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## **An Evaluation of Stakeholders and Accounting Teachers' Perception of Corporate Social and Environmental Disclosure Practice in Nigeria**

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### **Abstract**

*The paper addresses a significant gap in the Corporate Social Environmental Disclosure literature indicated by the lack of studies that examine non-managerial stakeholders' perceptions of the practice. Recent calls in the CSER literature have emphasized the importance of giving voice to non-managerial stakeholders groups. This paper adopting the stakeholder theory examined the perceptions of stakeholders' and accounting teachers' toward CSER practice in Nigeria. The study with the aid of charts and the Analysis of variance, analyzed a total of 80 questionnaires that were administered to accountants of various groups. The paper as part of its finding observed that there was a variation in the perceptions accountants as it relates to corporate social environmental disclosure issues. the paper calls for more pro-active steps on the part government, accounting regulatory bodies and the academia to wake up to their responsibilities by issuing out policy statements and standards that will make it either voluntary or mandatory for*

*organisations to disclose environmental information as it relates to their various operations*

**Key words:** Accountants, Disclosure, environmental information, organisations, Corporate, Perceptions

## **Introduction**

In recent years firms have greatly increased the amount of resources allocated to activities classified as corporate social responsibility (CSR). The acknowledgement of corporate social responsibility implies the need to recognize the importance of disclosure of information on companies' activities. The concept of social accountability, which only arises if a company has social responsibility (Gray et al., 1996:56), concerns both the responsibility to undertake particular actions or refrain from doing so and provide an account of such actions. Corporate social and environmental reporting has been broadly defined as the "process of communicating the social and environmental effects of organizations' economic actions to particular interest groups within society and to society at large" (Gray et al., 1996:3). It seeks to reflect several social and environmental aspects upon which companies' activities have an impact on employee related issues, community involvement, environmental concerns and other ethical environmental issues. Corporate social responsibility also refers to the disclosure of information about companies' interaction with society.

Corporate social environmental reporting is not a new phenomenon. According to Guthrie & Parker (1989), its emergence can be traced to the beginning of the twentieth century. Nevertheless, it is possible to consider that it has emerged as an important subject only in the 1960's (Epstein, 2004; Maltby, 2004). Following a decline in the 1980's, there has been a resurgence of social disclosure and auditing. This resurgence was associated initially with the prominence of corporate environmental disclosure. This is a more recent phenomenon that emerged mainly in Asia, Europe, USA, and other developed nations of the world in the 1990's. However, this has not been the case in developing countries of Africa (KPMG, 2005).

Over the past decade, Africa has witnessed tremendous economic and social changes. As a result, the business environment is also becoming more complex and demanding. One of the emerging issues that confront modern-day businesses is that of corporate social responsibility. Due to the

heightened interest in the concept of corporate social responsibility and what it entails, much research has been done in this area, particularly in the developed countries. In contrast, the developing countries are slower in responding to the increased concern about the issue of corporate social responsibility. Despite some increase in research (Abu-Baker and Naser, 2000; Belal, 2001; Imam, 2000; and Tsang, 1998), studies in this area in the developing countries are still scarce. To this end, this paper will basically focus on accountant's perception of corporate social and environmental disclosures in company annual reports Nigeria.

### **Nature and scope of study**

This study basically seeks evaluate stakeholders' and accounting teachers' perception of corporate social and environmental disclosure practice in the Nigeria. While accounting teachers' in this context will include those in tertiary institutions, stakeholders will include accounting bodies, government parastatal and accountants' in the manufacturing industries whose production activities directly impact on the environment.

### **Research hypothesis**

*H<sub>0</sub>: That stakeholders and accounting teachers' perception on corporate social and environmental disclosure practice in Nigeria is negative.*

*H<sub>1</sub>: That stakeholders and accounting teachers' perception of corporate social and environmental disclosure practice in Nigeria is positive.*

### **Theoretical background of corporate social and environmental disclosure**

Gray, Kouhy and Lavers (1995a) opined that although corporate social environmental disclosure has been the subject of substantial accounting research, it lacks a coherent theoretical framework. Mathews (1987) structures corporate social disclosure theories into three major paradigms: the stakeholder's theory, legitimacy theory and the stakeholder theory.

