Financial Performance and Corporate Social Responsibility of Quoted Firms in Nigeria

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ABSTRACT
The study examined the relationship between financial performance and corporate social responsibility using secondary data from the financial statement of firms quoted on the Nigeria Stock Exchange between 2005 and 2015 spanning ten-year period and operating in the manufacturing, petroleum marketing, healthcare, and food and beverage sub sectors. The study was conducted using content analysis and logit regression. The independent variable performance was represented by accounting methods; return on asset and return on capital employed and also by market based method; P/E ratio and Tobin Q, The dependent variable in the study CSR was represented by Employee management and Community development. Findings indicate that ROA and ROCE relate positively with employee management and negatively with community development. Furthermore, firms with higher ROA are likely to disclose CSR than firms with higher returns on capital employed. Market price of a share have negative relationship with CSR. Larger firms are likely to disclose CSR than smaller firms while large firms that do not pay dividend are likely to disclose CSR information than those that pay dividend. The study also revealed that firms with higher Tobin Q disclose CD information and lower EM. Also, firm growth, firm size and leverage are positively related to EM, ROA and ROCE
Keywords: Performance, Corporate Social Responsibility, Employee Management, Community Development, Return on Assets, Returns on Capital Employed, Tobin Q, Price Earnings Ratio

INTRODUCTION
The Nigerian economy predominantly depends on proceeds from oil exploration with negative impacts on the environment. In the Niger delta region where most of these firms majorly operate, there is pollution of sources of drinking water, farmlands are destroyed by oil spillage negatively affecting farming activities and crop yield, aquatic life are destroyed hampering the source of livelihood of the fishermen. Gas flaring also creates health hazards coupled with green house effects. In the West manufacturing activities in Lagos, Ogun and other parts cause air pollution. Trucking and haulage activities of goods in the seaport and transportation of these goods to other parts of the country destroy roads thereby causing externality by imposing social costs on the society. The mining of coal in the east and the mining activities of various metals in the North create environmental hazards. How then do firms compensate the society in which they operate and how does the performance of these firms translate to socially responsible activities and behaviour**?**
The role of firms and their contribution to the society continues to attract attention worldwide and has been a subject of various studies. This is predominantly because of the central role the activities of firms play in developing society and the resultant externality due to its negative impacts like environmental degradation and hazards, violation of safety rules and regulations. There is a growing body of research on the area of accounting and society giving rise to what is known as social responsibility accounting. This body of research and essays bring to limelight the lack of consensus and conflicts in CSR theories, operations, research methodology and results thus creating gaps for further studies. The terminologies in CSR is flexible and dynamics and concepts such as society and

business, social issues management, public policy and business, stakeholder management, corporate accountability are but a few of the terms used to capture the phenomenon embedded in corporate responsibility to society. However recently, new alternative concepts such as corporate citizenship and corporate sustainability have been put forward. Moreover, some theories combine different approaches and use the same terminology with different meanings. These conflicts in concepts, terminologies and approach was aptly captured by Votaw (1972) who stated that corporate social responsibility means something, but not always the same thing to everybody. It is viewed differently by different individuals and these perspectives include the notion of legal responsibility or liability; being socially responsible; charitable contribution; socially consciousness; legitimacy in the context of belonging or being proper or valid; fiduciary duty imposing higher standards of behaviour on businessmen than on citizens. These conflicts of opinions further exacerbate the need for more studies.

Social responsibility reporting in the context of this study is the technique used to capture activities of the firm linked to socially relevant behaviour such as philanthropy, community involvement, safety, human rights, equal opportunity, mitigating actions for environmental hazards created by firms' activities identifying accountability of the firm to the relevant social authorities, its social performance and installing appropriate mechanisms and procedures of reporting.

The society is dynamic socially, culturally, economically and technologically. These changes also impact on the behaviour of the firm and this in turn impacts on the society thereby creating cycles of cause and effect relationships which motivates various studies. Numerous suggestions have been advanced concerning the correlation between corporate social responsibility and financial performance. Some authors suggest a trade-off exist between social responsibility and financial performance. This line of argument is premised on cost incurred on social responsibility as a limiting factor which places firms that indulge at a disadvantage when compared to firms which do not discharge such obligations. Yet other writers propose the notion that social costs are small and benefits derived are tremendous as it boosts staff morale and productivity. Another perspective is that suggested by Cornel & Shapiro (1987) that social costs are huge but are mitigated by the lowering of other ancillary costs. These conflicts of opinion increase the necessity for further studies.

There are numerous prior empirical studies on the subject of social accounting but gaps exist due to conflicting outcome thus creating loopholes for new studies. The disparity in economic growth, technological advancement and culture impacts negatively on generalisation of results. Prior studies do not cover all industries and nature of industry can also affect outcome of empirical studies. Furthermore, social behaviour differ from country to country and from continent to continent thus the outcome of CSR accounting study conducted in one country may not be generalized to other countries. The aim of the study is to ascertain the nature of relationship between financial performance and CSR and while the objectives include to determine the correlation of performance metrics (both accounting and market based) to CSR. In other words, how does the performance of a firm affect social responsibility? Most other studies focused on how CSR affect to performance but ignored the reverse causality of how performance affects CSR activities. This study attempts to fills that gap.

