies to provide definite conclusion regarding the link between environmental disclosures and firm performance created a gap and calls for more research using approaches different from extant literatures.

1.2 Statement of problem

Environmental disclosure has however developed voluntarily, and this implies that companies choose what to disclose and may even choose not to disclose. To this regards researchers attention have be mainly focused on factors that would make a company engage in voluntary environmental disclosure (Sharfman & fernandio, 2008, Schneider, 2010; Roberts, 1992). Number of studies has been done on the impact of corporate environmental disclosure on firm performance ; studies (Roberts, 1992) have examined the role of profitability, (Hackston & Mime, 1996) firm size has also been examined. Dye and sridha (1995), Hackston and Mime, (1996) also highlighted the importance of industry type. Audit type has also been examined.

The research evidence on this topic has been inconclusive and the role firm specific factors have been in variance showing that the issues have not been in conclusion in this literature, however defines the relevance of this study. Evidence in this study area from developing economies are still considered inadequate as a number of reasons may amount to this and the most evident of them being the voluntary stance of environmental disclosure. With majority of evidence from developed economies. It is on the backdrop that this research work seek to examine corporate environmental disclosure and firm performance in listed manufacturing firms in Nigeria.

1.3 Research Questions

In light of the above research problem, the following research questions are raised:

i. To what extent does environmental compliance policy affect firm performance in listed manufacturing firms in Nigeria?

ii. To what extent does environmental conservative disclosures affect firm performance in listed manufacturing firms in Nigeria?

iii. How does environmental pollution affect firm performance in listed manufacturing firms in Nigeria?

1.4 Objectives of the study

The main objective of this study is to examine the effect of corporate environmental disclosure on firm performance of listed manufacturing firms in Nigeria. The specific objectives are ;

i. To examine the extent to which environmental compliance policy affect firm performance in listed manufacturing firms in Nigeria.

ii. To determine the extent to which environmental conservative disclosures affect firm performance in listed manufacturing firms in Nigeria.

iii. To ascertain the effect of environmental pollution on firm performance in listed manufacturing firms in Nigeria.

1.5 Statement of hypotheses

In other to provide answers to the above questions, the following null hypotheses are formed:

H_{o1}: Environmental compliance policy does not significantly affect firm performance in listed manufacturing firms in Nigeria.

H_{o2}: Environmental conservative disclosures does not significantly affect firm performance in listed manufacturing firms in Nigeria.

H_{o3}: Environmental pollution has no significant impact on firm performance in listed manufacturing firms in Nigeria.

1.6 Significance of the Study

The activities of companies in the society demand that companies must act responsibly in looking for medium to ensure that social impact of their business activities are addressed when it comes with a cost to the society.

The issue environmental disclosure is an issue not only used for companies but also by the society. There are also a host number of users such as; Researchers, Industries, Stakeholders etc.

Researchers: It serves as a mode of reference for the future researchers on this topic.

Industries: In Nigeria multinational companies (MNC) try to compensate host communities by embarking on ventures such as building boreholes, classrooms, health centres, offering some employment opportunities to locals from the community, awarding of scholarships to selected students of the community. Environmental disclosure in gaining more popularity in Nigeria as corporations tend to portray good image to the public at large.

Stakeholders: this study will also be useful to stakeholders to help them understand the issues and concept involved in environmental disclosure.

1.7 Scope of the Study

This st**u**dy is undertaken to examine the effect of corporate environmental disclosure on firm performance of listed manufacturing firms in Nigeria. The length of period covered by this study is eight years (2015-2021).

1.8 Limitations of study

Firstly, there is the challenge of time frame for the study which limited the extent of coverage of the research.

This study was restricted to developing economy (Nigeria), extending the research to industrialized economy would have improve the result of the study.

In reviewing of the related literature, the researcher faced some challenges of accessing journals with relevant materials. Some internet sites were secured and could not be accessed, in some cases, subscription were made in order to gain access to needed materials.

The researcher also faced a big challenge in acquiring the econometric software that was used for the analysis. The timely aspect of the work was also impeded because it took the researcher a good number of months to learn the software and apply it to the work.

1.9 Definition of Terms

Environmental disclosure: Environmental disclosure can be defined as the practice whereby companies integrate social and environmental concerns in their business operations and in their interaction with their stakeholders on a voluntary basis.

Profitability: is ability of a company to use its resources to generate revenues in excess of its expenses.

Firm Age: Firm's Age is the number of years the firm has been listed in the Nigeria stock Exchanges.

Leverage: is any technique involving using debt (borrowed funds) rather than fresh equity (value of owned assets minus liabilities) in the purchase of an asset, with the expectation that the after-tax profit to equity holders from the transaction will exceed the borrowing cost, frequently by several multiples.

