Assessment of the Effective Factors of Social Responsibility Disclosure of Listed Consumer Goods Firms on Nigerian Stock Exchange

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ABSTRACT
This study investigated the relationship between some characteristics of firms including firm size, profitability and financial leverage with social responsibility disclosure of listed consumer goods firms on Nigerian Stock Exchange. Three research objectives and hypotheses were formulated respectively to guide the study. The study adopted Ex-post facto research design. Population and sample size of the study is made up of twenty one consumer goods firms listed on the Nigerian Stock Exchange as at the year, 2019. The secondary data used in the study were sourced from the publications of Nigeria Stock Exchange and annual reports and accounts of the sampled firms. Content analysis was used to measure corporate social responsibility disclosure and multiple regression analysis with the aid of E-View 9.0 statistical software was used to ascertain whether there is a significant relationship between social responsibility disclosure and the studied characteristics of firms. Findings of the study revealed that there is a strong positive relationship between firm size; profitability; leverage and corporate social responsibility disclosure. This study therefore advocates for improved corporate social responsibility disclosure as this will enhance greater collaboration between firms and her stakeholders.

Keywords: Social responsibility disclosure, Sustainability, Firm characteristics, Nigeria

1. INTRODUCTION
Corporate social responsibility (CSR) has become a pressing issue for manufacturing firms in Nigeria as they face increasing pressure to take responsibility for the impact of their activities, such as gas flaring, environmental degradation, among others, on the natural environment (Uwuigbe & Egbide, 2012). The main goal of a firm is to increase the shareholder’s welfare by increasing the value of the firm (Salvatore, 2005), however, a good firm value is able to accommodate external parties’ interests to guarantee continued growth. In recent time, improved industrialization and increase in foreign investment have implications for corporate accountability and transparency in commercial practices (Belal and Owen, 2007).

There is a two-way communication between business firms and the society. Business firms cannot escape from society and society cannot exist without business firms. Hence, CSR toward the society is beneficial for both business firms and society, and a better understanding of its potential benefits can lead to high returns on investment for the companies (Sandhu and Kapoor, 2010; Salehi et al., 2017). Although Leyira, Uwaoma and Olagunju (2011) argued that the goals of most corporate organizations are purely economic hence giving just a little attention to their corporate social responsibilities, on the contrary, in the view of Ugwunwanyi and Ekene (2016), “businesses are now realizing that in order to stay profitable in a rapidly changing environment, they would have to become socially responsible”. According to World Business Center on Sustainable development, CSR is defined as “the commitment of business to contribute to sustainable economic development, working with employees, their families, local communities and the society at large to improve the quality of life in ways that are both good for business and development”. Daub (2007) noted that companies must justify their operations to stakeholders, hence, communication is no longer limited to the economic aspects of their management, but also to the environmental issues that affect their operations. Furthermore, Bartlett and Golob (2007),
indicated that CSR is a fundamental charter that ensures mutual understanding and manages the likely conflicts between different stakeholders and defines the legitimacy of a firm.

The main tool used by companies to communicate societal activities to stakeholders is called CSR disclosure (Cooper and Bella, 2011). According to Gao, Lsic and Zhang (2014), CSR disclosure refers to the provision of financial and non-financial information relating to the interaction of the organization with its physical and social environment, as indicated in the annual reports. Investors and other stakeholders use CSR information in making their decisions. Extensive evidence shows that social and environmental information is useful for investors and other stakeholders’ decisions (Blacconiere and Patten, 1994; Richardson and Welker, 2001; Salehi et al., 2017) and in addition, organizations provide CSR disclosure information to stakeholders to improve the perception of business reliability.

Expectations about the responsible role of business in society are increasing. Business entities are associated with certain attributes which affect their CSR disclosure. Firm structure attributes such as firm size, profitability, leverage among others, can either promote or hinder corporate CSR disclosure.

Firm size as an internal factor of a company has been considered a very important factor of firms’ CSR disclosure. This is because the size of a firm determines its level of corporate activities, hence its level of CSR disclosure. Unlike small firms, large companies are of particular interest to different groups in society, and they also are under more pressure to disclose CSR in order to legitimize their activities. For example, Maranjoori and Alikhani (2014) showed that there is a significant positive relationship between firm size and the level of social and environmental disclosure. Also, Badulescu et al. (2018) concluded that there is a positive connection between firm size and CSR disclosure. In other words, the younger a firm is, the less likely it is that it gets involved in CSR.