LITERATURE
Theoretical Framework
CSR is landscaped by postulations and proliferation of methods which are debatable, complex, and ambiguous and occasionally without clarity. CSR theories may be delineated into instrumental, political, integrative and ethical theories. The instrumental theories perceive an economic entity as a means of wealth creation and social functions are meant to accomplish economic results. The political theory is premised on power wielded by entities in the society and its appropriate deployment politically. On the other hand, integrative theories are premised on the belief that entities are focused on the satisfaction of societal needs while ethical theories assert the ethical burden of the entity to the society. In summary, underlying all the theories are four dimensions connected to returns, political performance, societal needs and ethical values. The work derives its theoretical structure from instrumental and ethical theories. Accordingly, the main theoretical basis for this study is Stakeholders theory and Legitimacy theory. Legitimacy theory predicts that an entity cannot exist without the environment. It exists and derives its legitimacy through conforming to the laws of the

society in which they operate. In another vein, the firms owe certain obligation to the society while its actions impact on the various stakeholders. According to Suchman (1995) legitimacy connotes a common perceived notion or assumes that the activities of an entity are lawful, appropriate and acceptable within the societal precepts, norms values and expectations with the implication that are desirable, proper, or appropriate within some socially constructed system of norms, values, beliefs, and definitions. It is also argued that legitimacy of a firm may be affected by threats, environmental factors, social activities, nature of the industry and that firms use communication to sustain or defend its legitimacy (Lindblom (1994) and (Dowling & Pfeffer, 1975). When a firm violates the societal expectations such deviant behaviour is curtailed through sanctions to achieve conformity. Such violation and eventual sanction could impact on the image or financial position of the firm or even the going concern basis and existence of the firm. To avoid the wrath of regulators and the society, the firm tries to conform to the laws and norms of the society by avoiding illegitimate actions. It is assumed that firms are ethically compliant to ensure legitimacy and to ensure profitability as sanctions may impose additional costs which impacts on profitability and returns.

According to Freeman & Reed (1983) stakeholders can be explained as an identified group of persons that impact an organisation's accomplishment of goals and objectives and in turn affected by the entity action or inaction. These stakeholders are employees, equity holders, debt holders, customers, regulators, community, suppliers, analyst, public interest groups and they play a significant role towards the survival of an entity. On another score many stakeholders are interested in the performance of an entity and financial reports are tailored to satisfy the need of these diverse users. Since these stakeholders have different information need and firms embark on various activities to resolve their demands, however, stakeholders with control over resources are considered more important and their information need receive more attention and prominence (Ullman, 1985). From another perspective, Deegan (2006) argues that a stakeholder's position is irrelevant, and all stakeholders deserve equal opportunity and treatment by an entity. Conflicts of interest amongst stakeholders should be resolved for the optimal functioning of the entity (Hasnas, 1998).

Empirical review

Corporate social responsibility is a global phenomenon. Studies by Deegan $ Gordon , 1996; Gray et.al, 1995; Gamble et.al 1996; Tsang, 1998 ; Andrew *et al.,* 1989; Quinn, Mintzberg, & James, 1987; Adams *et al.,* 1998; (Arlow & Gannon, 1982 ; (Aupperle, Carroll, & Hatfield, 1985; are indicative of the rise in significance of CSR internationally as these studies cut across continents and international borders.

Prior research on CSR indicate minimal disclosure, absence of negative information and the content of misleading information (Deegan & Gordon, 1996; Guthrie and Parker (1990; Deegan & Rankin, 1996). Firms also embark on information management instead of disclosure of bad news. These findings however conflict with other studies such as Skinner (1994) which suggested that firms are likely to disclose negative information despite the potential to affect share prices negatively largely to avoid legal cost. Tinker et al (1991) suggested that information manipulation and censoring may be deliberate to influence decision making. Yet other authors suggest that CSR disclosures in annual financial statements may be misleading and not directly related to the quality of actual performance (Harte & Owen, 1991; Wiseman, 1982; Ingram & Frazier, 1980).

These findings exacerbate debate amongst academics and practitioners as to whether CSR disclosures should be mandatory and part of the business plan. The argument for mandatory disclosure is supported by the desire to protect stakeholders, thus shifting attention from voluntary disclosure, which centres mainly on safety and environmental activities. Unerman & O'Dwyer (2007) argues that increased regulation enhances corporate economic performance and shareholder value through reduction of actual and perceived risks inherent in numerous business actions. Frost (2007) provides evidence that mandatory reporting expectations raise the level of reporting.

The value added by increased reporting is debatable and influence of CSR on performance of firms is controversial. There is the debate that increased social responsibility is either negative or positively related to performance. Authors suggesting a negative correlation between CSR and financial performance opine that increased social responsibility produce extra cost resulting in an economic disadvantage to the firm when compared to other less socially responsible firms (Bragdon & Marlin, 1985; Vance, 1975). The argument is that these additional costs could be incurred from charitable activities, community development and environmental protection initiatives thus lowering reported

earnings. Babalola (2012) reported a negative relationship between CSR investment and profit after tax of the firms.

Conversely, proponents of a positive correlation of CSR and performance argue that it is achieved through improved employee and customer relation, and mitigation of strikes and loss of work time (Davis, 1975; Soloman & Hansen, (Moussavi & Evans, 1986). Waddock & Graves (1997) found positive and significant relation of CSR index with performance measure. Prior research (Fombrum, Gandberg & Bernetlt, 2000; Moskowitz 1972; Waddock & Graves, 1997) have argued that enhanced social performance may lead to obtaining better resources, higher quality employees, better marketing of products and services and creation of unforeseen opportunities. According to Spicer (1978), additional benefit of CSR is ease of access to capital while Cornell & Shapiro argues that the value of a firm is affected by CSR. The Implicit and explicit costs of CSR impacts on stakeholder's value. This conception emanates from the recognition of other stakeholders beyond equity and debenture holders which benefit from the firm resources. These other stakeholders could have explicit or implicit expectations from the firm. It is argued that violation of covenants by socially irresponsible entities may coerce firms with implicit expectations to change implicit agreements to explicit agreements thus increasing costs to the firm.

According to Ullmann, (1985) financial performance of a firm may impact on its social responsibility initiatives. Cost incurred on discretionary social activities could be influenced by low resources (Cyert & March, 1963). When CSR cost is significant, firms with high financial earnings are more likely to incur future associated costs and firms with declining financial performance are less likely to absorb future social costs (Parket & Eibert, 1975; Ullmann, 1985). These findings indicate that financial performance impact on the social responsibility behaviour of firms.

