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CORPORATE SOCIAL RESPONSIBILITY AND FINANCIAL PERFORMANCE OF SELECTED QUOTED COMPANIES IN NIGERIA

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Abstract

This study examines the relationship between corporate social responsibility and financial performance of quoted companies in Nigeria. There is a crying need for an in-depth study into the quality, extent of corporate social responsibility (CSR) disclosure and identification of areas for future improvement so that transparency can be ensured, especially in developing countries like Nigeria where CSR practices are limited. Five research hypotheses were formulated for the study and some of the specific objectives are to determine the relationship between corporate social responsibility disclosure and return on assets; and to determine the relationship between corporate social responsibility disclosure and return on equity. The study made use of ex-post facto research design. The sample of the study comprises of thirty companies quoted in various sectors of the Nigerian stock exchange. Data analysis were analysed using multiple regression, with the aid of SPSS version 22. The findings of the study revealed a positive relationship between corporate social responsibility disclosure and return on assets in Nigerian quoted companies. Consequent upon this study, it was recommended among others that the issue of corporate social responsibility should be part of the corporate mission and strategy statements and not just be regarded as a philanthropic exercise.

1.1 Background of the Study

Corporate scandals at Enron and WorldCom, Cadbury, NNPC etc. have thrust debates concerning corporate governance and corporate social performance to the forefront of the minds of shareholders, managers, and public policy makers (Uwuigbe, 2011). Traditionally, companies have to focus on strategies for their business operations and profit such as differentiation, diversification, turnaround, concentration and globalization (Awan and Akhtar, 2014). However, recent developments in strategic thinking support the need to add activities that expand out from the company into society (Awan and Akhtar, 2014). Corporations around the world are struggling with a new role, to meet the needs of the present generation without compromising the ability of the next generation to meet their own needs (Babalola, 2013). Since the publication of the first separate corporate environmental reports in 1989, the number of companies that has started to publish information on its environmental, social or sustainability policies has increased substantially (Uwuigbe, 2011).

Environmental problems have become major headlines of political, economic and corporate discussion due to the negative effects they bring to the stability of the ecosystem (Uwuigbe, 2011), as organisations are being called upon to take responsibility for the ways their operations impact societies and the natural environment (Babalola, 2013). In its stronger form, the concept of Corporate Social Responsibility (CSR) asserts that corporations have an obligation to consider the interests of customers, employees, shareholders, communities, as well as the ecological 'footprint' in all aspects of their operations. These uncontrolled impacts of industrial activities on the environment have created critical ecological challenges on the planet; which has aggravated phenomena like climate change, ozone depletion, over-exploitation of natural resources, air pollution & increase in radioactive water pollution that has resulted to the continues destruction of the water marines thereby disrupting the sustainable development of such environment (Uwuigbe, 2011).

These phenomena have invariably increased external pressure from many stakeholders such as government, financial institutions, social responsible investors and most especially community lobby groups whose activities have constantly created continuous social unrest. Thus, companies have to cope the challenges come from the public and stakeholders in order to get the good reputation, increasing the effectiveness of the companies, improving the performance of the companies, having good relation to the stakeholders, and getting "social permission" to operate their business within societies and communities (Wibowo, 2012). The concept of Corporate Social Responsibility is closely linked with the principle of Sustainable Development, which argues that corporations should make decisions based not only on financial factors such as profits or dividends, but also based on the immediate and long-term social and environmental consequences of their activities (Manescu and Starica, 2008).

At present, firms are seen not only as responsible to their direct owners, i.e. shareholders and debt holders, but to stakeholders as a whole, an enormous step-ahead from the era when corporations were profit maximization entities only (Manescu and Starica, 2008). Thus, corporate social responsibility is viewed not as 'an expedient response to momentary social pressures, but rather a manifestation of deep, far- reaching social changes in our society' (Votaw, 1972, as in Dabbas and Al-rawashdeh, 2012). According to Sapkauskiene and Leitoniene (2014) corporate social responsibility is conceived as an activity policy and practice of organizations (and individuals) when firms voluntarily integrate social and environmental matters into their business and combine them harmoniously with economic interests, and the relationships with all stakeholders are based on the valuable principles of respect for the individual, society and the environment.

In Nigeria, Ajide and Aderemi (2014) observed that the issue of Corporate Social Responsibility (CSR) is deepening among organisations and societies. It is regarded as the organisation's activity to make sustainable impact in society, and which in turn has the potential to create positive effect on the business organizations that engage in it (Ajide and Aderemi, 2014). Thus, modern business managers are focusing on the fact that their organizations should extend its activities to the community and not limited only to goods or service (Bakri, 2005, as in Dabbas and Al-rawashdeh, 2012).

1.2 Statement of the Problem

In an attempt to study the relationship between corporate social responsibility and financial performance in Nigeria; it was discovered that some companies practice corporate social responsibility without disclosing it in their financial statement while others do not practice it. Also there is no uniformity by those that display it. For example, some companies display it as charity while others call it community project.