Leverage on the other hand consists of various financial instruments or borrowed capital used to increase the potential return of an investment of a firm. It is that amount of debt used to finance a firm’s assets (Lin, Li & Yung, 2006). Financial leverage is one of the factors that can affect CSR disclosure. Broadly speaking, firms with greater financial leverage seek to legitimize their actions against creditors and shareholders (Haniffa and Cooke, 2005).

Profitable companies try to show their contribution to the welfare of society through the disclosure of social responsibility (Muttakin and Khan, 2014). There must be a kind of social responsibility disclosure correlation between profits and other social goals, and the fair recognition of a social issue may have a positive effect on the short-term and long-term functions of the organization. Wuttichindanon (2017) finds that corporate economic performance directly affects the financial capability of firms to undertake social responsibility activities. The better the economic performance of a company, the greater its social and environmental responsibility activity and disclosures. Profitable companies tend to be more interested in explaining social responsibility activities and manage the costs of disclosures (Gamerschlag et al., 2011).

Since corporate social responsibility disclosure still remains a voluntary initiative for firms in Nigeria, it is of interest to study the pertinent factors that make firms practice it. Adeyemo, Oyebamiji and Alimi, (2013) investigated the factors influencing corporate social responsibility disclosure in five (5) manufacturing companies in Nigeria and found competition, employees demand, government policy, organizational culture and customer demand as the main influences of corporate social responsibility disclosure.

Farouk and Hassan (2013) examined the predictors of corporate social responsibilities in thirteen (13) deposit money banks in Nigeria and found dividend paid, institutional ownership, firm growth (change in total assets) and leverage as the significant factors influencing the practice of CSR.

Oyewo and Badejo (2014) investigated the influence of firm characteristics on the practice of corporate social responsibility by banks in Nigeria using twelve (12) banks and found that size and profitability do not significantly influence whether an entity practices corporate social responsibility. Also, the study examined whether the practice of corporate social responsibility significantly differs among banks studied and the result revealed that CSR practices in the banks do not differ. The study opined that CSR disclosure is more of an organizational policy than firm characteristics.
Ndu and Agbonifoh (2014) investigated the level of corporate social responsibility being enjoyed by residents of Niger Delta region of Nigeria as well as the factors limiting the practice of the corporate social responsibility. The study was carried out using a survey research design via administration of questionnaires, interviews and observations. The result showed the region is not experiencing development vis-à-vis the rate at which petroleum exploration is taking place. It is also inferred from the focus group discussions that multinational companies operating in the region concentrate more on rendering high returns to the government at the expense of the host community where the exploration takes place.

The fact remains that not all firms engage in social responsibility activities and disclosure in Nigeria and those that practiced it, operate at various degrees of commitment. This study is therefore necessitated in order to ascertain the effective factors that influence social responsibility disclosure of firms in Nigeria. Social responsibility disclosure frameworks are so broad and cannot be explained with one single theory. This is also the opinion of Cormier et al. (2005) cited in Kuzey and Uyar (2016) who argued that social responsibility reporting practices are a complex phenomenon that cannot be explained with one single theory. Review of extant literature reveals that agency theory and stakeholder theory are the two dominant theoretical perspectives used to explain the social responsibility disclosure behavior of corporations (Hussain, Rigoni and Orij 2016). This study is therefore anchored on these two dominant theoretical perspectives.

1.1 Objectives of the Study
The main objective of this study is to ascertain the effective factors of social responsibility disclosure of listed manufacturing firms on Nigerian Stock Exchange. The specific objectives of this study include:
1. To determine the effect of firm size on firm social responsibility disclosure
2. To ascertain the influence of firm profitability on firm social responsibility disclosure
3. To investigate the effect of firm leverage on firm social responsibility disclosure

1.2 Research Hypotheses
The following null hypotheses guide the study:
1. Firm size has no significant effect on firm social responsibility disclosure
2. Firm profitability has no significant influence on firm social responsibility disclosure
3. Firm leverage has no significant effect on firm social responsibility disclosure

2. RESEARCH METHODS
The study made use of the ex-post facto research design. The population and sample size of the study comprises twenty one consumer goods firms quoted on the Nigerian Stock Exchange (NSE) as at 2019 as shown in the table below:

**Table 2.1 Consumer goods manufacturing firms listed on the NSE**
1. DN Tyre & Rubber Plc.
2. Champion Breweries Plc
4. International Breweries Plc.
5. Nigerian Breweries Plc.
6. 7-up Bottling Company Plc.
7. Dangote Flour Mills Plc.
8. Dangote Sugar Refinery Plc.
11. Multi-trex Integrated Plc
13. Union Dicon Salt Plc.
The data for this research were collected from secondary sources. These were sourced from publications of the Nigerian stock exchange (NSE) fact book and the annual report and accounts of the quoted companies, particularly the comprehensive income statement and statement of financial positions of these companies as well as their respective notes to the accounts.