Griffin & Mahon (1997) confirmed in a study that investments in social activities boost firm perception and financial outcome with significant benefits which out-weigh costs. Similarly, Bolanle et al (2012) found positive association of bank increased earnings with social costs suggesting the increases in earnings are caused by social costs. Similarly, Porter (1980) suggested that CSR activities increases reputation and positive capital market outcome while also enhancing firm performance. Enahoro A, Oladele, John & Adedayo, O (2013) confirmed a positive relation of CSR with value performance and negative relation with accounting performance Choi et al., (2010) used equal weighted index of CSR and stakeholders with performance variable ROA, ROE and Tobin Q. The study confirmed equal weighted CSR index correlate negatively with performance while CSR and Equal weighted stakeholder's index correlate positively with performance. Studies by Mutasim & Salah (2012 and Amole et al., (2012) found positive effects of CSR on firm performance.

The effect of proxies used for performance measures in studying CSR is debatable. On one perspective market based performance measure indicate increased returns on shares (Moskowitz, (1972) while on another perspective it indicates lower returns (Vance, 1975). Similarly, researchers while using Accounting based methods without adjusting for risk found positive association of CSR with accounting measures of performance (Bragdon & Marlin, 1972; Bowman & Haire, 1975; and Parket & Eibert, 1975). Later studies which controlled for risk found conflicting results and was not wholly in support of a positive association. Aupperle et al (1985) found negative and no significant relation of CSR with ROA while Cochran & Wood (1984) reported positive correlation between CSR and performance after controlling for asset age. In measuring performance two yardsticks are mostly used; namely accounting and market based techniques. However, each suffers from certain drawbacks. Accounting measures are deemed to be historical in nature and perceived to capture past spectrum of performance (McGuire, Schneeweis, & Hill, 1986) and also susceptible to massaging and earnings management by Managers (Branch, 1983; Brilloff, 1972, Brillof, 1976). Furthermore, differences in accounting methods and inflation or changes in prices can affect comparison of results over a specific time frame. These factors bias investigation result. To curtail this anomaly, results should be adjusted to account for risk, disparity in industries and extraneous variables that could influence outcome (Aaker & Jacobson, 1987; Arlow & Gannon, 1982; Davidson, Worrell, & Gilberton, 1986; Michel & Shaked, 1984; Ullmann, 1985).

To circumvent these anomalies, some authors make use of market based performance measures which is deemed to present future perspective of the firm in form of capacity to generate future earnings, and thereby avoid problems of disparity in accounting procedures and mitigate earnings management. This method however is criticized because it relies mainly on investor's evaluation of the potentials of
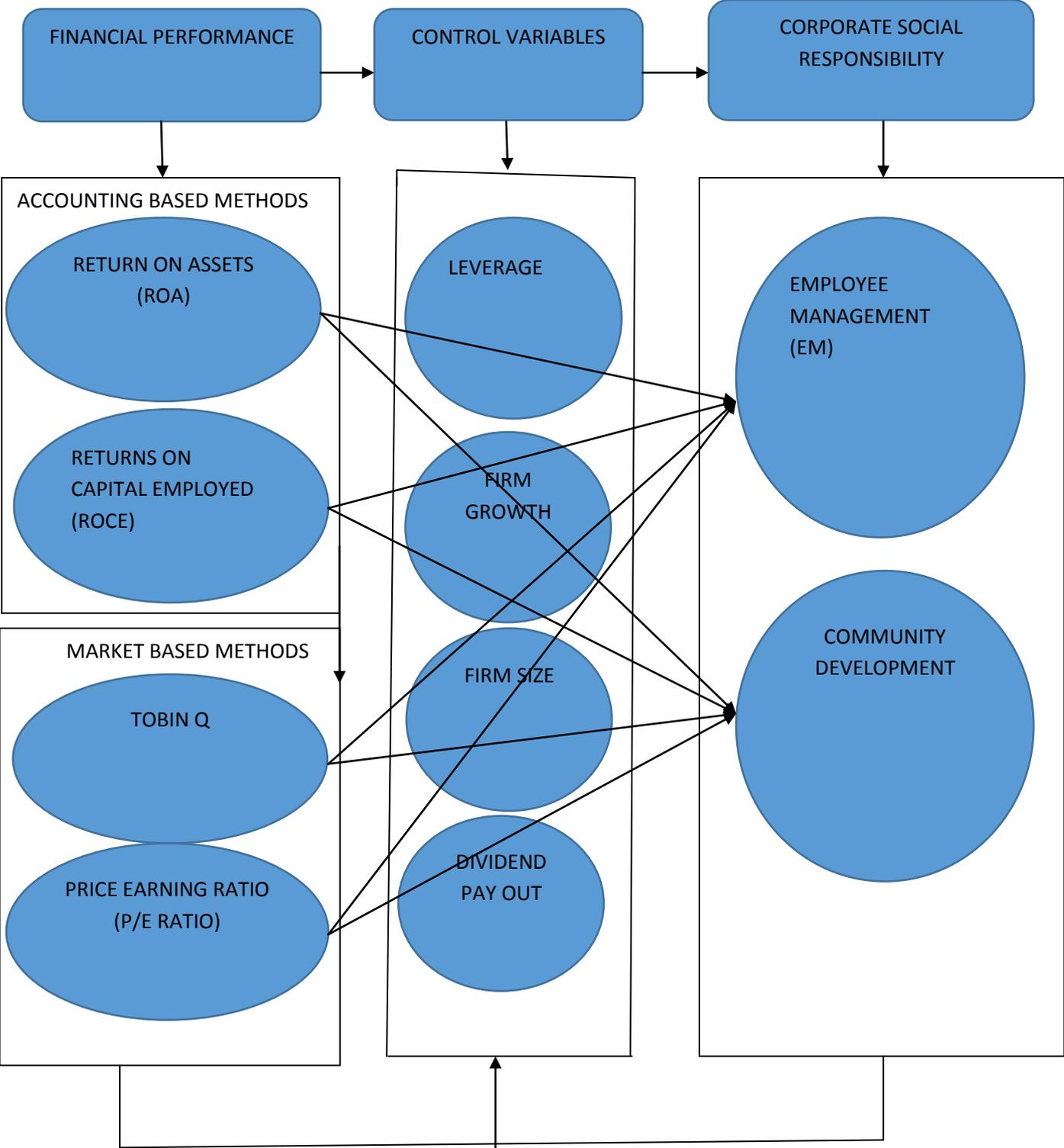
Fig 1: Conceptualized framework of Financial Performance and Corporate Social Responsibility

