

**DETERMINANTS OF CORPORATE SOCIAL RESPONSIBILITY OF QUOTED
CONGLOMERATES IN NIGERIA**

BY

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ZARIA.**

JANUARY, 2016

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M.Sc/Admin/12782/2011-2012**

**BEING A DISSERTATION SUBMITTED TO THE SCHOOL OF POSTGRADUATE
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ACCOUNTING AND FINANCE**

**DEPARTMENT OF ACCOUNTING,
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ZARIA.**

JANUARY, 2016

DECLARATION

I, Taimako Thomas OMBUGU, hereby declare that this dissertation entitled determinants of corporate social responsibility of quoted conglomerates in Nigeria is the product of my research efforts, in the Department of Accounting, Ahmadu Bello University, Zaria under the supervision of Dr Luka Mailafia and Dr A. C. Dikki. All information derived from relevant literature has been duly acknowledged in the text and a list of references provided. No part of this thesis was previously presented for another degree at this or any other institution.

.....
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.....
DATE

CERTIFICATION

This dissertation, entitled **DETERMINANTS OF CORPORATE SOCIAL RESPONSIBILITY OF QUOTED CONGLOMERATES IN NIGERIA** by

Taimako Thomas OMBUGU meets the regulations governing the award of the degree of Master of Science (M.Sc) in Accounting and Finance of the Ahmadu Bello University, Zaria, and is approved for its contribution to knowledge and literary presentation.

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DEDICATION

This dissertation is dedicated to our Almighty God for the grace to be admitted for the programme and for His continuous guidance and support in given me the strength and the ability to successfully complete the study.

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ABSTRACT

Over the years, there has been tremendous increase in the corporate social responsibility (CSR) behavior of firms globally. However, the growing awareness seems to be occasioned by various degrees of commitment among firms. This study therefore, attempts to investigate the factors that determine the practice of CSR by listed conglomerates in Nigeria. Specifically, it proffers answers to whether profitability, firm size, firm growth and leverage significantly influence firms' CSR participation in the Nigeria conglomerates? It employed quantitative data from 2009 to 2013 which were sourced from the Annual Reports of seven (7) sampled companies. With the use of multiple linear regression models, the study selected explanatory variables such as profitability, firm size, firm growth and leverage in order to establish a functional relationship with CSR; the explained variable. The findings revealed that profitability and firm size are positively and significantly influencing CSR of conglomerates in Nigeria. While firm growth was found to be negative and insignificant in influencing CSR of conglomerates whereas, leverage showed a negative and significant effect in explaining and predicting CSR of conglomerates in Nigeria. The study concludes that profitability and size of firms determine CSR while growth does not influence CSR whereas, leverage negatively influence CSR. Therefore, it is recommended that management should review promotional strategies in order to make firms highly profitable; retained earnings should be improved in order to increase firms' size; CSR orientation should be cultivated especially by high growing firms; and firms should refrain from taking too much credit facility.

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CHAPTER ONE INTRODUCTION

1.1 Background to the Study

Business has positioned itself as a key player on the global development agenda. It can be ascertained that business organisations today have an unprecedented potential to contribute towards some of the most pressing developmental needs (Barkemeyer, 2007). Firms around the world are now struggling with a new role, which is to meet the needs of the present generation without compromising the ability of the next generations to meet their own needs. Organizations are being called upon to take responsibility for the ways their operations impact on the societies and the natural environment. They are also being asked to apply sustainability principles to the ways in which they conduct their businesses (D' Amato, Henderson & Florence, 2009). Over the years, companies all over the world have come under intense pressure to be socially and environmentally responsible. Hence, firms must now focus attention on both increasing profitability and being a good corporate citizen. Keeping abreast of global trends and remaining committed to financial obligations to deliver both private and public benefits have forced organizations to reshape their frameworks, rules, and business models (D' Amato, Henderson & Florence, 2009).

The literature on Corporate Social Responsibility (CSR) has emerged from a variety of disciplines, such as Sociology, Philosophy, Accounting, Management, Finance, Law and Politics (Porter & Kramer, 2006 and Jones, 1995). In the debate on CSR, two broad schools of thought emerged; the classical or free market view and the socio-economic

view. The proponents of free market view (Levitt, Friedman and Mackey & Mackey) argued that it is not the job of businesses to be concerned about social issues and problems. Business has an only task to maximize profits and create wealth for shareholders. It should not interfere in social problems as it is a field of government regulation (Levitt (1958), Friedman (1970) and Mackey and Mackey (2007)).

Socio-economic scholars (Caroll, Freeman and others) argued that business is more than just economic unit, it is a part of complex surrounding consisting of various intermediaries like consumers, suppliers, mass-media, unions, employees and shareholders and it should definitely help the society, in carrying out various social programs and cooperate with government (Freeman (1984), Jones (1995), Caroll (1979), O'Dwyer (2002), Cooper & Owen (2007), and Detomasi (2008)). Traditionally, firms have been concerned with profits maximization. However, "it appears that the culture around the globe has been changing. People are beginning to judge corporations for their actions. Recently many corporations have gone to great lengths to make sure that their companies are being viewed as socially responsible by the public eye" (Spilectic, 2013: 85).

Furthermore, nowadays, management is being held responsible not only for the efficiency of operations as expressed in profitability performance but also for what is done about an endless number of social problems. This requires companies to undertake additional but discretionary activity beyond traditional objective of maximizing shareholders wealth. Casewell (2004) states that, CSR and sustainability are used inter-changeably to mean the

same thing, therefore, for any organisation to be sustainable in the long run; it first needs to be financially self-sufficient, thereafter strive to be socially responsible. This can be achieved by ensuring that its environmental and social impacts are monitored to conform to the stakeholders' expectations and ethical values. Companies often provide sustainable economic benefit to the society; in return, the society supplies them with numerous critical resources in the form of access to employees, natural resources, infrastructures, customers and legitimacy (Bailey, Harte & Sugden, 2000 and Reich, 1998). It has been maintained that companies are social creations whose very existence depends on the willingness of the wider society to endure and support them (Cannon, 1992; Reich, 1998). Therefore, they are deemed to agree to perform various socially desired actions in return for their acceptance as legitimate institutions in society. O'Dwyer (2002) opined that the quest for acceptance results in the formulation of several (often) strategic tactics aimed at convincing the wider society that an organisation is a legitimate institution. Many of these tactics tend to concentrate on changing or controlling the public perception of an organisation in response to threats to its legitimacy arising from social pressure (Abba, 2012).

Large companies especially conglomerate firms have incorporated CSR issues into their long-term corporate policies because of its strategic importance. Conglomerates are often multi-industry companies, often large and multinational. A conglomerate is a combination of two or more corporations engaged in entirely different businesses that fall under one corporate group, usually involving a parent company and many subsidiaries. In spite of the fact that CSR is still voluntary, firms devote huge resources in executing

social projects. This sparked several studies into why and what factors determine firm's social responsibility behaviour. Studies across the globe have found CSR to have "a remarkable long-term fiscal advantage" (Lin, Yang & Liou, 2009). However, several different factors have been found to be the determinants of social behaviour of firms.

Profitability of firms is a variable that strongly influences the engagement of firms in CSR activities because it provides the needed resources for payment of dividends and the execution of CSR projects which is current investment for future growth and survival of the firm. The work of Tsoutsoura (2004); Hussainey, Elsayed & Razik (2011) and Musa & Hassan (2013) empirically revealed that profitability is a main determinant of CSR. Dividend payout is also associated with social behaviour of firms. Benlemlih (2014) found that high CSR firms pay more dividends than low CSR firms.

The ability of firms to engage in CSR projects is largely determined by the sizes of the firms. Large firms have more capacity and resources to execute social welfare projects than small firms. The findings of several studies revealed that size is significantly and positively influencing CSR pattern of firms (Al-Shubiri, Al-Abedallat & Orabi, 2012; Cowen, Ferreri & Parker, 1987; Belkaoui & Karpik, 1989; Trotman & Bradely, 1981; Ho & Taylor, 2007; Garcia-Ayuso & Larrinage, 2003 and Brammer & Pavelin, 2004). Corporate Social behaviour of firms could also be influenced by the growth of the firms. This is because; firms' growth is usually occasioned by the ability of firms to retend profit over time and/or effective and efficient management of the firms' resources. This view is supported by the work of Musa & Hassan (2013) and Al-Shubiri *et al.* (2012).

Leverage is another characteristic that could have impact on CSR. This may be because the capital structure of a firm has great consequences on the financial position of the firm. Studies on leverage and CSR found mixed results. The influence of leverage on social behaviour of firms is supported by the work of Ahmad, Hassan & Mohammed (2003) and Musa & Hassan (2013). While Ho & Taylor (2007) and Reverte (2009) found no relationship between leverage and CSR.

In developed economies there are government regulations, society pressure groups and green consumer pressure reawakening corporate attention to strategic and competitive role of CSR to corporate survival. However, in Nigeria and other developing economies, the understanding is somewhat different mainly because of weak government regulations and lack of organised pressure groups and consumer awareness to influence corporate behaviour (Ngwakwe, 2009).

The call on firms in Nigeria to be socially responsible came to reckoning by the activities of youths in the Niger Delta region (Ejumudo, Edo, Avweromre & Sagay, 2012). Protests (sometimes violent) by host communities are a major way of attracting attention of the oil companies, government and the general public to their plight. These pressure groups have metamorphosed into proliferation of arms, emergence of militias, kidnapping, armed robbery, inter and intra community clashes etc which created insecurity, hampered development and generally caused Nigeria daily oil production to drop (Ejumudo *et al.*, 2012). Firms in the oil industry responded to pressure from the violent Niger Delta youths and started embarking on socially responsible corporate projects and programmes

in host communities. With increased demand and awareness, firms in other industries in the country integrated CSR into their corporate policy and practice as part of corporate goal. However, despite the practice of CSR in the country, not all listed firms are part of the story (Ejumudo *et al.*, 2012). Some industries have not started and seem not to realize the importance of being socially responsible.

