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THE VALUE RELEVANCE OF SOCIAL AND ENVIRONMENTAL PERFORMANCE: EVIDENCE FROM NIGERIA

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ABSTRACT

Majority of firms around the world are undertaking specific actions towards reducing the negative environmental consequences of economic activity and meeting their obligations, to society and to the communities in which the organization is operating. Such information is in the director’s report, which is a component of the audited annual financial statement. Therefore, this study is set to determine whether stakeholders value this information, which should be evidenced in the stock market value of the company's shares. Nigerian Chemical manufacturing firms were sampled. Data were analysed using pooled ordinary least square regression. The result shows that environmental compliance policies and energy Intensity negatively affect the share price of chemical manufacturing firms, but while the effect of environmental compliance policies on the share price is statistically significant, the effect of energy intensity is not significant. In addition, the result on environmental waste management and social issues policy, show positive effect on the share price of the sampled firms. The positive effect is statistically significant for social issues policies and not significant for Environmental waste management. The findings reveal a mixed result, but it is concluded that the sampled firms are more committed to social issues and it positively and significantly affect the share market price. Therefore, the study recommends that Chemical manufacturing companies should not only view social and environmental performance as ethical but also a process of competitive advantage, and should be driven by desire for economic success.

KEYWORDS: Environmental performance, Social Performance, Value relevance, Sustainability

1. INTRODUCTION

Man’s activities in his environment involve a lot of chemical synthesis in the process of converting the natural products in his environment into other forms convenient for his consumption (Ezeonu, Tagbo, Anike, Ojo & Onwura 2016). In the current era of globalization and industrialization, the number of industries are increasing, with increasing production and consumption activities. These activities have together depleted the earth’s resources, degraded the environment, caused loss of biodiversity and has impacted adversely on the quality of people’s life. There is now global concern for the long-term negative impact which trickles down on economic performance of firms and country as a whole. Thus, there is abundant scientific evidence that humanity is living unsustainably (Ezeonu, Tagbo, Anike, Oje & Onwurah, 2016). One of the means to attain the desirable level of sustainability and to overcome the problems of unbalanced ecological, environmental and economic development is through incorporation of the objectives
of social equality, economic efficiency, and environmental performance into the company’s operating practices. (Miralles-Quirós, Miralles-Quirós & Valente Gonçalve, 2018). To that extent, company’s performance requires investment in personal enhancement, environmental protection, compliance with social norms and respect for ethical values and principles of the society in which it operates.

Accordingly, scholars have argued that company performance should have a broad scope that includes a triple bottom line, instead of only focusing on a single aspect of company performance, such as financial performance (Lindblom, 1993). Which is not enough to predict and to ensure the sustainable development of an entity. To that extent, Margolis and Walsh (2003) submit that from society’s perspective, creating wealth and contributing to material well-being are essential corporate goals, but restoring and equipping human beings, as well as protecting and repairing the natural environment (social and environmental performances), are also essential objectives. Over the last decades, the literature has increasingly emphasized the importance of integrating the sustainability concept into organization’s business models (Matos & Silvestre, 2013), to help organizations manage their social and environmental impacts and improve operating efficiency and natural resource stewardship (Ernst & Young, 2013). Young and Tilley (2006) pointed out that business approach to sustainability has moved from pollution control to eco-efficiency and socio-efficiency. They stressed that the underlying notions of the concepts are focused in the win-win solutions, where economic benefits are aligned with environmental performance (e.g. reducing resource consumption and waste minimization) and social performance (e.g. minimization of negative social impacts or maximization of positive ones). These performances may enhance company reputation, reduce its overall cost, would likely affect expected future earnings and invariably impact on the value relevance of annual reports. As such, King & Lenox, (2001) asserts that environmental goal though cost intensive at the beginning of the implementation, can be beneficial in the long-run in terms of cost savings and financial performance.