the firm. Problems also exist, however, with the use of stock-market-based measures of performance (McGuire, Schneeweis, & Branch, 1986). Ullmann (1985) suggested that the use of market measures implies that investors' valuation of firm performance is a proper performance measure. Since firms face multiple constituencies (Pfeffer & Salancik, 1978), sole concentration on investors' evaluations may not be sufficient. Based on these arguments, this study adopted a two-pronged approach to measurement of performance; accounting and market based methods.

METHODOLOGY
Data
The data used for this study are mainly secondary derived from the firm's financial statements which are obtained from the Nigeria stock exchange and the company websites.
Variables
Independent variables
The independent variable in this study is performance which consist of accounting based methods (return on assets and return on equity) and market based methods (P/E ratio, and tobin Q).

Return on Assets (ROA): ROA assesses the relation between profit before interest and tax, and total assets shown in percentage **and denoted by the formulae:**

 ROA = (Net Income before Interest and Tax / Total Assets) * 100

The ratio indicates the earnings capacity of the asset (asset ability to produce returns) but suffers the drawback of not providing explanation about financing costs and cost of the various sources of finance.

ii) **Return on Capital Employed (ROCE):** Following Elliott and Elliott (2005) ROCE is derived from the formula:

ROCE = (Net Profit before Interest and Tax / Capital Employed) * 100

 Where Capital Employed denotes Total Assets – Current assets

Market Based methods

iii) **Price-to-Earnings (P/E) Ratio**: P/E ratio is derived from the formula**:**

P/E   = Market Price per Share / Earning per Share.

The ratio gives an indication of market perception of a firm's share and is calculated using current price and earnings

(iv) **Tobin Q (TQ)** = ratio expresses the relationship between market value of a firm and the cost of replacing the asset.

We adopt Chung and Pruitt's approximating formulation of Tobin's Q = MVE + PS +DEBT/TA

Where:

MVE   = Firm's stock price multiplied by number of outstanding equity shares.

PS   = Value of a firm's outstanding preferred stock on liquidation

Debt   = Sum of short term liabilities minus short term assets plus the book value of long term-debt;

TA   = Total book value of all assets.

Dependent Variable

The dependent variable the study is corporate social responsibility (CSR) denoted by employee management (EM) and community development (CD)

(i) Employee Management (EM) –   Variable is captured as dummy variable. Where the firm reports on health and safety systems, systems for employee training and development and equal opportunity policies; such a firm is assigned '1' and where otherwise it is assigned '0'.

(ii) Community (CD) – Variable is captured as dummy variable. Where the firm reports on efforts to develop its immediate community via developmental policies, and involvement in issues such as sports, education, social amenities, infrastructural facilities and community health; such a firm is assigned '1' and where otherwise it is assigned '0'.

Control variables

(i) Firm size is measured as the natural logarithm of total assets. A natural logarithm is applied in order to mitigate problems of heteroscedasticity which is usually associated with large figures.

(11) Firm Growth is measured as the change in total assets (total assets of present year – total assets of previous year/ total assets of present year).

(iii) Leverage is measured as the ratio of the total debt level of the firm to its net asset value.

(iv) Dividend payment is captured as dummy variable. Where a firm pays dividend it is assigned '1' otherwise '0'

Probit and logit models

A binary dependent variable is one that returns either 1 or 0 and the two main methods of analysis of the relationship involving a binary dependent variable is the use of either the probit model or the logit model. These two models are likely to produce similar results although the magnitudes of the coefficients will be naturally different because of the functional form of their cumulative distribution functions. For this reason, we apply the logit model in this study.

Logit Regression Model

Binary dependent variable, yes or no

$\Pr(y=1(x)) = f(x'\beta)$

This measures the probability that the dependent variable will be 1 given the value of the independent variable (x)

We use the logit regression model in its functional form based on the cumulative distribution function and is given as:

$$\Pr(y=1(x) = f(x'\beta) = \lambda(x'\beta) = \frac{e^{x'\beta}}{1+e^{x'\beta}}$$

Being an exponential function, the numerator is set to be not less than 0 and the denominator is set to be not more than 1. Hence the benefit of the logit regression model is that the predicted probability of the dependent variable (y) is limited between 0 and 1.

Model coefficient

Using the maximum likelihood method, the estimated coefficients show that an increase or decrease in the independent variable(x) (as shown by the sign of the coefficient) indicates that the likelihood that the probability of the dependent variable (y) will be = 1 is more likely. Simply the coefficient of the logit regression model measures the likelihood that the dependent variable will be equal to 1. An increase in x will more or less likely lead to y=1

Marginal Effects

The marginal effect is a measure of the probability that y = 1 given the change in magnitude of the coefficients of the independent variable expressed as a percentage. It measures the probability that the dependent variable (y) will be equal to 1 given a one unit change in the value of the independent variable (x). For every 1 unit change in x the probability that the y =1 is expressed as the percentage by which this is more or less likely. The marginal effects will depend on the value of x. the coefficient and the marginal effects should have the same sign.

Partial Effects

Partial effects explain the disparity between dummy variables and continuous variables. In the case of dummy variable, the effect is calculated as the difference in the estimated probabilities with the dummy variable equal to one and zero and other variables at their means. For continuous variables, the effect is the derivative.