CHAPTER TWO

REVIEW OF RELATED LITERATRE

2.1 Conceptual Review

2.1.1 Environmental Disclosure

Environmental disclosure as the practice whereby companies integrate social and environmental concerns in their business operations and in their interaction with their stakeholders on a voluntary basis (Dahlsrud, 2018). Most frequently used definition of environmental disclosure comes from the one given by the commission of European communities. Environmental disclosure by corporations is done to improve the reputation and value of the corporation. The concept can also be seen as a way to respond to claims made by external stakeholders that might be affected negatively by companies practice.

Environmental disclosure has become key strategies of companies globally to promote sustainable development.

Although not a concept that is new, Environmental disclosure remains an emerging idea for academics and an issue for debate by business managers and their stakeholders owing the range of conflicting idea of environmental disclosure has led to the emergence of various practices (Crane & Motten, 2019; Habisch & Jonker, 2017; Welford, 2019). The definition of the term Environmental disclosure may depend on individual perceptions of responsibility/obligation that in turn address the broader topic of the role of the organization in society. That is to say, the concept of Environmental disclosure contains many aspect of business activity ranging from the social to economic and to the environment.

Wood (2019) is of the opinion that the basic idea of Environmental disclosure is that business and society are of a symbiosis relationship rather than distinct entities: therefore, society has certain expectations for appropriate business behavior and outcomes. To the contrary, the definition of Environmental disclosure reflects a narrowing of the term where in society is replaced by more proximate stakeholders. Bakker (2017) suggested that Environmental disclosure shows societal expectations of corporate behavior that is alleged by a stakeholder to be expected by society or ethically required and is therefore justifiably demanded of a business. In whole, Environmental disclosure invokes with a host of other concepts used to describe the relationship between business and society including corporate social responsiveness corporate social performance and stakeholder management (Clarkson, 2017).

Frederick (2019) opined that Environmental disclosure can be defined as a principle stating that corporation should be accountable for the environmental effect of any of their actions on their community and environment.

Environmental disclosure refers to the moral duty to promote good societal values for the generation of a peaceful atmosphere within a given society by corporations carrying out activities in a society. Environmental disclosure practices vary from countries and this has implication for the observed quantity and quality of disclosure by corporations. From the United Nations development classification (United Nation, 2015) it observed that people in developed economies are less concerned about their basic material needs, but are more concerned about their social and cultural needs, quality of life, equity, justice and issues arising from pollution. They are more aware and sensitive to social and economic figures compared with citizens in developing countries.

2.1.2 Environmental Compliance Policy

Environmental compliance means conforming to environmental laws, regulations, standards and other requirements such as site permits to operate (Adekoya, 2019). In recent years, environmental concerns have led to a significant increase in the number and scope of compliance imperatives across all global regulatory environments. Being closely related, environmental concerns and compliance activities are increasingly being aligned with corporate performance goals and being integrated to some extent to avoid conflicts, wasteful overlaps, and gaps. Compliance with the above requirements and obligations, requires meeting certain conditions. Typically, these include: Managing monitoring programmes or schedules, ensuring that the monitoring required in the permit has been done, at the correct locations, for the correct parameters, and at the correct frequency, Pre-processing, performing calculations and validating the data for compliance with any alert or reporting levels, Generating routine compliance reports for authorities (Ogbu, 2017).

The management of the above can be complex and time-consuming, leading to an increasing uptake of software systems designed to manage environmental compliance. These are often referred to as 'Environmental Data Management Systems' (EDMS). Criteria must be considered when selecting environmental compliance software: proven capability, high performance, transparent, traceable data handling, a robust calculation engine, advanced factor handling, simple integration, automated workflows and QA, and flexible reporting and data extraction (Kadiri, 2018).

2.1.3 Environmental pollution

Environmental pollution is the unfavorable alteration of our surroundings, wholly or largely as a byproduct of man's actions, through direct or indirect effects of the changes in the energy pattern, radiation levels, and chemical and physical constitution and abundance of organisms (Garuba, 2018). Environmental pollution is a global problem and is common to both developed as well as developing countries, which attracts the attention of human beings for its severe long-term consequences. The decline in environmental quality as a consequence of pollution is evidenced by loss of vegetation, biological diversity, excessive amounts of harmful chemicals in the ambient atmosphere and in food grains, and growing risks of environmental accidents and threats to life support systems. Pollution is viewed from different angles by different people but is commonly agreed to be the outcome of urban-industrial and technological revolution and rapacious and speedy exploitation of natural resources, increased rate of exchange of matter and energy, and ever-increasing industrial wastes, urban effluents, and consumer goods. Holdgate (2018) defined environmental pollution as the introduction by man, into the environment, of substances or energy liable to cause interference with legitimate uses of environment. Singh (1991) has defined pollution in a very simple manner, i.e., “Disequilibrium condition from equilibrium condition in any system.” This definition may be applied to all types of pollution ranging from physical to economic, political, social, and religious. Over the past couple of decades, various sources of pollution were identified that altered the composition of water, air, and soil of the environment. The substances that cause pollution are known as pollutants. A pollutant can be any chemical (toxic metal, radionuclides, organophosphorus compounds, gases) or geochemical substance (dust, sediment), biological organism or product, or physical substance (heat, radiation, sound wave) that is released intentionally or inadvertently by man into the environment with actual or potential adverse, harmful, unpleasant, or inconvenient effects. Such undesirable effects may be direct (affecting man) or indirect, being mediated via resource organisms or climate change.