Corporate organizations are now motivated to undertake the corporate social/environmental responsibility because they feel it opens the door of corporate strategy to other benefits that might accrue from being socially responsible. Environment protection activities that were limited to communities in the past have now become desirable by firms because they have transpired to add value to businesses. Many manufacturing firms are now compelled to introduce these activities as strategic variables in their operations (Amrina & Yusof, 2011). By having better insight into the potential benefit of these investments and costs, the company will not only improve the efficiency of its activities but also its financial performance. So failure of firms to manage these sustainability issues substantially may impair firm’s reputation with stakeholders and customers, and its attractiveness to current and potential employees. All these negative effects are likely to reduce firm’s competitiveness and affect its stock market value. Notwithstanding, many firms are still skeptical about the performance implications of integrating social and environmental issues into a company’s strategy and operations. This could be attributed to the attitude of earning profit by most companies. Every company wants to increase the profit year by year because the profitability of the firm is considered an important index for the future development of the company and business. So it is assumed that high social and environmental activities require huge costly investments that might decrease the firm earnings. In addition, Montabon, Stroufe, Narasimhan, & Wang (2002) pointed out that dearth of evidence that benefits exceed the costs of pursuing these initiatives, also discourage firms from taking aggressive and proactive approach to these Performances.

This supports the shareholder expense theory which holds that investing in CSR practices increases costs and puts companies at an economic disadvantage, resulting in lower market values. Recently, companies in Nigeria are encouraged to voluntarily provide narrative information about their CSR activities in their annual reports. The Companies and Allied Matters Act (CAMA, 1990) in Nigeria specifically mandates companies to disclose such information in the directors’ report which is a component of the audited annual financial statement. Egbunike & Tarilaye, (2017) So this study is set to determine whether stakeholders value this information, which should be evidenced in the stock market value of the company’s shares.

A broad range of empirical studies have tested the relationship between various types of social and environmental performance, on both financial and market performance, and a substantial proportion reported positive effects while others found negative. For instance, In Brazil, Miralles-Quirós, Miralles-Quirós and Valente Gonçalves (2018), examined the value relevance of social responsibility activities carried out by companies listed on the São Paulo Stock Exchange during the 2010–2015 period. The overall results suggest that Environmental, Social and Governance play a significant role in enhancing firm value. Ferrero-Ferrero, Fernández-Izquierdo and Muñoz-Torres (2016) document greater global effect of environmental, social and governance (ESG) performance on Economic Performance for those firms.
that present inter dimensional consistency. The finding of Turban and Greening (2006) shows that qualified employees are influenced by the social responsibility habits of their potential employers. Magara, Aming’a and Momanyi (2015), discovered that environmental information, environmental cost savings, tracking of environmental cost savings and compliance of environmental laws are significantly and positively related to perceived financial performance of corporate organizations. In Kisii, Arafat, Warokka and Dewi, (2012) found that environmental performance significantly influences financial performance of Indonesian manufacturing firms. Murphy (2002) concluded that firms with high environmental ratings and firms that exceed regulatory requirements experience higher market valuation; while firms with negative environmental performance (e.g. Environmental accidents, oil spills, harmful substance releases, etc.) experience decline in stock prices.

In Nigeria, a number of similar study also recorded positive effect. Like the study of Aggarwal, (2013) on the relationship between environmental responsibility and financial performance, revealed positive relationship. Uwuigbe (2011) and Agbiogwu, Ihedinihu and Okafor (2016) researched on the economic performance of firms and the corporate social environmental performance and also recorded positive effect. Ifurueze, Lyndon and Bingilar (2013) and Ezejiofor, John-Akamel and Chigbo (2016), examined the impact of environmental cost on corporate performance in oil companies in the Niger Delta States of Nigeria, using different proxies for their independent variable, the results of the studies also indicate positive effect on the firms performance. Emeka-Nwokeji (2018), document in her study on Environmental disclosure and market value of Nigerian firms in oil and gas sector, that Disclosure of pollution control and abatement cost, and waste management have significant positive effect on firm value, while Environmental litigation cost has significant negative effect on firm value.

However, some findings provided evidence for cost concerned approach, which argues that high environmental activities require huge costly investments and thus, lead to decrease in firm earnings. The result of the study by Hassel, Nilsson, and Nyquist, (2005) found negative influence of environmental performance on the market value of firms, likewise, Semenova, Hassel and Nilsson (2013). Dobre, Stanilaand Brad (2015), investigated the impact of reported environmental and social indicators on financial performance, and the result revealed negative impact on current return on equity, while no effects were detected on return on assets and stock -market returns.

The few studies on the subject in Nigeria, differ in focus, variables, year and methodology, and their dependent variables were mostly accounting-based measures, which are usually criticized because they capture only historical aspects of firm performance. As such, Market based measure is used to proxy the dependent variable in this study, because it is forward looking and focus on market performance (share price), which is a reflection of the stakeholder’s perception on the social and environmental performance information of chemical manufacturing firms in Nigeria. The study will be anchored on Ecological modernization theory (“win-win” principle). This theory supports the idea that companies can invest in process/product innovation to decrease environmental degradation and thus help with economic gains. The research findings would help researchers, investors, regulating bodies and other stakeholders to understand the extent of value creation by the social and environmental performance of chemical manufacturing firms in Nigeria, for policy formulation and other corporate and investment decision making.