Odds Ratio

Odds ratio (OR) measures the association between an exposure and an outcome. The OR represents the odds that an outcome will occur given a particular exposure, compared to the odds of the outcome occurring in the absence of that exposure. It is used in this study to quantify how strongly the presence or absence of a property is associated with the presence or absence of another property in a population

Model specification

CSR =	f (ROA, ROCE, TBQ, P/E, FMS, FMG, LEV)	(ii)
CSR =	EM, CD	(ii)
EM =	f (ROA, ROCE, TBQ, P/E,FMS,FMG,LEV)	(iii)
CD =	f (ROA, ROCE, TBQ, P/E, FMS, FMG, LEV)	(iv)

From functional relationship, econometric models are specified thus:

$$EM = \alpha_0 + \alpha_1 ROA + \alpha_2 ROCE + \alpha_3 TBQ + \alpha_4 P/E + \alpha_5 FMS + \alpha_6 FMG + \alpha_7 LEV + U_1, t \qquad (v)$$

$$CD = \beta_0 + \beta_1 ROA + \beta_2 ROCE + \beta_3 TBQ + \beta_4 P/E + FM\beta_5 S + F\beta_6 MG + \beta_7 LEV + U_2, t \qquad (vi)$$

Using equations (v) to (vi), mathematical form of models are specified as:

$$EM = \hat{\alpha}_0 + \hat{\alpha}_1 ROA + \hat{\alpha}_2 ROCE + \hat{\alpha}_3 TBQ + \hat{\alpha}_4 P/E + \hat{\alpha}_5 FMS + \hat{\alpha}_6 FMG + \hat{\alpha}_7 LEV + U_1,t \qquad - \qquad (vii)$$

$$CD = \hat{\beta}_{0+} \hat{\beta}_1 ROA + \hat{\beta}_2 ROCE + \hat{\beta}_3 TBQ + \hat{\beta}_4 P/E + FM\hat{\beta}_5 S + F\hat{\beta}_6 MG + \hat{\beta}_7 LEV + U_2,t \qquad (viii)$$

Where ROA is Return on Assets, ROCE is Return on Capital employed, TBQ is Tobin Q and P/E is Price earnings ratio, FMS is firm size, FMG is firm growth and Lev is Leverage while:

Ui,t   =   Error term, and $\alpha_0, \beta_0,$ = intercepts

RESULTS

Descriptive Statistics

	CD	EM	ROA	ROCE	PE	TQ	SZ	GRT	LEV	DVD
Mean	0.440000	0.750000	0.094250	1.838941	22.47701	6576.624	16.76715	0.065052	0.777454	1.000000
Median	0.000000	1.000000	0.069646	0.584894	13.22321	1155.822	17.00565	0.109670	1.084703	1.000000
Maximum	1.000000	1.000000	1.234650	133.7967	839.9429	332138.5	19.74189	0.941542	51.79616	1.000000
Minimum	0.000000	0.000000	-0.463986	-2.946692	0.026948	0.530213	11.42285	-4.829873	-141.5198	1.000000
Std. Dev.	0.497216	0.433736	0.139308	10.63134	54.68587	28602.36	1.535662	0.468454	11.32749	0.000000
Skewness	0.241747	-1.154701	3.014461	10.62173	11.87209	8.274563	-0.757826	-5.799572	-7.997164	NA
Kurtosis	1.058442	2.333333	24.11601	122.2225	170.6107	82.63819	3.398033	52.16635	97.34706	NA
Jarque-Bera	50.04269	72.22222	6027.921	183316.0	358214.3	82701.43	30.69536	29240.18	114464.8	NA
Probability	0.000000	0.000000	0.000000	0.000000	0.000000	0.000000	0.000000	0.000000	0.000000	NA
Sum	132.0000	225.0000	28.27488	551.6822	6743.104	1972987.	5030.145	17.88923	233.2362	299.0000
Sum Sq. Dev.	73.92000	56.25000	5.802584	33794.60	894172.9	2.45E+11	705.1189	60.12918	38365.32	0.000000
Observations	300	300	300	300	300	300	300	275	300	299

The mean *CD* of 0.44 being less that 0.50 approximates 0 while the mean *EM* of 0.75 approximates 1 suggesting that on average firms in the sample do not disclose *CD* information while they disclose *EM* information in the annual reports.

Skewness/Correlations

	CD	EM	ROA	ROCE	PE	TQ	SZ	GRT	LEV	DVD
CD	1.000000	0.105394	1.56E-05	-0.103011	-0.053519	0.167518	0.311174	0.079488	-0.045762	NA
EM	0.105394	1.000000	0.177625	0.063304	-0.031751	-0.268720	0.325106	0.147875	0.087295	NA
ROA	1.56E-05	0.177625	1.000000	0.083843	-0.023171	0.241051	-0.156355	-0.118538	-0.051487	NA
ROCE	-0.103011	0.063304	0.083843	1.000000	-0.044794	-0.020796	-0.166157	0.006469	-0.506263	NA
PE	-0.053519	-0.031751	-0.023171	-0.044794	1.000000	0.042068	0.013461	0.069544	-0.068151	NA
TQ	0.167518	-0.268720	0.241051	-0.020796	0.042068	1.000000	-0.305372	-0.062617	0.019870	NA
SZ	0.311174	0.325106	-0.156355	-0.166157	0.013461	-0.305372	1.000000	0.148037	0.104135	NA
GRT	0.079488	0.147875	-0.118538	0.006469	0.069544	-0.062617	0.148037	1.000000	0.013486	NA
LEV	-0.045762	0.087295	-0.051487	-0.506263	-0.068151	0.019870	0.104135	0.013486	1.000000	NA
DVD	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA

ROA is positive correlated with both CD and EM and negatively correlated with the control variables indicating that the later moderates the relationship between the dependent and the independent variable. ROCE maintained a similar positive correlation with EM but returned a negative correlation with CD while the contrary is applicable to TQ. PE however returned a negative correlation with both CD and EM giving a preview that the market does not price CSR information positively.

