Impact of environmental factors on the practice of accounting in Nigeria
A 10-year longitudinal study 2001-2011

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Full Length Research Paper


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Accounting profession has been largely influenced by globalization and that has given rise to the fast growth of International Accounting. Many economic, cultural, legal, and political factors have influenced both National and International accounting practice. The study evaluates the impact of some of the factors on the practice of accounting. It borders on how environmental factors influence the practice of accounting as evidence in the financial industries as well as challenging the roles these factors play on accounting practice. Questionnaires were distributed to financial statement Preparers in Banks, Manufacturing companies and Audit firms to obtain sufficient evidence on the issue at stake. A total number of 150 questionnaires were distributed of which 140 were filled and returned by respondents. The method of analysis used was the Regression Analysis technique. The Statistical Package for Social Sciences was used to analyze data. The results of the analysis show that there is a positive relationship between environmental factors and the practice of Accounting, and that Accounting practice in the country has changed over time due to factors, which include economic, legal, and cultural. It is concluded that accounting practice in the country has changed over time due to factors, which include economic, legal, and cultural. The study recommends that regulations developed should be made in a way to cope with the incessant changes in the Nigerian society to enhance the reports of financial institutions in the country and that accountants need to interact more with their counterparts in other countries for mutual benefit and National Accounting Standard Board (NASB) should relate more with International Federation of Accountants (IFAC), and International Accounting Standards Committee (IASC) to keep abreast with modern trends in the global economy.

Key words: Environmental factor, accounting, economic factor, legal factor and cultural factor

INTRODUCTION

Accounting, which is viewed as a social and cultural practice, despite its powerful influence on people’s lives, has so far been given far attention by scholars of African studies (Annisette, 2006). The accounting history literature indicates preponderance of studies of accounting professions in the United Kingdom, United States of America, and Australia with recent studies in other countries. In fact, this has attributed to the stage of the development of the profession developing countries which are at infancy level. It is however obvious that there is a tendency for accounting practices in these countries, particularly in the UK and the US (Uche, 2007).

These local influences are possible because according to Barton (1977) “Accounting in reality is very pragmatic and is little concerned with logical precision or consistency and particular problems are considered in isolation and they are not examined within the context of an overall logically consistent accounting theory”.
According to Olukayode (1990), “As institutions evolve and become more complex at an accelerating rate of change, accounting must also change and evolve in its skills, understanding, practices and disclosures”. This is like the classic case of the need to keep running on the treadmill simply to avoid being swept off by the forces of environmental momentum.

He also stated that “accounting is a responsive activity, needful and valuable only to the extent that it provides information and helps for persons and institutions whose affairs would be less efficient, less equitable in the absence of the accountant’s skill”.

The importance of accountancy profession in a developing country like Nigeria cannot be over-emphasized. Moreover, the accounting profession has to serve public interest in a developmental context; it should look beyond and position itself to play a direct and more proactive role in formulation of economic policies and guiding implementation thereof.

The developing economies are growing faster than the developed ones and in the process increasingly integrating to global economy. It is the developing economies which would be the economies to watch for, the sudden spurt in economic activities albeit require a strong and stable macro economic outlook thereby mitigating the risk of macroeconomic volatility which has increased manifold. A sense of extreme emergency, in our endeavor to develop accounting framework in developing world, is therefore extremely critical.

The average rate of growth in developing countries, in recent years, has been twice the average rate of growth of the world economy and would accelerate further, as these countries are most desired destination for future investment, capacity creation and consumer demand. For instance, India’s economic growth performance has been spectacular at 3.5% in 2004-2005 and is at the threshold of achieving a double digit growth rate. Acceleration in economic growth has propelled India on to global stage as an emerging super power. The most distinguishing features of the growth have been an environment of micro-economic stability and significant reduction in population below the poverty line. It however continues to face challenges in implementation, that is, in delivery of core services and making the process of economic growth more inclusive, across sectors and regions towards the welfare of those below the line.