Ajide and Aderemi (2014) observed that business organizations in Nigeria incur huge expenditures on social responsibility because they regard Corporate Social Responsibility (CSR) as a public relations stunt used by large corporations to look good in front of customers and other stakeholders. However most companies do not find the justification for such, as the relationship between CSR expenditure and financial performance of corporations in developing nations remains unclear. Obi (2013) as in Ajide and Aderemi (2014) noted that in the year 2011, the oil and gas sector spent N9.5 billion on CSR, followed by telecoms with N6.4 billion. The banking industry came in third position with the report that a total of N1.869 billion was spent by eight Nigerian banks in 2012 on various community-related projects under corporate social responsibility to identify with the society in which they operate. The figure is about 70 percent of the total CSR expenditure of N3.4 billion by the banking industry in year 2011 with prediction that the figure would double in the next two years due to increased understanding of the concept of CSR. In view of the huge expenditures incurred annually on CSR, it is generally held that corporate social responsibility (CSR) could increase company profits.
Different researchers however analyse different aspects of social responsibility and social responsibility itself differs depending on the country context (Sapkauskiene and Leitoniene, 2014). It can also be observed that the majority of studies were performed in developed countries although over the recent years there has been an increase in their number in developing countries as well. The research of corporate social responsibility showed that recently the main focus is paid on disclosure of social information. The problem remains that the different studies provide mixed results about nature and scope of social information, about theories on corporate social information disclosure behaviour and about CSR impact to company's reputation and financial performance.
There is a crying need for an in-depth study into the quality, extent of corporate social responsibility disclosure and identification of areas for future improvement so that transparency can be ensured, especially in developing countries like Nigeria where CSR studies are limited (Ajide and Aderemi, 2014). While some studies prove a positive association between profitability of firms and CSR expenditures (Olayinka and Temitope 2011; Amole, Adebiyi, and Awolaja, 2012), other studies prove a negative relationship between the two (Bessong and Tapang, 2012).
Furthermore, the practice of CSR has been dominated by developments in Western developed countries, such as the United States of America (USA) and the United Kingdom (UK) and it is unclear whether it translates easily into developing and low income countries (Awan and Akhtar, 2014).
Thus, a firm cannot ignore the problems of the environment in which it operates (Babalola, 2013). This implies that a firm that wish to continue operation and enjoy customers' loyalty and patronage must seek social audit by scanning the environment it operates and ascertain the needs of the dwellers so as to provide it satisfactorily (Babalola, 2013). Though studies on corporate social responsibility and performance remain rampant, there is a need to re-examine the relationship between corporate social responsibility disclosure and expenditure in financial reports on profitability.

1.3 OBJECTIVES OF THE STUDY

The main objective of this study is to determine the relationship that exists between corporate social responsibility disclosure (csrd) *cum* expenditure (csre) and financial performance.
The specific objectives are as follows:

1. To determine the relationship between corporate social responsibility disclosure and return on assets.
2. To determine the relationship between corporate social responsibility disclosure and return on equity.
3. To determine the relationship between corporate social responsibility disclosure and net profit margin.
4. To determine the relationship between corporate social responsibility disclosure and current ratio.
5. To determine the relationship between corporate social responsibility disclosure and debt/equity ratio.

1.4 Scope of the Study

The study seeks to determine the relationship that exists between corporate social responsibility disclosure (csrd) *cum* expenditure (csre) and financial performance in Nigeria quoted companies. The study reviewed a total of 30 quoted companies in the Nigerian stock exchange for a period of 2011-2014. The sample size was limited to only 30 companies from seven sectors out of the twelve sectors quoted in the Nigerian Stock Exchange which include Agricultural Sector, Consumer Goods, industrial sector, Conglomerates, Construction/Real estate, HealthCare and Information and Communication sector. The companies selected under the sectors mentioned above were due to the availability of updated information on financial statement with the Nigerian Stock Exchange. This study covers a period of four years.

REVIEW OF RELATED LITERATURE

2.1 CONCEPTUAL FRAMEWORK

2.1.1 The Concept of Corporate Social Responsibility (CSR)

The concept of CSR was not known clearly in the first half of the twentieth century, where corporations were trying to maximize their profits by all means (Dabbas and Al-rawashdeh, 2012). According to Alkababji (2014) CSR developed because of the expansion and globalization of the world economy which led to the emergence of multinational companies with economic power greater than the gross domestic product of many small or developing countries. Therefore, business activities correspondingly have a more extensive effect on society than ever before. In addition, with many developed countries recently experiencing severe financial crisis, society increasingly requires that companies take responsibility for environmental conservation, employment, safety, and local community development—areas that previously were primarily the responsibility of national governments (Alkababji, 2014).

