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by Florentina Kurniasari

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Sustainability Accounting Practices and Disclosure by Multinational Corporations in Nigeria

Abstract:

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This research is expected to know the ascertain level of sustainability accounting practice, and its relationship with sustainability disclosure by Multinational Corporations (MNCs) in Nigeria. Multinational firms represent a large and significant portion of the Nigerian economy and have contributed to her economic development. Therefore, studies addressing this sector are of prime importance to the economy and have been few over the years. The study employed the survey research design. Primary data was generated by administering a structured questionnaire and conducting interview sessions with key personnel. The formulated hypotheses were tested using One-Sample Chi-Square Test and Pearson Correlation coefficient. The study finds that there is a high level of social, environmental and economic accounting practice among Multinational Corporations in Nigeria; and also, a positive relationship between social accounting practice and social disclosure of Multinational Corporations in Nigeria; environmental accounting practice and environmental disclosure of Multinational Corporations in Nigeria; and, economic accounting practice and economic disclosure of Multinational Corporations in Nigeria. Based on this study, the study is able to make a recommendation strategy that companies have to make use of advanced systems for tracking social and environmental costs of their operations. Companies are also encouraged to adopt the use of sustainability reports. The study makes a contribution in the accounting literature on sustainability, with a focus on the accounting and disclosure practice of MNCs in developing countries. It has shown how sustainability accounting can influence the level of triple bottom line disclosure in multinationals.

Keywords: sustainability; sustainability accounting; practices; disclosure; multinational corporations.

JEL Classification: F23; M41; Q56

Introduction

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Sustainability is currently a burning issue and a major cause of concern across the globe (Aggarwal 2013). According to the World Commission on Environment and Development (1987) sustainability is defined as can be defined as "meeting the needs of the present generation without compromising the ability of future generations to meet their own needs". The concept of sustainability hinges on the three components of triple bottom line (social, environmental and economic) also referred to as People, Planet and Profit (3P's) developed by Elkington (Elkington 1997, Crane *et al.* 2009, Worlu 2014). Triple bottom line argues that companies should not only thrive on economic

objective alone but should also concern themselves with societal and environmental issues affecting their operations (Worlu 2014).

The increase in unethical and irresponsible behaviour of corporations, increased regulations and level of awareness among stakeholders, has given pre-eminence to the concept of corporate sustainability among academics and practitioners (Aggarwal 2013, Oluwabemiga 2014, Hasan and Yun 2017, Rokhmawati and Gunardi 2017, Rokhmawati *et al.* 2017, Gha *et al.* 2018, Handayani *et al.* 2018, Mulyanto *et al.* 2018, Anazonwu *et al.* 2018). Firms are therefore expected to take accountability for various beneficial and harmful impacts of their activities on the overall society and environment in which they exist (Aggarwal 2013). According to Vallesi *et al.* (2012) reporting is one of the tools used by organizations to engage with various stakeholders. Reporting can only be achieved if the organization has in place a sustainability accounting system capable of generating the needed information for inclusion in sustainability report.

Multinational Corporations (MNCs) have played a key role in the global and investment landscape of developing economies. The activities of MNCs have been a source of controversy (Stopford 1998). Environmentalists are generally pessimistic about the contributions of MNCs to the protection of the natural environment, particularly in host developing countries (Hassan 2013). These schools of thought posit that the profit-maximizing nature of MNCs (Osuagwu and Obumneke 2013), is such that they would try to move their unwanted products from one country to another until a market is found for such products (ESCAP/UNCTC 1988, as in (Hassan 2013). Over the years, Nigeria has seen a considerable growth of Multinational presence in varying sectors, ranging from Telecommunication to Oil and Gas sector. However, research centred on sustainability practice by these multinationals are relatively scarce. This study also examines the theoretical support for accounting and disclosure.