The Accountancy profession as a measurement and reporting information system is influenced by the socio-economic and political system it serves. This is why Accounting standards and practices vary from one country to another. As corporate structures evolve, as business practices change, as new financial instruments and technology are developed, as business laws and regulations undergo amendments, and the greater public scrutiny of Government and Management decisions, so too attitudes change and this may be reflected in more demanding expectations of the practice of the Accountancy Profession.

**Statement of the problem**

The role of accounting profession in a developing country becomes far more crucial because of series of problems with which they are burdened such as lack of resources, heavy borrowing, unplanned investment, high level of development expenditure and above all lack of accountability. It is the responsibility of the profession to strive hard to provide order in the state of chaos and confusion. It has to provide systems, standards, procedures, tools and training to bring about financial discipline, control and accountability at all stages of the developmental expenditure and resource mobilization. It should also provide methods of evaluation, future projection and ability to foresee and avoid pitfalls inherent in development process. Role of the accounting profession in evolving and lending credibility to financial systems has been very crucial and so recognized all over the world. A spate of financial crisis and scandals in recent years has reinforced the role of accounting in providing high quality financial information, facilitating market discipline and fostering confidence of various stakeholders in the financial markets. The quality of information and integrity of market place, act as a strong medium for brand differentiation for developing countries.

However, “the accounting profession has become a fundamental edifice of the overall process of National development. The society looks up to the accounting profession for a positive contribution by the profession to guide respective economies to a path of macroeconomic stability. The accounting profession in the world today is standing at cross-roads of breadth taking developments. Revolutionary developments in Information Technology, Telecommunication and multi-media have created a tremendous impact on the profession as in the case of all sectors in the economy.

In the world of economics, finance is very germane to every economic activity and moreover, good governance, accounting and accountability are the core competencies of the accounting profession.

Developments in the past five years have been affected largely by global caldron of multinational accounting manipulations leading to strengthening of quality of accounting and financial reporting. A similar impact is found on the development and growth of accounting in the near future by the growth impulse in the context of
economic growth in the developing countries. The evolution in the role of accountant would not only contribute towards the stability in economic and financial systems but also shape the growth and development of the profession in the next decade.”

Over the years, some inherent factors surfaced to militate against the effective and the efficient practice of the Accounting profession. Studies have shown that, culture plays a major role in this menace.

According to Okoye and Iyoha (2005), regulations and directives to check the excesses of the dubious elements among the people include:
- The Company and Allied Matters Act (CAMA) 1990.
- The Banks and Other Financial Institutions Act (BOFIA) 1991.
- The Recapitalization of Banks at N25 billion per bank.

It is usually said that where there is no law, abuse of power is inevitable, it should therefore be noted that the laws established need to be reviewed, frequently to meet the daily changes in the society, without interrupting the integrity of such laws for it to be effectively utilized.

Although there is a growing awareness of the varying influences of environmental factors on accounting development in a global context, many experts also realize that there may be systematically different patterns of accounting behaviour applicable to various groups of countries.

“Different accounting patterns of behavior can be identified which are the outcomes of many years of development influenced by factors such as cultural values, legal systems, political orientations, and economic development. The challenge now is to adapt what has served well in the past to the new global imperatives of transparency and credibility of accounting in order to facilitate efficient flows of capital to the world’s financial markets. To do this requires recognition that tradition and culture shape accounting thought in a country and that change is more likely achieved when it is truly informed by an understanding of that country’s heritage.

The accounting practice has been influenced by some immeasurable factors of which some have posed a threat on the continuous existence of the accounting practice. Extant literature shows previous research work on the impact of environmental factors on the practice of accounting in China like those of Carnegie, 2000, Nobes and Parker 2000, Chan 1999, and Field and Pendrill, 1998 concentrated only on China. Hence, possibly the empirical finding substantiating the impact of these environmental factors on the practice of accounting in Nigeria is not available. Therefore, the study seeks to assess the impact of three of these environmental factors which are Economic, Legal and Cultural factors as they affect accounting practice (through an empirical research study) in order to form an opinion, also to explain the variations observed over time in accounting development over the 10 years period (2001-2011) during the democratic regime and a period when Nigeria experienced economic depression and to make appropriate recommendations.