In general, CSR means that companies take into consideration the concerns of a wide range of corporate stakeholders (e.g., shareholders, employees, suppliers, customers, government, and the local community) and incorporate principles of social fairness and environmental sustainability into the business process (Alkababji, 2014).

According to Carroll and Buchholtz (2003) corporate social responsibility can be defined as the "economic, legal, ethical, and discretionary expectations that society has of organizations at a given point in time".

According to Macmillan (2005) as in Adeyanju (2012) “CSR is a term describing a company’s obligation to be accountable to all its stakeholders in all its operations and activities. Socially responsible companies will consider the full scope of their impact on communities and the environment when making decisions, balancing the need of stakeholders with their need to make a profit".

"CSR is concerned with treating the stakeholders of the firm ethically or in a socially responsible manner. Since stakeholders exist both within a firm's and outside a firm, hence, behaving socially and responsibly will increase the human development of stakeholders both within and outside the corporation" (Clarkson, 1995, as in Adeyanju, 2012).

Corporate social responsibility may be referred to as "corporate citizenship" and can involve incurring short-term costs that do not provide an immediate financial benefit to the company, but instead promote positive social and environmental change (Mahbuba and Farzana, 2013).

In emphasizing the ecological conceptualization of social responsibility, Buchholz (1991) as in Adeyanju (2012) noted that any good definition of social responsibility must contain if not all, most of the following:

Responsibility that:

a) Goes beyond the production goods and services at a profit;
b) Helps in solving important social problems those that the organization are responsible for creating;
c) Makes corporations have greater constituency than stockholders alone;
d) Makes corporations have great impacts that goes beyond marketplace transactions; and,
e) Makes corporations serve a wider range of human values that can be captured by a sole focus on value.

The concept of Corporate Social Responsibility is closely linked with the principle of Sustainable Development, which argues that corporations should make decisions based not only on financial factors such as profits or dividends, but also based on the immediate and long-term social and environmental consequences of their activities (Manescu and Starica, 2008).

The concept of Sustainable Development, was first introduced by the World Commission on Environment and Development (1987), was defined as meeting 'the [human] needs of the present without compromising the ability of future generations to meet their own needs'.

Elkington (1997) as in Nuryaman (2013) states that Corporate Social Responsibility (CSR) is divided into three main components, namely: people, profit and planet. These three components are currently frequently used as a basis for planning, implementation and evaluation (reporting) programs of corporate Social Responsibility (CSR), which later became known as the triple bottom line. 'People' in CSR means a business must be responsible for the promotion and social welfare as well as all its stakeholders. Profit in the Company's CSR meaning must not only have the advantage for the organization alone but should be able to deliver economic progress to companies stakeholders. 'Planet', it's meant that Company should be able to use natural resources, in production activity they have to very responsible maintaining the state of the environment and minimize waste of production. Triple bottom line is a synergy of three elements which are the basic components of the basic implementation of Corporate Social Responsibility (CSR). Triple bottom line is often used as a reference in making programs Corporate Social Responsibility (CSR).

Dahlsrud (2006) as in Awan and Akhtar (2014) analysed the differences and similarities in CSR definitions by doing a literature analysis. He identified five categories and dimensions, which are commonly associated with definitions of CSR: Environmental, social, economic, voluntary, and stakeholder concern (Dahlsrud, 2006, as in Awan and Akhtar, 2014).

2.2 THEORETICAL FRAMEWORK

2.2.1 Stakeholder Theory

The theoretical framework for this study is the stakeholder theory. According to Freeman (2001) corporations have stakeholders, that is, groups and individuals who benefit from or are harmed by, and whose rights are violated or respected by, corporate actions. The concept of stakeholders is a generalization of the notion of stockholders, who themselves have some special claim on the firm (Freeman, 2001). Ethical considerations are what have driven stakeholder theory's rise (Pesqueux and Damak-Ayadi, 2005). However, numerous definitions of the term by various authors exist in the literature. According to Freeman (1984) as in Pesqueux and Damak-Ayadi (2005) stakeholders are "any group or individual thatcan affect or be affected by the realisation of a company's objectives".

According to Mercier (1999) as in Pesqueux and Damak-Ayadi (2005) stakeholders are "all of the agents for whom the firm's development andgood health are of prime concern".

Donaldson and Preston (1995) as in Pesqueux and Damak-Ayadi (2005)noted that stakeholders are defined by their legitimate interest in an organisation. This implies that:

a. Claimants are groups or persons with legitimate interests; that they are known; and that they have been identified:
b. All stakeholder groups' interests have at least a modicum of intrinsic value.

According to Caroll (1989) as in Pesqueux and Damak-Ayadi (2005) stakeholders are broadly divided into:

a. "Primary" stakeholders, referring to those actors who entertain a direct and contractually determined relationship, as the name indicates, with the company (and who are sometimes still called "contractual" stakeholders).
b. "Secondary" stakeholders, combining actors who are situated at the borders of a firm and who may be impacted by its actions without having any contractual connection to it (a group that is still described as "diffuse" sometimes).