The concern therefore is what determines firms' participation in CSR and by what extent? Campbell (2007) proposed conditions to include the general financial condition of the firm, the health of the economy, and the level of competition among others. To Adeyemo, Oyebamiji & Alimi (2013), factors that influence CSR practices are competition, employees demand, government policy, organisational culture and customer demand. Different studies found variables that influence CSR to include among others size, industry, profitability, growth, dividend and leverage. This study therefore, seeks to investigate conglomerate firms in Nigeria in order to identify the determinants of CSR.

1.2 Statement of the Problem

Despite the divergent views on CSR, a large number of companies appear increasingly engaged in a serious effort to define and integrate it into all aspects of their businesses (Zu & Song, 2008). Moreover, in today's world where business has become global but governments have remained local, companies have to bear the social responsibility for their actions (D' Amato, Henderson & Florence, 2009).

Notwithstanding the universal pressure on business organisations to be socially responsible, a cozy analysis of companies' reports in Nigeria shows that not all firms practice CSR. And the companies that practice it do it at various degrees of commitment. The puzzling issue now is what determines firm's participation in CSR? Observation of the practice of CSR in Nigeria reveals that some factors could be influencing companies' behaviour. Available studies also reveal several factors as determinants of firms' engagement in CSR.

It is generally believed that performance of companies is the principal factor influencing the social responsibility of firms. Highly profitable firms are favourably disposed to use part of the profits to execute social projects than less profitable firms. The findings of some studies show profitability as a major influence on the practice of CSR (Hussainey *et al.* (2011); Musa & Hassan (2013) and Tsoutsoura (2004)). On the contrary, some studies found profitability to be an insignificant explanatory variable (Patten, 1991) while others found it significant but in negative association with CSR (Ho & Taylor, 2007). This study therefore looks at whether the profitability of firms in the conglomerate industry influences their practice of CSR or not.

Size is a significant variable in determining the behaviour of a firm. Several studies examined the impact of size as a determinant of CSR and found it to be a significant explanatory variable in influencing CSR (Al-Shubiri *et al.*, 2012; Ho & Taylor, 2007; Brammer & Pavelin, 2004; Jinfeng & Huifeng (2009) and Garcia-Sanchez (2008). This

study would consider size as a variable in explaining the practice of CSR by conglomerate firms in Nigeria.

The growth of firms is an indication of good financial performance and ultimately a factor that could serve as a catalyst in boosting a firm's engagement in CSR activities. Few researches conducted using growth as a firm characteristics in determining CSR found it to be significant in explaining firm's participation in CSR (Musa & Hassan, 2013) while others found it to be insignificant (Rahman, 2011). Leverage is also an important factor in the financial position of a firm. Several studies examined the relationship between leverage and CSR and the results revealed leverage to be positively, strongly and significantly influencing CSR practice (Musa & Hassan, 2013 and Ahmad *et al.*, 2003). While other studies found no significant relationship between leverage and CSR (Ho & Taylor, 2007). The findings show mixed results, therefore, this work to be carried out in the Nigerian conglomerate industry would regress growth and leverage among other variables against CSR in order to determine the relationship.

Besides the diverse findings of the studies on the determinants of CSR, most of the existing works were carried out outside Nigeria (Al-Shubiri *et al.*, 2012 Hussainey *et al.*, 2011 and Chih *et al.* 2010). The few works carried out in Nigeria are in the banking and other sectors of the economy (see Musa & Hassan, 2013 and Adeyemo *et al.*, 2013). Moreover, these studies covered the period before 2012 and hence do not cover the most current period which reflects the present reality. Also, methodologically, few of the previous works reviewed used primary data, simple percentages and/or content analysis

(Adeyemo *et al.*, 2013 and Abba, 2012). Therefore, this study would employ quantitative data from 2009 to 2013 using regression analysis and examine conglomerate firms in Nigeria in order to ascertain whether profitability of firms, firm size, firm growth and leverage determine the extent of firms' participation in CSR.

1.3 Objectives of the Study

The main objective of the study is to investigate the factors that influence the practice of CSR. The specific objectives of the study are to:

- (i) Examine the extent to which profitability influences firms' CSR participation in the Nigerian conglomerate firms.
- (ii) Identify the degree to which size makes firms to be socially responsible in the Nigerian conglomerate firms.
- (iii) Determine the degree of influence of firms' growth on the practice of CSR in the Nigerian conglomerate firms.
- (iv) Find out the extent to which leverage influences firms' practice of CSR in the Nigerian conglomerate firms.

1.4 Research Hypotheses

In view of the objectives of the study, the following hypotheses have been formulated in null form:

- (i) Profitability does not significantly influence firms' CSR participation in the Nigerian conglomerate firms.

- (ii) Firm's size does not significantly influence the social responsibility of Nigerian conglomerate firms.
- (iii) Firm's growth does not significantly affect the practice of CSR in the Nigerian conglomerate firms.
- (iv) Leverage does not significantly influence the practice of CSR by the Nigerian conglomerate firms.

1.5 Scope of the Study

This study focuses on the determinants of CSR in the Nigerian conglomerate firms that are listed on the Nigerian Stock Exchange (A.G. Leventis (Nig) PLC, Chellarams PLC, John Holt PLC, P.Z. Cussons Nig PLC, SCOA (Nig) PLC, Transnational Corp. of Nig PLC, UAC of Nig PLC, and Unilever Nig PLC). It covers the period of five (5) years from 2009 to 2013. This period was chosen because it is the period after conglomerates in Nigeria experienced transformation and expansion. Therefore, this period was chosen to ensure that the study captures the effects of the changes on CSR. There are many factors that can influence the practice of CSR as revealed by the extensive theoretical review, but this study limits itself to the study of such variables as profitability, firm's size, firm's growth and leverage. This is because, these four (4) variables seems to be the most argued than the other factors. Hence, the selection was made in order to know whether these variables really determine CSR.

1.6 Significance of the Study

This study would be very important as the findings would extend the frontier of knowledge and provide knowledge base in the area of determinants of CSR in the Nigeria conglomerate industry. This is imperative because the few studies on the determinants of

CSR in Nigeria are outside of the domain of this study and with different focus. The study would benefit the following:

Conglomerate firms would benefit from the study in that it would provide the needed theoretical information on factors that positively or otherwise influence the practice of CSR. The findings and the recommendations of the study would also provide the base and veritable tool for informed decisions on CSR programmes.

The management of organisations especially in West Africa would also benefit immensely from the study. This is because, the appropriate application of the findings and the recommendations would result to sound policies formulation.

The findings of the study would be of immense benefits to government and regulators in Nigeria as it would provide a useful guide for the formulation of policies and decisions on CSR.

Also, the study would be beneficial to the researcher and potential researchers as a research tool, which would provide sound theoretical knowledge on determinants of CSR and the methodology required for carrying out research.

CHAPTER TWO

LITERATURE REVIEW AND THEORETICAL FRAMEWORK

2.1 Introduction

This chapter reviews literature on CSR and related concepts. It discusses the concept of CSR and the independent variables of the study. It also discusses reasons why companies engage in CSR. Empirical studies on factors influencing CSR were reviewed and the theoretical framework presented.

2.2 Concept of Corporate Social Responsibility

The Concept of CSR has no one universally accepted definition, and exists in multiple related concepts and terms which are interchangeable with CSR. Several definitions by different authors and bodies have been given to explain the meaning of CSR.

The World Business Council for Sustainable Development (WBCSD, 2000) defines CSR as “the continuing commitment by business to behave ethically and contribute to economic development while improving the quality of work life of the workforce and their families as well as of the local community and society at large”. As cited in Mbare, 2007, Hicks (2000) asserts that CSR centers on the relationship between business and society and how businesses behave towards their key stakeholders such as employees, customers, investors, suppliers, communities, and special interest groups. To the Canadian Business for Social Responsibility, CSR is defined as “A Company’s commitment to operating in an economically and environmentally sustainable manner; at the same time, recognise the interests of its stakeholders” (Mbare, 2007).

According to European Commission (2002), CSR is defined as a “concept whereby companies integrate social and environmental concerns in their business operations and in their interactions with their stakeholders on a voluntary basis”. Smith (2011) defined CSR as ‘a business system that enables the production and distribution of wealth for the betterment of its stakeholders through the implementation and integration of ethical systems and sustainable management practices. CSR is a business philosophy in terms of social investing aimed to build up social capital and to improve the economic performance of the firm (Waddock (2001) as cited in Sukcharoensin, 2012). More recently, McWilliams & Siegel (2001) defined it as actions that appear to further some social good, beyond the interests of the firm and that which is required by law (Amaeshi, Adi, Ogbechie & Amao (2006).

There exist diverse definitions of CSR. However, the most comprehensive definition is given by Rizk, Dixon & Woodhead (2008: 306) who define CSR as “the process of communicating the social and environmental effects of organisations’ economic actions to particular interest groups within society and to society at large. As such, it involves extending the accountability of organisations (particularly) companies; beyond the traditional role of providing a financial account to the owners of capital, in particular shareholders. Such an extension is predicated upon the assumption that companies do have wider responsibilities than simply to make money for their shareholders”. Carroll (1979) saw corporate social responsibility as a construct with four main components: economic responsibility to investors and consumers, legal responsibility to the government or the law, ethical responsibilities to society, and discretionary responsibility

to the community (Adeyemo *et al.*, 2013). According to Business for Social Responsibility (BSR), CSR is defined as achieving commercial success in ways that honor ethical values and respect people, communities, and the natural environment (Tsoutsoura, 2004).

For the purpose of this study, CSR is defined as the voluntary donations by firms or organisations to improve the living conditions of the society in which they operate. The relationship between a corporation and its environment and the role that CSR plays in influencing this relationship has become important business issues over the last few decades (Yao, Wang & Song, 2011). CSR can be easily described as a culture whereby corporate organisations align their activities with the social, economic and environmental expectations of its stakeholders. The goal of CSR is to embrace responsibility for the organisation's actions and encourage a positive impact through its activities on the economy, environment, consumers, employees, communities, stakeholders, and all other members of the public sphere.