The study is expected to understand the level in sustainability accounting practice or its effect on sustainability disclosure by Multinational Corporations (MNCs) in Nigeria. Specifically, this study addressed the following:

- § to ascertain the level of social accounting practice among Multinational Corporations;
- § to examine the relationship between social accounting practice and social disclosure of Multinational Corporations;
- § to ascertain the level of environmental accounting practice among Multinational Corporations;
- § to examine the relation of environmental accounting practice and the environmental disclosure of Multinational Corporations;
- § to ascertain economic level of accounting practice among Multinational Corporations;
- § to examine the relationship between economic accounting practice and economic disclosure of Multinational Corporations.

1. Methods

The study utilized survey research design. The respondents were drawn from the Accounting and Administrative sections of the under listed Multinational corporations. The study used convenient sampling to select fifteen staffs, ten from the Accounting/Finance Department and five from the Administrative Unit. A total of One Hundred and

Eighty staffs were used as the sample for the study. The selected multinationals are as follows: Nestlé Nigeria FMCG Multinational; Unilever FMCG Multinational; Guinness FMCG Multinational; Cadbury FMCG Multinational; Coca Cola FMCG Multinational; P&G FMCG Multinational; PZ FMCG Multinational; Friesland Foods WAMCO FMCG Multinational; British American Tobacco; 7-UP Bottling Company; UAC FMCG; May and Baker FMCG.

The study used primary data generated from the questionnaire, that is measured using the Likert-scale format on a continuum of 5 to 1. The interview session involved asking the respondents "What drives sustainability in your corporations?" Cronbach Alpha value showed that the reliability of the social dimension is .842; the environmental dimension is .853; and the economic dimension is .942. The hypotheses were tested using One Sample Chi Square and Pearson Correlation Coefficient, the One Sample Chi Square was used to examine level while the Pearson Correlation Coefficient was used to test for relationship.

2. Discussion

Table 1-3 presents the descriptive statistics on social, environmental and economic accounting practice by the respondents from the sample firms.

Table 1. Social accounting practice of the company

	N	Min.	Max.	Mean	Std. Dev.
The company has in place a system for tracking social cost of its activities	129	3.00	5.00	4.5504	0.54431
The company conducts periodic assessment of its social impact on the society	129	3.00	5.00	4.7829	0.46706
The company makes use of experts' advice and consultations in social impacts assessment	129	3.00	5.00	4.8527	0.37709
Valid N (listwise)	129				

Table 2. Environmental accounting practice of the company

	N	Min.	Max.	Mean	Std. Dev.
The company has in place a system for tracking environmental cost of its activities	129	4.00	5.00	4.8527	0.35577
The company conducts periodic assessment of its environmental impact on the society	129	4.00	5.00	4.8605	0.34785
The company makes use of experts advice and consultations in environmental impacts assessment	129	4.00	5.00	4.8682	0.33957
Valid N (listwise)	129				

Table 3. Economic practice of the company

	N	Min.	Max.	Mean	Std. Dev.
The adoption of IFRS would safeguard investor interest in host countries	129	4.00	5.00	4.9147	0.28037
The company has a policy of environmentally and socially responsible investment	129	4.00	5.00	4.9225	0.26846
Product performance assessments are done in cognizance of its societal and environmental impacts.	129	4.00	5.00	4.9380	0.24212
Product information should also contain information on social and environmental impacts		4.00	5.00	4.8992	0.30220
Valid N (listwise)	129				

The highest mean values were recorded in level of economic practice by the respondents. The respondents agreed that product performance assessments were done in cognizance of its societal and environmental impacts (4.94), following this is the statement the company has a policy of environmentally and socially responsible investment (4.92). The lowest average value was recorded in the level of social accounting practice; the statement the company has in place a system for tracking social cost of its activities had a mean value of 4.55. The average mean values of the three dimensions used in measuring sustainability accounting practice in the firms, had values greater 4.0, this goes to prove that the firms had in place social, environmental and economic accounting systems.