Research Hypotheses:
Hypothesis 1: Environmental compliance policies do not significantly affect firm's share price.
Hypothesis 2: Energy Intensive does not have significant effect on firm's share price
Hypothesis 3: Environmental waste management do not significantly affect firm's share price. Hypothesis 4: Social issues policies do not significantly affect share price.

2.0 REVIEW OF RELATED LITERATURE
2.1 Conceptual framework
2.1.1 Social and Environmental performance

The concern about social and environmental issues, inserted in the context of sustainable development, reflects in the organizations through Corporate Social Responsibility(CSR). Sustainable development treats future generations who may be affected by the company's current actions as stakeholders, so following principles of sustainable development would be an example of corporate social responsibility in practice. Sustainable development refers to an organization’s activities, that demonstrate the inclusion of social and environmental concerns in business operations and in interactions with stakeholders, which is aimed at, raising the standard of living of people while reducing the negative environmental consequences of economic activity (Correa & Moneva 2011). The environmental aspects of sustainability deals with the extent to which the environment is able to sustain itself. Salma, (2003) defines environmental performance as the company's
achievement in managing any interaction between the company's activities, products or services and the environment.

Global Reporting Initiative (2011) Environmental Performance Indicators, cover performance related to inputs (e.g., material, energy, water) and outputs (e.g., emissions, effluents, waste), biodiversity, environmental certifications and expenditure. This may involve, preservation and conservation of natural resources such as conducting recycling activities, action plan or policies to pursue noise improvement initiatives, water and process treatment, pollution prevention and control, phasing out the use of ozone depleting substances and compliance with authority in buildings regulations and requirements. Social performance aspect, means the values of the involved stakeholders in certain activities. It requires a set of duties and obligations, to society and to the communities in which the organization is operating. This could, for instance, constitute working conditions for a firm's employees, company's commitment to developing policies that integrate these practices into daily business operations. Reporting on progress made toward implementing these practices, is crucial to its success, as is its ability to respond to competitive conditions. Thus Hillman and Kein (2003) opined that not all social investment may yield return in a financial form but may boost corporate competitive strategy and be of strategic value.

2.1.2 Value relevance and social and environmental performance

According to value enhancing theory, the integration of socially responsible activities into corporate strategies and practices generates competitive advantages that promote the creation of long-term shareholder value, suggesting that a positive relationship exist between social/environmental performances, and market value. Thus Heal (2005) has argued that environmental/social programmes can increase profit in the long run through the reduced cost of conflicts with society, reduced waste, improved relations with regulators, brand creation, employee productivity, the lower cost of capital that, in sum, make companies more attractive to investors. Likewise, Jones, (1995) contends sturdily that stakeholder management practices can result in significant competitive advantage, minimizing costs and improving economic performance. Similarly, Ferrero-Ferrero, Fernández-Izquierdo and Muñoz-Torres (2016) in their study on environmental, social and governance (ESG) consistency, posits that the company’s commitment and effectiveness towards the creation of consistent competitive advantage in environmental, social and governance dimensions constitutes an intangible value that leads to improvements in corporate performance. Therefore, for a company to be truly competitive, Dobre ,Stanila and Brad (2015) submit that it should disclose information about its environmental policies and about the benefits that the company offers to its employees.

The disclosure policies and practices are considered to represent one important means by which the management can influence external perceptions about their organizations. Nowadays, annual report users have been found to believe that social and environmental information is important for their decision making (Deegan & Rankin 1997). Such information is expected to be value relevant and to complement financial information in the valuation process. In that respect, Hassel, Nilsson And Nyquist (2005) assert, that the value relevance of financial statement information can be increased if it is combined with environmental information that has been compiled into performance ratings. Obusubiri (2009) attributed positive relationship between CSR and portfolio performance to the good corporate image that comes with CSR, making investors prefer such companies implying that good CSR behavior has a reputational benefit for the practicing firm.