The data analysis is composed of four steps: data preparation through cleaning, data analysis, interpretation and report writing. Microsoft Excel and Eview Statistical Package were used in analyzing the data.

Content analysis was used to measure corporate social responsibility disclosure; this is similar to the procedure used in prior studies (Abeysekera & Guthrie, 2005; Haniffa & Cooke, 2005). The study measures disclosure quantity, by assigning “1” if an item is present in the annual report, otherwise zero. This is consistent with studies on corporate social responsibility of firms in emerging nations (Khan, Muttakin, & Siddiqui, 2013; Haniffa & Cooke, 2005).

\[
CSR_j = \sum_{i=1}^{n} \text{disclosure quantity}_i \times \text{disclosure type}_i \times \text{Max score}_i
\]

Where:
- \(CSR_j\) = Corporate social responsibility disclosure index of firm \(j\);
- \(CSD_j\) = Disclosure quantity \(i\) with regard to this item’s disclosure type in firm \(j\);
- \(Disclosure quality_i\) = The weight for an item \(i\) with regard to this item’s disclosure type in firm \(j\), (i.e., narrative, monetary/numerical quantification, or both narrative and monetary/numerical);
- \(n\) = The number of items within the checklist;
- Max score \(_i\) = The highest score of three disclosed dimensions for a specified firm.

The description of the variables of the study is provided in Table 2.2.

<table>
<thead>
<tr>
<th>Variable</th>
<th>Type</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>CSRD(_{i,t})</td>
<td>Dependent</td>
<td>Corporate social responsibility disclosure index of firm (j);</td>
</tr>
<tr>
<td>ROA</td>
<td>Independent</td>
<td>As proxy for Profitability, measured as the proportion of net income to</td>
</tr>
<tr>
<td></td>
<td></td>
<td>total assets in the period (t)</td>
</tr>
<tr>
<td>Firm Size (FS)</td>
<td>Independent</td>
<td>Measured as the natural logarithm of total assets in the period (t)</td>
</tr>
<tr>
<td>Leverage</td>
<td>Independent</td>
<td>Measured as the proportion of debt to equity in the period (t)</td>
</tr>
</tbody>
</table>

Source: Authors’ Compilation, 2020.
The model of this study is formulated thus:

\[ \text{CSR}(i,t) = \alpha + \text{FS}(i,t) + \text{Leverage}(i,t) + \text{ROA}(i,t) + \mu \]

The t statistic was evaluated at the .05 level of significance.

3. RESULTS

The descriptive statistics, result and test of hypotheses are presented below:

Table 3.1: Descriptive statistics of independent variables

<table>
<thead>
<tr>
<th></th>
<th>LEVERAGE</th>
<th>ROA</th>
<th>SIZE</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mean</td>
<td>0.774837</td>
<td>0.103307</td>
<td>24.02332</td>
</tr>
<tr>
<td>Median</td>
<td>0.294952</td>
<td>0.061102</td>
<td>24.50185</td>
</tr>
<tr>
<td>Maximum</td>
<td>13.06991</td>
<td>3.040064</td>
<td>27.01342</td>
</tr>
<tr>
<td>Minimum</td>
<td>-1.814161</td>
<td>-3.237088</td>
<td>18.04201</td>
</tr>
<tr>
<td>Std. Dev.</td>
<td>1.927592</td>
<td>0.504792</td>
<td>2.010569</td>
</tr>
<tr>
<td>Skewness</td>
<td>4.378943</td>
<td>0.737532</td>
<td>-1.119892</td>
</tr>
<tr>
<td>Kurtosis</td>
<td>24.79968</td>
<td>27.74000</td>
<td>4.136946</td>
</tr>
<tr>
<td>Jarque-Bera</td>
<td>3380.550</td>
<td>3762.239</td>
<td>38.64433</td>
</tr>
<tr>
<td>Probability</td>
<td>0.000000</td>
<td>0.000000</td>
<td>0.000000</td>
</tr>
<tr>
<td>Sum</td>
<td>113.9010</td>
<td>15.18609</td>
<td>3531.428</td>
</tr>
<tr>
<td>Sum Sq. Dev.</td>
<td>542.4790</td>
<td>37.20304</td>
<td>590.1883</td>
</tr>
<tr>
<td>Observations</td>
<td>147</td>
<td>147</td>
<td>147</td>
</tr>
</tbody>
</table>

