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Social, Cultural, Economic and Legal Environmental Cost Reporting and Performance of Multinational Companies in Nigeria

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Abstract: The study investigated the effect of social, cultural, economic and legal environmental report on performance of multinational firms in Nigeria. This study employed descriptive design method. The data required for this study were secondary in nature and it was sourced from annual financial reports of the sampled listed firms on the Nigerian Exchange Group for period of 5years (2016-2021). The population for this study covered 30 top multinational companies quoted in Nigerian Exchange Group (NGX) as at 30th May, 2022. Five (5) out of 30 listed multinational companies were randomly selected. The study revealed that, social, cultural, economic and legal environmental reporting with attributes of cultural cost; economic cost has an inverse relationship with aggressive profit after tax, whereas social cost and legal cost have positive and significant effect on profit after tax. The study concluded that social, cultural, economic and legal environmental reporting has significant effect on performance of multinational companies in Nigeria, especially, when measured performance in terms of profit after tax. The study therefore recommends that the management of multinational companies need to adequately be aware of the importance of social, cultural, economic and legal environmental reporting, which may improve the performance of the company, and spend extensively in it as this will be a great catalyst for their growth, productivity, and development.

Keywords: Social; Cultural; Economic; Legal Environmental Reporting; Performance

JEL Classification: Z1; Q5; L25

1. Introduction

Every nation's history, from the dawn of the world, can be traced back to the social, cultural, economic, and legal environment that existed there. The World Conference on Cultural Policy concluded that „the protection and development of cultural identity is of paramount importance and becomes one of the most important challenges of our time. Besides, art and literature, the culture of a society or social group consists of other distinctive spiritual, material, intellectual, and emotional features, such as its way of life, methods of coexistence, value systems, traditions, and beliefs (Ramstand, 2014).Successful businesses are built on a firm foundation, and that foundation is an understanding of the cultural identity principle and how it affects business success. Certain customs in each nation are protected by law. The trade companies pay close attention to the regional cultural norms when selling their goods and services, but they pay insufficient attention to the examination of cultural differences when venturing into a new business environment, resulting in substantial financial losses (Farneti, 2010). Information from credit rating agencies, which rate the country's most suitable

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for initial investment, can help alleviate this problem to some extent. Political and economic stability, technological development, openness to foreign investment, ease of doing business abroad, and cultural exchange are all taken into account. Preparing, presenting, and disseminating information about an organization is what is meant by legal environmental reporting, and it is mandated by the board of directors. The board of directors is obligated to disclose data about the company's inputs and outputs as they relate to their environmental impact. Companies that must adhere to financial reporting standards must also comply with environmental reporting regulations (Fifka, 2014). Countries' economies and financial systems are increasingly interdependent and interconnected. Globalization is the expansion of a company's operations to a new location, often on a different continent, in order to take advantage of differences in labor costs and product demand. Companies all over the world are now able to report their buying, selling, and financing activities in logistics to a single location. Understanding the social, cultural, economic, and legal parameters of a country's environment is essential for such outward investment. In this view, performance is a measure of how well an activity is accepted by society, and this acceptance feeds into the economic legitimacy of an organization (Gopalakrishnan, 2015). A thorough examination of the setting in which the company expects to operate is necessary in order to foresee potential dangers. The group now has the option of „starting from scratch" in the new setting or acquiring an already established business. In the first, the company negotiates with local officials; depending on the scale of the investment, these talks may extend to the state level. In the latter scenario, the organization negotiates with the property owner or regional representatives, broadening its reach beyond the immediate area. The organization's success or failure will have far-reaching effects on the region's economy, rather than just on the company's direct employees and owners.

Primarily, it is on this note that this study seeks to examine the effects of social, cultural, economic and legal environmental reporting on financial performance of multinational companies in Nigeria over a period of 5 years (2017– 2021).