Table 4-6 presents the descriptive statistics on social, environmental and economic disclosure practice by the respondents from the sample firms. The highest mean values were recorded in level of environmental disclosure

practice by the respondents. The respondents showed strong support for the company makes use of sustainability reports in disclosing additional and holistic information on environmental issues (4.91), following this is the statement the company's annual financial report is usually indicative of the amount and extent of damage caused on the local community and environment (4.90). The lowest average value was recorded in the level of social disclosure practice; the statement the company has a policy of socially responsible behaviour and reporting that guides corporate actions had a mean value of 4.81. The average mean values of the three dimensions used in measuring sustainability disclosure by the firms, had values greater 4.0, this goes to prove that the firms embedded social, environmental and economic disclosure as part of their corporate reporting process.

Table 4. Social disclosure practice of the company

	N	Min.	Max.	Mean	Std. Dev.
The company discloses the social effect of its operating activities in financial reports	129	4.00	5.00	4.8760	0.33090
The company makes use of sustainability reports in disclosing additional and holistic information on social issues	129	3.00	5.00	4.8295	0.39773
The company has a policy of socially responsible behaviour and reporting that guides corporate actions.	129	4.00	5.00	4.8140	0.39066
Valid N (listwise)	129				

Table 5. Environmental disclosure practice of the company

	N	Min.	Max.	Mean	Std. Dev.
The company discloses the environmental effect of its operating activities in financial reports	129	4.00	5.00	4.8682	0.33957
The company makes use of sustainability reports in disclosing additional and holistic information on environmental issues	129	4.00	5.00	4.9070	0.29160
The company has a policy of environmentally responsible behaviour and reporting that guides corporate actions.	129	4.00	5.00	4.8915	0.31226
Valid N (listwise)	129				

Table 6. Economic disclosure practice of the company

	N	Min.	Max.	Mean	Std. Dev.
Cost information used in policy formulation and decision making should also embed information on social and environmental costs that should form the core of social and environmental reporting	129	4.00	5.00	4.8915	0.31226
The company's annual financial report is usually indicative of the amount and extent of damage caused on the local community and environment	129	4.00	5.00	4.8992	0.30220
Valid N (listwise)	129				

The result of the hypothesis test (Table 7) showed that there is a significant level of social accounting practice among Multinational Corporations.

Table 7. Social accounting practice among multinational corporations

4	Total N	12
	Test Statistics	16.333
	Degrees of Freedom	4
	Asymptotic sig. (2-sided test)	0.003

13 From the Table 8, the Pearson correlation coefficient was 0.492 (positive), and significant at 0.01 thus this research accept the alternate hypothesis which showed that there is a moderate relationship ofn social accounting practice with social disclosure of Multinational Corporations.

Table 8. Relationship between social accounting practice and social disclosure

		Social Accounting Practice	Social Disclosure Practice
Social Accounting Practice	Pearson Correlation	1	0.492**
	Sig. (2-tailed)		0.000
	N	129	129.
Social disclosure Practice		0.492**	1
		0.000	
		129	129

The hypothesis test (Table 9) showed that there is a significant level of environmental accounting practice among Multinational Corporations.

Table 9. Environmental accounting practice among multinational corporations

Total N	12
Test Statistics	11.333
Degrees of Freedom	3
Asymptotic sig. (2-sided test)	0.010

From the Table 10, the Pearson correlation coefficient was 0.87 (positive) with significant level at 0.01 and showed the strong relationship between environmental accounting practice with environmental disclosure of Multinational Corporations.

Table 10. Relationship between environmental accounting practice and environmental disclosure

		Environmental accounting practice	Environmental Disclosure
Environmental Accounting Practice	Pearson Correlation	1	0.868**
	Sig. (2-tailed)		0.000
	N	129	129
Environmental disclosure		0.868**	1
		0.000	
		129	129

Table 11. Economic accounting practice among multinational corporations

Total N	12
Test Statistics	6.500
Degrees of Freedom	2
Asymptotic sig. (2-sided test)	0.039

The hypothesis test (Table 11) showed that there is a significant level of economic accounting practice among Multinational Corporations.