**Stakeholder Theory** recognizes that there are a number of stakeholders in society who interact in a dynamic and complex manner. Stakeholder theory explains corporate social disclosure as a way of communicating with stakeholders, and has two branches; the ethical/normative branch and the positive/managerial branch (Deegan, 2000). The positive branch explains corporate social disclosure as a way of managing the organisation's

relationship with different stakeholder groups. The more important the stakeholders are to the organisation, the more effort will be made to manage the relationship (Deegan, 2000). The ethical branch argues that "all stakeholders have the right to be treated fairly by an organisation, and that issues of stakeholder power are not directly relevant" (Deegan, 2000:268). This view is reflected in the Gray et al. (1996) accountability framework, which argues that the organisation is accountable to all stakeholders to disclose social and environmental information.

**Legitimacy theory** argues that organisations seek to ensure that they operate within the bounds and norms of society (Deegan, 2000). Society's expectations have changed to expect businesses to "...make outlays to repair or prevent damage to the physical environment, to ensure the health and safety of consumers, employees, and those who reside in the communities where products are manufactured and wastes are dumped..." (Tinker & Niemark, 1987:84) Corporate social disclosures are an important way for organisations to establish and maintain their legitimacy, providing an explanation why organisations make corporate social disclosures.

**Political economy theory** takes a wider view in explaining corporate social disclosure, incorporating "the social, political and economic framework within which human life takes place" (Gray et al, 1996:47). Political economy theory considers that economics, politics and society are inseparable and should all be considered in accounting research. Political economy can be either classical, which is concerned with structural conflict, inequality and the role of the state (e.g. within the radical paradigm), or bourgeois, which takes these aspects as given and is concerned with interactions between groups in a pluralistic world (Gray et al., 1996 as cited in Belal, 2008). Legitimacy theory and stakeholder theory are derived from bourgeois political economy theory (Deegan, 2000).

However, in this study, the stakeholder theory was adopted in the evaluation of accountants perception's of social and environmental disclosure practice in Nigeria for two main reasons. First, Clarkson (1995:100) in his 10-year study on corporate social performance concluded that it was necessary to distinguish between social issues and stakeholder issues, i.e. issues that concern one or more stakeholder groups. These issues may not necessarily (but quite possibly) be the same concern of the society as a whole. Social issues are those issues of sufficient concern to society and as such should be the subject of legislation and regulation. Clarkson argued for

the recognition of the distinction between social and stakeholder issues because “corporations and their managers manage their relationships with their stakeholders and not with society”. In the context of this study, the accountant’s perceptions of social and environmental disclosure is characterized as being stakeholder issues because the production of such information is still at its embryonic stage in Nigeria. Hence it is appropriate to use stakeholder theory in this study.

Secondly, in explaining social disclosures, both legitimacy and stakeholder theory predict that such disclosures are used by firms as a means of legitimizing their operations. However, the two theories differ mainly on how corporate entities are conferred with legitimacy. Legitimacy theory focuses on society to assess the validity of corporate actions to gain legitimacy. Whilst there is nothing wrong in taking this view, it is sometimes difficult to test empirically. To use legitimacy theory effectively, it is common for researchers to identify specific events that are potentially threatening to the firm’s legitimacy like the Exxon Valdez oil spill (Patten, 1992) or the Union Carbide leak (Blacconiere & Patten, 1994). As a consequence, the study may have to be restricted to the corporate entities threatened by a particular event.

Since this paper intends to evaluate accountants perception’s of social and environmental disclosure practice in Nigeria the stakeholder theory is also preferred because it provides a framework to uncover the determinants of and possible motivations behind corporate disclosures. In addition, by focusing on stakeholder issues rather than general social issues, the stakeholder theory is considered to be more appropriate to develop testable hypotheses.