Objective of the study
The following objectives designed for this study, represent broad statements of desired outcomes, or the general intentions of the research:
- To improve the understanding of the complex realities of accounting practices, as well as the environmental factors that shape the country’s accounting systems.
- To provide useful information as regards the relationship that exists between economic factors and accounting practice of the Preparers of the financial statements.
- To assess the extent to which legal factors over the years influence the practice of accounting in Nigeria.
- To examine the impact that these cultural factors have on accounting practice in Nigeria.
- To examine the future growth and survival of the accounting profession in the light of these environmental factors.

Research questions
The following are the research questions proposed for this research study:
- To what extent do economic factors affect the practice and development of accounting?
- To what extent is the practice of Accounting influenced by these environmental factors?
- Is there any association between cultural factors and the development of accounting practice?
- Due to the Nigerian Environment that is dynamic, what are the changes these environmental factors portray in the developments of the Accounting profession in Nigeria?

Statement of hypotheses
Research hypothesis are the specific testable predictions made about the independent and dependent variables in the study. In cognizance with the objectives that this study wants to achieve, the following would be used as working hypotheses for this study:
Hypothesis one
H0: There is no significant relationship between Cultural factors and the development of accounting practice in Nigeria.
H1: There is significant relationship between Cultural factors and the development of accounting practice in Nigeria.

Hypothesis two
H0: There is no significant relationship between Economic factors and the development of accounting practice in Nigeria.
H1: There is significant relationship between Economic factors and the development of accounting practice.

Hypothesis three
H0: There is no positive relationship between Legal factors and the practice of accounting in Nigeria
H1: There is a positive relationship between Legal factors and the practice of accounting in Nigeria

Theoretical framework and literature review
The theoretical framework for this research is based on the theory of Anao (1995: 30), environmental factors, “make accounting something of a profession in a permanent state of flux, throwing up issues, which must be continuously explored for possible refinement, adaptation or modification to suit the ever changing conditions”. This situation gives rise to an obvious task.

The American Accounting Association (1977) employed ‘morphological structuring’ methods to convey the range of factors considered by that committee and the structure postulated. Even though the AAA Committee’s report had not spawned any follow-up because of its diverse logic and report methods, its attempt “to outline a methodology for the comparative study of accounting systems in an international context” (Chio and Mueller, 1984:39) had some reference value to researchers. In the report eight critical parameters were recognized as characterizing elements to classify accounting practices. These parameters included:
P1: Political System;
P2: Economic System;
P3: Stage of Economic Development;
P4: Objectives of Financial Reporting;
P5: Source of, or Authority for, Accounting Standards;
P6: Education, Training & Licensing;
P7: Enforcement of Ethics & Standards;
P8: Client.

These eight parameters could be grouped even further: economic system, stage of economic development, objectives of financial reporting and client could be grouped into the users of the financial report; source of, or authority for, accounting standards and enforcement of ethics & standards are both related with legal systems. So these eight parameters could be summarized into five, including political, economic, legal, and professional and the user of financial report parameters. The report did not give any attention to the culture factor. It was Hofstede (1984) who identified cultural values in his cross-cultural research and structured dimensions of culture.

The analysis on environmental influential factors is not only the key to understanding one countries’ accounting system, but more importantly it is the basis to classify the accounting and reporting system in international accounting context so as to further predicts the likelihood of changes, and their impact on the accounting practice.

International accounting classification research is still at an early stage. Concerning environmental factors in international accounting, there seems to be a consensus, on the whole, about which factors are involved in shaping financial report. But there are still some different understandings of which is the dominant environmental factor that shapes one country’s accounting development and to what extent each factor affects its accounting development.