2. Literature Review

2.1. Conceptual Review

2.1.2. Social Reporting

Social report entails disclosure of company's information on social impact of its operation periodically in financial statement as required by the government. Iheduru (2018) sees social accounting as the act of informing all stakeholders around the business communities and the general society at large the societal and effects of organizations. These are expenses that a company incurs in terms of the climate and society for which it is not legally liable. They include environmental degradation and negative effects on people, their belongings and their well-being which cannot be rewarded over an authorized scheme. Currently, valuing social costs is complex and contentious. However, any environmentally conscious company must assess external impacts and to the extent practicable, value societal costs in order to integrate them into its planning and decision-making (Mbu-Ogar, 2018).

2.1.3. Cultural Reporting

According to Drill (2015), cultural differences have led to the segmentation of society, with profound effects on individuals' choices on who to support, what to buy, and with whom to form and sustain relationships. Cultural orientation problems make people more likely to adopt practices that may lead to discrimination or isolation from those who do not share their values. As an example, the Yoruba people have a very specific culture in terms of how they greet one another, the things they purchase and consume, the kinds of relationships they have, and so on. They seldom do business with any manufacturer that doesn't have same values and beliefs. According to Adeoye (2012), manufacturing companies with strong customer relationships are more likely to keep their market share. Culture now plays a role in modern financial reporting. As a result, investors and other stakeholders need to be informed of the cultural backdrop of the country in question to ensure that their interests are protected.

2.1.4. Economic Reporting

The economic report has become an important tool for businesses and organizations to use in order to respond to the rising need for openness among consumers, investors, and other stakeholders, as well as the general public (Martinez, 2016). Companies voluntarily provide information on the state of the economy and how their actions affect the product market via economic reports. By doing so, businesses may be more forthcoming about their successes and failures (Wang & Zhang, 2022). Because of this improved visibility, shareholders now have the option to assign more accurate values to corporations and direct their capital towards those with a more beneficial social effect.

2.1.5. Legal Environmental Cost Reporting

In order to comply with government regulations, businesses are expected to provide monthly legal reports detailing their legal duties and how those requirements affect their operations. A company's book-keeper is a great resource for financial information that legal accountants may utilize as a starting point. The report contains information's such as outline for preparation of financial statements, providing financial forecasting, and capturing expenses. The legal report provides firm with in-depth knowledge of actual versus target revenue and allow firm to track performance metrics (Business Dictionary, 2020). The report will disclosed the expenses that a company incurs in terms of the legal obligations, such as legal fees. A company's impact on the environment may be observed in the form of an environmental report, a public statement of the company's environmental objectives, policies, activities, and impacts. While some countries, like Denmark and the Netherlands, mandate the reporting of environmental costs, others choose to do so voluntarily. Companies have a responsibility to their stakeholders to disclose their environmental costs, including those for employee health and safety, community development, and waste management. According to Olayinka and Oluwamayuwa (2014), „environmental disclosure" refers to a wide category that incorporates the several means via which corporations convey information about their environmental activities to various audiences that depend on financial statements. In light of the above, environmental disclosure occurs when a company, whether voluntarily or legally required to do so, provides details about its environmental management and related expenses in its annual report. The European Commission (2016) defines an organization's environmental cost as the resources spent outside of regular business operations in order to accomplish the organization's sustainability goals. It is in the best interest of all parties for the communities in which businesses operate to prosper.

2.1.6. Performance

The efficiency and effectiveness with which a company or organization exploits it's financial and human resources is a direct reflection of its performance and its ability to reach its goals. An organization's so-called "performance balance" is maintained by a series of interconnected processes, such as those involving performance planning, management, monitoring, evaluation, improvement, empowerment, and pay of performers. Management's real challenge lies in closing the performance gap, and there are two ways to do so: one is to increase the ratio of actual to target performance, while the other is to decrease the ratio of target to actual performance. Both approaches are part of performance management, which aims to help the organization achieve its stated goals (Chan, 2010).