### **Prior research on corporate social and environmental disclosure**

The overriding purpose of Corporate Social and environmental Reporting is to discharge accountability to all relevant stakeholder groups who might be affected by organizational activities, irrespective of their power. It is a normative perspective on stakeholders (Deegan & Unerman, 2006) that is supported by many social accounting scholars (Adams, 2002; Bebbington, Gray & Owen, 1999; Belal, 2002; O’Dwyer, Unerman & Bradley, 2005; O’Dwyer, Unerman & Hession, 2005; Owen, Gray & Bebbington, 1997; Owen, Swift & Hunt, 2001; Owen, Swift and Unerman & Bennett, 2004). However, despite the stakeholder focus, most previous research has mainly concentrated on managerial perceptions of Corporate Social and environmental Reporting. These studies (Adams, 2002; Adams, Hill &

Roberts, 1998; Belal, 2002 and Campbell, 2000) have shown that organisations use Corporate Social and environmental Reporting as a public relations tool to further their economic interests and legitimize their relationship with powerful stakeholder groups, popularly known as the managerial perspective on stakeholders (Deegan & Unerman, 2006).

Very few studies are available which examine non-managerial stakeholders' perceptions. The studies that have investigated non-managerial stakeholders' perceptions mainly focused on investors (Epstein & Freedman, 1994; Freedman & Jaggie, 1986; Ingram, 1978). Very little research has been carried out on the perceptions of other stakeholder groups (Deegan & Rankin, 1997 and O'Dwyer, Unerman & Bradley, 2005); study of the demand for environmental disclosures did include some other stakeholders but the majority of their respondents still came from investors and investment-related professionals. Few studies have examined the perceptions of less economically powerful groups, such as accountants, pressure groups (Tilt, 1994) and NGOs (O'Dwyer, Unerman & Bradley, 2005). Where they have done so, such as in the questionnaire survey by Tilt which examined Australian pressure groups' perceptions of Corporate Social Reporting, they have found that these respondents consider current Corporate Social Reporting practice to be inadequate and low credibility. To enhance adequacy and credibility such stakeholders demand that disclosures within the annual report be subject to some form of external verification.

A pioneering study by O'Dwyer, Unerman & Bradley (2005 as cited in Belal, 2008) examined the perceptions of Corporate Social Reporting by NGOs in the Irish context. The main findings of the study include, the demand for the development of stand-alone, mandated, externally verified corporate social disclosure mechanisms that predominates the perspectives. This is motivated by a desire to see stakeholder rights to information enforced given Irish companies' apparent resistance to engaging in complete and credible Corporate Social Disclosure" (O'Dwyer, Unerman & Bradley (2005:14).

All the above studies were from developed countries; very few studies have examined stakeholder views in developing countries. Two recent studies examine the views of accounting and accounting related professionals in Fiji (Lodhia, 2003) and Thailand (Kuasirikun, 2005). Lodhia (2003) found little involvement of accountants in the development of environmental accounting and reporting in Fiji, mainly due to their lack of expertise in the area. In the Thai context Kuasirikun (2005) combined a questionnaire and interview

study to find that a more positive attitude was held by the Thai accounting profession towards the development of social and environmental accounting. Additionally, research in the Middle East has identified support amongst the users of annual reports (accountants, auditors and academics) for the development of Corporate Social Reporting in Jordan (Naser & Baker, 1999) mainly because of the relevance of such data for addressing the country's socio-economic problems.