The concept of environmental factors
In the environmental influencing factors, each factor may have a different influence on the different aspects of accounting. For the political factor, political systems may decide one country’s economic system and hence decide its accounting patterns, and political freedom, which may affect the development of accounting in general and reporting as well as disclosure in particular. The legal system may determine the mode of one country’s accounting legislation and influence its accounting practice, and economic factors most probably have an effect on the technical development of accounting and its objectives. The higher the level of one country’s economic development, the more the need for accounting, and the more complex the accounting techniques will be. The cultural factor may affect the accounting policy towards outsiders as well as its accounting practices, and may decide the status of the accounting profession in a particular country while educational factors may have a strong influence both in accounting practice and accounting theory. Finally international factors have an effect on a country’s accounting development especially where developing nations are concerned, as there are increasingly stronger tendencies towards globalization and harmonization, in the international accounting context.
Lawrence (1996: 5) affirms such a conviction as he states that “the personal belief, aspirations and motivations of people will influence their demand for financial information and shape the accounting practices in their formulation.

Although there is a growing awareness of the varying influences of environmental factors on accounting development in a global context, many experts also realize that there may be systematically different patterns of accounting behavior applicable to various groups of countries. In this chapter, the researcher examines the extent to which we can identify and classify accounting systems internationally. To assess whether there are systematic similarities or differences in accounting systems that may enable certain countries to be classified together, it is necessary to determine an appropriate scheme of classification. In essence, the classification of accounting and reporting systems, as in the case of political, economic, and legal systems, should sharpen our ability to describe, analyze, and predict the development of accounting systems. Such information is likely to provide useful input for decision making.

Choi and Mueller (1984) deduced that international accounting concepts, like the other social sciences, are premised on or derived from environmental analysis. They asserted, “Accounting innovation and development are triggered by non-accounting factors”. They concluded with a list of environmental factors that they believe to have direct effect upon accounting development, which include:

4). Political Factors
5). Status of professional education and organization.

Nobes (1984) extended Mueller’s analysis and based his classification on an evolutionary approach. He adapted some of Mueller’s useful terminology and proposed a hypothesis in which microeconomic and macroeconomic systems were distinguished. Under the micro-based classification, he made a distinction between business economics and business practice orientations. Under the macro-uniform based classification, he made distinction between a government/tax/legal orientation and a government/economics orientation. Nine factors were identified for differentiating accounting systems, which included:

- Type of users of the listed companies’ published accounts;
- Degree to which law or standards prescribe in detail and exclude judgment;
- Importance of tax rules in measurement;
- Conservatism/prudence;
- Strictness of application of historic cost;
- Susceptibility of replacement for cost adjustments in main of supplementary accounts;
- Consolidation practices;
- Ability to be generous with provisions (as opposed to reserves) and to smooth Income; and
- Uniformity between companies in application of rules.

Broad support for the hierarchical classification developed by Nobes later was provided by Doupnik and Salter’s (1993) empirical research, in which the macro/micro classification for fifty countries, communist as well as capitalist, was clearly supported by both measurement and disclosure practices.

Nobes’ classification mentioned above was confined to the western developed world and the financial reporting practices of their public companies. The reporting practices were those concerned with measurement and valuation. This may not be enough to cover the entire aspect of one country’s accounting development and make a multiple evaluation not only for developed countries, but also for developing countries.

Referring to the causes of international differences, Nobes identified influential factors to a country’s accounting development, including: Legal system (taxation), Culture, and Economic (Inflation, providers of finance).

The major direct cause of the financial reporting differences is a two-way split of countries into:
(1) Those with important equity markets and many outside shareholders and;
(2) Those with a credit-based financial system and with relatively unimportant outside shareholders (Nobes, 1998).