Any company worth its salt will constantly be looking for ways to better itself and its operations in order to increase its chances of success in the market. An efficient throughput system can help businesses maintain their performance and even increase their output. According to Veer (2012), most businesses work to improve their performance by increasing sales through bolstering supply-chain channels. One of the basic performance metrics needed to ensure smooth product flow from the factory to the end customers is supply-chain interconnection, as argued by Veer (2012). According to Jerill (2013), another aspect of an organization's success is the correlation between its production and its outcomes over time. Enterprise performance also clarifies how well an organization allocates its assets to meet the challenges of a dynamic marketplace. Thus, organizational performance can be defined as the efficacy with which resources are allocated, utilized, and mobilized to achieve desired outcomes; when working together in harmony, each department can have a greater impact on overall productivity than working alone (Nuah, 2010). Improvements in performance could be jeopardized by the following parts of the organization, strategic objectives or the level of the organization responsible for shaping corporate strategy. This is the level that articulates the overarching mission of the company, from which all other departments can draw inspiration when developing their own goals.

The organizational design not only supports the strategic objective, but also supplies all the tools required to put it into action and provide the high-quality product that was promised. iii) Metrics for the company's overall performance, which incorporate the many different plans each division devised to reach its objective. It is expected that each division will set its own performance benchmarks, which will be established in the context of the organization's overarching mission. At this tier, the managers in charge of operations devise creative plans to achieve their goals. That is to say, these divisions do indeed strive toward predetermined goals. The department's ability to accomplish its goals depends on the quality of the data it collects. However, this cannot be accomplished without a reliable management information system. Efficient and effective allocation of resources and procedures is essential for meeting environmental demands. Because of how rapidly things may change in company, it's important to tread carefully when deciding how to allocate your resources. Every policy statement has to be context-specific, since social values and norms have a strong influence on the actions of people and organizations in each given society. Therefore, in order to achieve the desired results, it is necessary to implement policy statements strategically, taking into account the socio-cultural context in which the manufacturing enterprises are located. Because of the importance of external socio-cultural factors, these companies need to be responsive to their surroundings (Nuah, 2010).

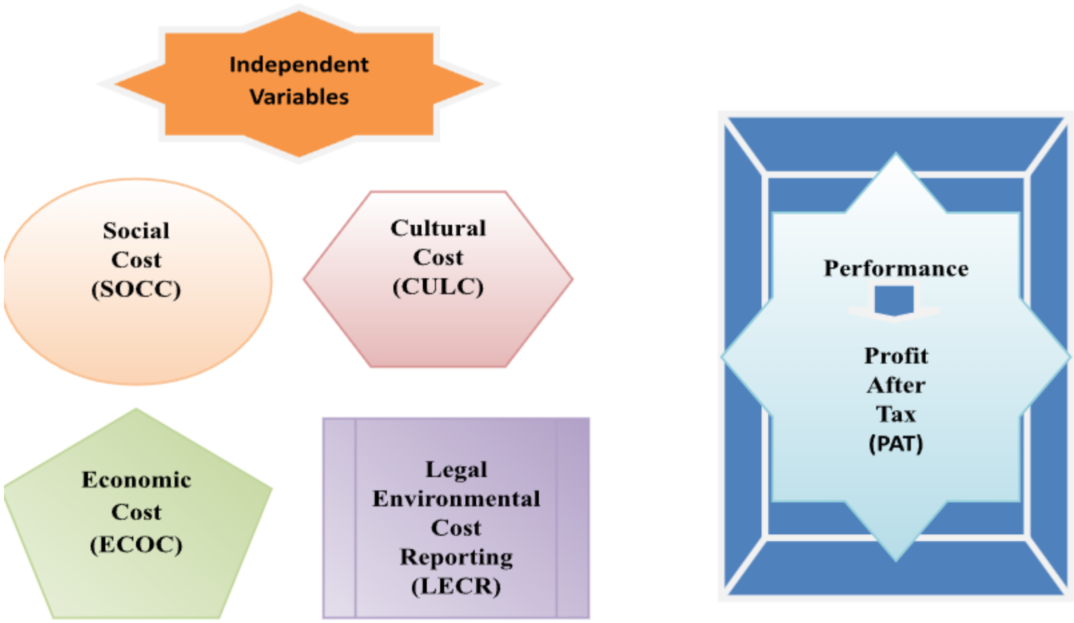
2.1.7. Social, Cultural, Economic, Legal Environmental Cost Reporting and Performance