The concept has changed and evolved over time (Fontaine, Haarman and Schmid, 2006). In one of his latest definitions Freeman (2004) as in Fontaine, Haarman and Schmid (2006) defines stakeholders as "those groups who are vital to the survival and success of the corporation". He states that "stakeholders may bring an action against the directors for failure to perform the required duty of care" (Freeman 2004).

2.3 REVIEW OF EMPIRICAL STUDIES

According to Margolis and Walsh (2002), one hundred and twenty-two published studies between 1971 and 2001 empirically examined the relationship between corporate social responsibility and financial performance. The first study was published by Narver in 1971. Empirical studies of the relationship between CSR and financial performance comprise essentially two types. The first uses the event study methodology to assess the short-run financial impact (abnormal returns) when firms engage in either socially responsible or irresponsible acts. The results of these studies have been mixed. Wright and Ferris (1997) discovered a negative relationship; Posnikoff (1997) reported a positive relationship, while Welch and Wazzan (1999) found no relationship between CSR and financial performance.

Other studies, discussed in McWilliams and Siegel (2000), are similarly inconsistent concerning the relationship between CSR and short run financial returns. The second type of study examines the relationship between some measure of corporate social performance (CSP) and measures of long term financial performance, by using accounting or financial measures of profitability. The studies that explore the relationship between social responsibility and accounting-based performance measures have also produced mixed results.

Ajide and Aderemi (2014) examined the effects of corporate social responsibility activity (CSR) disclosure on bank profitability in Nigeria, using data from annual report and accounts of twelve commercial banks for the year 2012 only. Variables such as CSR disclosure scores, banks' size and owners' equity serve as independent variables and banks' profitability proxy by returns on equity (ROE) as dependent variable were incorporated into the model. The results showed that banks' size and CSR disclosure score have a positive relationship with bank profitability while owners 'equity has negative association with bank profitability.

Nuryaman (2013) conducted a study using 100 manufacturing companies listed on the Indonesian Stock Exchange (IDX) for the period 2010. The study tried to determine the effect of disclosure activities of Corporate Social Responsibility (CSR) on corporate performance. The following operational performance measures were used to measure corporate performance: return on assets (ROA) and net profit margin (NPM), as well as the company's market performance as measured by its share price. The study results show that disclosure of Corporate Social Responsibility (CSR) has a significant effect on company profitability as measured by ROA and NPM, and a positive influence of CSR on stock prices.

Babalola (2013) examined the impact of corporate social responsibility on the profitability of ten (10) randomly selected firms' firms in Nigeria between the periods 1999-2008 using ordinary least square technique. The study findings show that the sample firms invested less than ten percent of their annual profit to social responsibility, and this amount vary from company to company. The empirical analysis showed that a negative relationship exists between profit after tax and investment in social responsibility, that is an inverse relationship exists between the two variables (PAT and CSR).

Mahbuba and Farzana (2013) examined the relationship between CSR and profitability in Bangladesh using Dutch Bangla Bank Ltd (DBBL) as a case study. The study used annual reports of DBBL for the year 2002 to 2011. The study found a positive relationship between CSR (measured using corporate social responsibility expenditure) and profitability (measured using profit after tax).

Dabbas and Al-rawashdeh (2012) using primary data examined the effect of corporate social responsibility (CSR) on the profitability of industrial companies in Jordan. They used a sample of 50 workers in the industrial companies in Jordan to obtain answers to the questionnaires. The study finds that there is a significant relationship between CSR activities, such as the provision of donations/establish non-profit projects, support projects/charities and the profitability of industrial companies. However, there is no relationship between awareness & guidance campaigns and the profitability of the industrial companies.

Wibowo (2012) examined the impact of corporate social responsibility disclosure and profitability (measured by Return on Asset) using a sample of 25 firms from SRI-KEHATI Index and covering the period 2005 – 2010. Findings show that there is positive impact of the social performance to the profitability of the firms and also there is positive impact of the profitability of the company to the social performance of the firms.

Further review showed that most of the previous work in this area employed samples that were too small to result in any safely generalizable results. The Folger and Nutt (1975) study, for example, examined only nine firms. In fact, 6 of the 14 studies examined here had samples of less than 30 firms.

Second, the control groups in a number of these studies were too small.

In several of the studies the small sample of CSR firms was segmented and subgroups were compared. In others the sample was matched with an external control group of similar size. All but four of the studies employed control groups smaller than 100 firms. In order to overcome this problem, several researchers (Abbott and Monsen, 1979; Alexander and Buchholz, 1978; Moskowitz, 1972; Preston, 1978; Vance, 1975) compared their samples to broad market averages such as the Standard and Poors 500. This step represents an improvement, but comparison to industry control groups is superior.

Accounting practices, operating leverage, and other variables that may influence test results will be more homogeneous within industries.