There are two extreme schools of thought on the idea of CSR; the classical and socio-economic schools of thought. "First make money and then do good" is a popular statement accredited to the opponents of CSR, the classical or free market school, to them business is all about profit and they do not feel obligated to anybody to either initiate or support any CSR project. They are mainly capitalists and all they owe the society is to pay their taxes and run their businesses in accordance with the law. Schwartz (2011) mentioned the view point of Milton Friedman (one of the most notable opponents of

CSR) which states that “there is one and only one social responsibility of business to use its resources and engage in activities designed to increase its profits so long as it stays within the rules of the game, which is to say, engages in open and free competition without deception and fraud”.

However in recent times, the classical school of thought have changed their view on the issue of CSR by developing a proposition called “triple bottom line” (people, planet, profit), and also the shared value concept promoted by Michael E. Porter, a Harvard Business School Professor and Mark R. Kramer, a consultant and a senior fellow in the CSR program at the Kennedy School of Government at Harvard. In a lengthy article in the Harvard Business Review titled, “Creating Shared Value: How to reinvent capitalism – and unleash a wave of innovation and growth” they have been championing the shared-value concept in conferences and meetings with corporate leaders and other stakeholders. The shared-value concept builds on the ideas of CSR, but it emphasizes profit-making not just as a possibility but as a priority. Shared value points toward “a more sophisticated form of capitalism”, in which “the ability to address societal issues is integral to profit maximization instead of treated as outside the profit model” (Arguments for and against CSR, 2013).

The socio-economic school of thought comprises of original proponents of CSR who believe that, “companies can grow well by doing good”. They support corporate initiatives that address social concerns including environmental pollution, natural-resource depletion, public health and the needs of the poor. This school sees CSR as

“impact investing” and not a profit making venture but a way of giving back to society (International Business for Entrepreneurs, 2014:). Proponents of socio-economic school argue that socially responsible practices can have a positive impact on the bottom line, in ways including human resources recruitment and retention, risk management via reduced corruption scandals or environmental accidents, brand differentiation with greater consumer loyalty and more long term profits by operating with this perspective (International Business for Entrepreneurs, 2014). Freeman (1984) asserts that managers must satisfy a variety of constituents (workers, customers, suppliers, local community and organisations) who can influence firm outcomes. The views of Carroll (1979), Jones (1995), O’Dwyer (2002), and Cooper & Owen (2007) support the socio-economic school school of thought.

The poverty of a nation’s citizens, political unrest, exhaustion of natural resources, can have destructive effects for a corporation. A firm cannot healthily operate while neglecting its environment. This has thus entrenched CSR as a corporate dictate.

2.2.1 Reasons Why Companies Engage in Corporate Social Responsibility

Miles & Munilla (2005) describes the motives for participating in CSR by using Van Marrewijk’s (2003) CSR Framework and Carroll’s (1991) Pyramid of Corporate Social Responsibility. As presented in the table below, it illustrates how different levels of commitment to CSR are related to motives and outcomes. The framework describes that a company’s CSR philosophy can be, compliance driven, profit driven, driven by caring, synergetic or holistic. In the first stage of CSR category, which is called the legal stage, companies engage in CSR as it is their duty and obligation to follow laws and

regulations. In the economic stage, companies use CSR as a strategy to create a competitive advantage and gain improved financial performance. The ethical and philanthropic stage has the aim to have a balance between the profit, people and the planet. In this stage the company does not only focus on profit but also on social welfare (Miles & Munilla, 2005).

Table 2.1: The Interrelationship of CSR Framework and Pyramid of Corporate Social Responsibility

| CSR level | ambition | Motives (Van Marrewijk, 2003) | CSR Category (Carroll 1991) |
|--------------------------|-----------------|--|---|
| Compliance driven | | Duty to society, CSR as a social obligation- perception of CSR expenditures as simply a cost. Economic responsibility is paramount | Legal |
| Profit driven | | CSR as a strategic initiative- using CSR to create competitive advantage and superior financial performance. CSR expenditure perceived as an investment in the creation and renewal of competitive advantage – resulting in an enhanced stream of future profit. | Economic |
| Caring | | Economic responsibility is paramount. Using CSR to balance the triple bottom line of profits, people and planet. Explicitly stating that the corporation will manage for social welfare, not simply to create wealth for shareholders. Social and/or environmental trumps economic responsibility. | Ethical and philanthropic |
| Synergetic | | Use of CSR to attempt to create a “sustainable corporation”- that will be able to be an ongoing concern over the long run. Social and/or environmental is strategically used to create competitive advantage and meet the corporation’s economic responsibilities. | Economic, legal, ethical and philanthropic |
| Holistic | | CSR as a corporate culture- similar to when firm adopts a marketing, entrepreneurial, or quality orientation. Social and/or environmental responsibility is strategically used to create competitive advantage and meet the corporation’s economic responsibilities. | Economic, legal, ethical and philanthropic. |

Source: Miles & Munilla (2005)

Studies revealed that companies can gain enormous benefits by being socially responsible. Kotler and Lee (2005) argue that companies participate in CSR in order to

look better, feel better, do better and live longer. They explain that by participating in CSR the company will look good in the view of potential customers, business colleagues, investors, the media and the like. Furthermore, employees, customers, stockholders and board members will actually feel good. CSR improves the brand and companies with strong reputation for CSR last longer. Osemene (2012) identified benefits that may accrue to organisations that incorporate CSR to include: increased brand value, greater access to finance, healthier and safer workplace, stronger risk management and corporate governance, motivated people and community; customer loyalty, enhanced confidence and trust of stakeholders, enhanced public image and economic success. He further argued that any organisation that incorporates CSR as a core business is not doing any special favour to the society but is indirectly creating more avenues for a greater growth, success and profitability. Kotler and Lee (2005) assert that companies can gain great benefits from participating in CSR and that these benefits are the reasons for their engagement in CSR.

2.3 Determinants of Corporate Social Responsibility

Friedman's 1962 doctrine that a corporation's responsibility is only to maximize profit is no longer an acceptable way of doing business and Corporations have been urged to accept responsibility for effects that businesses might have on society. Echave & Bhati (2010) asserts that there has been a tremendous growth in the awareness of social responsibility of corporations in recent years and a large number of companies appear increasingly engaged in a serious effort to define and integrate CSR into all aspects of their businesses. According to Zu & Song (2008), "Corporate executives have also

encountered demands from multiple stakeholder groups to devote resources to CSR. This may be partially due to the pressure generated by a union of ethics-oriented campaigners including NGOs, anti-capitalism activists, labour unions, and news media; and partially due to the demand for doing so by their customers, employees, suppliers, communities, governments, and even stockholders”.

Due to pressure and other factors, corporations have been engaging in various degrees of social projects. Studies have shown that several factors account for the nature and extent of firms’ CSR participation. These factors or determinants of CSR are many and diverse. Adeyemo, Oyebamiji & Alimi (2013) identified and studied the influence of organisational culture, competition, pressure groups, government policy, customers’ demand and employees’ demand on CSR. Musa and Hassan (2013) considered variables such as economic profit, size, dividend, institutional ownership, leverage and growth as CSR determinants. Among others, Hussainey *et al.* (2011) used factors such as firm size, profitability, liquidity and gearing as determinants of CSR. This study would use variables such as profitability, firm size, firm growth and leverage as determinants of CSR because they are internal and under the control of management.

Profitability refers to the potential of a venture to be financially successful. It is the ability of a business to earn a profit. A profit is what is left of the revenue a business generates after it pays all expenses directly related to the generation of the revenue, such as producing a product, and other expenses related to the conduct of the business’ activities. According to Trivedi (2010), “profit refers to the total income earned by the

enterprise during the specified period of time, while profitability refers to the operating efficiency of the enterprise. It is the ability of the enterprise to make profit on sales. It is the ability of enterprise to get sufficient return on the capital and employees used in the business operation. As cited in Trivedi (2010), Weston and Brigham rightly notes that “to the financial manager, profit is the test of efficiency and a measure of control, to the owners a measure of the worth of their investment, to the creditors the margin of safety, to the government a measure of taxable capacity and a basis of legislative and to the country profit is an index of economic progress, national income generated and the rise in the standard of living, while profitability is an outcome of profit”. It is often measured by price to earnings ratio.

Profitability is commonly measured using the following ratios: Gross Margin, Operating Margin, Return on Assets, Return on Equity, and Return on Capital Employed. For the purpose of this study, ROA is adopted for the measurement of profitability. This is because it is more encompassing than other profitability variables and the proxy commonly used by researchers for measuring performance. Profitability of firms is a factor that could determine the engagement of firms in socially responsible projects. This is because, *ceteris paribus*; highly profitable firms would have the ability to execute CSR projects without affecting its capacity to pay dividends and retain earnings for future growth (Hussainey *et al.*, 2011; Akindele, 2011; Tsoutsoura, 2004 and Ho & Taylor, 2007).

Firm size remains a poorly defined concept. Where the use of size is required by theory, studies typically resort to proxies such as the number of employees, total assets, sales or market capitalization. Conversely, the concept of firm size has also been used to proxy for numerous theoretical constructs ranging from risk to liquidity or even political costs (Ball & Foster, 1982 as cited in Triqueiros 2000). As a result, firm size has been interpreted in many different ways, allowing it to explain everything, and thus nothing, at the same time (Bujaki & Richardson, 1997). In addition, the pursue of a precise definition of firm size is considered by many as utopic, either because it is speculated that size may be multi-dimensional or because size is deemed to be essentially an ambiguous concept (Triqueiros, 2000).

According to Niresh & Velnampy (2014), “the size of a firm is the amount and variety of production capacity and ability a firm possesses or the amount and variety of services a firm can provide concurrently to its customers. The size of a firm is a primary factor in determining the profitability of a firm due to the concept known as economies of scale which can be found in the traditional neo classical view of the firm. It reveals that contrary to smaller firms, items can be produced on much lower costs by bigger firms”. In accordance with this concept therefore, a positive relationship between firm size and profitability is suggested. Contrary to this, alternative theories of the firm suggest that larger firms come under the control of managers pursuing self-interested goals and therefore managerial utility maximization function may substitute profit maximization of the firm’s objective function.