An important method for evaluating total environmental costs is to distinguish between internal and external expenses. These costs may have a significant impact on the performance of the organization, either positively or negatively. Internal environmental costs are all those incurred within an organization to prevent or reduce the effect of business activities on the immediate environment, which primarily includes the health and safety of employees (Oyelakun, 2016). External environmental costs are concerned on the extended environment with respect to the effect of a firm's activities on the community and its natural resources. Internal environmental expenses are broken down into direct, indirect, and contingent costs as part of this procedure. Direct expenditures are often incurred for things like cleanup, repairs, garbage disposal, and pollution control. Costs inside the organization are often determined and allocated using standard costing methods. The product, operation, and kind of pollution or pollution control program that caused a direct cost, such waste disposal or remediation expenses at a given place, may be identified. Cost centers like commodities, offices, and activities or projects are responsible for allocating indirect expenses including environmental education, R&D, employee health and safety, data gathering and monitoring (Oyelakun, 2016).

"External cost" refers to the money a business has to spend because of environmental harm that isn't within its sphere of influence. When estimating costs, businesses might consider both the maximum amount they are prepared to spend to avoid damage and the very minimum they would take as compensation in the event that they do experience it. The sum of external costs is greater than the sum of internal costs, which includes direct, indirect, and contingent expenditures. The phrase „external costs" is used to describe the monetary losses that may occur due to unintended adverse impacts on the environment and human health (Akpan, 2017).

When the enterprise and the rest of society work together, economic efficiency is attained. When a company invests in environmental projects internally and grows them to the point where they cancel out the cost savings from outsourcing, the overall cost to the environment drops. Uncertain or unknown expenses related to the environment are those that have not yet materialized but may have an impact on the company's operations in the future. It is true that contingent costs include alterations to a product's quality due to legislative changes that have an adverse effect on the cost of raw materials, production techniques, permissible glasshouse gases, unexpected exposure to recovery expenses, employee benefits and a sense of achievement, customer expectation and commitment costs, and capital operating expenses or the desire to mobilize capital. When they become liabilities, external expenses may be more detrimental to a company than internal costs.

2.1.8. Conceptual Framework on Social, Cultural, Economic and Legal Environmental Cost Reporting and Performance of Multinational Companies in Nigeria Dependent Variable



Source: Researchers' Social, Cultural, Economic and Legal Environmental Cost Reporting and Performance of Multinational Companies in Nigeria Model, (2022)

2.2. Theoretical Review

2.2.1. Legitimacy Theory

In 1975, researchers Dowling and Pfeffer proposed this concept. The idea put out by Cho and Patten (2007) states that the level of social and political pressure exerted on a corporation in regards to its environmental performance is directly proportional to the level of environmental disclosure made by the firm. Because of this pressure, businesses plan to provide a lot more data on the environment. The authors Campbell, Craven, and Shrives (2003) looked at the voluntary disclosure requirement for social and environmental concerns and expenses, as well as the seeming legality gap between the two. According to Deegan (2000), the goal of legitimacy theory for corporations is to guarantee that businesses are run within acceptable social standards. According to Suchman (1995), legitimacy may be thought of as the common conviction or inference that an entity's behaviors are desirable, appropriate, or required in comparison to a set of norms, values, beliefs, and conceptions formed by society.