Hypothesis Testing
H01: ROA does not significantly relate with Employee Management
Dependent Variable: EM
Method: ML - Binary Logit (Quadratic hill climbing / EViews legacy)
Date: 05/20/17   Time: 03:11
Sample (adjusted): 2005 2015
Included observations: 274 after adjustments
Convergence achieved after 4 iterations
Coefficient covariance matrix computed using second derivatives

Variable	Coefficient	Std. Error	z-Statistic	Prob.
ROA	4.839505	1.435264	3.371857	0.0007
SZ	0.550398	0.109792	5.013078	0.0000
GRT	0.596712	0.332007	1.797286	0.0723
LEV	0.010948	0.011130	0.983644	0.3253
DVD	-8.489689	1.825879	-4.649646	0.0000

Mean dependent var	0.748175	S.D. dependent var		0.434855
S.E. of regression	0.395502	Akaike info criterion		0.986469
Sum squared resid	42.07746	Schwarz criterion		1.052402
Log likelihood	-130.1463	Hannan-Quinn criter.		1.012933
Deviance	260.2926	Restr. Deviance		309.2534
Avg. log likelihood	-0.474986			

Obs with Dep=0	69	Total obs	274
Obs with Dep=1	205		

The relationship between ROA and EM is positive and highly significant with a p-value of 0.0007. The null hypothesis that there is no significant relationship between ROA and EM is rejected. Given the anti-log of 4.839505 which is 126.407, with a 1% increase in ROA, the disclosure of EM is 126 times likely to increase. An increase in SZ, GRT and LEV are more likely to lead to an increase in EM disclosure while firms that pay DVD are less likely to disclose EM information.

H02: ROA does not significantly relate with Community Development
Dependent Variable: CD
Method: ML - Binary Logit (Quadratic hill climbing / EViews legacy)
Date: 05/20/17   Time: 03:16
Sample (adjusted): 2005 2015
Included observations: 274 after adjustments
Convergence achieved after 5 iterations
Coefficient covariance matrix computed using second derivatives

Variable	Coefficient	Std. Error	z-Statistic	Prob.
ROA	0.887843	1.008164	0.880653	0.3785
SZ	0.508606	0.103198	4.928446	0.0000
GRT	0.211960	0.330493	0.641343	0.5213
LEV	-0.017698	0.014115	-1.253912	0.2099
DVD	-8.946959	1.776170	-5.037221	0.0000

Mean dependent var	0.437956	S.D. dependent var		0.497043
S.E. of regression	0.470513	Akaike info criterion		1.291092
Sum squared resid	59.55199	Schwarz criterion		1.357025
Log likelihood	-171.8796	Hannan-Quinn criter.		1.317556
Discloed.	343.7592	Restr. Deviance		375.6148
Avg. log likelihood	-0.627298			

Obs with Dep=0	154	Total obs	274
Obs with Dep=1	120		

ROA returned a coefficient of 0.887843 that is positive but not significant having posted a p-value of 0.3785. This indicates that the null hypothesis that ROA does not significant affect Community Development is accepted. Taking the antilog of 0.887843 results in a probability of 2.429883 indicating that if ROA increases by 1%, the disclosure of CD information is 2.43 times more likely, if all other factor remain constant. Furthermore, SZ and DVD were positive and negatively related with CD respectively and they are both significant. Meaning that while the larger the Size of the firm the more likely that CD information will be disclosed. On the other hand firms that pay dividend are less likely to disclose CD information. Similarly those that have higher levels of leverage are less likely to disclose CD information.

H03: ROCE does not significantly relate with Employee Management

Dependent Variable: EM
Method: ML - Binary Logit (Quadratic hill climbing / EViews legacy)
Date: 05/20/17   Time: 03:28
Sample (adjusted): 2005 2015
Included observations: 274 after adjustments
Convergence achieved after 6 iterations
Coefficient covariance matrix computed using second derivatives

Variable	Coefficient	Std. Error	z-Statistic	Prob.
ROCE	0.463361	0.185315	2.500392	0.0124
SZ	0.582605	0.111821	5.210176	0.0000
GRT	0.558789	0.354254	1.577366	0.1147
LEV	0.199787	0.125608	1.590565	0.1117
DVD	-9.216244	1.892068	-4.870990	0.0000

Mean dependent var	0.748175	S.D. dependent var	0.434855
S.E. of regression	0.399853	Akaike info criterion	0.987485
Sum squared resid	43.00847	Schwarz criterion	1.053418
Log likelihood	-130.2855	Hannan-Quinn criter.	1.013949
Deviance	260.5710	Restr. deviance	309.2534
Avg. log likelihood	-0.475495		

Obs with Dep=0	69	Total obs	274
Obs with Dep=1	205		

The relationship between ROCE and EM is positive and significant indicating that firms with higher levels of ROCE are more likely to disclose EM information. The null hypothesis that there is no significant relationship between ROCE and EM is therefore rejected. Further analysis shows that with is a probability of 1.58894 (Anti-log of 0.463361), a 1% increase in ROCE is 1.6 times more likely to lead to an increase in EM disclosure. The disclosure of EM is also positively related to SZ, GRT and LEV and indicating that firms with higher levels of these variables are more likely to disclose EM information. EM is negatively and significantly related to DVD indicating that firms that pay dividend are less likely to disclose EM information. The count R squared is 205/274= is 0.748 indicating that the model correctly predicted the disclosure of EM information 75% of the times.