In line with Nobes, Radebaugh and Gray (1997:48) stressed the importance of environmental analysis and cultural relativism to explain and understand differences in the ways businesses operate in different countries, and accounting resembles international business. They presented a model of the environmental influences, which go in tune with that of Nobes:

- Economic (The nature of enterprise ownership, the business activities of the enterprise, sources of finance
and the stage of development of capital markets, the stage of economic growth and development, the rate of inflation).
- Legal (The nature of the legal system, the nature of accounting regulation, the nature of taxation system)
- Cultural (culture and the international factors, the social climate)

Radebaugh and Gray (1997:49) conceived that “The influence of these factors is dynamic and will vary both between and within countries over time. Moreover, an evolutionary process of some complexity appears to be at work that is reflected in a growing number of international and regional influences”. They elaborated upon the cultural influence on accounting according to Gray’s model, and conceived it was possible to identify key accounting values derived from societal cultural influences: professionalism, uniformity, conservatism, and secrecy. They also asserted that by linking accounting values and accounting systems, an international classification of accounting systems could be made.

Lawrence (1996:5) also proposed that a national accounting framework is shaped by the combination of cultural, political, legal and economic factors. Different combinations of factors would also lead to different national financial reporting environments.

Hofstede and Gray’s classification of cultural value and accounting value later was commented by Nobes (1998:17) as to be “particularly useful for examining such issues as international differences in the behavior of auditors. A system however, for financial reporting, the measures of cultural attributes seem vague and indirect, compared to the measurement of certain elements of the external environment of accounting, such as legal systems or equity markets”.

**Cultures as an environmental factor**

Culture is viewed as a way of life of people. According to Lawrence (1996) cited in Ezejelue (2001:81) “culture is the distinctive way of a group of people, their complete design for living” and the “the whole set of social norms and responses that condition a population’s behavior”. From the above definitions, it is clear that it is culture that makes one social environment different from another. In culturally robust environment, individuals are expected to be loyal to their organizations they work for and honour their obligations to the society.

Culture is an important environmental factor influencing accounting practices and management control systems. For example, cross-cultural studies suggest that people from different cultural background have different preferences for management practices and control systems. Different error patterns are found in companies with different management practices and accounting control systems (Wallace and Kreutzfeldt 1995). Thus, the extant literature provides some evidence on linking culture to factors that contribute to accounting errors. However, no empirical research has been conducted to examine direct the relationship between culture and accounting errors. To fill this gap in the literature, we explore empirically whether specific cultural dimensions have explanatory power in describing the differences in accounting errors for firms of different cultures based on the established cultural framework of Hofstede (1991, 2001).

Lawrence (1996) says that Culture is taken to mean ‘the whole set of social norms and responses that condition a population’s behavior’ and stressed it was “culture that makes one social environment different from another, and one could therefore consider that culture is the dominant influential factor and that the other influences are part of it”.

“Culture is considered an essential element in the framework for understanding how social systems change” (Radebaugh, 1997).

**Cultural influences on accounting systems**

The importance of culture and its historical roots is now increasingly being recognized in accounting. Although there has been a lack of attention to this dimension in the past in the international classification literature, Harrison and McKinnon (1986) proposed a methodological framework incorporating culture for analyzing changes in corporate financial reporting regulation at the nation-specific level. The use of this framework to assess the impact of culture on the form and functioning of accounting was demonstrated through an analysis of Japan’s accounting system.

Culture is considered an essential element in the framework for understanding how social systems change because culture influences norms and values and group behavior within and across systems.

Complementing this approach is the proposal by Gray (1988) proposed that “culture could be used to explain and predict international differences in accounting systems and to identify patterns of accounting development internationally.”

Gray argued that culture, or societal values, at the national level may be expected to permeate organizational and occupational subcultures as well, though with varying degrees of integration. Accounting systems and practices can influence and reinforce societal values.
With this in mind, we can perhaps obtain more fundamental insights than we hitherto have into why there are differences between national systems of accounting and reporting, both internal and external.

Accordingly, the value system or attitudes of accountants are being related to and derived from societal values and particularly work-related values. Accounting "values" or attitudes, for example, conservatism, will, in turn, have an impact on the development of accounting systems in the individual country. This is particularly true for measurement and disclosure practices and the approach to regulation, that is, statutory versus professional or self-regulation.