2.2 Empirical review

The relation between social and environmental performance and firm performance have been investigated in theoretical and empirical studies by researchers. Most studies confirmed that incorporating sustainability in business can yield economic benefits. For instance, in the foreign countries, Eccles, Ioannou, and Serafeim (2010) investigated the effect of corporate sustainability on organizational processes and performance in USA. Using a matched sample of 180 US companies, they found that corporations that voluntarily adopted sustainability policies by 1993 – termed as High Sustainability companies – exhibit by 2009, distinct organizational processes compared to a matched sample of firms that adopted almost none of these policies – termed as Low Sustainability companies. They concluded that High Sustainability companies significantly outperform their counterparts over the long-term, both in terms of stock market as well as accounting performance. Montabon, Sroufe, Narasimhan and Wang, (2002) empirically examined the relationship between Environmental Practices and firm performance in order to see if the "win-win" argument of Porter is supported. Using corporate environmental information, content analysis, and multivariate data analysis, the results show that firms in the study use a wide range of Environmental Practices such as Recycling, Waste Reduction: Remanufacturing, Environmental Design, Specific Design Goals: Surveillance of the Market for Environmental Issues and that these practices are positively associated with multiple firm performance measures.
Also, In Kisii, Magara, Aming’a and Momanyi (2015) examined the impact of environmental accounting on financial performance of corporate organisations. Using a sample size of 49 employees drawn from all the 16 corporations. Findings reveal that environmental information, environmental cost savings, tracking of environmental cost savings and compliance of environmental laws are significantly and positively related to perceived financial performance of corporate organizations. Revenue generation, Cash flows and profitability were used as dependent variables. Arafat, Warokka, and Dewi, (2012) studied a linkage between environmental disclosure, environmental performance, and financial performance. The study analyzed 33 Indonesian manufacturing firms that were listed in Indonesian Stock Exchange (IDX) and reported their environmental performance assessment to the Ministry of Environment Indonesia. Results reveal that environmental performance has significantly influenced financial performance of the Indonesian manufacturing firms. On social aspect of sustainability, Turban and Greening (2006) examined the effect of corporate social performance on organizational attractiveness to prospective employees. Their finding shows that qualified employees are influenced by the social responsibility habits of their potential employers.

In Nigeria majority of the studies conducted reveal positive relationship. For instance, Agbiogwu, Ihendinhu and Okafor (2016), investigated the impact of environmental and social costs on performance of Nigerian manufacturing companies. With the use of secondary data, sourced from ten (10) randomly selected firms’ annual report and financial summary 2014. The study makes use of t- test of SPSS version 20, for the analysis of collected data. Finding from the analysis shows that the sampled companies environmental and social cost, significantly affect net profit margin, earnings per share and return on capital employed of manufacturing companies. On Corporate Social Environmental Reporting and firm performance, Uwuigbe (2011) investigated the relationship between the performance of firms and the level of corporate social environmental sustainability reporting among firms in selected industries. To achieve this, the study critically developed and utilized a disclosure index to measure the extent of sustainability disclosure made by companies in their corporate annual reports. Multiple regression analysis was used to test the research propositions. The study observed that there is a significant relationship between the performance of firms and the level of corporate social environmental sustainability reporting. Similar study was conducted by Amiolemen, Uwuigbe, Uwuigbe, Osiregbehme and Opeyemi (2018) using 50 publicly listed companies in the Nigerian Stock Exchange across various sectors for the period of five years (2011–2015). The study used a cross-sectional research design comprising, for the selected firms, Findings from the study revealed that the association between corporate social and environmental expenditure and the market price of the firm (when considered in aggregate) is not significant, unlike the previous.

On the environmental aspect of sustainability, Aggarwal, (2013) analyzed the relationship between environmental responsibility and financial performance of firms through review of extant literature, so as to find answer to the research question ‘whether going green is profitable for firm or not. The researcher observed that majority of studies indicate positive relationship. In confirmation, Ifurueze, Lyndon & Bingilar (2013), examined the impact of environmental cost on corporate performance in oil companies in the Niger Delta States of Nigeria. three selected indicators of sustainable business practices used were: Community Development Cost (CDC), Waste Management Cost (WMC) and Employee Health and Safety Cost (EHSC). The study revealed that sustainable business practices and corporate performance are significantly related. likewise, Ezejiofor, John-Akamelu and Chigbo (2016), assess the effect of sustainability accounting measure on the performance of corporate organizations in Nigeria. The study found that environmental cost, impact positively on profit generation of corporate organizations in Nigeria. Arong, Ezugwu, and Egbere (2014), studied the effects of environmental cost management on the profitability of oil sector in Nigeria from 2004 to 2013. Result revealed that there exist a significant relationship Similarly, Emeka-Nwokeji (2018), investigated relationship between environmental disclosures and market value of Nigerian Firms, she document that pollution control and abatement cost and waste management cost have significant effect on firm value measured with Tobin’s Q, while litigation cost has a negative and significant effect.