Source: E-views Ver. 9.0

Table 3.2: Correlation of Independent Variables

<table>
<thead>
<tr>
<th></th>
<th>LEVERAGE</th>
<th>ROA</th>
<th>SIZE</th>
</tr>
</thead>
<tbody>
<tr>
<td>LEVERAGE</td>
<td>1</td>
<td>0.046</td>
<td>0.113</td>
</tr>
<tr>
<td>ROA</td>
<td>0.046</td>
<td>1</td>
<td>0.054</td>
</tr>
<tr>
<td>SIZE</td>
<td>0.113</td>
<td>0.054</td>
<td>1</td>
</tr>
</tbody>
</table>

Source: E-views Ver. 9.0

The correlation results shown above, showed evidence of a negative relationship between the Leverage, ROA (i.e., the proxy form profitability) and closing assets (i.e., the proxy form firm size). The low r values showed evidence of absence of multi-collinearity amongst the independent variables as the values falls below the threshold of 0.5.

Test of Hypotheses

This section presents the result of the Panel Least Squares methods as regards the three hypotheses stated.

Table 3.3: Panel Least Squares Result

<table>
<thead>
<tr>
<th>Variable</th>
<th>Coefficient</th>
<th>Std. Error</th>
<th>t-Statistic</th>
<th>Prob.</th>
</tr>
</thead>
<tbody>
<tr>
<td>C</td>
<td>-1.21274</td>
<td>0.79621</td>
<td>-1.52314</td>
<td>0.12993</td>
</tr>
<tr>
<td>LEVERAGE</td>
<td>0.09180</td>
<td>0.03457</td>
<td>2.65543</td>
<td>0.00882</td>
</tr>
<tr>
<td>ROA</td>
<td>0.22682</td>
<td>0.13136</td>
<td>1.72669</td>
<td>0.08638</td>
</tr>
<tr>
<td>SIZE</td>
<td>0.12867</td>
<td>0.03316</td>
<td>3.88037</td>
<td>0.00016</td>
</tr>
<tr>
<td>R-squared</td>
<td>0.16836</td>
<td>Mean dependent var</td>
<td>1.97279</td>
<td></td>
</tr>
<tr>
<td>Adjusted R-squared</td>
<td>0.15092</td>
<td>S.D. dependent var</td>
<td>0.86757</td>
<td></td>
</tr>
<tr>
<td>S.E. of regression</td>
<td>0.79943</td>
<td>Akaike info criterion</td>
<td>2.41700</td>
<td></td>
</tr>
<tr>
<td>Sum squared resid</td>
<td>91.38952</td>
<td>Schwarz criterion</td>
<td>2.49837</td>
<td></td>
</tr>
<tr>
<td>Log likelihood</td>
<td>-173.64929</td>
<td>Hannan-Quinn criter.</td>
<td>2.45006</td>
<td></td>
</tr>
<tr>
<td>F-statistic</td>
<td>9.65002</td>
<td>Durbin-Watson stat</td>
<td>0.09703</td>
<td></td>
</tr>
<tr>
<td>Prob(F-statistic)</td>
<td>0.00000</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Source: E-views 9.0
The table above shows the multiple regression result for hypotheses one, two and three. The model showed an R squared value of .168 ($R^2$ measures the proportion of the variance in the dependent variable that is explained by the independent variables); and, Adjusted R squared value of 0.151; thus, the model explains approximately 17% variation in the dependent variable. The F statistic (ratio of the mean regression sum of squares divided by the mean error sum of squares) which is used to check the statistical significance of the model showed a value of 9.65; p value <.10; therefore, the hypothesis that all the regression coefficients are zero is rejected.

**Test of Hypothesis One**
Firm size has no significant effect on firm social responsibility disclosure.
Table 3.3 reveal that the t statistic of our variable of interest representing hypotheses one (Size) is 3.88 ($p<.05$), confirming that Firm size has a positive and statistically significant relationship with corporate social responsibility performance; thus, the alternate hypothesis is accepted and null rejected. Therefore, Firm size has a significant effect on firm social responsibility disclosure.