More specifically, Gray explored the extent to which the cultural values identified by Hofstede (1980) from his cross-cultural research into work-related values could be helpful in this task.

**METHOD OF THE STUDY**

The instrument was validated in its face and content. To measure the content validity of the instrument, the researcher conducted pilot study. The twenty four item questionnaire was administered on one hundred and fifty respondents. The instrument was validated in its face and content. To measure the content validity of the instrument, the researcher conducted pilot study. The twenty four item questionnaire was administered on one hundred and fifty respondents. Regression analyses was employed in analyzing the data generated in the study to test the three hypotheses.

**Model development and specification**

The model used for the analysis of this research work is the Econometric Model as represented thus:

\[ Y = \beta_1 + \beta_2X_1 + \beta_3X_2 + \beta_4X_3 + \mu \]

The independent variables are:

- \(Y\) = the practice of Accounting
- \(X_1\) = Legal factors
- \(X_2\) = Economic factors
- \(X_3\) = Cultural factors
- \(\beta\) = Intercept
- \(\mu\) = Stochastic factors (Professional factors, Technological factors and so on.)

**Results and hypotheses testing**

**Hypothesis one: Cultural factors**

- \(H_0\): There is no significant relationship between cultural factors and the development of accounting practice in Nigeria.
- \(H_1\): There is a significant relationship between cultural factors and the development of accounting practice in Nigeria.

In testing the hypothesis (table 1), cultural Factors were measured by two items from Section C of the questionnaire. These items are 20, 22 and 24. While on the other hand, Item 21 was used in proxy of the impact of the cultural factors on accounting practice.

Regression analysis technique was conducted for the analysis. The regression result reveals that \(R\) is 0.334 that there is no strong relationship between Cultural Factors and the Practice of Accounting in Nigeria.

The ANOVA result further reveals that the relationship is significant as the P value (0.01) is less than the beta value (0.05). This is a confirmation of the regression result.

Since P (0.001) < \(\beta\) (0.05), \(H_0\) is rejected and \(H_1\) is accepted, meaning that the relationship between Cultural environmental factors and the practice of Accounting is statistically significant both at 1% and 5% level of significance.

The conclusion therefore is that Cultural factors in the Nigerian Environment plays a significant role in the practice of Accounting.

**Hypothesis two: Economic factors**

- \(H_0\): There is no significant relationship between Economic factors and the development of accounting practice in Nigeria.
- \(H_1\): There is a significant relationship between Economic factors and the development of accounting practice.

**Interpretation of parameter values**

**Test of significance in t test and f statistics**

Probability value is the most efficient test of significance. If probability value is greater than 0.05 (p> 0.05), then it is
Table 1: Cultural factors

<table>
<thead>
<tr>
<th>Model</th>
<th>R</th>
<th>R Square</th>
<th>Adjusted R Square</th>
<th>Std. Error of the Estimate</th>
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<td>.112</td>
<td>.092</td>
<td>.926</td>
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a. Predictors: (Constant), CA24, CA20, CA22

ANOVA*

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<th>Mean Square</th>
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<td>Residual</td>
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<td>Total</td>
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</tbody>
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a. Predictors: (Constant), CA24, CA20, CA22

b. Dependent Variable: CA21

Coefficients*

<table>
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<th>Sig.</th>
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<td>B</td>
<td>Std. Error</td>
<td>Beta</td>
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<td>(Constant)</td>
<td>.829</td>
<td>.271</td>
<td></td>
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<td></td>
<td>CA20</td>
<td>.252</td>
<td>.079</td>
<td>.258</td>
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<td></td>
<td>CA22</td>
<td>.213</td>
<td>.100</td>
<td>.175</td>
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<td></td>
<td>CA24</td>
<td>.082</td>
<td>.093</td>
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a. Dependent Variable: CA21