Further literature findings show that corporate social and environmental practices are driven by moral obligation, as being responsible to reduce environmental impact. For instance, Odia and Imageb (2014) submitted that corporate social and environmental disclosures in Nigeria, have more social than financial impacts and hence support the legitimacy theory. Similarly, Cortez, and Cudia, (2011) explored the impact of environmental innovations on financial performance of Japanese electronics companies Their findings point to risk minimization efforts in spite of declining profitability. However, their sustainability performances were justified by the legitimacy granted to them as socially responsible, which translated into improved revenue generation. In same line Nyirenda, Ngwakwe and Ambe(2013) result from investigation
on impact of environmental management practices on the financial performance (represented by return on equity) of a South African mining firm, indicate no relationship between the variables and suggest that Green-Steel’s environmental management practices are driven mostly by a desire to abide by regulations and also by a moral obligation to use environmental management practices to mitigate climate change impact.

3. METHODOLOGY

This study adopted ex post facto research design. Data were collected from the annual reports of quoted chemical manufacturing firms under the industrial goods sector of the Nigerian Stock Exchange as at 2017, which constitute the study sample. Environmental disclosure index data were collected using the disclosure index developed by Fodio and Oba (2012). The companies environmental disclosures in the annual report were matched against the items in the disclosure index. Based on the disclosure index, twenty four established environmental disclosure items were used to measure the extent of performance in the various sampled firms. Social performance was proxied by disclosures to - education, health, sport, religious bodies, non-governmental organizations. This study used binary number as weight: the disclosure of any of the item is assigned one (1) and non-disclosure (0) zero for item. Thus, a total score of each indicator disclosed by a company was added, and divided by the total score for each variable. Value relevance was measured by share price. The share price used was the average share price of the various companies used in the study. The value for each variable was regressed against the firm share price in order to evaluate their impact on the price of the share.

Model Specification

A linear regression model was used to test the null hypotheses. The model was an improvement of the model used by Emeka-Nwokeji (2018). The model is, Firm Value = F(POLLAB, ENVLITCO, WSTMGT) modified to suit the variables used in this study. The model for the study is

\[ SHP = \beta_0 + \beta_1 ENCOMPO + \beta_2 ENEGI + \beta_3 ENVWMP + \beta_4 SOIP + \epsilon \]

Where SHP = Share price; ENCOMPO = Environmental compliance policies, ENEGI = Energy Intensity, ENVWMP = Environmental waste management policies, SOIP = Social Issues Policies; \( \beta_0 \) = Constant; \( \beta_1 \ldots \beta_6 \) = are the coefficient of the regression equation. \( \mu \) = Error term; \( i \) = is the cross section of firms used.; \( t \) = year (time series). Log = Logarithm

4.1 DATA ANALYSIS AND INTERPRETATION

This study investigated the value relevance of social and environmental performance of firms in Nigeria. In analyzing the data, the study adopted the regression analysis. The table below shows the mean disclosure of environmental performance items among chemical manufacturing firms.

Table 1: The mean value of environmental performance

<table>
<thead>
<tr>
<th>ITEMS</th>
<th>Chemical</th>
</tr>
</thead>
<tbody>
<tr>
<td>Environmental Compliance policies</td>
<td>0.14</td>
</tr>
<tr>
<td>Environmental waste management Policies</td>
<td>0.36</td>
</tr>
<tr>
<td>Energy Intensity</td>
<td>0.25</td>
</tr>
<tr>
<td>Social Issues Policies</td>
<td>0.57</td>
</tr>
</tbody>
</table>

Source: Researcher computation of Mean value of Disclosed Social and environmental programmes

The mean value of each disclosure item is determined using the simple average of all the disclosure (binary value) under each item. The result shows a low level of environmental performance among quoted chemical firms in Nigeria. From table 1 above, the level of environmental policy compliance is 14%, Environmental waste management, 36%, Energy Intensity, 25% and Social issues compliance policy 57%. This indicates that on the average, firms in chemical manufacturing industry, are committed more to social issues and Environmental waste management than other environmental issues..