2.2.2. Person- Environmental Theory

Lewin first proposed this idea in 1991, and it seeks to explain the ever-changing dynamics between workers and their workplace environments. The concept of „person-environment fit" was developed to describe the extent to which an individual's traits and attributes correspond to those of their working environment. The idea holds that an individual's behavior and outlook are the result of their interaction with their surroundings and that a person's sense of job satisfaction, stability, and success are all tied to the degree to which their personality and work environment mesh. Because of this ongoing change, the person-environment fit cannot be thought of as a static model. It aids in outlining the many ways in which manufacturing companies react to their surroundings. The theory is unusual in that it is one of the few conceptualizations of human ties to the environment that include such a wide variety of connections. Finally, the focus of the person-environment fit model isn't only on individual workers' actions, but on the actions of their teams or the whole business. The model's predictions are not limited to individual results, but also extend to those at the group or organizational levels (Roberts & Robins, 2014).

2.3. Empirical Evidence

Iheduru and Chukwuma (2019) examine the effect of environmental and social costs on the bottom lines of Nigerian factories. Fourteen randomly selected Nigerian manufacturing firms' annual reports and publicly accessible accounts were analyzed for this research. To examine the data, many different types of regression analyses were utilized. The study discovered a strong positive association between environmental and social costs and net profit margin and dividends per share, and a strong negative relationship between environmental and social costs and ROCE and EPS.

Polycarp (2019) examines the efficiency and profitability of the Nigerian oil sector while also considering its effects on the environment. The data used in this study came from the 2015-2017 annual reports and financial statements of Nigerian oil and gas companies. Eleven (11) oil companies were selected at random, and their data was analyzed using multiple regression. Environmental activities such as air pollution, water pollution, land degradation, employee welfare, community welfare, and environmental externalities are tracked. The study's primary emphasis was earnings per share (EPS), thus that's what researchers utilized as their primary performance metric with return on capital employed (ROCE), Net profit margin (NPM), dividends per share (DPS), and EPS. The results showed that environmental accounting had no correlation with return on capital employed, net present value, dividends per share, or earnings per share. Researchers concluded that Nigeria's oil sector would benefit from mandatory environmental reporting. Research findings in the existing literature have been inconsistent, as will be shown below. One possible explanation is because researchers have used various approaches. Therefore, research evaluating the effects of MNCs on society, law, economy, and culture have produced contradictory findings.

Muroe (2015) also examined how the social and cultural environment of Malaysian company was changed by research. The research analyzed the effects of cultural elements including values, norms, and attitudes on a company's competitiveness. Four hundred enterprises in many significant West African countries were surveyed for the study. Validity and reliability were examined using a Component Factor Analysis with varimax, and the strength of the correlation between social and cultural norms in the workplace and productivity was determined using the Pearson Correlation Coefficient. There was shown to be a statistically significant inverse relationship (r=-0.56, r2=0.31) between the decomposed variables of socio-cultural dimensions and organizational competitiveness. The results demonstrated that a country's economic development, in addition to socio-cultural factors, significantly affects its international competitiveness. All other aspects of society and culture were shown to positively influence competition except for collectivism and hierarchy. The method used helped to dissect the problem statement's operationalized socio-cultural components.

Gabriel (2014) investigated how regional culture affected companies in South-west Nigeria. Some of the sociocultural factors that were studied, and how they affected business outcomes, were attitudes, authority structures, and value systems. A total of 346 randomly selected members of the study population were given the opportunity to fill out a predetermined survey. Pearson's correlation coefficient (r) was used to examine the data. Organizational performance was shown to be negatively correlated with attitudes (r=-0.45), negatively correlated with authority relationships (r=-0.35), and positively correlated with value systems (r=0.53). Addressing the socio-cultural factors shown to have a negative impact on organizational performance was associated with significant improvements, according to the findings.