The above review suggests that there are few studies which examine stakeholders' perceptions of CSR from a non-investor perspective. Where they do so in the context of developed countries, as for instance in O'Dwyer, Unerman & Bradley (2005) the focus was on the perceptions of NGOs and pressure groups. By contrast, research on developing economies concentrates mainly on the perceptions of accounting and accounting related professionals. More generally, O'Dwyer, Unerman & Bradley (2005) have called for studies that include different sets of non-managerial stakeholders such as accountants, trade unions and consumer groups. They also emphasize the need to examine the 'perspectives of these stakeholders in other contexts where Corporate Social Disclosure has been emerging over the past number of years. To this end, this study will answer this call by exploring accountants' perceptions of corporate social and environmental reporting practice in Nigeria, which forms only a subset of the stakeholder community.

### **Research methodology**

In order to have an appropriate perspective on accountant's perception of corporate social and environmental disclosure practice in Nigeria, it will be necessary to examine why and how these perceptions are held as well as the context in which they are held. As argued by O'Dwyer, Unerman & Bradley (2005), the use of qualitative methods is more appropriate in these circumstances as it helps to provide in-depth access to the experiences of the stakeholder group in question.

This investigation is limited to accountants in the tertiary institutions, regulatory accounting bodies, and government parastatal and manufacturing industries in both Lagos and Ogun state. To achieve this purpose, a total of twenty (20) representatives each were selected from the different groups through the simple random sampling technique; summing up to a grand total of 80 respondents. However, questionnaires were used in eliciting information from our respondents, while tables and Analyses of Variance

were adopted in the presentation of data and the analysis of responses from our respondents.

### **Hypothesis Re-statement**

$H_0: \mu_1 = \mu_2 = \mu_3 = \mu_4$

$H_1: H_0$  is not true.

### **Research finding**

It is interesting to note that taking a general look at the responses of stakeholders and accounting teachers toward corporate social and environmental disclosure practice in Nigeria; we observed that a large majority of our sample size from each group supported the practice of corporate social and environmental disclosure in Nigeria. Those who supported corporate social and environmental disclosure justified its need on several grounds. The justifications in favor of corporate social and environmental disclosure varied from peoples' right to know, argument for improved cleaner production, green technology and the argument for increase in corporate accountability and transparency as depicted in Figure (1).

Underscoring the importance of Corporate Social and environmental disclosure, respondents' were all in favor of Corporate Social and environmental disclosure practice in Nigeria though to a varying degree; but however, some respondents questioned the sincerity of business in using Corporate Social Responsibility as a tool for promoting transparency and accountability. Using the Analysis of Variance as a statistical tool in testing our hypothesis; it is seen clearly that based on responses as depicted in figure (1) above and results from table (2), there is a variation in the perception of accountants from the various groups. This is derived from the fact that since our calculated is lesser than tabulated (**i.e. F-cal < F-tab**); hence we accept the null hypothesis and therefore conclude that the difference is not significant.

All respondents except (A4) think that in future CSER will improve because of societal expectations concerning these issues are increasing. Moreover, the practice CSER will improve in order for organisations to increase their competitiveness and also have access to the global market. In addition, respondents were of the opinion that international pressure for green products and services, cleaner technologies and more environmentally friendly and



renewable sources energy will bring about much more improvement in the practice of CSER

However, A4 had reservations over the prospects of CSER practice in Nigeria. They are of the notion that the future of CSER depends on the political situation and on the level of peoples' awareness on this issues. They stressed the fact that given the level of corruption and the almost lack of accountability and transparency on the part of those in authorities, the future of CSER to a great extent is not bright.

### **Conclusion**

Using the stakeholder framework to uncover the perceptions of stakeholders' and accounting teachers' towards corporate social environmental reporting practice in Nigeria, the paper therefore concludes that there appear to be a little variation in the various perceptions of our respondents, while they broadly agreed on the need for CSER practice in Nigeria variations were found in their information requirements. The paper concludes further that though respective groups were found to be asking for disclosures related to their specific interests on a number of broader societal issues, there appear to be a note of dissent to be coming from the government parastatal as they remained unconvinced about the future of Corporate Social and Environmental Disclosures in Nigeria.