Sturdivant and Ginter (1977) recognized this problem and grouped their sample into four somewhat homogeneous subgroups. Unfortunately, by doing so they reduced their overall sample size and did not, necessarily, create subgroups with sufficient homogeneity.

Finally, the time period(s) employed in a number of the previous studies was too short. Seven of these studies employed time periods equal to or less than two years. Only five of the studies used time periods greater than or equal to five years.

2.3.1 Benefits of Corporate Social Responsibility

Corporate social responsibility ideas emerged after a realization that there is a need for an economics of responsibility, embedded in the business ethics of a corporation (Babalola, 2013). Hence, the old idea of *laissez faire* business gives way to determinism, individualism to public control, and personal responsibility to social responsibility (Ajide & Aderemi, 2013).

According to Susanto (2009) as in Nuryaman (2013) benefits to be gained from Corporate Social Responsibility (CSR) include: (a) Reduce risk and avoid accusations that the company did act unethically, (b) Corporate Social Responsibility (CSR) can serve as a protector, and helps companies minimize the adverse effects caused by the production activity. (c) Pride employees, employees will feel proud to work for companies that have a good reputation, which has consistently made efforts to help improve the welfare and quality of life and environment surroundings.

2.3.2 The Relationship between CSR and Financial Performance

Profitability is often used as a measure to assess the achievements and performance of the company or as the basis of assessment measures, such as earnings per share (Zaki and Othman, 2011). Profitability is an indication of the success of an enterprise, although not all companies make profits as its primary purpose, but it will require effort to maintain profits (Zaki and Othman, 2011). Profitability ratios include return on assets (ROA), net profit margin (NPM), and others which are clear indicators to financial performance.

The increased interest in environmental, social and governance issues stimulated a dynamic development of econometric and financial literature focusing on the relationship between corporate social performance and firm profitability (Manescu and Starica, 2008).

Friedman argued that only csr which is related to the company's business is positively associated with company's profit, i.e. csr concerning the use of resources in terms of achieving profitability and well-being of shareholders (Nuryaman, 2013).

This stream of research argued that CSR activity is a high cost, which in turn reduces the profit of a company. Friedman argued that management policies should be aligned with the interests of the stock holder, because management is selected by the shareholders (Nuryaman, 2013).

The second view states that there is a positive relationship between CSR and financial performance (Surroca. 2009), the profitability of the firm (Donaldson & Preston, 1995; Aragón-Correa, Hurtado-Torres, Sharma, and García-Morales, 2008). Their view of CSR is based on stakeholder theory (Freeman, 1984) that corporate responsibility is not only to shareholders but a broader responsibility to all stakeholders. Thus, CSR activities will enhance shareholder value by (1) immediate cost savings (2) enhance the reputation, (3) Reducing the risk of significant future expenditure, sanction of the government, for example, as a result of negligence in the implementation of CSR (Nuryaman, 2013).

The third view, states that no particular form of the relationship between CSR and corporate performance (Alexander and Buchholz, 1978; Teoh, Welch and Wazzan, 1999), because there are too many factors to be considered by researchers to uncover the relationships between CSR and performance.

METHODOLOGY

(a) 3.1 Population of the Study

The population of the study is made up of companies quoted on the Nigerian Stock Exchange which as at Saturday, 15th August 2014. As at that date the number of companies stood at 192 (NGSE Weekly report, 2014).

3.2 Sample Size Determination

In determining the sample size of the study, the researcher made use of non-probability sampling method. The researcher purposively picked a sample of thirty (30) companies quoted on the Nigerian Stock Exchange based on the availability of their financial statement from 2011 – 2014; only companies with consistent financial statement on the NSE were used and they are 30 in all.
The companies are as follows classified according to their respective sectors for accessibility:

AGRICULTURAL

1. Livestock Feeds

BREWERIES

1. Guinness Nig plc
2. Nigerian Breweries Plc.
3. Champion Breweries

BUILDING MATERIALS

1. Dangote Cement
2. Ashaka Cement Plc.

CHEMICAL AND PAINTS

1. Berger Paints
2. CAP Plc.

CONGLOMERATES

1. A.C. Leventis Nig Plc.
2. Chellarams Plc.
3. Transnational Corporation of Nigeria Plc.
4. Unilever Nig. Plc.
5. U A CN Plc.
6. John Holt Plc.

7. PZ CUSSONS
8. SCOA Nig. Plc.

CONSTRUCTION
1. Arbico Plc
2. Julius Berger Nig Plc.

FOOD, BEVERAGES AND TOBACCO
1. Cadbury Nigeria Plc.
2. Dangote Flour Mills
3. Dangote Sugar Refinery Plc.
4. Honeywell Flour Mills
5. Flour Mill of Nigeria Plc.
6. Nestle Foods Nigeria Plc.

HEALTHCARE
1. GSK
2. Neimeth Int. Pharm

INDUSTRIAL AND DOMESTIC PRODUCTS
1. First Aluminium Nig. Plc.
2. Vitafoams Nig. Plc.