2.1.4 Firm Performance and Corporate Environmental Disclosure

Firm performance is measured by firm profitability. Profitability of a company can be measured by earnings per share (EPS), returns on asset (ROA), net profit (NP), return on capital employed (ROCE), dividends per share (DPS), return on equity (ROE), comparing the relationship between profitability and the extent of environmental disclosure the result was a result of mixed findings. Hackston and Milne (2013) found out that profitability of firms is positively associated to environmental disclosures as they observed that pollution control measures act as incentive to companies on the long run.

According to stakeholder theory economic performance of a firm affects management's decision to behave in a way that may be termed socially responsible. The argument is that activities of environmental reporting no doubt constitute a cost burden on firms. Therefore, when companies are not performing well, economic demand take precedence over social and environmental performance. An inverse relation between corporate performance and environmental disclosure practices is in line with the orthodoxy associated with traditional economic thought that depicts this relation as a trade -off between the firms' profitability and its corporate responsibility (Freedman, 2019).

2.2 Theoretical Review

2.2.1 Voluntary Disclosure Theory

The theory of voluntary disclosure was developed by Verrecchia Robert (1983) which elucidates the quality and quantity of corporate social and environmental disclosure and it is based on the perspective of agency theory. The stakeholder and legitimacy theories are valuable in clarifying what firms disclose in relation to environmental information but voluntary disclosure theory went a step further by illuminating on 'how much' of reporting of environmental activities is expected (Clarkson, Li, & Richardson, 2007). Voluntary disclosure theory is a supplementary theory which elucidates the level of reporting of corporate environmental information and endeavours to remove information irregularities between the companies, external and primary agents in the host community (Brammer & Pavelin, 2006). Voluntary disclosure theory expects that firms with reputable environmental performance do not conceal environmental impact of their production processes and will disclose comprehensively the facts and figures on their environmental activities to various stakeholders.

Brammer and Pavelin (2006) affirmed that voluntary disclosure theory envisages that the information risk for current and potential investors will reduce as a result of the quality of reporting of environmental activities. One of the benefits of voluntary disclosure theory is that it gives competitive advantage to companies as it climaxes the ecological programs and impact of activities on the natural environment. Also, investments in ecological programs and management are expensive and involve huge capital which may lead to high cost and low returns for investors in the short run. Moreover, it is better to disclose quality environment activities with low returns than when the disclosure is absent or low in which the stakeholders will accept that the firm management strategy on environmental activities is poor (Clarkson, Li, & Richardson, 2007).

2.2.2 Institutional Theory

Another theoretical explanation with similarities to stakeholders theory and legitimacy theory in terms of how and why organizations behave the way they do is institutional theory. Institutional theory is concerned with examining and explaining how institutionalized norms and pressure affect social change among organization. This theory is slowly but steadily emerging as a useful theoretical framework in relation to the social and environmental implication of an organizations operations and behavior.

Organizational behavior is conditioned by the expectation stemming from the institutional environment. Institutional theory is concerned with examining and explaining how institutionalized norms and pressures affect social change among organization. This theory is slowly but steadily emerging as useful theoretical framework in relation to the environmental implications of an organization's operations and behaviours. The institutional framework emphasizes the importance of regulatory, normative and cognitive factors that affect firm's decision to adopt a specific organization practices.

The regulatory pillar has been the most studied in the literature on environmental management. In this context, firms are responding to the coercive action of regulators or activist. Failing to respond to these pressures engenders significant risk to firm's legitimacy and viability the normative pillar of the institutional environmental refers to sets of expectations, within particular organization contexts, of what constitutes appropriate and legitimacy behaviour (Scott, 2017). In other words, normative pillar is grounded in what is viewed as appropriate for, or what is expected of organizations.

The cognitive aspects of the institutional environment refer to the cultural elements. Social and environmental accounting researchers argue that it can be applied to explain the reason why organizations adopt particular social and environmental disclosure practices. They contend that organizations may be coerced into adopting their social and environmental performance and associated reporting practices. Jennings and Zandbergen (2017) were amongst the first to apply institutional theory to explain firms' adoption of environmental management practices. They argued that because coercive forces primarily in the form of regulations and regulatory enforcement have been the main impetus of environmental management practices.