Firm size could be measured using various parameters, such as: market share of the business, level of sales turnover, number of employees, value of the total assets and value of capital employed. This study adopts the value of total assets for the measurement of firm size. This is due to the fact that many previous studies used it as the common parameter for the measurement of firm size (Hussainey *et al.*, 2011, Chih *et al.*, 2010, Alshubiri *et al.*, 2012, Musa & Hassan, 2013 and Niresh & Velnampy, 2014). Large firms (conglomerates, multinational corporations, oil companies and the like) often enjoy economies of scale and other many benefits with eminent potentials for making profits. The size of a firm has close association with firm profitability and therefore, firm size is a significant factor in CSR decisions of firms. Studies have shown significant relationship between size and CSR (Chih *et al.*, 2010; Ashubiri *et al.*, 2012 and Hackston & Milne, 1996).

Firm growth can be referred to as the process of improving some measure of an enterprise's success. According to Business Dictionary (n. d.), "business growth can be achieved either by boosting the top line or revenue of the business with greater product sales or service income, or by increasing the bottom line or profitability of the operation by minimizing costs". Growth is a firm's ability to generate larger profits, expand its workforce and ramp up its production. An organisation's growth potential depends heavily upon its leadership's expectations for success, and the quantitative and qualitative measures used to determine expansion readiness.

The growth of firm is clear to the hearts of policy makers in market economies. In recent decades, cross-country differences in patterns of firm growth have been linked to relative economic performance at national level, not just in terms of new job creation (Birch, 1987) but also in terms of growth in productivity (Bartelsman, Haltiwanger, & Scarpetta, 2005). There is therefore a keen interest in learning more about the policy and institutional settings which help create the most favourable conditions for firms to prosper and grow (Bishop, Mason & Robinson, 2009). Firm growth has been widely studied in economic literature. This is important because, firm growth is related very closely to firm survival, jobs creation, and the economic growth of a nation. Anyadike–Danes, Bonner, Hart & Mason (2009) defined a high-growth firm as a firm with an average employment growth rate exceeding 20 percent per annum over a three year period and with ten or more employees at the start of the period.

There are different ways of measuring the growth of a firm. Like in every discipline, ‘this diversification is sometimes due to the purposes of each author but, more usually, it is due to lack of data. Anyadike-Danes *et al.* (2009) found similar growth indicators used in the empirical literature. Some of these indicators include: the financial or stock market value, the number of employees, the sales and revenues, the productive capacity, the value of production and the added value of production. The changes in total assets of the firm will be used for the measurement of firm growth. This parameter is adopted because it is the best economic indicator of growth of firms and the most commonly used by authors (Alshubiri *et al.*, 2012 and Musa & Hassan). Firm growth results to profitability of firms which places firms in position to be able to behave in socially responsible

manner. Alshubiri *et al.*, 2012, Musa & Hassan, 2013 and Freire & Parante, 2014 studies revealed positive association between growth and CSR.

Leverage is the degree to which an investor or business is utilizing borrowed money. According to Business Dictionary (n. d.), leverage is the use of borrowed money to increase production volume, and thus sales and earnings. It is measured as the ratio of total debt to total assets. The greater the amount of debt, the greater the financial leverage.

Business owners can use either debt or equity to finance or buy the company's assets. Using debt, or leverage, increases the company's risk of bankruptcy. It also increases the company's returns; specifically its return on equity. This is true because, if debt financing is used rather than equity financing, then the owner's equity is not diluted by issuing more shares of stock. Companies that are highly leveraged may be at risk of bankruptcy if they are unable to find new lenders in the future. Leverage is not always bad, however, it can increase the shareholders' return on investment and often there is tax advantages associated with borrowing. Kurfi (2003) asserts that leverage ratios measure the relationship between the funds provided by the owners (shareholders) of a firm and funds provided by the creditors of the firm. They also measure the ability of the firm to service the charges accruing from the use of outsiders' funds (creditors).

Leverage is commonly measured through the use of the following ratios: debt to total assets; debt to equity; and interest coverage ratios. For the measurement of leverage, this

study adopts the ratio of debt to equity. Leverage increases the returns on investment of shareholders. Therefore, highly levered firms with good returns may be able to engage in CSR projects. Significant association has been found to exist between leverage and CSR (Amelia, 2002; Al-Shubiri *et al.*, 2003 and Ho & Taylor, 2007). On the contrary, leverage could negatively affect firms' ability to engage in CSR; as highly levered firms spend chunk of their profits on costly debt servicing. The finding of Omondi & Mutiori (2013) supports this position.

2.4 Review of Empirical Studies

This section presents a critical review of several studies carried out on the determinants of CSR. The study reviews related studies based on individual variables. These variables as individually discussed below include profitability, firm size, dividend, firm growth and leverage.

2.4.1 Profitability and CSR

Profitability can be measured using ROA and several empirical works revealed that profitability is positively associated with CSR. Using a sample of 111 Egyptian listed companies for the period from 2005 to 2010, Hussainey *et al.* (2011) studied the factors affecting CSR disclosure in Egypt. CSR was measured using content analysis and the data sourced from annual reports of the sampled firms were analyzed with the use of regression models and found that profitability is the main determinant for the aggregated and most of individual CSR information in Egypt. The population of the study comprised

of all listed companies in Egypt which operate in different environment under diverse conditions. This study is of the view that had the study focused on sectors with similar parameters, the result might have been different.

Naser & Hassan (2013) employed content analysis of the annual reports and regression analysis to identify factors influencing social disclosure by non financial companies listed on Abu Dhabi Securities Exchange. The results showed that the extent of CSR disclosure is influenced by profitability (and other factors). The study is limited in that it considered the annual reports of the selected listed companies for only one (1) year (2011).

Gamerschlag, Moller and Verberteen (2011) in the study of the determinants of voluntary CSR disclosure, used content analysis to analyzed 130 listed German companies and the results revealed that profitability affects the amount of CSR disclosure. The use of content analysis is considered as highly limited for the study. This study opines that more techniques of analysis would have been applied and more robustness tests conducted to improve the validity of results.

With the use of qualitative research method, Olayinka & Temitope (2011) examined the relationship between corporate social responsibility and financial performance in developing economies: the Nigerian experience using variables inclusive of return on earnings and return on assets. The findings revealed that CSR has a positive and

significant relationship with the financial performance measures. This study is of the opinion that qualitative research is not the appropriate methodology for the study, hence had a different methodology been applied; the result could have been different.

The study conducted by Akindele (2011) adopted a survey design using ex-post factor type on four (4) randomly selected banks in carrying out a study on corporate social responsibility: an organizational tool for survival in Nigeria. The data were analyzed using descriptive and inferential statistics while predictions and decisions were determined using analysis of variance (ANOVA). It was found that there is a significant relationship between bank profitability and CSR practices. The use of four (4) banks as the sample size for the study is highly inadequate. This study suggests that a larger sample size with the use of other techniques of analysis would have improved the results of the study.

Using Ordinary Least Square (OLS), Amole, Adebisi & Awolaja (2012) studied the impact of corporate social responsibility on the profitability of Nigerian banks for the period of 2001 to 2010. Annual reports formed the secondary source of the data collected which were analyzed using correlation and regression analysis. The findings showed that there is positive relationship between banks' CSR activities and profitability. Though the study used appropriate methodology and technique, this study is of the view that the period covered by the study is a bit old to represent the current realities and issues affecting CSR at the moment.

Corporate social responsibility and financial performance by Tsoutsoura (2004) was carried out using data set of most of the Standard & Poor's (S & P) 500 firms listed on New York Stock Exchange (NYSE) and covers the years 1996 to 2000. The results revealed that the sign of the relationship is positive and statistically significant; supporting the view that socially responsible corporate performance can be associated with a series of bottom line benefits. Appropriate methodology and techniques were used for the study, however; this study is of the view that the period covered by the study is old for the conclusions to be drawn on current realities and issues affecting CSR at the moment.

An empirical test of the ability of stakeholder theory to explain social responsibility was undertaken by Roberts (1992) used stakeholder power, strategic posture and economic performance by adopting Ullmann (1985) framework to predict cross-sectional variations in CSR. The extensive analysis of data from 130 major corporations for the study revealed that economic performance is significantly related to levels of corporate social disclosure. This study is of the opinion that the period covered by the study is old for the conclusions to be drawn on current realities and issues affecting CSR.

Musa & Hassan (2013) used the annual reports of a sample of 13 banks for the period between 2005 and 2011 to study the determinants of corporate social responsibilities in the Nigerian listed Money Deposit Banks. The study adopted multiple regression technique and data were collected from secondary source through the annual reports and accounts of the firms. It found that economic profit have a positive impact on CSR at 10% level of significance. The study employed good methodology and techniques of analysis, however, this study suggests that more robustness tests would have been carried out to improve the validity of the results.

The study by Abba (2012) on the determinants of corporate social responsibility disclosure by cement companies in Nigeria used primary data and secondary data from the annual reports of four (4) sampled firms from 2005 to 2009. The data were analyzed using chi-square; content analysis and regression analysis. It found that positive relationship exists between disclosure and profitability. This study is of the view that the period covered by the study is a bit old for the findings to be used for current realities and issues affecting CSR at the moment.

Using 520 financial firms covering the period between 2003 and 2005 in 34 countries, Chih, Chih and Chen (2010) examined the determinants of CSR on the financial industry. The study was based on the theory postulated by Campbell (2007) and the data were sourced from constituent companies of the Dow Jones Sustainability World Index (gotten from the Dow Jones World Index) and analyzed with the use of regression analysis. This

study opines that the period covered by the study is a bit old to represent the current realities and issues affecting CSR at the moment.

Reverte (2009) analyzed a number of firm and industry characteristics including profitability as determinants of CSR disclosure practices by Spanish listed firms. The study adopted a parameter for rating variation in firms' CSR's practices with significant statistics given to variables with high scores and vice versa for variables with low scores. The findings revealed that profitability does not seem to explain differences in CSR disclosure practices between Spanish listed firms. This study supports the parameters used for the study.

. Hackston & Milne (1996) studied some determinants of social and environmental disclosures inclusive of profitability in New Zealand companies using a selected 50 largest listed companies on the New Zealand Stock Exchange and the findings showed no evidence of relationship between profitability and disclosure. In the opinion of this study, if more robustness tests were conducted, it would have improved the validity of the results.