Table 12. Relationship between economic accounting practice and economic disclosure

		Economic Accounting Practice	Economic Disclosure
Economic Accounting Practice	Pearson Correlation	1	0.687**
	Sig. (2-tailed)		0.000
	N	129	129.
Economic disclosure		0.687**	1
		.000	
		0129	129

From the Table 12, the Pearson correlation coefficient was 0.687 with significant value at .01 showed that there is a strong relationship between economic accounting practice and economic disclosure of Multinational Corporations in Nigeria.

The study makes the following findings; there is a significant level of social, environmental and economic accounting practice among Multinational Corporations. The respondents agreed that mainly companies conduct periodic assessment of its social and environmental impact on the society, which plays a role in the reporting practices of such corporations. They make use of experts' advice and consultations in social and environmental impacts assessment.

Interview sessions granted by the executives identified the following as key drivers for sustainability accounting in their corporations:

- § growing awareness from consumers in developing countries on the social responsibility stance of the corporation. This is consistent with the respondents agreeing that product information should contain information on social and environmental impacts. One key motive for such is to boost consumer loyalty;
- § increased pressure from host communities on social and environmental damages caused by corporate activities, more pronounced for oil and gas firms;
- § the desire to reduce hidden social and environmental costs of operations;
- § desire to meet the stakeholder requirements of the host country;
- § regulatory compliance and tax benefits.

The interviewed executives showed tremendous support for GRI as a basis for reporting on sustainability matters and the dominant practice was the use of sustainability costing and management systems. A well-known reporting standard for implementing corporate social responsibility is the GRI, which has outlined guidelines for preparing social reports or sustainability (Gunardi *et al.* 2016, Asmeri *et al.* 2017). GRI develops reporting guidelines using a global consensus search process that involves both the company as the reported organization, and also the user of the report such as employees and investors (Galani *et al.* 2012).