2.2.3 Stakeholders Theory

Freeman and Reed (1983) identified stakeholders as the groups who have an interest in the actions of the corporation. In a follow up study, Freeman (1984) revisited stakeholder theory and redefined stakeholders as any individual or group who has an interest in the firm because he (or she) can affect or is affected by the firms activities.

Carroll (2018) defined stakeholders as any individual or group who can affect or is affected by the actions, decisions, policies practices or goal of the organization. Stakeholders can be identified by the legitimacy of their claims which is substantiated by a relationship of exchange between themselves and the organization, and hence stakeholders include stockholders, creditors, managers, employees, customers, suppliers, local communities and the general public. Stakeholder theory suggests that an organization will respond to the concerns and expectations of powerful stakeholders and some of the response will be in the form of strategic disclosures.

Stakeholders theory provides rich insights into the factors that motivate managerial behaviour in relation to the social and environmental disclosure practices of organizations previous social and environmental accounting research which utilized these theories indicate that organizations respond to the expectations of stakeholders groups specifically, end more generally to those of the broader community in which they operate, through the provision of social and environmental information within annual reports and in so doing reveal the legitimating motives underlying such organization's disclosures.

This study hinged on voluntary disclosure theory for the reason that firms that perform well as regards their environmental activities will truly report issues in respect of the environmental undertakings, the quality of their reporting is greater to the society than firms which have poor environmental performance. Company that performs well in their environmental undertaking is not afraid of the feedback of various stakeholders since they believe that strength outweighs the weakness.

2.3 Empirical Review

Freedman and Jaggi (2017) studied the association between environmental disclosures and the financial performance for firms in four highly polluting industries. The results indicated that there is no association between environmental disclosures and financial performance.

Corell and Shapiro (2019) relied on the corporate stakeholder theory to argue that the value of a firm depends on both the cost of explicit claims e.g. wage contracts and implicit claims e.g. environmental responsibility. More environmentally friendly firms would be expected to encounter more low-cost implicit claims vis-à-vis less environmentally friendly firms and, consequently would be likely to achieve better financial performance.

Freedman and Jaggi (2017) employed the poor financial performance justification argument to explain why firms with weak financial performance would tend to provide more extensive environmental disclosures than firms with good financial performance. These firms were motivated to justify their weak financial performance by indicating that heavy pollution-related expenditures might have contributed to this result. Their study was based on a content analysis of environmental disclosure in the annual reports and 10-K reports of 109 firms from pollution intensive industries.

Wiseman (1982) examined the relationship between the annual report disclosures of 26 firms in three industries with their financial and environmental performances using the ISO 14031 environmental reporting guideline. Content analysis was used to measure the extent of disclosures using 18 items and two categories to evaluate the quality and accuracy of environmental disclosures. The financial performance indicators used in the analysis of the level of financial performance of the selected firms include: Earnings per share, price-earnings ratio and dividend yield. Regression analysis was used to find out the relationship between the two variables. These findings indicated that the voluntary environmental reports were incomplete, providing inadequate disclosure for most of the environmental performance items included in the content analysis. Her findings also demonstrated that no relationship existed between the contents of the firms' environmental disclosures and the firms' financial performance.

Gray (1987) adopted the content analysis technique, examined the relationship between firms' performance and the extent of corporate environmental disclosure. The study found that financial performance is not related to corporate environmental disclosure in the same period, but may be related to lag profits. In contrast, Abbot and Monsen (2018) indicated that there is positive correlation between financial performances an amount of disclosure. This means that companies are more likely to disclose social responsibility expenditures when their financial statements indicate favourable financial performance. In addition, Inchausti (1997) argued that managers of very profitable companies would use external information in order to obtain personal advantages such as continuance of their positions and compensation arrangements, which provides some agency notion in this variable. According to Ullmann (2019) the reason for these mixed results lies in the weaknesses in methodology of most of the studies.

Al-Tuwaijri (2019) explored the relations among environmental disclosure environmental performance and economic performance using a simultaneous equations approach. Al-Tuwaijri (2019) used TRI based data to assess environmental performance. Specifically, they assess environmental performance as the percentage of total waste generated that is recycled. The authors measure environmental disclosure using a content analysis in four categories (potential responsible parties' designation. toxic waste, oil and chemical spills. and environmental fines and penalties). These disclosures are largely non-discretionary, in contrast to the discretionary disclosures which we examine. They find a positive association between environmental performance and environmental disclosure.

Ingram and Frazier (2018) examined the association between the content of corporate environmental disclosure and corporate financial performance. The study was concerned with a lack of environmental disclosures in annual reports due to their voluntary nature. The authors scored environmental disclosures in 20 pre-selected content categories along four dimensions; evidence, time, specificity and theme. Ingram and Frazier (1980) proxied environmental performance by a performance index devised by the Council on Economic Priorities (CEP), a non-profit organization specializing in the analysis of corporate social activities. Forty firms were selected from the 50 firms that were monitored by the CEP. Regression results indicated no association between environmental disclosure and environmental performance consistent with authors' prior expectation about an overall poor quality of environmental disclosures in annual reports.