The study by Belkoui & Karpik (1988) on the determinants of corporate decisions to disclose social information hypothesized that the decision may be affected by economic performance and other variables. It found no explanation between economic performance

and corporate decisions to disclose social information. The period covered by the study is considered by this study to be too old for its conclusion to be drawn on present issues.

Using profitability and other company characteristics, Rahman, Zain & Al-haj (2011) investigated 44 government linked companies listed on Bursa Malaysia from 2005 to 2006 in the study of CSR disclosures and its determinants in Malaysian link companies. It deployed content analysis to determine disclosure and the relationship between company characteristics and total disclosure was examined using multiple linear regression analysis. The results revealed profitability to be insignificant in explaining total disclosure. The study selected age as one of its variables which this study find inappropriate. The period of two (2) years covered by the study is also considered too small.

The determinants of environmental reporting in Malaysia by Ahmad et al (2003) examined corporate size, financial leverage, profitability, industry membership, auditor type and effective tax rate as firm characteristics in Malaysian listed companies. Published annual reports of the selected companies were the data source and regression technique was used for the analysis. The study found profitability not to be associated with environmental disclosure. The variables were well selected and good techniques used for the analysis, however, the study was conducted over a decade ago.

Using annual reports of 41 Spanish firms for the year 2007 to determine the level of corporate social disclosures, industry differences and the effect of financial performance on the quality of disclosures, Echave & Bhatic (2010) found no relationship between financial performance and corporate social disclosure. The result of the regression analysis is limited by the fact that the study focused on single year (2007).

Ho and Taylor (2007) work titled, “an empirical analysis of triple bottom-line reporting and its determinants: evidence from the United States and Japan” used corporate characteristics which included size, profitability, industry membership, leverage and liquidity and examined their influence on triple bottom line reporting. It investigates triple bottom-line (TBL) disclosures of 50 of the largest US and Japanese companies using annual reports, stand-alone reports, and special website reports. Regression analysis was used to examine empirically the determinants of TBL disclosure practice. The empirical findings revealed that corporate profitability is significantly and negatively associated with triple bottom line reporting.

Margolis (n. d.) cited in Richard & Okoye, (2013) surveyed 95 empirical studies conducted between 1972 – 2001, and reported that: “when treated as an independent variable, corporate social performance is found to have positive relationship with financial performance in 42 studies (53%), no relationship in 19 studies (24%), a negative relationship in 4 studies (5%), and a mixed relationship in 15 studies (18%)”. In general,

when the empirical literature assesses the link between social responsibility and financial performance, the conclusion is that the evidence is mixed.

2.4.2 Firm Size and CSR

Empirically firm size can be measured using the log of total assets and most studies found size to be significantly associated with CSR. With the use of 520 financial firms covering the period between 2003 and 2005 in 34 countries, Chih, *et al.* (2010) examined the determinants of CSR on the financial industry. The study was based on the theory postulated by Campbell (2007) and the data were sourced from constituent companies of the Dow Jones Sustainability World Index and analyzed with the use of regression analysis. It found that firms with larger size are more CSR minded. This study opines that the study period should have been more than the three (3) years covered.

Ashubiri *et al.* (2012) studied financial and non-financial determinants of CSR by using a sample of 60 industrial companies listed on the Amman Stock Exchange for the period from 2006 to 2010 in Jordan. The data were gotten from the published annual reports of the companies and regression model developed to test the hypotheses and found that firms with large size are more likely to voluntarily disclose social responsibility information.

In the study by Reverte (2009) on the determinants of CSR disclosure ratings by Spanish listed firms, a number of firm and industry characteristics, as well as media exposure, were analyzed as potential determinants of CSR disclosure practices by Spanish listed firms. With reference to several theoretical constructs, such as the legitimacy, stakeholder and agency theories; the findings revealed that firms with higher CSR ratings present a statistically significant larger size as compared to firms with lower CSR ratings.

Yao *et al.* (2011) carried out a study on the determinants of social responsibility disclosure by Chinese firms using the annual reports of 800 listed firms on the Shanghai Stock Exchange in 2008 and 2009. Based on a content analysis approach and multivariate regression model, it found that CSR disclosure is positively associated with firm size. The review of the work shows that the study covered only two (2) years.

With the use of multiple regression technique, Musa & Hassan (2013) studied the determinants of CSR in the Nigerian listed Deposit Money Banks by analyzing data from a sample of 13 banks for the period from 2005 to 2011. The results revealed that firm size has positive impact on CSR at 10% significant level. The study employed good methodology and techniques of analysis, however, this study suggests that more robustness tests would have been carried out to improve the validity of the results.

Using an extensive sample of 134 US companies, Cowen *et al.* (1987) investigated size, industry, profitability and presence of social responsibility committee as corporate characteristics. It examined the annual reports and the results of the regression analysis showed that company size has significant impact on disclosure elements. The study was carried out long ago and a replica now could produce different results.

The study on the determinants of social and environmental disclosures in New Zealand companies by Hackston & Milne (1996) used selected 50 largest listed companies on the New Zealand Stock Exchange. The data were sourced from the annual reports of the selected companies and the results of the regression analysis revealed that there is a positive significant relationship between size and amount of the disclosure. The work was also carried out about two decades ago, hence, the application of the findings now would not be appropriate.

Kansal, Joshi & Batra (2014) studied the determinants of CSR disclosures on an extensive sample of top Indian companies using corporate size and a number of corporate characteristics. The findings revealed that corporate size correlate with social disclosures and found to be a significant factor that influence the social disclosures made by the Indian companies. The population of the study being top Indian companies is good, but this study is of the view that the study of sectors with similar environment and parameters could produce a different result.

With the use of qualitative and quantitative approaches, Arshad & Vakhidulla (2011) investigated the determinants of CSR disclosure in the Swedish setting: effect of firm/industry characteristics along with media exposure on CSR disclosure practices. The study follow deductive approach that is, using previous empirical researches and literature review as a base for hypothesis development followed by data sourced from Stockholm stock exchange website and published annual reports of selected Swedish companies. The analysis based on scores rating found that size is a significant variable in explaining the differences in social disclosures among Swedish companies.

Rahman *et al.* (2011) investigated CSR disclosures and its determinants: evidence from Malaysian government link companies using company characteristics of size, age, profitability and leverage of 44 government linked companies listed on Bursa Malaysia from 2005 to 2006. With the use of content analysis and regression analysis it found company size to be positively and significantly associated with total disclosure. The period of two (2) years covered by the study is also considered too small.

The work of Naser & Hassan (2013) on the determinants CSR reporting; evidence from an emerging economy employed content analysis of the annual reports and regression analysis to identify factors influencing social disclosure. The results revealed that the extent of CSR disclosure is influenced by corporate size. The study is limited in that it considered the annual reports of the selected listed companies for only one (1) year (2011).

The study by Perrigot, Oxibar & Dejean (2000) examined a total of 136 French Franchise Chains using research hypotheses derived from regulation theory and transaction cost analysis on the determinants of corporate social disclosure in the Franchising Sector: insights from French Franchisors' Websites. The data stem from the directory published by the sample of 136 franchise chains, all of which are members of the French Franchise Federation. Correlations and t-tests were used to describe franchisors' CSR activities and linear regression models were also run in order to highlight those factors that, when taken as a whole, predict the extent of social disclosure found on franchisors' websites. The findings revealed a significant relationship between chain size and the extent of social disclosure on the Franchisor's websites.

Garcia-Ayuso & Larringa (2003) studied environmental disclosure in Spain: corporate characteristics and media exposure using a sample of companies listed on the Madrid Stock Exchange. The test of the main hypotheses developed by empirical research with regard to the disclosure of environmental information and the results of the content analysis show that firms disclosing environmental information tend to be larger in size. In the opinion of this study, if further analysis and more robustness tests were conducted, it would have improved the validity of the results.

Trotman & Bradley (1981) studied the associations between social responsibility disclosure and characteristics of companies by surveying on the social disclosure practices of a sample of Australian companies. Regression analysis was conducted and the findings revealed size to be positively and significantly associated with CSR disclosure. The study was also carried out more than two decades ago, hence, the application of the findings now would not be appropriate.

By using size and other corporate characteristics, Ho & Taylor (2007) empirically analyzed triple bottom line reporting and its determinants with evidence from the United States and Japan. It used annual reports, stand-alone reports, and special website reports. Regression analysis was used to examine empirically the determinants of TBL disclosure practice and the empirical findings revealed that corporate size is significantly and positively associated with triple bottom-line disclosure. This study is of the view that the study conducted about a decade ago is inappropriate for application at present time.

Brammer & Pavelin (2004) sampled 134 largest United Kingdom companies and examined the association between corporate characteristics and CSR disclosure. The annual reports of the companies were the main source of the data and regression analysis carried out. The results showed that company size is positively related with social disclosure.

The study by Jinfeng & Huifeng (2009) on the factors influencing the level of environmental protection information disclosure in annual reports used data from the published annual reports of the sampled companies. The findings of the regression analysis carried out revealed that corporate size is significantly associated with environmental disclosure.

The work of Garcia-Sanchez (2008) on corporate social reporting: segmentation and characterization of Spanish companies investigated the contribution of size, industry and profitability. The statistical analysis revealed that corporate size is associated with social disclosure and is a significant explanatory variable. In the opinion of this study, if further analysis and more robustness tests were conducted, it would have improved the validity of the results.

Based on content analysis of 130 listed German companies, Gamerschlag *et al.* (2011) investigated the determinants of voluntary CSR disclosure in Germany and the results revealed that size affects the amount of CSR disclosure. This study opines that more techniques of analysis would have been applied and more robustness tests conducted to improve the validity of results.

Hossain, Islam & Andrew (2006) studied corporate social and environmental disclosure in developing countries with evidence from Bangladesh. From the annual reports of 107

sampled non-financial companies listed on the Dhaka Stock Exchange for the year 2002-2003, the data were sourced and a regression model developed for the analysis. It found no association between size and social disclosure. This study is of the view that the work conducted more than a decade ago is inappropriate for application at present time.

2.4.3 Firm Growth and CSR

The findings of studies revealed the existence of relationship between firm growth and CSR. Gregory, Tharyan & Whittaker (2014) studied corporate social responsibility and firm value by looking at its effects on growth and other variables. The study found that the valuation effects are principally driven by CSR performance associated with better long run growth.