**Test of Hypothesis Two**
Firm profitability has no significant influence on firm social responsibility disclosure.
Table 3.3 also reveal that the t statistic of our variable of interest representing hypotheses two (ROA) is 1.73 ($p>.05<0.1$), confirming that ROA has a positive and statistically significant relationship with corporate social responsibility performance but at 10% significance level; thus, the alternate hypothesis is accepted and null rejected. Therefore, Firm profitability has a significant influence on firm social responsibility disclosure.

**Test of Hypothesis Three**
Firm leverage has no significant effect on firm social responsibility disclosure.
Finally, table 3.3 also revealed that the t statistic of our variable of interest representing hypotheses three (Leverage) is 2.66 ($p<.05$), confirming that Leverage has a positive and statistically significant relationship with corporate social responsibility performance; thus, the alternate hypothesis is accepted and null rejected. Therefore, Firm leverage has a significant effect on firm social responsibility disclosure.

Summarily, from table 3.3, the general prob(F-statistics) of our regression result is .0000 which is below the significance threshold of .05. Hence, we can conclude that Firm’s size, Firm’s profitability and Firm’s leverage are good pointers to corporate social responsibility disclosure in Nigeria.

4. **DISCUSSION**
The thrust of this study is to ascertain the effective factors of corporate social responsibility disclosure of listed consumer goods firms on Nigerian Stock Exchange. Generally, the study finds a strong positive relationship more specifically between size; profitability; leverage and corporate social responsibility disclosure. This is in line with the study of Ali (2017) in Indonesia; that examined the performance of Corporate Social Responsibility (CSR). The study found that companies with high profits have the fund flexibility to implement CSR programs that have been set. Moreover, the study demonstrated that corporate debt levels also affect CSR performance with the negatively. This means that companies with high debt levels will usually focus more on managing business risks rather than on Corporate Social Responsibility programs. Also, Taimako (2016) in Nigeria; investigated the factors that determine the practice of Corporate Social Responsibility by listed conglomerates in Nigeria and revealed that profitability and firm size are positively and significantly influencing Corporate Social Responsibility practices of listed Deposit Money Banks in Nigeria.

The findings of this study which also revealed a significant relationship between leverage and corporate social responsibility disclosure is consistent with the study by Musa and Hassan (2013) in Nigeria; that found out that dividend paid, institutional ownership, firm growth and leverage positively, strongly and significantly influence Corporate Social Responsibility practices of listed Deposit Money Banks in Nigeria.

However, an interesting view pointed out by Vergalli and Poddi (2009) was that Companies which actively account for the Corporate Social Responsibility risk factor are seen as less risky investments
relative to the companies that ignore it. They also posited that the compliance with Corporate Social Responsibility principles is not efficiently priced by market participants as positive (negative) relation follows depending on the sign of the inefficiency as cited by Janet and Setiawan (2012).

5. CONCLUSION

The study was undertaken to ascertain the effective factors that affect social responsibility disclosure of consumer goods firms in Nigeria. We examined the relationship between some features of these firms and their level of CSR disclosure. The result of this study show that a strong positive relationship exists between firm size, profitability and leverage and the level of CSR disclosure of Nigerian firms.

For instance, larger firms disclose environmental and social information more than smaller firms. This is traceable to the fact that larger firms make large amounts of profits, hence, are more likely to use part of the profits to execute social projects than smaller firms that do not make much profit. This finding is in consonance with the findings of some studies that show firm size and profitability as among the major factors that influence the practice of Corporate Social Responsibility (Hussainey et al. 2011; Musa & Hassan 2013 and Tsoutsoura 2004). Leverage is also an important factor in the financial position of a firm. Several studies examined the relationship between leverage and CSR and in line with the finding of this study, the results revealed leverage to be positively, strongly and significantly influencing CSR practice (Musa & Hassan, 2013 and Ahmad et al., 2003).

As the issue of corporate sustainability has become the bane of modern businesses, this study advocates for improved social responsibility disclosure as this will enhance greater collaboration between firms and her stakeholders. This study will therefore assist organizations' management in making strategic decisions for improved organizational performance. Furthermore, this research will help to enlighten the local communities where these companies operate and other stakeholders like employees, social and environmental non-governmental organizations regarding the adequacy and potentials of corporate social responsibility accounting to meet their information needs and help them hold companies to account for the impact of their business operation.

REFERENCES


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