Bembenutty (2014) looked into the cultural variables that made it possible for Italian SMEs to thrive. The purpose of this study was to examine the impact of Italian culture and society on the development of small businesses. A total of 264 participants were selected at random and given a questionnaire as part of a cross-sectional study. The influence of social and cultural elements on the prosperity of Italian small businesses was investigated using regression analysis. Both religious differences and different value systems were shown to have negative effects on small business performance (-0.76 and -0.42, respectively). The study also uncovered a constant tern of -216.182, with a t-value that did not reach statistical significance even at the 5% level of confidence. If people maintain showing religious and value disparities, the results show that it will have a 216-point impact on small business success. Due to the importance of small enterprises to national economies, it was proposed that people alter their value systems in order to increase their firms' profits, since the study indicated a negative association between cultural norms and commercial success. However, the study missed the minus sign on the constant term. As people become more firmly established in their religious differences, it is possible that the implication of the constant term -216.182 is lowering corporate performance by 22%. The study did not provide the necessary F-statistics to comprehend the model's interacting effects.

3. Methodology

An ex post facto research strategy was employed since it was thought to be most suitable for this investigation. The chosen firms' audited annual financial reports for the five-year period (2016-2021) were mined for secondary data. The 30 biggest multinationals operating in Nigeria were listed on the NGX as of May 30th, 2022. Only five of the thirty specified MNCs were randomly selected for this study's sample. Dangote Sugar, Berger Paints, Dangote Cement, Cadbury Nigeria, and Flour Mills are the tested businesses.

3.1. Model Specification

The study's theoretical framework relied on an examination of the connections between the social, cultural, economic, and legal environments reported by MNCs operating in Nigeria and their financial and operational success:

PERFt=f(SCELERt) (3.1)

However, this study modified the model stated in equation (3.1) and was specified as follows:

PAT=f(SOCC, CULC, ECOC, LECR) (3.2)

PAT=a_0 + a_1SOC + a_2CULa_3ECO + a_4LERC +μ (3.3)

Where:

PAT= Profit after tax

SOCC= Social Cost

CULC= Cultural Cost

ECOC= Economic Cost

LECR= Legal Environment Cost Reporting

a_0 = Intercept or constant term of the model

a_1, a_2,$a_3$and a_4= Parameters to be estimated.

μ= Error term.

3.2. Estimation and Diagnostic Techniques

This research used a number of different methods for estimating variables, including descriptive analysis, correlation, and the Panel data regression methodology. Statistical tests such as the R-squared test, the standard error test, the student t-test, the probability value test, and the F-test for significance in fitted models were performed.

Table 1. Description of Proxies for Variables of the Study

S/N	VARIABLES	SYMBOLS	MEASUREMENTS	PREVIOUS STUDIES
	Dependent Variable			
1	Profit after Tax	PAT	It's a measure of how well a business is doing financially. It is the money left over after a company has paid its income taxes. This surplus represents the company's earnings.	Makori and Jagongo (2013)
	Independent Variables			
1	Social Cost	SOCC	Disclosure of community service (access for the disabled, contributions, funding for schools and hospitals, water supplies, training programs for new skills, funding for parks and other recreational spaces, anti-corruption efforts, and scholarships).	Iwata and Okada (2010)
2	Economic cost	ECOC	Human resource disclosure (dissemination of information to employee, pension and gratuity, employee health and safety, employee welfare, employee training, employee remuneration,	Brammer and Pavelin, (2006)
3	Legal environmental cost reporting	LECR	Environmental disclosure (environmental policy, environmental concern, environmental investment policy, legal obligation, waste recycling, control of air and water pollution and environmental education	Brammer and Pavelin (2006)
4	Cultural Cost	CULC	An extra cost involved in alignment of employee priority with business goal and employee engagement in a new environment with different culture	Agbiogwu, Iet al,. (2016)

Source: Authors' Compilation, (2022)

4. Results

4.1. Descriptive Statistics

Table 2. Descriptive Statistics of Variables

Variables	Maximum	Minimum	Mean	SD	Kurtosis	Skewness
PAT	1.81	-4.37	-5.23	0.41	4.02	1.62
SOCC	202.90	-312.06	-2.06	0.14	11.66	1.12
CULC	0.59	-0.94	0.09	10.21	79.97	27.77
ECOC	57.13	-0.22	2.85	4.00	53.87	5.37
LECR	176.27	79.92	2.14	17.17	38.48	-1.05

Source: Authors' Computation, (2022)