Using parsimonious regression models, Fodio, Abu-Abdissamad & Oba (2013) investigated CSR and firm value in quoted Nigerian financial services for the period from 2004 to 2008. By performing empirical analysis with a set of control variables inclusive of growth, the study found robust positive significant impact of CSR on market value. The results also revealed that sector classification and positive earnings in previous year are significant instruments in estimating CSR. It concluded that socially responsible efforts of firms trigger improved market value and that such value is influenced by observable moderating factors.

An analysis of corporate social responsibility in Brazil: growth, firm size, sector and internal stakeholders involve in policy definition carried out by Crisostomo, Freire & Parante (2014) used unique database of 282 Brazilian firms that reported CSR data in the period of 1996 – 2008. Conducting both parametric and non-parametric tests, the descriptive study revealed that relevant growth in external and environmental social actions has been documented.

The study by Al-Shubiri et al (2012) on financial and non-financial determinants of corporate social responsibility used a sample of 60 industrial companies listed on the Amman Stock Exchange for the period of 2006 to 2010 in Jordan. The data from the published annual reports of the companies and regression model were developed to test the hypotheses. It used growth and other firm characteristics and the findings revealed that firms that maintain growth are more likely to voluntarily disclose social responsibility information.

Based on the annual reports of a sample of 13 banks, Musa & Hassan (2013) carried out a study on the determinants of corporate social responsibilities in the Nigerian listed deposit money banks. The study adopted multiple regression technique and data were collected from secondary source through the annual reports and accounts of the firm. It found firm growth to be positively, strongly and significantly influencing CSR practice.

2.4.5 Leverage and CSR

Empirical studies carried out using leverage as one of firm characteristics revealed association between it and CSR practice. With the use of purposive sampling, Amelia (2012) studied the effect of firm characteristics, financial performance and environmental performance on corporate social responsibility disclosure intensity of manufacturing firms listed in the Indonesia Stock Exchange. Using annual reports from a sample of 16 companies, the results of the regression analysis revealed that leverage influences corporate social responsibility disclosure intensity.

Al-Shubiri *et al.* (2003) studied financial and non-financial determinants of CSR using a sample of 60 industrial companies listed on the Amman Stock Exchange, Jordan. The study which covered 2006 to 2010 got data from the published annual reports of the companies and regression model developed to test the hypotheses. It found that highly leveraged firms are more likely to voluntarily disclose social responsibility information.

With the use of financial leverage and other variables, Ahmad *et al.* (2003) studied the determinants of environmental reporting in Malaysia. Annual reports of the sampled companies were the principal source of the data and regression technique was used for the analysis. The study found that financial leverage is significantly associated with environmental disclosure.

Using multiple regression technique to analyze the annual reports of a sample of 13 banks, Musa & Hassan (2013) investigated the determinants of CSR in the Nigerian listed deposit money banks. The findings revealed that leverage is positively, strongly and significantly influencing CSR practice.

In the study conducted by Reverte (2009) on the determinants of corporate social responsibility disclosure ratings by Spanish listed firms, the paper analyzed whether a number of firm characteristics inclusive of leverage are potential determinants of CSR disclosure practices. Based on several theoretical constructs, such as the legitimacy, stakeholder and agency theories, the findings of the study revealed that leverage does not explain differences in CSR disclosure practices between Spanish listed firms.

Rahman *et al.* (2011) investigated CSR disclosures and its determinants with evidence from Malaysian government link companies. By considering leverage and other firm characteristics, the study analyzed the annual reports of 44 government linked companies listed on Bursa Malaysia from 2005 to 2006. The study used content analysis and regression technique to analyze the data and the findings revealed that leverage is significant in explaining total disclosure.

Ho & Taylor (2007) work titled, “an empirical analysis of triple bottom-line reporting and its determinants: evidence from the United States and Japan” used leverage and other

corporate characteristics and examined their influence on triple bottom line reporting. It investigated TBL disclosures of 50 of the largest US and Japanese companies with the use of annual reports, stand-alone reports, and special websites reports. Regression analysis was used to examine empirically the determinants of TBL disclosure and found no significant relationship with leverage.

A relational study of firm's characteristics and CSR expenditure by Chauhan & Amit (2014) used multiple regression analysis covering 30 indexes for 2007 to 2012 periods. The results revealed that leverage has no influence towards the CSR expenditure.

The study by Omondi & Muturi (2013) on factors affecting the financial performance of listed companies at the Nairobi securities exchange in Kenya adopted an explanatory research design on a sample of 29 listed firms. With the use of multiple regression technique, the findings revealed that leverage has a significant negative effect on financial performance.

2.5 Theoretical Framework

Empirical studies related to CSR have developed diverse academic literature including different theoretical perspectives. These perspectives support the determinants of CSR. Among all these theories the legitimacy theory and the stakeholder theory are considered to be the most profound (Reverte, 2009 as cited in Arshad and Vakhidulla, 2011). The theories are discussed below.

2.5.1 Legitimacy's Theory

This theory provides a more advanced perspective on the CSR because it considers the businesses as they are bound by the social contract in which it states that the firms hold to perform different desired actions for the society in return for the rewards and that their objectives will be approved, which consequently guarantees the firm's continued existence (Brown & Deegan, 1998; Degan, 2002; and Guthrie & Parker, 1989). Companies often provide sustainable economic benefit to the society: in return, the wider society supplies them with numerous critical resources in the form of access to employees, natural resources, infrastructure, customers and legitimacy (Bailey *et al.*, 2000 and Reich, 1998). Companies are social creations whose very existence depends on the willingness of the wider society to endure and support them. Hence, they are deemed to agree to perform various socially desired actions in return for their acceptance as legitimate institutions in society.

2.5.2 Stakeholders' Theory

The stakeholder theory claims that "the corporation's continued existence requires the support of the stakeholders and their approval must be sought and the activities of the corporation adjusted to gain that approval. The more powerful the stakeholders, the more the company must adapt. Social disclosure is thus seen as part of the dialogue between the company and its stakeholders" (Gray, Kouhy & Lavers, 1995: 53). Stakeholder is broadly defined to include shareholders, management, suppliers, customers, public media, local communities, non-governmental organisations and all these interest groups

have some power to influence the corporations. The stakeholder theory takes into account the impact of different stakeholders on the corporate disclosure policies.

2.5.3 Carroll's Theory

Carroll's theory (1991) indicates that CSR constitutes major four kinds of social responsibilities, thus; economic, legal, ethical and philanthropic. The economic component is about the responsibility to profit and this responsibility serves as the base for other components. With regard to the legal aspect, society expects organisations to comply with the laws and regulations. Ethical responsibilities are about how society expects organisations to embrace values and norms even if the values and norms might constitute a higher standard of performance than required by law. Philanthropic responsibilities are those actions that society expect for a company to be a good corporate citizen.

This study adopts the Carroll's theory of corporate social responsibility and the Legitimacy's theory because the two sufficiently explain the factors that determine companies' engagement in corporate social responsibility. The Carroll's model indicates that economic component (profitability) serves as the base for other components- legal, ethical and philanthropic. The theory relates to the study in that, CSR being voluntary, is undertaken with great consideration given to economic capacity of firms to engage in social projects. While, the Legitimacy theory explains that entities engage in CSR in order to gain approval of the society and for continues existence.

CHAPTER THREE RESEARCH METHODOLOGY

3.1 Introduction

This chapter presents the methodology employed in conducting the study. It discusses the population the study was carried on and the technique used for the data analysis. The variables of the study were presented and the model for the study specified.

3.2 Research Design

The strategy adopted to guide this study is the ex-post factor design. This is because the events to be studied have indeed taken place already. Also, it was adopted because the design will help in establishing cause and effect relationship.

3.3 Population and Sampling Technique

The population of the study comprises of all the eight (8) conglomerate firms (appendix A) listed on the Nigerian Stock Exchange (NSE). With the use of census technique, the study sampled seven (7) of the conglomerate firms (appendix B) that published their CSR information. For the period of the study (2009 to 2013), P. Z. Cussons Nig Plc did not disclose its CSR information hence; it was filtered from the sample. The study would investigate all the companies in the industry, however, only the companies that are listed and disclose their CSR information would be considered. The study would cover the period between 2009 and 2013.

3.4 Sources and Method of Data Collection

The study used longitudinal balanced panel data which is mainly from secondary source because it is a quantitative study and the data used for analysis were extracted from the audited financial reports of the selected conglomerates. The financial reports were obtained from the published annual reports of the companies at the library of NSE and the websites of the sampled firms.

3.5 Techniques of Data Analysis

The study used Generalized Least Squares (GLS) and the regression analysis was conducted with the use of STATA 10 version in order to take care of the fixed and random effect. The data were further analyzed and various robustness tests such as multicollinearity, normality and heteroscedasticity were conducted. These were conducted in order to ensure that the independent variables are free from multicollinearity problem, the data are normally distributed and the variability of the error term is constant respectively. The essence of these detailed analyses is to improve the validity of all the statistical inferences that would be made.

3.6 Model Specification

The study built a multiple linear regression model in order to establish the relationship between the independent variables (profitability (PROF), firm size (FS), firm growth (FG) and leverage (LEV)) and the dependent variable (CSR). The functional relationship between the variables can be expressed as:

$$\text{CSR} = f(\text{PROF, FS, FG and LEV})$$

The econometric form of the model becomes:

$$Y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + U$$

That is,

$$CSR_{it} = \beta_0 + \beta_1 PROF_{it} + \beta_2 FS_{it} + \beta_3 FG_{it} + \beta_4 LEV_{it} + U_{it}$$

3.7 Variable Measurement

Table 3.1: Variables Measurement

| Variables | Variables Description | Variables Measurement | A priori expectation |
|-----------|---------------------------------|--|----------------------|
| CSR | Corporate Social Responsibility | Log of the amount of donations. Mamun, Sohag & Akhter (2013) and Lin, Yang & Liou(2009). | |
| PROF | Profitability | ROA (return on assets). Sukcharoensin (2012) and Chih <i>et al.</i> (2009) | + |
| FS | Firm Size | Log of total assets. Hussainey et al. (2011) and Niresh & Velnampy (2014). | + |
| FG | Firm Growth | Changes in total sales. Musa and Hassan (2013) | + |
| LEV | Leverage | Ratio of debt to equity. Musa and Hassan (2013) | +/- |

Source: Compiled by the Author based on literature, 2015

CHAPTER FOUR

DATA PRESENTATION AND ANALYSIS

4.1 Introduction

This chapter focuses on the presentation of the empirical test results based on linear regression to test the outcomes of the analysis for sample of listed conglomerate firms in Nigeria during the period of 2009-2013. The investigation is with regards to the relationship between CSR (the explained variable) and its determinants such as profitability, firm size, firm growth and leverage as the explanatory variable. The chapter starts with the presentation of analysis of the sample using descriptive statistics followed by the presentation of correlation analysis between the explained and explanatory variables and then the result of the model estimation. Multiple regressions technique is used to estimate the relation between the independent variables (profitability, firm size, firm growth and leverage) and the dependent variable (donations). Discussion of major findings and policy implication of the findings concludes the chapter.