Finally, the paper calls for more pro-active steps on the part government, accounting regulatory bodies and the academia to wake up to their responsibilities by issuing out policy statements and standards that will make it either voluntary or mandatory for organisations to disclose environmental information as it relates to their various operations.

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## Appendix

- (1) Note that Figure (1) indicates respondents justifications in favor of corporate social and environmental disclosure variations as depicted below:

Z1 will represent argument for improved cleaner production

Z2 will represent argument for improved green technology

Z3 “ “ “ “ for increase in corporate accountability and transparency

Z4 “ “ “ “ peoples' right to know

- (2) Note that in Figure (2):

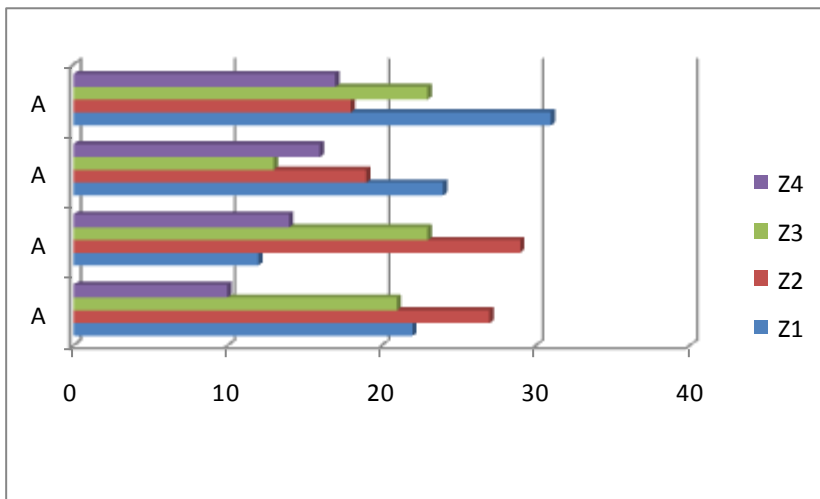
A1 will represent accountants in the Tertiary institution

A2 represent accountants in Regulatory accounting bodies (ICAN and ANAN)

A3 “ “ “ Manufacturing industries

A4 “ “ “ Government parastatal

Figure 1: Responses of Stakeholders and Accounting teachers' toward corporate social and environmental disclosure practice in Nigeria



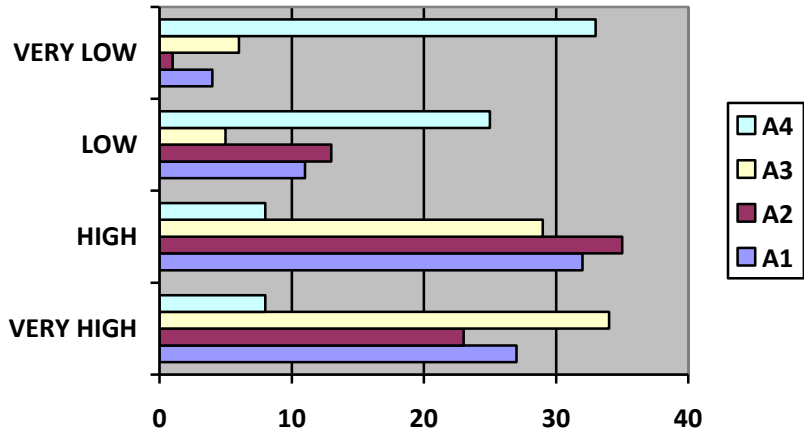
Sources: Field survey 2007

Table 1: Analysis of Variance based on responses from different groups

Source of Variation	DF	SSb	MSSw	Fcal	Ftab
Treatment b/w group	3	194.69	64.8967	2.0809	3.49
Residual within Group	12	374.25	31.1875		
Total	15	568.94			

Source: Field Survey 2007

Figure 2: Prospects for the Future Development of Corporate Social and Environmental Reporting in Nigeria



Source: Field survey 2007