Where: PAT = Profit after Tax, SOCC = Social Cost, CULC = Cultural Cost, ECOC = Economic Cost, LECR = Legal Cost

The mean value of the dependent variable, PAT, was found to be -5.23 according to Table 2, while the standard deviation, a measure of the degree of data series fluctuation, was calculated to be 0.41. There was a positive skewness of 1.62 in the series' distribution around the mean. As a result, most of the influencing factors on PAT have long right tails, too, including SOCC, CULC, ECOC, and LECR. In addition, PAT was not normally distributed, with a Kurtosis of 4.02 instead of the expected 3.0 for properly distributed data set. The means for SOCC, CULC, ECOC, and LECR were all 0.14, whereas the standard deviations for SOCC, CULC, and ECOC were all 0.14, 0.09, and 17.17. There were large differences in the worth of LECR amongst the organizations studied, as seen by the very high standard deviation of 126.09. The fact that the most extreme and least extreme numbers are similar suggests that the businesses under evaluation are similar. Most of the study variables were likely heavily picked if their kurtosis levels are any indication. In particular, SOCC, CULC, ECOC, and LECR are affected by this. With the exception of LERC, all of the independent variables were biased in a positive direction.

4.2. Correlation Analysis

Multi-collinearity is tested by looking at the correlation in Table 3. Previous research (Gujarati & Porter, 2003) reported by Khanh & Thuong (2009) suggests that a multi-collinearity issue may arise if the correlation between two or more variables is lower than 0.8. (2019), the absence of a multi-collinearity issue may be deduced from this.

Table 3. Pearson Correlation Coefficient Matrix

Variables	PAT	SOCC	CULC	ECOC	LECR
PAT	1.000				
AS	-0.006				
SOCC	0.007	1.000			
CULC	0.515	0.060	1.000		
ECOC	-0.233	0.155	-0.005	1.000	
LECR	-0.173	0.211	0.053	0.156	1.000

Source: Authors' Computation, (2022)

Where PAT= Profit after tax, AS= Asset Structure, SOCC = Social Cost, CULC = Cultural Cost, ECOC = Economic Cost, LECR = Legal Environmental Cost Reporting

4.3. Robustness Test

Table 4. Variance Inflation Factor

Variables	VIF	Tolerance
SOcC	1.17	0.756489
CULC	1.11	0.745789
ECOC	1.11	0.757835
LECR	1.07	0.785324
MEAN	**1.10**	

Source: Authors' Computation, (2022)

Where: SOCC = Social Cost, CULC = Cultural Cost, ECOC= Economic Cost, LECR = Legal Environmental Cost Reporting

Table 4 displays the outcomes of calculating the Variance Inflation Factor (VIF). The average VIF was 1.10, with SOC having the highest rating at 1.17. If the VIF number is more than 10, multicollinearity is likely. Since all VIF values were less than the cutoff value of 5, however, multicollinearity among the study model variables was not a major problem.

4.4. Panel Unit Root test of the Variables

Table 5. Panel Unit Root test of the Variables

Variable	Statistic	P-Value
PAT	-3.0738	0.0011
SOCC	-9.1848	0.0000
CULC	-7.9547	0.0000
ECOC	-8.5729	0.0000
LECR	-9.3079	0.0000

Source: Authors' Computation, (2022)

Where: PAT= Profit after Tax, SOCC = Social Cost, CULC = Cultural Cost, ECOC = Economic Cost, LECR = Legal Environmental Cost Reporting

Table 6. Social, Cultural, Economic and Legal Environmental Reporting on Profit after Tax

Explanatory variables and other statistics	PAT Model
PAT_{t-1}	**0.1155****
	(0.000)
SOCC	**8.01****
	(0.049)
CULC	**-1.395****
	(0.000)
ECOC	**-0.017****
	(0.000)
LECR	**0.00031****
	(0.038)
Constant	**0.6314****
	(0.000)
Wald chi2 Statistic	5338.47 (0.000)
Sargan Test	63.44 (0.432)
First order autocorrelation test	-1.8312 (0.0671)
Second order autocorrelation test	1.1384 (0.0043)
Firms	5
Observations	50

Source: Author's computation, (2022).