H04: ROCE does not significantly relate with Community Development

Dependent Variable: CD
Method: ML - Binary Logit (Quadratic hill climbing / EViews legacy)
Date: 05/20/17 Time: 03:27
Sample (adjusted): 2005 2015
Included observations: 274 after adjustments
Convergence achieved after 6 iterations
Coefficient covariance matrix computed using second derivatives

Variable	Coefficient	Std. Error	z-Statistic	Prob.
ROCE	-0.163494	0.124849	-1.309535	0.1904
SZ	0.494812	0.106644	4.639834	0.0000
GRT	0.225543	0.329542	0.684414	0.4937
LEV	-0.167420	0.073571	-2.275631	0.0229
DVD	-8.253187	1.817639	-4.540609	0.0000

Mean dependent var	0.437956	S.D. dependent var		0.497043
S.E. of regression	0.462965	Akaike info criterion		1.254917
Sum squared resid	57.65644	Schwarz criterion		1.320850
Log likelihood	-166.9236	Hannan-Quinn criter.		1.281381
Deviance	333.8473	Restr. deviance		375.6148
Avg. log likelihood	-0.609210			

Obs with Dep=0	154	Total obs		274
Obs with Dep=1	120			

The relationship between ROCE and CD is negative and not significant. This suggests that the null hypothesis that there is no significant relationship between them is accepted and further that firms with higher levels of ROCE are less likely to disclose CD information. The Anti-log of the logit coefficient of ROCE show that there is a 0.84917 probability that a 1 % increase in ROCE is 0.85 times likely lead to a drop in the disclosure of CD information. Count R squared is only approximately 44%.

H05: P/E ratio does not significantly relate with Employee Management

Dependent Variable: EM
Method: ML - Binary Logit (Quadratic hill climbing / EViews legacy)
Date: 05/20/17 Time: 03:18
Sample (adjusted): 2005 2015
Included observations: 274 after adjustments
Convergence achieved after 5 iterations
Coefficient covariance matrix computed using second derivatives

Variable	Coefficient	Std. Error	z-Statistic	Prob.
PE	-0.001579	0.002241	-0.704609	0.4811
SZ	0.474957	0.100550	4.723575	0.0000
GRT	0.451131	0.301860	1.494505	0.1350
LEV	0.008924	0.010996	0.811588	0.4170
DVD	-6.786517	1.656406	-4.097133	0.0000

Mean dependent var	0.748175	S.D. dependent var		0.434855
S.E. of regression	0.413453	Akaike info criterion		1.049094
Sum squared resid	45.98383	Schwarz criterion		1.115027
Log likelihood	-138.7259	Hannan-Quinn criter.		1.075558
Deviance	277.4519	Restr. deviance		309.2534
Avg. log likelihood	-0.506299			

Obs with Dep=0	69	Total obs		274
Obs with Dep=1	205			

The relationship between EM and PE is negative and not significant suggesting that the null hypothesis that PE ratio does not significantly affect EM is accepted. The anti-log of the coefficient of -0.001579 is 0.998 indicating that EM is 0.998 times less likely to be disclosed by firms with a 1% increase in PE. SZ and DVD maintain positive and negative and significant relationship respectively with EM. This

indicates that larger firms are more likely to disclose EM and that firms that pay DVD are less likely to do so. GRT and LEV are positive though not significant indicating that the greater they are the more likely that EM is disclosed. Count R-Squared is 205/274 that is equal to approximately 75%.

H06: P/E ratio does not significantly relate with Community Development

Dependent Variable: CD
Method: ML - Binary Logit (Quadratic hill climbing / EViews legacy)
Date: 05/20/17   Time: 03:17
Sample (adjusted): 2005 2015
Included observations: 274 after adjustments
Convergence achieved after 5 iterations
Coefficient covariance matrix computed using second derivatives

Variable	Coefficient	Std. Error	z-Statistic	Prob.
PE	-0.003385	0.003714	-0.911285	0.3621
SZ	0.499447	0.102376	4.878552	0.0000
GRT	0.222602	0.334832	0.664816	0.5062
LEV	-0.018503	0.013742	-1.346501	0.1781
DVD	-8.638660	1.743489	-4.954812	0.0000

Mean dependent var	0.437956	S.D. dependent var		0.497043
S.E. of regression	0.469412	Akaike info criterion		1.288619
Sum squared resid	59.27350	Schwarz criterion		1.354552
Log likelihood	-171.5408	Hannan-Quinn criter.		1.315083
Deviance	343.0815	Restr. Deviance		375.6148
Avg. log likelihood	-0.626061			

Obs with Dep=0	154	Total obs		274
Obs with Dep=1	120			

The relationship between EM and PE is negative with a logit coefficient of -0.003385 and not significant with a p-value of 0.3621. This indicates that the null hypothesis that PE ratio does not significantly affect CD is accepted. Anti-log of the logit coefficient show that firms with greater PE ratio are 0.996 times less likely to disclose CD information. SZ and DVD are positively and negatively and significantly related with CD respectively. Similarly GRT and LEV are positively and negatively related with CD though the relationship is not significant.

H07: TBQ ratio does not significantly relate with Employee Management

Dependent Variable: EM
Method: ML - Binary Logit (Quadratic hill climbing / EViews legacy)
Date: 05/20/17   Time: 03:19
Sample (adjusted): 2005 2015
Included observations: 274 after adjustments
Convergence achieved after 6 iterations
Coefficient covariance matrix computed using second derivatives

Variable	Coefficient	Std. Error	z-Statistic	Prob.
TQ	-3.24E-05	1.25E-05	-2.584352	0.0098
SZ	0.368783	0.105161	3.506834	0.0005
GRT	0.489277	0.307038	1.593539	0.1110
LEV	0.011860	0.010990	1.079150	0.2805
DVD	-4.891267	1.752905	-2.790378	0.0053

Mean dependent var	0.748175	S.D. dependent var		0.434855
S.E. of regression	0.401585	Akaike info criterion		1.007033
Sum squared resid	43.38177	Schwarz criterion		1.072966
Log likelihood	-132.9635	Hannan-Quinn criter.		1.033496
Deviance	265.9270	Restr. deviance		309.2534
Avg. log likelihood	-0.485268			

Obs with Dep=0	69	Total obs		274
Obs with Dep=1	205			

The relationship between TQ and EM is negative and significant indicating that the null hypothesis that TQ does not significantly affect EM is rejected. Furthermore, the anti-log of the logit coefficient indicates that firms with greater levels of TQ are 0.9996 times less likely to disclose EM information. While SZ and DVD maintain a positive and negative and significant relationship with EM, GRT and LEV return a positive but not significant relationship.