Furthermore, Ngwakwe (2019) in his study titled environmental responsibility and firms' performance in Nigeria investigated the relationship between firms social responsibility practices and their performance. The study while focusing only on the manufacturing industry revealed in his conclusion that a positive relationship exist between the social responsibility practice of firms and their performance.

In summary, existing studies by (Ingram & Frazier, 1980; Freedman & Jaggi, 2017; Wiseman, 1982; Freedman & Wasley, 1990) found a mixed results on the relationship between environmental disclosure and financial performance. While (Hai, Foo, Tan & Yap, 2017; Patten, 2019) criticized existing literatures for the nexus between corporate environmental disclosures and financial performance, overall empirical evidence on this possible linkage has been inconclusive, raging from findings of association to neutral association and to negative association. However, limitations such as poor sample size, failure to control other factors, inadequate sample selection and measures of environmental disclosure due to the choice of non-discretionary disclosure channels are some of the shortcomings adduced for this inconclusive findings.

Eze, Nweze and Enekwe (2019) examined the effects of environmental accounting on a developing nation with emphasis on Nigerian and discover that environmental information in the annual report is positively related to a firm's size. That environmentally friendly organisations enjoy high level of competiveness.

Khlif, Guidara and Souissi (2015), document a significant positive relationship between social and environmental disclosure and corporate financial performance. Plumlee, Brown, Hayes, & Marshall (2015) examine the relationship between environmental disclosure quality and firm value. They document a positive relation between voluntary disclosure quality and firm value through both the cash flow and cost of capital components.

Makori and Jagongo (2013) find a significant negative relationship between environmental costs which cover all cost incurred concerning environmental protection, emissions treatment as well as wasted material and Return on Capital Employed (ROCE) and Earnings per Share (EPS) and a significant positive relationship between environmental costs and Net Profit Margin and Dividend per Share. The result of study by Nyirenda, Ngwakwe and Ambe (2019) shows that there is no significant relationship existing between firms environmental management practices and its return on equity. Specifically carbon emission reduction, energy efficiency and efficiency in water usage does not affect firm's return on equity. Further analysis incorporating the control variables indicates a significant relationship but close scrutiny of the significance levels of individual independent variables shows that this positive significance level is caused by the presence of the control variables – shareholders' equity and the net income respectively. The environmental variables remain insignificant, thus indicating that they do not constitute a causative factor on return on equity. Bassey, Effiok, and Eton (2013), document that environmental cost significantly influences a firm's profitability.

Also environmental information in the annual report is positively related to a firm's size. Latridis (2020) examines the association between environmental disclosure and environmental performance and the financial attributes of companies with different environmental disclosure scores. The study shows that environmental disclosure is positively associated with environmental performance. Specifically companies that display small amounts of hazardous waste or take on initiative to reduce toxic chemicals exhibit higher environmental disclosure scores. The study also document that companies with effective environmental and corporate governance structures would be expected to face less capital constraints. High quality environmental disclosers are audited by a big 4 auditor or cross-listed on foreign stock exchanges and display significant levels of managerial and institutional ownership. High quality disclosures are value relevant and improve investor perceptions.

Oti, Effiong, and Tapang (2012) examines corporate environmental disclosure and firm performance. The study adopted the ordinary least square regression techniques, using secondary data. The finding revealed a significant relationship between employee health and safely, waste management and community development and return on investment of the environmentally responsible firms. There is also significant relationship between employee health and safely, waste management and community development and the level of fines, penalties and compensation. This means that investment in environmental responsibilities in form of Employee Health and Safely, Waste Management and Community Development are related to improved return on investment of the environmentally responsible firms. Similarly in a survey of companies operating in the Niger Delta Region of Nigeria, Asuquo (2018) documents that environmental friendly policies as well as firm competitiveness have significant relationship with the firms' profitability. This means that when environmentally friendly firms disclose sufficient environmental related information, they enjoy competitive advantage, high liquidity and reduced environmental cost in the long run. When firms are environmentally friendly they enjoy competitive advantage which subsequently results in high corporate performance/profitability.

Uwuigbe (2019) investigated the relationship between the financial performance of firms and the level of web-based corporate environmental disclosure among other objectives. The study provides analytical evidence that a positive association existed between the variable corporate environmental disclosure and Return on Assets, Return on Equity and Firm Size and they are all significant. The study further provides an insight to the fact that to a very great extent, the financial performance and the size of firms do plays a very significant role in or has a strong influence on the level of web-based corporate environmental disclosure among the selected firms.