Table 2: Economic factor

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<th>Adjusted R Square</th>
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<td>.385*</td>
<td>.148</td>
<td>.136</td>
<td>.396</td>
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a. Predictors: (Constant), EA18, EA19

ANOVA*

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a. Predictors: (Constant), EA19, EA18

b. Dependent Variable: EA15

Coefficients*

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<td>B</td>
<td>Std. Error</td>
<td>Beta</td>
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<tr>
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<td>(Constant)</td>
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<td>.172</td>
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<td></td>
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<td></td>
<td>EA19</td>
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<td>.067</td>
<td>.288</td>
</tr>
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</table>

a. Dependent Variable: EA15

significant. The decision is to reject $H_0$.

**Economic factors and the practice of accounting**

In testing the hypothesis, economic factors were measured by two items from Section C of the questionnaire (table 2). These items are 18 and 19. While on the other hand, item 15 was used in proxy of the impact of the economic factors on accounting practice. Regression analysis technique was conducted for the analysis. The regression result above reveals that R is 0.385 that there is no strong relationship between economic factors and the practice of accounting in
Table 3: Legal factors

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<th>Adjusted R Square</th>
<th>Std. Error of the Estimate</th>
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a. Predictors: (Constant), LA11, LA13

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<th>Mean Square</th>
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<td>5.769</td>
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<td>Total</td>
<td>139</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

a. Predictors: (Constant), LA11, LA13
b. Dependent Variable: LA14

c. ANOVA

<table>
<thead>
<tr>
<th>Model</th>
<th>Unstandardized Coefficients</th>
<th>Standardized Coefficients</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>B</td>
<td>Std. Error</td>
</tr>
<tr>
<td>1</td>
<td></td>
<td></td>
</tr>
<tr>
<td>(Constant)</td>
<td>1.131</td>
<td>.302</td>
</tr>
<tr>
<td>LA13</td>
<td>.099</td>
<td>.121</td>
</tr>
<tr>
<td>LA11</td>
<td>.361</td>
<td>.111</td>
</tr>
</tbody>
</table>

a. Dependent Variable: LA14

Nigeria.

The ANOVA result further reveals that the relationship is significant as the P value (0.04) is less than the beta value (0.05). This is a confirmation of the regression result.

Since P (0.004) < β (0.05), H₀ is rejected and H₁ is accepted, meaning that the relationship between Economic environmental factors and the practice of Accounting is statistically significant both at 1% and 5% level of significance. The conclusion therefore is that Cultural factors in the Nigerian Environment plays a significant role in the practice of Accounting.

Hypothesis three: Legal factors

H₀: There is no positive relationship between Legal factors and the practice of accounting in Nigeria
H₁: There is a positive relationship between Legal factors and the practice of accounting in Nigeria

Interpretation

Legal factors and the practice of accounting

In testing the hypothesis, Legal Factors were measured by two items from Section C of the questionnaire (table 3). These items are 11 and 13. While on the other hand, item 14 was used in proxy of the impact of the legal factor on accounting practice.

Regression analysis was conducted. The regression result above reveals that R is 0.279 that there is no strong relationship between Legal Factors and the practice of accounting in Nigeria.

The ANOVA result further reveals that the relationship is significant as the P value (0.04) is less than the beta value (0.05). This is a confirmation of the regression result.

Decision

Since P (0.004) < β (0.05), H₀ is rejected and H₁ is accepted, meaning that the relationship between Legal environmental factors and the practice of Accounting is statistically significant both at 1% and 5% level of significance.

The conclusion therefore is that Legal factors in the Nigerian Environment play a significant role in the practice of Accounting.

RESULTS AND DISCUSSION

The st work borders on environmental factors and the practice of accounting in Nigeria. A 10-year longitudinal study between 2001 and 2011 was carried out of which three hypotheses were tested by the researcher.