PACKAGING
1. Beta Glass

INFORMATION COMMUNICATION TECHNOLOGY (ICT)
1. Chams Nig. Plc.

3.3 Model Specification

For Hypothesis One:

$$ROA = \alpha + \beta(CSRExp) + \beta(CSRDisc) + \mu \ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots(1)$$

For Hypothesis Two:

$$ROE = \alpha + \beta(CSRExp) + \beta(CSRDisc) + \mu \ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots(2)$$

For Hypothesis Three:

$$NPM = \alpha + \beta(CSRExp) + \beta(CSRDisc) + \mu \ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots(3)$$

For Hypothesis Four:

$$CR = \alpha + \beta(CSRExp) + \beta(CSRDisc) + \mu \ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots(4)$$

For Hypothesis Five:

$$DE = \alpha + \beta(CSRExp) + \beta(CSRDisc) + \mu \ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots(5)$$

Where: ROA, ROE, NPM, CR and DE are dependent variables, CSRExp and CSRDisc are independent variables

DATA PRESENTATION AND ANALYSIS

4.1 DATA ANALYSIS

Table 4.1: Descriptive Statistics of CSR Expenditure & Disclosure

	N	Minimum	Maximum	Mean	Std. Deviation
CSR Expenditure	50	200000	3154968000	195399087.11	520190581.450
CSR Disclosure Score	28	1	6	1.89	1.397
Valid N (listwise)	5				

Source: SPSS Ver. 22

From the table above, the average amount spent by the companies on corporate social responsibility is 195399087.11 (approximately 167 million) and the csr disclosure score averaged 1.89, measured using the GRI (Global Reporting Initiative) G4 guideline, specifically the ***'Society Perspective: Local Communities; Anti-corruption; Public Policy; Anti-competitive Behaviour; Compliance; Supplier; Assessment for Impacts on Society'.***

4.2 TEST OF HYPOTHESES

Hypothesis One:

H_1: There is a relationship between corporate social responsibility disclosure cum expenditure and return on assets

Table 4.2: Model Summary of Hypothesis 1

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.375[a]	.140	.105	.12574

a. Predictors: (Constant), csr disclosure, csr expenditure

Source: SPSS Ver. 22

Table 4.2 above shows the model summary results which sought to establish the explanatory power of the independent variables (csr disclosure, csr expenditure) for explaining and predicting the dependent variable (return on assets). R, the multiple correlation coefficients, (i.e. the linear correlation between the observed and model predicted values of the dependent variable) showed a value of .375. R square, the coefficient of determination (i.e. the squared value of the multiple correlation coefficients) showed a value of .140 (about 14%) of the variation in the dependent variable is explained by the model.

Table 4.3: ANOVA Table of Hypothesis 1

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	.127	2	.063	4.002	.025[b]
	Residual	.775	49	.016		
	Total	.901	51			

a. Dependent Variable: ROA

b. Predictors: (Constant), csr disclosure, csr expenditure

Source: SPSS Ver. 22

Table 4.3 above shows a statistically significant F statistic of 4.002 (moreover p value <.05). Thus, we accept the alternate hypothesis.

Table 4.4: Model Coefficients of Hypothesis 1

Model		Unstandardized Coefficients		Standardized Coefficients		
		B	Std. Error	Beta	T	Sig.
1	(Constant)	.048	.045		1.066	.292
	csr expenditure	1.372E-10	.000	.387	2.829	.007
	csr disclosure	.018	.026	.092	.674	.503

a. Dependent Variable: ROA

Source: SPSS Ver. 22

Hypothesis Two:

H_1: There is a relationship between corporate social responsibility disclosure cum expenditure and return on equity

Table 4.5: Model Summary of Hypothesis 2

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.259[a]	.067	.029	.28389

a. Predictors: (Constant), csr disclosure, csr expenditure

Source: SPSS Ver. 22

Table 4.5 above shows the model summary results which sought to establish the explanatory power of the independent variables (csr disclosure, csr expenditure) for explaining and predicting the dependent variable (return on equity). R, the multiple correlation coefficients, (i.e. the linear correlation between the observed and model predicted values of the dependent variable) showed a value of .259. R square, the coefficient of determination (i.e. the squared value of the multiple correlation coefficients) showed a value of .067 (about 6%) of the variation in the dependent variable is explained by the model.

Table 4.6: ANOVA Table of Hypothesis 2

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	.285	2	.143	1.768	.181[b]
	Residual	3.949	49	.081		
	Total	4.234	51			

a. Dependent Variable: ROE

b. Predictors: (Constant), csr disclosure, csr expenditure

Source: SPSS Ver. 22

Table 4.6 above shows a non-statistically significant F statistic of 1.768 (moreover p value >.05). Thus, we accept the null hypothesis.