Oba, Fodio and Soje (2012) show that the two explanatory variables: quality of environmental responsibility disclosures and foreign directors has a positive and significant relationship with financial performance. This implies that an adherence to sound environmental policies, practices and information disclosure influences the bottom line of firms. Further in a study linking sustainability reporting with firm performance, Cortez and Cudia (2018) document that sustainability performance measured in environmental costs has positive and significant impact on revenue generation a proxy for financial performance as well as a negative relationship of environmental cost on liabilities by reducing accounting risks. The study, however, is not able to establish the relationship of environmental costs with profitability, firm size and shareholders' equity since result of the study reveals insignificant positive impact.

Fisher-Vanden and Thorburn (2018) examined the valuation effect of voluntary corporate environmental initiatives on shareholders wealth using an event study approach. The study show that when firms announce their membership in the Environmental Protection Agency's Climate Leaders, a program intended to reduce greenhouse gas emissions, the announcement is met with negative abnormal returns.

The study of Clarkson, Fang, Li, and Richardson (2019) which was concerned with providing insights on the fundamental issue of whether environmental disclosures incrementally affect firm valuation, cost of equity capital and/or stakeholder sentiment more generally given knowledge of environmental performance. The study reveals that environmental disclosure provides incremental information for investor to assess firm value.

CHAPTER THREE

METHODOLOGY

3.1 Research Design

The research design adopted for the study is cross-sectional research design. A Cross-sectional study design is a type of observational study design. In a cross-sectional study, the investigator measures the outcome and the exposures in the study participants at the same time.

3.2 Population of the Study

The population of the study consists of all the thirteen (13) oil and gas company quoted on the Nigerian Exchange Group as at December, 2021. Each company in the population must have finished its obligation in delivering annual report for the year ended 2015-2021 respectively.

3.3 Sample Size and Sample Technique

Considering the limited number of listed number of the listed oil and gas company adopted as the population, the study intend the select a sample size from Nigerian National Petroleum Corporation (NNPC) depot Benin City Edo State. The study selected 50 employees to form the sample size of the study. The study adopted the random sampling techniques to select the sample size for the study.

3.4 Sources of Data Collection

The data used in this study comprises of the primary data. The primary data are obtained from questionnaire administered to the employees of the firm.

3.5 Model Specification

The economic model that will be employed in this study is a multiple regression model. A multiple regression model is that which seeks to express relationships between dependent variable and the independent variable.

In light of the methodological knowledge gathered and empirical literature for far studied, we specify a multiple regression model.

The model for the study is specified thus;

ROA = F (ECP, ECD, EP)

This can be re-specified in regression form as;

$$\mathbf{ROA = \beta o + \beta_1 ECP + \beta_2 ECD + \beta_3\ EP + U_t}$$

Where:

ROA	=	Return on Asset (A proxy for firm performance)
ECP	=	Environmental Compliance Policy
ECD	=	Environmental conservative disclosures
EP	=	Environmental Pollution

The main statistical tool to be employed in this research is Binary Logit regression technique due to the dichotomous nature of the dependent variable. This method helps us to estimate the value of the dependent variables, when we are given the value of one or more independent variables. Other statistical test like descriptive statistics, correlation matrix will also be used to analyse the data.

The regression technique is a statistical tool that enables the researcher to establish if there is any relationship between two variables. The computation of Ordinary Least Square is based on the outcomes of the regression which is used to test the various hypotheses formulated previously in chapter one of this study.

Decision Rule

Our decision rule is that we accept the alternative hypothesis if the T- calculated is greater than the T- critical value (from table description) otherwise we reject and accept the null.

CHAPTER FOUR

DATA PRESENTATION AND ANALYSIS

4.1 Presentation and Analysis of Data

Table 1 presents the summary of the descriptive statistics for the dependent and independent variables for eight-four (84) observations. It shows that firm performance measure has a mean value of about 1.937 and a standard deviation of about 2.039. The maximum value of the variable is 46.32 while the minimum is -32.3. The maximum values for all other variables 5 all through the minimum for all the variables are 0, 1 and 1 respectively.

For environmental compliance policy, mean value is 2.19 and standard deviation of 1.53. The corresponding values for the others are: Environmental conservative disclosure, 2.32 and 0.87 respectively; environmental pollution 3.24 and 1.07 respectively. The p-values of the skewness and kurtosis statistics show that in nearly all the cases, the data are judged to be normally distributed at 5% level of significance, being 0.0000.

Table 1 Descriptive Statistics

Variable	**Obs**	**Mean**	**Std. Dev.**	**Min**	**Max**	**Pr(Skewness)**	**Pr(Kurtosis)**	**Prob>chi2**
ROA	84	1.936857	2.03912	-32.3	46.32	0.0000	0.0000	0.0000
ECD	84	2.190476	1.532587	0	5	0.0453	0.0000	0.0000
EVCD	84	2.321429	.8665221	1	5	0.0042	0.0910	0.0163
EVPD	84	3.238095	1.071189	1	5	0.0014	0.2315	0.0069

Source: Researcher's Computation Using STATA

Table 2 : Correlation Matrix

	ROA	ECD	EVCD	EVPD
ROA	1.0000			
ECD	0.0080	1.0000		
EVCD	0.1506	0.0713	1.0000	
EVPD	0.0053	-0.2701	-0.1224	1.0000

Source: Researcher's Computation Using STATA

Table 4.2 shows that there are mixed correlations between the various variables used in the study. The table shows positive correlations between firm performance measure and environmental conservative disclosure and the other two.