4.2 Descriptive Statistics

Descriptive statistics shows the nature of the data. The summary statistics of the explained and the explanatory variables are presented in table 4.1 where minimum, maximum, mean, standard deviation, skewness and kurtosis of the values of the variables used in the study are described.

Table 4.1: Summary of Descriptive Statistics

| <i>Variables</i> | <i>Minimum</i> | <i>Maximum</i> | <i>Mean</i> | <i>Std dev.</i> | <i>Skewness</i> | <i>Kurtosis</i> | <i>N</i> |
|------------------|----------------|----------------|-------------|-----------------|-----------------|-----------------|----------|
| CSR | 0 | 9.41 | 5.45 | 3.26 | -0.84 | 2.20 | 35 |
| PROF | -0.9 | 17.01 | 3.79 | 5.33 | 1.21 | 3.21 | 35 |
| FS | 6.02 | 7.73 | 7.18 | 0.41 | -0.79 | 3.26 | 35 |
| FG | -0.35 | 0.99 | 0.15 | 0.26 | 1.96 | 7.37 | 35 |
| LEV | 0.22 | 9.41 | 1.86 | 2.14 | 2.56 | 9.57 | 35 |

SOURCE: Descriptive Statistics Result using STATA 10

The above table reports the descriptive statistics for the explained and explanatory variables. The mean value of all the variables as shown in the table above ranges from minimum of -0.35 of firm growth to the maximum of 17.01 of profitability. The average CSR for the listed conglomerate firms during the study period is about 5.45 with standard deviation of 3.26; this implies that there exists significant variation among the donations used as CSR by most firms. Profitability which shows the average of 3.79, minimum value of -0.9 and maximum value of 17.01 has the highest standard deviation which explains the level of variability in profit being generated by the conglomerate firms, and the rate at which it is influencing the CSR is low. Firm size which has a minimum value of 6.02, maximum value of 7.73 and average value of 7.18 has the lowest standard deviation of 0.41. Firm growth has the minimum value of -0.35, maximum value of 0.99, average value of 0.15 and standard deviation of 0.26 while leverage shows a minimum value of 0.22, maximum value of 9.41, average value of 1.86 and standard deviation of 2.14.

Finally, the skewness value reveals that the dependent variable and some of the independent variables are less than 0 which indicates that the data are normally distributed, only for the value of the kurtosis which proves otherwise as most of the values are above 3, but this will have lesser effect on the validity of our conclusion.

4.3 Correlation Matrix

Table 4.2 contains the correlation coefficients between the explained and explanatory variables as well as between the explanatory variables themselves. The table shows the correlation between the dependent variable which is Corporate Social Responsibility (CSR), and the independent variables which are profitability (PROF), Firm size (FS), Firm growth (FG) and Leverage (LEV).

Table 4.2: Correlation matrix of dependent and independent variables

| | <i>CSR</i> | <i>PROF</i> | <i>FS</i> | <i>FG</i> | <i>LEV</i> |
|-------------|------------|-------------|-----------|-----------|------------|
| <i>CSR</i> | 1.0000 | | | | |
| <i>PROF</i> | 0.5133* | 1.0000 | | | |
| | 0.0016 | | | | |
| <i>FS</i> | 0.5590* | 0.4454* | 1.0000 | | |
| | 0.0005 | 0.0073 | | | |
| <i>FG</i> | -0.2825 | 0.0378 | -0.0708 | 1.0000 | |
| | 0.1001 | 0.8294 | 0.6860 | | |
| <i>LEV</i> | -0.4764* | -0.1898 | -0.3113 | 0.0239 | 1.0000 |
| | 0.0038 | 0.2747 | 0.0687 | 0.8917 | |

Source: STATA output result

The table above presents the correlation of the variables of the study which indicates that PROF and FS are positively related to CSR while FG and LEV are negatively correlated with CSR. The correlation between the independent variables themselves shows that two of the independent variables are negatively correlated (FG and LEV) while two (PROF and FS) are positively correlated. Profitability shows a positive association with CSR which implies that the higher the profitability, the higher the CSR, firm size also shows a direct relationship with CSR which indicates that the larger the size of the firm, the higher the CSR. Firm growth shows a negative correlation with CSR which implies that the higher the growth of conglomerate firms the lower their CSR and the lower the growth; the higher the CSR. Leverage also shows a negative correlation with CSR which indicates that the higher the debt of conglomerate firms, the lower the CSR and vice-versa.

4.4 Test for Heteroscedasticity

An important assumption of the classical linear regression model (assumption 4) is that the disturbances appearing in the population regression function are homoscedastic; that is they all have the same variance. If errors do not have a constant variance (not homoscedastic), they are said to be heteroscedastic. In the result obtained from the heteroscedasticity test conducted in this study (see appendix C), the value of chi square is 2.31 and the probability of the chi-square is 0.13 which is not significant at 1%, 5% and 10% level of significance. This indicates the absence of heteroscedasticity and therefore means that the assumption number 4 of classical linear regression model has been met.

4.5 Presentation and Discussion of Regression Results

This section presents and analyzes the result obtained from regression analysis. The summary of the regression result obtained from the study ($CSR_{it} = \beta_{0it} + \beta_1 PROF_{it} + \beta_2 FS_{it} + \beta_3 FG_{it} + \beta_4 LEV_{it} + e$) is presented in table 4.3 while the detailed result is attached in appendix C.

Table 4.3: Regression Results

| <i>VAR</i> | <i>COEFF</i> | <i>T</i> | <i>Sig</i> |
|--------------------|-----------------|----------|--------------|
| <i>PROF</i> | 0.203 | 2.45 | 0.020 |
| <i>FS</i> | 2.360 | 2.09 | 0.045 |
| <i>FG</i> | -3.314 | -2.19 | 0.036 |
| <i>LEV</i> | -0.481 | -2.47 | 0.019 |
| <i>C</i> | -10.862 | -1.34 | 0.191 |
| <i>R-Square:</i> | 0.5606 | | |
| <i>Adj Square</i> | 0.5021 | | |
| <i>F-Statistic</i> | 9.57 | | |
| <i>Prob</i> | (0.0000) | | |

SOURCE: Result output generated from STATA 10

The analysis of the table above began with the interpretation of the combined effect of both the explanatory variables and the explained variable. The R^2 which is the multiple co-efficient of determination gives percentage or proportion of total variation in the dependent variable measured by logarithm of the amount of donations by listed conglomerate firms in Nigeria which is explained by the independent variables jointly. Hence, the result of R^2 signifies that 56.06% of total variation in CSR of listed conglomerate firms in Nigeria is caused by profitability, firm size, firm growth and leverage of listed conglomerate firms in Nigeria. The adjusted R^2 of 50.21% also buttress the position of R^2 .

Finally on the cumulative result is the F-statistics of 9.57 with a significant value of 0.0000. This indicates the fitness of the model and means that the selected attributes are the main determinants of CSR of the listed conglomerates in Nigeria.

4.5.1 Profitability and CSR

The result in respect of profitability reveals a coefficient value of 0.203 and a t-value of 2.45 with a p-value of 0.020. The positive coefficient value implies that there is positive relationship between profitability and CSR of listed conglomerate firms in Nigeria. That is, as profitability increases, their CSR also increases which is consistent with a priori expectation of the study. Thus, the p-value of 0.020 which is significant at 5% level signifies that profitability is significantly influencing CSR of listed conglomerate firms in Nigeria. This implies that for every 1% increase in the profitability of listed conglomerate firms in Nigeria, their CSR tend to increase by 20.33%. The finding lends support to the

argument that well profitable firms tend to engage in CSR in the society in which they operate. This may be as a result of the fact that highly profitable firms would have the ability to execute CSR projects without affecting its capacity to pay dividends and retain earnings for future growth. Thus the result provides a reasonable backing to the consistent view that higher profitability lead to higher CSR.

As a result of this, the study rejects the first hypothesis of the study which states that profitability has no significant impact on the CSR of listed conglomerate firms in Nigeria. The finding is in line with that of Hussainey et al (2011), Olayinka & Temitope (2011), Adebisi & Awolaja (2012), Musa & Hassan (2013) and Abba (2012). It however, contradicts the findings of Chih & Chen (2010), Rahman (2011), Sanchiz (2008) and Ahmed et al (2003).

4.5.2 Firm Size and CSR

The regression result for firm size showed a coefficient value of 2.36 and t-value of 2.09 with a p-value of 0.045. This means that there is positive relationship between firm size and CSR of listed conglomerate firms in Nigeria which is consistent with our a priori expectation. It implies that firms with large assets tend to engage more in CSR than firms with small assets. The p-value as indicated from above result is 0.045 implying that the firm size is strongly and significantly influencing the CSR of listed conglomerate firms in Nigeria. This signifies that for every #1 increase in firm size which is measured by logarithm of total assets; the CSR will also increase by #2.36k. The positive effect of firm

size on CSR may be as a result of huge resources at the disposal of large firms with high propensity to make profit than small firms. The finding of the study is congruent with that of Wang & Song (2011), Reverte (2009), Musa & Hassan (2013) and Brammer & Pavelin (2004) but contradicts the finding of Hossain et al (2006). On the basis of this outcome, the study therefore rejects the second hypothesis which states that firm size has no significant impact on the corporate social responsibilities of listed conglomerate firms in Nigeria.