The first hypothesis sought for the relationship between Cultural factors and the development of accounting practice in Nigeria. The study reveals that there is a significant relationship between Cultural factors and the development of accounting practice in Nigeria. This is consistent with research conducted by Zhang (1992) and Lawrence (1996: 5) affirms such conviction as he states that “the personal belief, aspirations and motivations of people will influence their demand for financial information and shape the accounting practices in their formulation. It is discovered that this also applies in Nigeria’s accounting systems over the years from the
study carried out. The results of hypotheses tested show that there is a significant relationship between environmental factors and the practice of accounting.

The second hypothesis sought for the relationship between economic factors and the development of accounting practice over the years studied in Nigeria. There is significant relationship between Economic factors and the development of accounting practice.

From the study done, it was discovered that various economic factors influence the practice of accounting in Nigeria like, inflation rate fluctuations, business ownership and structures, economic reforms, tax structures and regulations affect the system of accounting and Nigeria’s accounting system is reformed in order to meet the demand of the mixed market economy system. This collaborates with what occurs in China as found in the extant literature reviewed. Liu and Eddie (1995). Also, the study shows that Nigeria’s accounting system is influenced not only by the Nigerian government but also by foreign organizations, as the formulation of the uniform accounting system and regulations has been the domain of the Ministry of Finance, the industrial ministries and some provincial government agencies Zhang (1996).

The third hypothesis tested whether there is a positive relationship between Legal factors and the practice of accounting in Nigeria. The result of the findings shows that there is a positive relationship between Legal factors and the practice of accounting in Nigeria.

The study revealed that the assertion made that “the legalistic approach to accounting is found to some degree in all countries of the world, regardless of their stage of economic development of the level of their accounting profession’s development” Arpan (1985:19). It was discovered that the legal system in Nigeria especially in the 21st century has witnessed some amendments which has influenced the financial statements prepared. Tax laws have been amended, the bank Regulations issued by the Central Bank of Nigeria (CBN) as regards the consolidation and Recapitalization of the Banking sector in 2005 also the Nigeria Accounting Standards Board (NASB) which was repealed Federal Reporting Council of Nigeria (FRCN) in 2011 and so many others. Therefore, the practice of accounting has been largely influenced by the legal factors.


In one way or the other, the above tax Acts have shaped accounting practice in Nigeria over the years since they have been amended over time.

Economic factors have also influenced the accounting practice in so many ways, in the light of inflation, forecasts are no longer reliable. For instance, a ten year summary of profits can be quite misleading in a period of inflation and returns shown on capital employed equally deceptive. This has the potential of adversely affecting reliance on accounting information by the investing public. This result is consistent with conclusions deduced in China’s accounting systems. Nobes and Parker (2000).

CONCLUSION
It is concluded that accounting practice in the country has changed over time due to factors, which include economic, legal, and cultural. It was also observed that most of the issues posed by these factors have largely not been resolved. In Nigeria, there is still full existence of the issue of inflation, regular changes of our tax laws, volatile political system, and sharp practices occasioned by greed and other less edifying social behavior. The situation reflects adversely on our accounting data and financial reports. There is therefore the need to straighten up in all areas of our accounting practice to be able to cope with the emerging integration in Europe and West African sub-region. One implication of this unification is the harmonization of tax laws and company laws and even financial reports.

Recommendations
There should be better regulatory intervention by the government in the financial reporting laws to result in better and adequate financial disclosures.

The accounting standards issued should be reviewed from time to time to guarantee a reliable view of the accounting records, in spite of the dynamic situation of Nigeria.

Changes in accounting legislations have been discovered based on the analysis that it enhances the view of the reports prepared. In the light of this, these changes can be reduced for better accounting practices.

Accountants need to interact more with their counterparts in other countries for mutual benefit and National Accounting Standard Board (NASB) should relate more with International Federation of Accountants (IFAC), and International Accounting Standards Committee (IASC) to keep abreast with modern trends in the global economy.

Accounting standards developed should be made in a way to cope with the incessant changes in the Nigerian economy to enhance the reports of financial
institutions in the country.

REFERENCES