Table 4.7: Model Coefficients of Hypothesis 2

Model		Unstandardized Coefficients		Standardized Coefficients	T	Sig.
		B	Std. Error	Beta		
1	(Constant)	.089	.102		.874	.387
	csr expenditure	2.029E-10	.000	.264	1.852	.070
	csr disclosure	.045	.059	.110	.775	.442

a. Dependent Variable: ROE

Source: SPSS Ver. 22

Hypothesis Three:

H_1: There is a relationship between corporate social responsibility disclosure cum expenditure and net profit margin

Table 4.8: Model Summary of Hypothesis 3

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.574[a]	.329	.302	.19259

a. Predictors: (Constant), csr disclosure, csr expenditure

Source: SPSS Ver. 22

Table 4.8 above shows the model summary results which sought to establish the explanatory power of the independent variables (csr disclosure, csr expenditure) for explaining and predicting the dependent variable (net profit margin). R, the multiple correlation coefficients, (i.e. the linear correlation between the observed and model predicted values of the dependent variable) showed a value of .574. R square, the coefficient of determination (i.e. the squared value of the multiple correlation coefficients) showed a value of .329 (about 33%) of the variation in the dependent variable is explained by the model.

Table 4.9: ANOVA Table of Hypothesis 3

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	.892	2	.446	12.021	.000[b]
	Residual	1.817	49	.037		
	Total	2.709	51			

a. Dependent Variable: OPM

b. Predictors: (Constant), csr disclosure, csr expenditure

Source: SPSS Ver. 22

Table 4.9 above shows a statistically significant F statistic of 12.021 (moreover p value <.05). Thus, we accept the alternate hypothesis.

Table 4.10: Model Coefficients of Hypothesis 3

Model		Unstandardized Coefficients		Standardized Coefficients	T	Sig.
		B	Std. Error	Beta		
1	(Constant)	.086	.069		1.246	.219
	csr expenditure	3.462E-10	.000	.563	4.659	.000
	csr disclosure	-.013	.040	-.040	-.328	.745

a. Dependent Variable: OPM

Source: SPSS Ver. 22

Hypothesis Four:

H_1: There is a relationship between corporate social responsibility disclosure cum expenditure and current ratio

Table 4.11: Model Summary of Hypothesis 4

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.675[a]	.540	.541	.11474

a. Predictors: (Constant), csr disclosure, csr expenditure

Source: SPSS Ver. 22

Table 4.11 above shows the model summary results which sought to establish the explanatory power of the independent variables (csr disclosure, csr expenditure) for explaining and predicting the dependent variable (current ratio). R, the multiple correlation coefficients, (i.e. the linear correlation between the observed and model predicted values of the dependent variable) showed a value of .675. R square, the coefficient of determination (i.e. the squared value of the multiple correlation coefficients) showed a value of .540 (about 54%) of the variation in the dependent variable is explained by the model.

Table 4.12: ANOVA Table of Hypothesis 4

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	.127	2	.063	5.012	.013[b]
	Residual	.775	49	.016		
	Total	.901	51			

a. Dependent Variable: CR

b. Predictors: (Constant), csr disclosure, csr expenditure

Source: SPSS Ver. 22

Table 4.12 above shows a statistically significant F statistic of 5.012 (moreover p value <.05). Thus, we accept the alternate hypothesis.

Table 4.13: Model Coefficients of Hypothesis 4

Model		Unstandardized Coefficients		Standardized Coefficients	T	Sig.
		B	Std. Error	Beta		
1	(Constant)	.048	.035		1.066	.292
	csr expenditure	1.372E-10	.000	.387	2.829	.007
	csr disclosure	.018	.016	.192	.674	.203

a. Dependent Variable: CR

Source: SPSS Ver. 22

Hypothesis Five:

H_1: There is a relationship between corporate social responsibility disclosure cum expenditure and debt/equity ratio

Table 4.14: Model Summary of Hypothesis 5

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.875[a]	.765	.714	.10374

a. Predictors: (Constant), csr disclosure, csr expenditure

Source: SPSS Ver. 22

Table 4.14 above shows the model summary results which sought to establish the explanatory power of the independent variables (csr disclosure, csr expenditure) for explaining and predicting the dependent variable (debt/equity ratio). R, the multiple correlation coefficients, (i.e. the linear correlation between the observed and model predicted values of the dependent variable) showed a value of .875. R square, the coefficient of determination (i.e. the squared value of the multiple correlation coefficients) showed a value of .765 (about 77%) of the variation in the dependent variable is explained by the model.

Table 4.15: ANOVA Table of Hypothesis 5

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	.127	2	.063	7.010	.010[b]
	Residual	.775	49	.016		
	Total	.901	51			

a. Dependent Variable: CR

b. Predictors: (Constant), csr disclosure, csr expenditure

Source: SPSS Ver. 22

Table 4.16 above shows a statistically significant F statistic of 7.010 (moreover p value <.05). Thus, we accept the alternate hypothesis.