4.2 Hypotheses Testing

To examine the value relevance of social and environmental performance, the study used the multiple regression analysis. The result obtained is summarize in table 2
Table 2 The Share prices Model

<table>
<thead>
<tr>
<th>Variables</th>
<th>Result</th>
</tr>
</thead>
<tbody>
<tr>
<td>ENCOMPO</td>
<td>Coefficient value: -0.4386, t-value: -0.0647, P-value: 0.0212</td>
</tr>
<tr>
<td>ENEGI</td>
<td>Coefficient value: -0.6322, t-statistics: -0.1895, P-value: 0.6062</td>
</tr>
<tr>
<td>ENVWN</td>
<td>Coefficient value: 0.6554, t-statistics: 0.1569, P-value: 0.8026</td>
</tr>
<tr>
<td>SOIP</td>
<td>Coefficient value: 2.5814, t-statistics: 0.3338, P-value: 0.0268, R. square: 0.3659, R. square (adj): 0.3215, F. statistics: 11.608, F. stat (P. Value): 0.0009</td>
</tr>
<tr>
<td>Durbin Watson</td>
<td>1.6701</td>
</tr>
</tbody>
</table>

In table 2 above, the R. sq value of 36.59% and R-sq(adj) 32.15% indicate that social and environmental performance disclosure jointly affect about 32.15% of share price of in chemical firms. The F-statistics value of 11.608 and its probability value of 0.0009 show that the models used were appropriate and statistically significant. The Durbin Watson statistics result of 1.6701 indicates the absence of autocorrelation in the model used.

Test of Hypothesis 1: Environmental compliance policies do not significantly affect firm's share price.

Analysis of the result shows a coefficient of -0.4386, a t-value of -0.0647 and a P-value of 0.0212. Negative t-statistics of -0.0647 reveals that Environmental compliance policy, negatively influence the share price of the firms. This indicates that increase in environmental compliance results in decrease in chemical firms' share price. The probability value of 0.0212 shows that the effect of environmental compliance on share price is statistically significant at 5%. So Hypothesis one is not accepted. This supports the shareholder expense theory which holds that investing in CSR practices increases costs and puts companies at an economic disadvantage, resulting in lower market values, and cost concerned approach, which argues that high environmental activities require huge costly investments and thus, lead to decrease in firm earnings. This study's findings also agree with the findings of Dobre, Stanilannd, and Brad (2015) and Hassel, and Nilsson and Semenova(2005), Semenova, Hassel and Nilsson (2013).

Test of Hypothesis 2: Energy Intensive does not significantly affect the firm's share price.

Analysis of the result reveals a coefficient of -0.6322, a t-value of -0.1895 and a P-value of 0.6062. Like in hypothesis one, Negative t-statisctics of -0.1895, means that Chemical manufacturing firms, will experience some decrease in their market share price, for every increase in energy intensity programme adopted. However, the decrease is not statistically significant given the probability value of 0.6062. So Hypothesis two is accepted.

Test of Hypothesis 3: Environmental waste management do not significantly affect firm's share price.

Result from the table reveals that Environmental waste management, positively affects the sampled firms share price, but the effect is not significant, as the probability value is 0.8026. The coefficient is 0.6554 and, t-statistics is 0.1569. Hypothesis three is therefore accepted. This is in line with the work of Emeke-Nwokeji (2018).

Hypothesis 4: Social issues policies do not significantly affect firm's share price.

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The result reveals a coefficient of 2.5814, a t-statistics of 0.3338, and a P-value of 0.0268. Positive t-statistics reveals that social issues policies, positively influence the share price of the firms, and P-value of 0.0268, indicates that the effect of social issues polices on the share price is statistically significant. So Hypothesis four is not accepted. The finding on social issue policies support value enhancing theory, the integration of socially responsible activities into corporate strategies and practices generates competitive advantages that promote the creation of long-term shareholder value. Thus the expenditure on social issues produced significant positive effect on the firm’s market share price.

5.1 SUMMARY OF FINDING
Environmental compliance policies and energy Intensity negatively affect the share price of chemical manufacturing firms, but while the effect of environmental compliance policies on the share price is statistically significant, the effect of energy intensity is not significant. In addition, The result on Environmental waste management and social issues policy, show positive effect on the share price of the sampled firms. The positive effect is statistically significant for social issues policies and not significant for Environmental waste management.