H08: TBQ does not significantly relate with Community Development
Dependent Variable: CD
Method: ML - Binary Logit (Quadratic hill climbing / EViews legacy)
Date: 05/20/17   Time: 03:21
Sample (adjusted): 2005 2015
Included observations: 274 after adjustments
Convergence achieved after 7 iterations
Coefficient covariance matrix computed using second derivatives

Variable	Coefficient	Std. Error	z-Statistic	Prob.
TQ	4.88E-05	1.25E-05	3.910036	0.0001
SZ	0.791689	0.131367	6.026557	0.0000
GRT	0.192605	0.378288	0.509148	0.6106
LEV	-0.028949	0.016773	-1.725913	0.0844
DVD	-13.93215	2.266025	-6.148276	0.0000

Mean dependent var	0.437956	S.D. dependent var		0.497043
S.E. of regression	0.441449	Akaike info criterion		1.168979
Sum squared resid	52.42209	Schwarz criterion		1.234912
Log likelihood	-155.1501	Hannan-Quinn criter.		1.195442
Deviance	310.3001	Restr. Deviance		375.6148
Avg. log likelihood	-0.566241			

Obs with Dep=0	154	Total obs	274
Obs with Dep=1	120		

The relationship between TQ and CD is positive and significant indicating that the null hypothesis that TQ does not significantly affect CD is rejected. The Anti-log of the logit coefficient of TQ is 1.000048 indicating that Firms with greater levels of TQ are 1 time more likely to disclose CD information.

DISCUSSION OF FINDINGS
Profitable firms are more likely to disclose EM information than CD information as ROA and ROCE relates positively and significantly with EM thus the higher the ROA and ROCE, the higher the EM information disclosed. On the other hand, ROA and ROCE maintain insignificant and negative relationship with CD implying that the higher these performance measures, the lower the CD information disclosed. Generally, however, firms with higher level of ROA are more likely to disclose CSR information than those with higher levels of ROCE. Markets are less likely to price CSR information positively as shown by the negative relations of PE with both EM and CD. Firms with greater levels of TQ are more likely to disclose CD information and less likely to disclose EM information than firms with low TQ.
Tobin Q shows a negative and significant relationship with EM and a positive and significant relationship with community development. The higher the TBQ, the higher the community development information disclosed and vice versa. The ratio also discloses a negative relationship with employee management. The higher the TBQ, the lower the EM information disclosed.
Larger firms by Size are more likely to disclose CSR information than smaller firms. Larger firms that do not pay DVD are much more likely to disclose CSR information than those that pay DVD. Smaller firms that do not pay DVD are much more likely to disclose CSR information than those that pay DVD.

Implications of the study

The implications of our result is that the level of profitability of a firm affects the reporting behaviour of its CSR activities. By extension the cost incurred in CSR activities directly affects its reporting behaviour. This finding is in support of the slack resources theory in which firms with slack resources potentially available from strong financial performance may have greater freedom to invest in positive CSR. The finding that the higher the earnings, the lower CD activities implies that there is a trade-off between the level of profitability of a firm and CD activities. On the other hand, highly profitable firms focus on EM activities than on CD activities. This perception aligns with the instrumental theory of CSR which perceives an economic entity as a means of wealth creation and that social functions are meant to accomplish economic results. Thus, profitable firms only use the society as a springboard to achieve wealth creation. However, as the wealth creation increases the focus shifts from satisfying the social needs to self-preservation through sustenance of employees' loyalty by increased EM activities. In contrast, low profitable firms will align more with the society to derive legitimacy and benefit from the society thereby focusing more on CD activities than EM activities. However, as wealth creation increases this behaviour gradually shifts towards self-preservation through embarking on EM activities to ensure employees are motivated to higher productivity. From a different perspective, cost incurred on CSR activities are enormous and the impact on reported profit tremendous. Thus, firms with higher CD activities report lower profits because of its impact on earnings.

The study also confirms a negative relation between the market and CSR implying that CSR information does not affect market performance or the pricing of shares of any economic entity. This by extension discloses that employee management and community development activities of a firm does not have impact on the market pricing of the shares of that entity.

The study indicates that the size of a firm also influences their CSR reporting behaviour larger. Larger firms disclose CSR activities more than smaller firms. This could be attributed to the capacity of the larger firm to sustain additional costs of CSR activities while smaller firms may lack the capacity. Secondly, the stage of the business cycle in which the firm operates invariably the size and consequently its capacity to take on additional CSR costs. However, costs impacts on performance. The higher the cost, the lower reported earnings and vice versa. Hence, smaller firms incur less cost and disclose less CSR information in financial reports. From the result of the study, larger firms that pay dividend are less likely to disclose CSR information than those that pay not dividend. The higher the dividend, the lower EM and CD information disclosed. These could be adduced to be because of CSR activities resulting in more costs which impacts on earnings and thereby mitigates dividend payments. In contrast, larger firms that do not pay dividend disclose more CSR information implying that there is a trade-off between dividend payments and the degree of CSR information disclosed by large firms. Size also affects the degree of dividend payments and the disclosure of CSR information. This again could be linked to the size and the capacity of the firm to absorb the burden of CSR activities. Thus, there is a direct link between dividend payments and CSR activities; the higher the dividend, the lower the investment in CSR and hence the lower the disclosure of CSR information.

Firm growth and leverage are positively related to employee management, returns on asset and Returns on capital employed. Increased growth and leverage increases employee management. The reason is not far-fetched 'increased profitability increases staff compensation and welfare hence the positive and significant relationship. There is however a negative relationship of leverage with community development. Firms with high leverage are less likely to disclose CD information. This could be attributed to interests and debt covenants which may constrain the ability of the firm to indulge in community development.

The relationship between TQ and CD is positive and significant indicating that an increase in the firm's capacity to replace its assets is matched with the increase in the firms community development activities. In contrast, an increase in the capacity of the firm to replace its assets results in a decline in employee management activities since TQ is significantly and negatively related to EM.

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