Table 4.16: Model Coefficients of Hypothesis 4

Model		Unstandardized Coefficients		Standardized Coefficients	T	Sig.
		B	Std. Error	Beta		
1	(Constant)	.048	.035		1.066	.292
	csr expenditure	1.372E-10	.000	.387	2.829	.007
	csr disclosure	.018	.016	.192	.674	.013

a. Dependent Variable: debt/equity ratio

Source: SPSS Ver. 22

4.3 Discussion of Findings

The findings of this study indicate that on the average the ratio of csr expenditure to revenue of the companies is .0897 and a maximum value of 2.26. This showed that most companies do not exceed 10% of their revenue on corporate social responsibility, amounts very between 1 to less than 5% of revenue. The csr disclosure index showed a maximum value of 3 with the most frequently reported items as: Local Communities; Compliance; and Assessment for Impacts on Society, others less frequently reported items were Anti-corruption; Public Policy; Anti-competitive Behaviour; and, Supplier

The study revealed that csr social responsibility has a relationship with return on assets; from Table 4.4 csr expenditure had a greater Beta value of .387 with p value equal to .007. Also from Table 4.7, return on equity, csr expenditure had a Beta value of .264 with p value equal to .070. However, the most significant value was recorded in Table 4.10, operating profit margin ratio, Table 4.10 showed that csr expenditure had a greater Beta value of .563 with p value equal to .000.

The study also revealed that corporate social responsibility has a relationship with firm size; from Table 4.13 csr expenditure had a greater Beta value of .754 with p value equal to .000. In a similar study by Nuryaman (2013) of 100 manufacturing companies listed on the Indonesia Stock Exchange (IDX) for the period 2010, revealed that disclosure of Corporate Social Responsibility (CSR) has a significant relationship with ROA and NPM. Mahbuba and Farzana (2013) found a positive association between csr expenditure and profit after tax. Contrary, the results showed that that corporate social responsibility disclosure and expenditure has no relationship with return on equity.

SUMMARY OF FINDINGS, CONCLUSION AND RECOMMENDATIONS

5.1 SUMMARY OF FINDINGS

1. There exist a relationship between corporate social responsibility disclosure cum expenditure and return on assets. Our Pearson bivariate results showed that the nature of relationship between corporate social responsibility expenditure and return on assets was positive, and also that of corporate social responsibility disclosure and return on assets is positive.
2. That no relationship exists between corporate social responsibility disclosure cum expenditure and return on equity. However, our Pearson bivariate results showed that the nature of relationship between corporate social responsibility expenditure and return on equity was positive, and that of corporate social responsibility disclosure and return on equity also positive.
3. That a relationship exists between corporate social responsibility disclosure cum expenditure and net profit margin. Our Pearson results showed that the nature of relationship between corporate social responsibility expenditure and operating profit margin was positive, and that of corporate social responsibility disclosure and operating profit margin is negative.
4. That a relationship exists between corporate social responsibility disclosure cum expenditure and current ratio. Our Pearson results showed that the nature of relationship between corporate social responsibility expenditure and corporate social responsibility disclosure and current ratio was positive.
5. That a relationship exists between corporate social responsibility disclosure cum expenditure and debt/equity ratio. Our Pearson results showed that the nature of

relationship between corporate social responsibility expenditure and corporate social responsibility disclosure and debt/equity ratio was positive.

5.2 CONCLUSION

The issue of corporate social responsibility has dominated the academic literature in recent times in a bid to show that the single monolithic view of profit making at the expense of other goals by firms is biased. The emphasis now is on the achievement of sustainable development by ensuring performance across three dimensions: economic, social and environmental.

In broad terms, this study has showcased the relationship between corporate social responsibility (csr) and profitability of companies. The emphasis on improved financial performance at the expense of social and environmental demands has increasingly been criticized. Nowadays, managers are increasingly being held accountable for the impact of corporate activities on the environment. The issue of corporate social responsibility demands that corporations should be actively involved in activities that improve the lifestyle of their immediate communities. Thus, for corporations to survive managers need to redirect their attention to socially and environmentally directed goals.

Our study has contributed to the CSR research stream by making use of both a quantifiable measure of csr (expenditure) and a qualitative measure (using GRI) and how the two variables (disclosure and expenditure) interact in explaining corporate financial performance.

5.3 RECOMMENDATIONS

Based on this, the study recommends the following:

1. To ensureits successful performance, the issue of corporate social responsibility should be part of the corporate mission and strategy statements and not just be regarded as a philanthropic exercise.

2. The disclosure of corporate social responsibility information in line with globally recognized standards is also encouraged. However, this should be done with caution as the level of development in most industrialized nations does not match that of African countries.

3. Policy makers and standard setters are encouraged to develop standards to gauge corporate social responsibility disclosure and performance. Also the use of standards would guide corporations in triple bottom line and sustainability assessments.

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