No two of the explanatory variables are perfectly correlated or nearly so. Thus, the problem of multicolinearity is absent in this model.

4.2 Testing of Hypotheses

Test Statistic

The statistical tool used in testing the stated hypotheses is the regression test procedure which uses the individual significance test (t-test) and the overall significance test (chi-squared-test). The goodness of fit of the model is tested using the coefficient of determination. The estimation of these statistics is done using the STATA computer software.

Significance Level

The level of significance adopted in this study in testing the stated hypotheses of this study is 5%. This level is usually considered adequate for studies in management and other behavioural sciences.

Decision Rule

The critical p-value used in these tests is 0.05. Thus, the researcher accepts a given alternative hypothesis as being accepted if calculated p-value is less than or equal to 0.05, otherwise the researcher accepts the null hypothesis that there is no significant effect.

Variable	**OLS Regression**	**ROBUST Regression**
ECP	0.156(0.073)	1.737(0.008)
EVCD	10.97(0.073)	1.308(0.001)
EVPD	1.453(0.828)	1.226(0.009)
_cons	-32.5(0.341)	-2.133(0.772)
F-Stat	0.63(0.0947)	1.25(0.0057)
N	84	84
VIF	1.06	
Heteroscedasticity	25.57(0.0000)	
R-Squared	0.0233	
Adj R-Squared	-0.0134	

Table 4.3 shows that the explanatory variable does not account for much of the systematic variations in the dependent variable. The table shows very moderate value of R-squared of 0.0233.

This value of the R-squared statistic shows that the explanatory variables are collectively able to explain only about 23% of the variations in the dependent variable meaning that other variables are significantly useful in explaining changes in the dependent variable. For the model, the p-value of the F statistic (0.0057) shows that the model overall is suitable for estimating the stated model.

The VIF test (1.06) shows that there is the absence on multi-colinearity and so there is no need to drop any variable. Also, the heteroscedasticity is 25.57 with p-value of 0.0000, showing that there significant heteroscedasticity problem and so the need for a robust regression.

***Hypothesis* 1**

H_0: Environmental compliance policy has no significant effect on firm performance of listed manufacturing firms in Nigeria.

H_1: Environmental compliance policy has a significant effect on firm performance of listed manufacturing firms in Nigeria

Computation

The test statistic is computed by STATA software and the results are as shown in Table 4.3.

Table 4.3: Regression Results on Environmental compliance policy and Firm performance

Variable	Coefficient	p-value
ECP	1.737	0.008

Source: Extracted from STATA Computations

Decision

With a coefficient of 1.737 the results indicate that environmental compliance policy positively impacts firm performance, while the probability value of 0.008 indicates that the positive impact is significant. This leads to the rejection of the null hypothesis, thus acceptance of the alternative hypothesis that environmental compliance policy has a significant impact on firm performance of listed manufacturing firms in Nigeria, and the impact is positive.

Hypothesis II

H_o***:*** Environmental conservative disclosure has no significant effect on firm performance of listed manufacturing firms in Nigeria.

$H_{1:}$ Environmental conservative disclosure has a significant effect on firm performance of listed manufacturing firms in Nigeria.

Computation

The test statistic is computed by STATA software and the results are as shown in Table 4.4.

Table 4.4: Regression Results on Environmental conservative disclosure and Firm performance

Variable	Coefficient	p-value
EVCD	1.308	0.001

Source: Extracted from STATA Computations

Decision

With a coefficient of 0.060 the results indicate that environmental conservative disclosure positively impacts firm performance of listed manufacturing firms in Nigeria, while the probability value of 0.001 indicates that the positive impact is significant. This leads to the acceptance of the alternative hypothesis, thus the rejection of the null hypothesis. The researcher accepts that environmental conservative disclosure significantly impacts performance of listed manufacturing firms in Nigeria, and that such effect is positive.

***Hypothesis* III**

H_0: Environmental pollution has no significant effect on firm performance of listed manufacturing firms in Nigeria.

H_1: Environmental pollution has a significant effect on firm performance of listed manufacturing firms in Nigeria.

Computation

The test statistic is computed by STATA software and the results are as shown in Table 4.6.

Table 4.6: Regression Results on Environmental pollution and Firm performance

Variable	Coefficient	p-value
EVPD	1.226	0.009

Source: Extracted from STATA Computations

Decision

With a coefficient of 1.226 the results indicate that environmental pollution negatively impacts firm performance of listed manufacturing firms in Nigeria while the probability value of 0.009 indicates that the positive impact is significant because it is less than 0.05. This leads to the acceptance of the alternative hypothesis, thus rejecting the null hypothesis. The researcher accepts that environmental pollution significantly affect firm performance of listed manufacturing firms in Nigeria.