Note: **, means significant at 5%. Bracket ( ) are p-values

Where: PAT_{t-1} = Profit after Tax, SOCC = Social Cost, CULC = Cultural Cost, ECOC = Economic Cost, LECR = Legal Environmental Cost Reporting

A look at Table 6 reveals that both social cost and legal reporting cost have a positive and statistically significant effect on profit after tax, with coefficients of 8.01 (p=0.049> 0.05) and 0.00031 (p=0.0038> 0.05), respectively. This means that a rise of one percentage point in social cost and legal environmental reporting cost will result in a rise of about 0.031 percentage points in profit after tax for the selected MNCs operating in Nigeria. Furthermore, it was shown that cultural cost (coefficient = -1.395, p=0.00> 0.05) and economic cost (coefficient = -0.017, p=0.000> 0.05) had a negative and negligible influence on profit after tax of MNCs operating in Nigeria. This meant that a one percentage point drop in cultural cost and a one percentage point drop in economic cost would lead to a 1.39 percentage point and 0.017 percentage point drop in profit after tax for the chosen multinational corporations in Nigeria.

Results from the Arellano-Bond test of higher order serial correlation AR (2), the Wald test, and the Sargan test of instrument validity are shown in the last column of Table 7. The Wald chi2 score of 5338.47 at the 0.000 level indicates that the model provides a reasonable fit to the data. The Sargan test statistic has a probability value of 0.432, and its value is 63.44. The Arellano-Bond test for zero autocorrelation in first-differenced errors shows that the Z-statistic of the second order autocorrelation test AR (2) is 1.1384, with a probability value of 0.0043. Therefore, the test cannot reject the null hypothesis since there is no autocorrelation. Because of this, the model has no autocorrelation problem. Diagnostic statistics demonstrate the reliability of this result for use in policy reasoning.

4.5. Discussion of Findings

The research analyzed the ways in which multinational corporations in Nigeria reported on their impact on social, cultural, economic, legal, and environmental fronts. To do this, we looked at how much it would cost MNCs in Nigeria in terms of social impact, cultural impact, economic impact, and legal and environmental reporting. Performance was evaluated based on PAT (profit after tax). Secondary data were used in the research, and information was gathered from the 2016-2021 annual reports of 5 firms in Nigeria. Descriptive statistics, correlation analysis, and panel regression were used to examine the data. Panel regression included pooled OLS, random effect estimation, fixed effect estimation, the Hausman test, and post estimation testing.

Reporting costs associated with the social and legal environment were shown to have a statistically significant and positively impact on the performance of MNCs in Nigeria. This indicated that for the chosen MNCs in Nigeria, a one percentage point increase in social cost and legal environmental reporting cost would result in an increase in profit after tax of about 8 and 0.031 percentage points, respectively. The findings of Iheduru and Chukwuma (2019) are consistent with this outcome. Cultural costs and economic costs were also shown to have a negative and negligible impact on multinational corporations' after-tax profits in Nigeria. As a result, the strong negative impact of CULC on PAT shows that managers did not make use of CULC to conduct PAT. This observation runs counter to the negative and statistically significant impact of ECOC on PAT shown by Muroe (2015). This meant that the companies in the survey did not use ECOC for PAT. The findings here agree with those of Bembenutty (2014).

5. Conclusion

This research provides empirical evidence on the impact of reporting about Nigeria's social, cultural, economic, and legal environments on PAT. Based on the findings, it is clear that aggressive profit after tax is correlated with social cost but not economic cost or cultural cost, whereas social cost and legal cost have a positive and substantial influence on PAT. The research concludes that in order for multinational corporations to grow, prosper, and develop, their management must fully appreciate the significance of social, cultural, economic, and legal environmental reporting, which has the potential to boost the company's performance.

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