5.2 CONCLUSION AND RECOMMENDATION
The aim of the study is to determine whether stakeholders value the social and environmental performance information disclosed on the Chemical manufacturing company’s annual reports, which should be evidenced in the stock market value of the company's shares. The summary of findings above showed a mixed result, but it is concluded that the sampled firms are more committed to social issues (table 1) and it positively and significantly affect the share market price. Therefore, the study recommends that Chemical manufacturing companies should not only view social and environmental performance as ethical but also a process of competitive advantage, and should be driven by desire for economic success. Government on the other hand should grant firms that adopt such environmental friendly practices, some incentives to encourage compliance and improve environmental sustainability development.

REFERENCES
# APPENDIX

## A. Environmental issues Disclosure
Environmental Items Considered for Development of Disclosure Index

<table>
<thead>
<tr>
<th>Serial No.</th>
<th>Elements</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Actual statement of policy</td>
</tr>
<tr>
<td>2</td>
<td>General statements of &quot;the company will, the company does&quot; nature</td>
</tr>
<tr>
<td>3</td>
<td>Investment appraisal to include consideration of the environment</td>
</tr>
<tr>
<td>4</td>
<td>Statements indicating that pollution from operations has been or will be reduced</td>
</tr>
<tr>
<td>5</td>
<td>Disclosing the company’s energy polices</td>
</tr>
<tr>
<td>6</td>
<td>Disclosing company clean up policy</td>
</tr>
<tr>
<td>7</td>
<td>Disclosing company’s environmental conservation policy/program(s)</td>
</tr>
</tbody>
</table>

## B. Environmental waste disclosure index

<table>
<thead>
<tr>
<th>Serial No.</th>
<th>Elements</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Waste(s) management</td>
</tr>
<tr>
<td>2</td>
<td>Carbon sequestration, climate change</td>
</tr>
<tr>
<td>3</td>
<td>Water discharge information</td>
</tr>
<tr>
<td>4</td>
<td>Research on new methods of production to reduce waste</td>
</tr>
<tr>
<td>5</td>
<td>Solid waste disposal information</td>
</tr>
<tr>
<td>6</td>
<td>Conservation of natural resources</td>
</tr>
<tr>
<td>7</td>
<td>Recycling plant of waste products</td>
</tr>
<tr>
<td>8</td>
<td>Raw materials conservation</td>
</tr>
</tbody>
</table>

## C. Energy intensity disclosure:

<table>
<thead>
<tr>
<th>Serial No.</th>
<th>Elements</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Energy saving and conservation</td>
</tr>
<tr>
<td>2</td>
<td>Use/development/exploration of new sources, efficiency, insulation etc.</td>
</tr>
<tr>
<td>3</td>
<td>Discussion of the company’s efforts to reduce energy consumption</td>
</tr>
<tr>
<td>4</td>
<td>Voicing the company's concern about renewable energy</td>
</tr>
<tr>
<td>5</td>
<td>Direct energy use</td>
</tr>
<tr>
<td>6</td>
<td>Indirect Energy use</td>
</tr>
<tr>
<td>7</td>
<td>Disclosing energy savings resulting from product recycling</td>
</tr>
<tr>
<td>8</td>
<td>Disclosing increased energy efficiency of products</td>
</tr>
<tr>
<td>9</td>
<td>Receiving an award for an energy conservation program</td>
</tr>
</tbody>
</table>

Fodio and Oba (2012).

## D. Social performance disclosure:

<table>
<thead>
<tr>
<th>Serial No.</th>
<th>Elements</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>School library</td>
</tr>
<tr>
<td>2</td>
<td>Disclosure of computer to school</td>
</tr>
<tr>
<td>3</td>
<td>Promote education programs like school competition</td>
</tr>
<tr>
<td>4</td>
<td>Disclosure to fight against polio</td>
</tr>
<tr>
<td>5</td>
<td>Community health disclosures</td>
</tr>
<tr>
<td>6</td>
<td>Disclosure of donation to sport and sport bodies, NFF, clubs, etc</td>
</tr>
<tr>
<td>7</td>
<td>Donation to persons living with disability, orphanage, aged and widows</td>
</tr>
<tr>
<td>8</td>
<td>Disclosure to donation to religious bodies.</td>
</tr>
<tr>
<td>9</td>
<td>Disclosure to (NGOs) Rotaract clubs, red cross, Social disclosure index. Agubata 2019</td>
</tr>
</tbody>
</table>