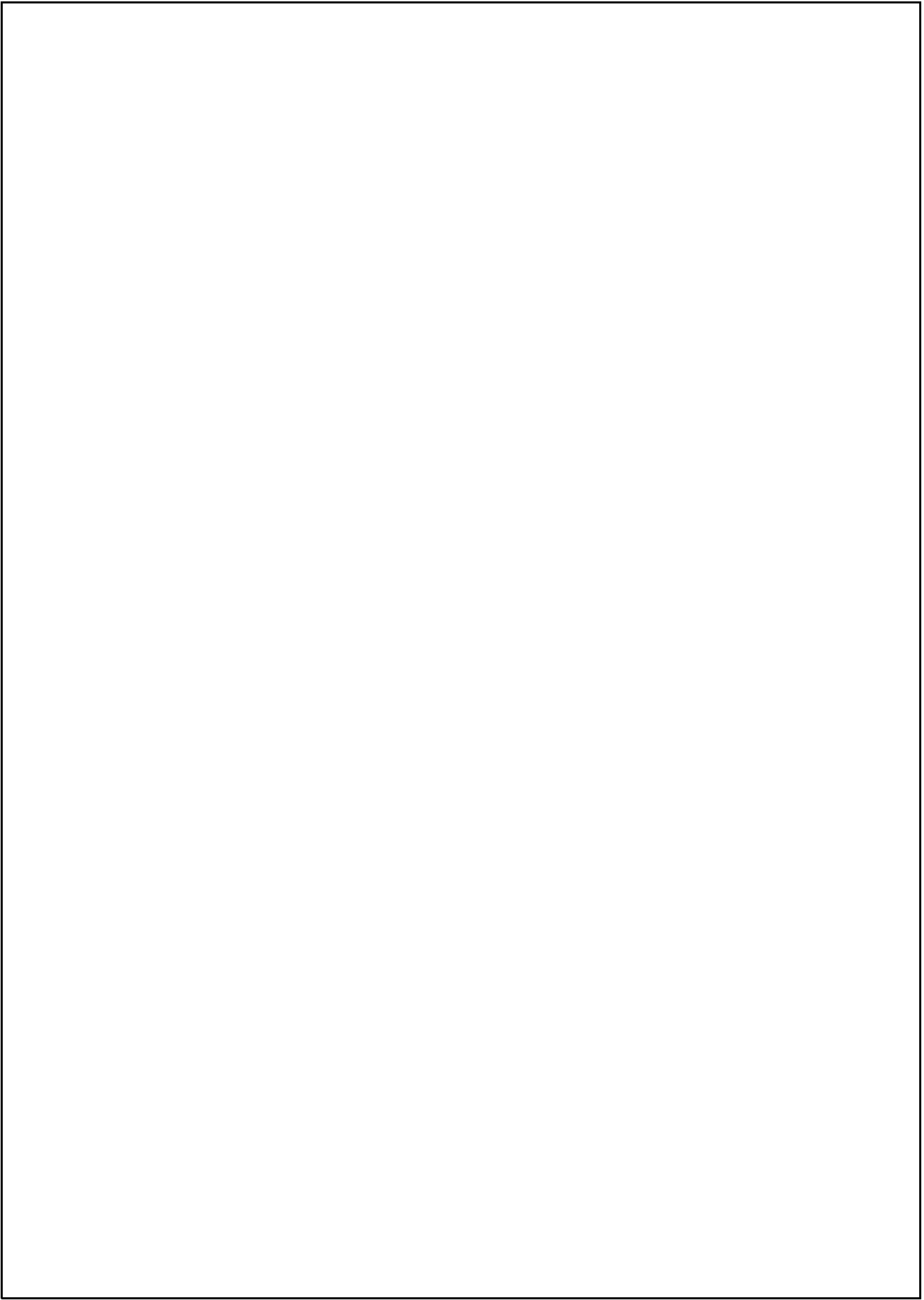
The study finds that there is a moderate relationship between social accounting practice and social disclosure of MNCs in Nigeria, and strong relationship between environmental and economic accounting practice and environmental and economic disclosure of Multinational Corporations. This is consistent with the literature, as sustainability accounting practice is expected to result in simultaneous improvement in the triple bottom line (Egbunike and Emudainohwo 2017). Disclosure that allows market participants to assess the firm's sustainability performance can have real economic consequences for the firm and its stock price (Joshi and Li 2016). The existence of social and environmental disclosure will create public confidence in the company (Asmeri *et al.* 2017). Eccles *et al.* (2014) show evidence that high sustainability companies significantly outperform low sustainability companies over the long-term, both in terms of stock market as well as accounting performance. Furthermore, stock market is considered as yard stick of economic health (Ong and Ng 2018). Akinlo and Iredele (2014) showed that corporate environmental disclosure has a relationship in market value of companies in Nigeria.

Conclusion

The study sought to examine the level of sustainability accounting practice and its effect on disclosure by Multinational Corporations in Nigeria. The concept of corporate sustainability has been assuming great importance (Aggarwal 2013) for the regulators and the stakeholders. Companies are increasingly pressured to be responsible to the society in which they operate. Corporate sustainability hinges on the three components of triple bottom line, namely social, environmental and economic. Triple bottom line argues that companies should not only thrive on economic objective alone but should also concern themselves with societal and environmental issues affecting their operations. Accounting is a mechanism for measuring and reporting on the triple bottom line of a company with the ultimate goal to bring the report outcomes that cover three dimensions of sustainability.

Following are the 15 commendation for the corporation:

- § sustainability should form part of the overall business strategy. Managers should consider both the risks and opportunities (Hutton *et al.* 2006) by using a system for tracking social and environmental costs and asking for the expert consulting (Hutton *et al.* 2006);
- § directing corporate attention to social and environmental issues into high level management and stakeholders (Hutton *et al.* 2006);
- § companies are also encouraged to adopt the use of sustainability reports that bring more benefit to stakeholders as environmental and social impacts are assessed in addition to economic performance areas;
- § the development of government commitment and regulations. The different standard implementation in each country does not influence social and environmental practice in Nigeria (Musa *et al.* 2015).



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