4.4 Discussion of Findings

This study examined the relationships among the variables: corporate environmental disclosure practices (environmental compliance policy, environmental conservative disclosure and environmental pollution) and firm performance.

The results indicate that almost all the variables are significantly normally distributed at 5% level of significance. The correlation matrix indicates the variables have mixed relationships. The results also indicate the absence of multi-colinearity.

Essentially, the findings of the study are: with a coefficient of -0.047 the results indicate that environmental compliance policy negatively impacts firm performance, while the probability value of 0.000 indicates that the negative impact is significant. This leads to the rejection of the null hypothesis, thus acceptance of the alternative hypothesis that environmental compliance policy has a significant impact on firm performance of listed manufacturing firms in Nigeria, and the impact is negative. The result agrees with consistent with the findings of Freedman and Jaggi (2017), Wiseman (1982) but was not consistent with the findings of Gray (1987). This inconclusiveness may have resulted from the existence of varying degrees of institutional backdrops.

Similarly, with a coefficient of 0.060 the results indicate that environmental conservative disclosure positively impacts firm performance of listed manufacturing firms in Nigeria, while the probability value of 0.012 indicates that the positive impact is significant. This leads to the acceptance of the alternative hypothesis, thus the rejection of the null hypothesis. The researcher accepts that environmental conservative disclosure significantly impacts performance of listed manufacturing firms in Nigeria, and that such effect is positive. The result agrees with the findings of Abbot and Monsen (2018), Al-Tuwaijri (2019), Ingram and Frazier (2018) and Eze et al. (2019) but not consistent with the findings of Patten (2019).

And, with a coefficient of 1.226 the results indicate that environmental pollution negatively impacts firm performance of listed manufacturing firms in Nigeria while the probability value of 0.009 indicates that the positive impact is significant because it is less than 0.05. This leads to the acceptance of the alternative hypothesis, thus rejecting the null hypothesis. The researcher accepts that environmental pollution significantly affect firm performance of listed manufacturing firms in Nigeria. The result agrees with the findings of Makori and Jagongo (2013), Nyirenda et al. (2019), Bassey et al. (2013) but not consistent with 2 the finding of Oti et al. (2018). This might have been as a result of using different industrial sectors.

CHAPTER FIVE

SUMMARY OF FINDINGS, CONCLUSION AND RECOMMENDATION

5.1 Summary of Findings

Having examined corporate environmental disclosure and firm performance of listed manufacturing firms in Nigeria. The findings are summarized below:

i. Environmental compliance policy significantly affect firm performance in listed manufacturing firms in Nigeria.

ii. Environmental conservative disclosures significantly affect firm performance in listed manufacturing firms in Nigeria.

iii. Environmental pollution has a significant impact on firm performance in listed manufacturing firms in Nigeria.

5.2 Conclusion

Environmental reporting has attracted much attention over the past three decades. As a critical avenue of stakeholder management environmental disclosure shapes external perceptions of the firm, helps relevant stakeholders assess whether the firm is a good corporate citizen, and ultimately justifies the firm’s continued existence to its stakeholders. A greater level of reporting is itself a form of corporate environmentalism. It also provides a channel through which the firm can manage its public image.

However, Managers tend to weigh the benefits and costs of disclosing environmental information. The study provides insight into the determinants of environmental reporting decision. In this regards a negative relationship is observed between the extent of environmental items disclosed and Firm Size. The effect of firm age shows a negative relationship. The effect of leverage was found to be positively related to the extent of environmental disclosures by companies.

Finally, profit is found to be positive and significantly related to the extent of environmental disclosure by companies. It is also recommended that further studies should evaluate the influence of other corporate factors on environmental reporting decision.

5.3 Recommendations

The study makes the following recommendation based on the study findings:

i. There is the need for regulatory agencies to develop environmental responsibility framework that focuses considerably on utilizing firm interest and providing corporate incentives and penalties for environmental responsiveness and irresponsiveness respectively. In this regards, the Nigerian securities and exchange commission (SEC) may need to examine the introduction of environmental responsibility disclosures as a criterion for been quoted on the stock markets as several markets have begun to think in that direction.

ii. The study recommends that there is a need for more robust framework environmental responsibility disclosures in the Nigerian environment. The provisions in the statement of accounting standards with regards to environmental disclosures is not adequate and reveals the presence of incompleteness and do not comprehensively provide a bench mark for environmental.

iii. Professional bodies are encouraged to put in place environmental disclosure framework in line Global Reporting Initiative and take necessary steps in motivating listed oil and gas firms in disclosing environment activities in their annual reports in order to provide greater transparency and help build superior trust.

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