4.5.3 Firm Growth and CSR

Contrary to the a priori expectation, the result for firm growth shows a coefficient value of -3.314 and t value of -2.19 with a significant value of 0.036 which indicates that there is a negative relationship between firm growth and CSR in Nigeria. This implies that growing firms tend to engage less in CSR. It may be as a result of the fact that growing firms channel resources and efforts on expansion of the firms and pay little or no attention to CSR. The p-value which shows the value of 0.036 implies that firm growth which is measured by changes in sales is a significant factor in determining and explaining CSR of listed conglomerate firms in Nigeria. That is, an increase or decrease in changes in sales will have great impact on CSR as the result shows that the variable is significant at 5% level of significance. This result contradicts the results of Al-Shubiri et al. (2012) and Musa & Hassan (2013). In view of this, we reject the third hypothesis of the study which states that firm growth has no significant impact on the corporate social responsibilities of listed conglomerate firms in Nigeria.

4.5.4 Leverage and CSR

The analysis in table 3 shows that the t-value and the beta value for leverage is -2.47 and -0.48 respectively with a significant value of 0.019 which is significant at 5% level of significance. This signifies that leverage has a strong negative and significant effect in explaining and predicting corporate social responsibilities of listed conglomerate firms in Nigeria. It implies that highly levered firms tend to engage less in CSR. The negative effect of leverage on CSR is consistent with the a priori expectation; implying that for every one naira increase in the value of leverage causes CSR to decrease by 48k. The negative effect of leverage on CSR may be because highly levered firms spend chunk of their profits on costly debt servicing. The result therefore provide an evidence of rejecting hypothesis four of the study which states that leverage has no significant effect on corporate social responsibilities of listed conglomerate firms in Nigeria. Our result is in harmony with that reported by Omondi & Mutiori (2013) but contradicts that reported by Musa & Hassan (2013) and Ahmed et al (2003).

4.6 Robustness Tests

Presented in this section is the result of robustness tests conducted to improve the validity of all our statistical inferences for the study. In this section, the problem of multicollinearity is discussed based on the result generated for the purpose of the study. Multicollinearity is investigated using tolerance and variance inflation factor (VIF) value. An insignificant tolerance value indicates that variable under consideration is almost a perfect linear combination of the explanatory variable already in the equation and that it should not be included to the regression equation. The tolerance value and VIF are

employed in this study to test for multicollinearity of the explanatory variable. The result of multicollinearity test is presented below:

Multicollinearity Test

Table 4.4: Tolerance and VIF values

| VARIABLES | VIF | TV |
|----------------------|------------|-----------|
| <i>Profitability</i> | 1.26 | 0.793914 |
| <i>Firm Size</i> | 1.35 | 0.741841 |
| <i>Firm Growth</i> | 1.01 | 0.988948 |
| <i>Leverage</i> | 1.11 | 0.899772 |

SOURCE: Result output generated from STATA 10

The result above shows that the study is free from multicollinearity problem as the tolerance value is less than 1 and variance inflation factor is less than 10 as it is in agreement with assumption number 8 of classical regression model which states that there should not be multicollinearity among the explanatory variables included in the model. This therefore shows the appropriateness of fitting the model with four explanatory variables.

4.7 Policy Implications of the Findings

This study on the determinants of quoted conglomerates in Nigeria was carried out in order to ascertain the factors that influence firms' engagement in CSR. Variables selected for the study include profitability, firm size, firm growth and leverage. Using quantitative method, data for the study were sourced from a sample of seven (7) quoted conglomerates in Nigeria and regression technique was used for the analysis. From a well fitted model, the major findings of the study as revealed by the results of the regression analysis are as stated below.

The quantitative analysis revealed that there is a positive and significant relationship between profitability and CSR. It signifies that profitability is significantly influencing CSR of conglomerate firms in Nigeria. The finding is consistent with the expectation of the study that CSR is highly correlated with profitability and in line with that of Hussainey *et al.* (2011) and Naser & Hassan (2013). It is also equivalent to the economic component of Carroll's theory which indicates an organization's responsibility to profit. The implication of the finding is that an increase in profitability of firms would lead to increase in firms' participation in CSR projects. Policies regarding CSR in Nigeria should therefore take into consideration the profitability level of firms.

The results showed that firm size has a coefficient value of 2.36 and a p-value of 0.045 which indicates a positive and significant relationship between firm size and CSR of listed conglomerates in Nigeria. This finding signified that firm size is strongly and significantly influencing CSR and it is in agreement with the a priori expectation of the study. Consistent with this finding are the findings of Brammer & Pavelin (2014) and Reverte (2009). Legitimacy theory and the economic component of Carroll's theory both support this finding in explaining the significant relationship between size of a firm and CSR. The policy implication of the finding is that increase in firm size stimulates increase in CSR because the finding showed that firms with large assets engage more in CSR than firms with small assets.

Firm growth was found to have a negative relationship with CSR. The finding revealed that firm growth is negative and significant in influencing CSR of quoted conglomerates in Nigeria. This result contradicts the a priori expectation of the study and the findings of Fodio *et al.* (2013), Al-Shubiri *et al.* (2012) and Musa & Hassan (2013). The implication of the finding to policy makers is that increase in total sales of firms decreases engagement in CSR programmes.

The data analysis found leverage (one of the explanatory variables of the study) have a negative and significant effect in explaining and predicting CSR of conglomerates in Nigeria. The finding from the analysis of leverage is consistent with the expectation of the study and the finding obtained by Omondi & Muturi (2013). However, the finding is contrary to that of Amelia (2012), Ahmad *et al.* (2003) and Al-Shubiri *et al.* (2012). The policy implication of the finding is that increase in the value of leverage causes decrease in CSR. It signifies that highly levered firms tend to engage less in CSR therefore, in Nigeria; policy that would create threshold to firms seeking for debt could be made by regulators in order to encourage CSR.

CHAPTER FIVE

SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

5.1 Summary

The study investigated the determinants of CSR of quoted conglomerates in Nigeria with the aim of identifying the factors that influence firms' engagement in CSR. The study was necessitated due to the fact that not all firms engage in CSR and those that practice it operate at various degrees of commitment. Explanatory variables such as profitability, firm size, firm growth and leverage were employed against CSR (the explained variable). The importance of the study cannot be overemphasized in that the findings would be useful in decision making by management of organizations, shareholders, regulators, policy makers among others. This introductory part formed the first chapter of the study.

The second chapter dwelled on the review of related literature. It discussed the concept of CSR by considering various definitions as given by bodies and scholars of repute. The conceptualization of the independent variables was made with further discussion on the reasons that make firms engage in CSR. Empirically, previous and existing studies were reviewed scholarly on the basis of individual explanatory variables. To mention but a few, studies critically reviewed include Chih et al. (2010), Hussainey et al (2011), Rahman (2011), Ho & Taylor (2007), Al-Shubiri *et al.* (2012) and Musa & Hassan (2013) among others. Theories that underpin the study were also discussed and they include stakeholder theory, legitimacy theory and Carroll's theory (which was adopted for the study).

The methodology used for the study was the focus of the third chapter. The study which covered the period from 2009 to 2013 adopted ex-post factor research design and sampled seven (7) firms from the conglomerate industry in Nigeria. It is a quantitative study that sourced data from the audited financial reports of the selected conglomerates and the data analysis was achieved with the use of regression analysis. A multiple linear regression model was employed in order to establish the relationship between the independent and the dependent variables. CSR was measured by the amount of donations while profitability, firm size, firm growth and leverage were measured by ROA, log of total assets, changes in total assets and ratio of debt to equity respectively.

Analysis of the data collected was done with the use of regression model using STATA version 10. The nature of the data collected was discussed statistically and the correlation between the variables of the study was explained. The regression results revealed that profitability and firm size are positive and significant factors in explaining CSR, while firm growth was found to be negative and insignificant whereas leverage revealed a negative and significant effect. The F-Statistics result of the study showed that the model is fit while the R^2 (multiple co-efficient of determination) revealed that the total variation in CSR of listed conglomerates in Nigeria is caused by the independent variables. Also, the data were subjected to detailed robustness tests which improved the validity of the inferences from the study. The test results showed that the study is free from multicollinearity problem. These analyses were the concern of the fourth chapter.

5.2 Conclusions

In view of the findings of the study, the following conclusions are made:

Profitability was found to be positively and significantly influencing CSR of conglomerate firms in Nigeria. This is because the two variables have significant positive relationship. Therefore, it is concluded that highly profitable firms engage more in CSR than less profitable firms.

Positive and significant relationship was also found to exist between firm size and CSR of conglomerates in Nigeria. Consequently, the study concludes that large size firms engage in CSR more than small size firms. This is because firm size was found to have influence on CSR.

The findings of the study revealed a negative and significant relationship between firm growth and CSR. Hence, it draws a conclusion that firm growth does influence CSR. The conclusion is reached because the variable is significant in explaining and predicting variation in CSR of conglomerates in Nigeria.

The results of the study revealed a negative and significant relationship between leverage and CSR of conglomerates in Nigeria. Therefore, the study concludes that highly levered

firms engage less in CSR. This is because leverage was found to have a negative influence on CSR.

5.3 Recommendations

The importance of firms' participation in CSR cannot be overemphasized. Therefore, having understood the factors that influence the practice of CSR; the following suggestions are proffered in order that the benefits of CSR are achieved:

- Management should review promotional strategies with a view to improving corporate image and sales which would result to high profitability. Also, management should review operations with a view to minimizing operational costs which will in turn increase profit and the potentials for participation in CSR by firms.
- Management should improve earnings retention as this would increase the size of the firm and the potentials for participation in CSR by firms.
- CSR orientation should be cultivated by all firms' especially high growing firms so as to make CSR part and parcel of corporate strategy.
- Firms should refrain from taking too much credit facility as high debt would impede on the firms' ability to engage in CSR.

5.4 Limitation of the Study

This study measured CSR by the log of the amount of donations made by the firms used for the study, which were sourced from the financial reports of the firms. This is considered as a limitation because the Global Reporting Initiative (GRI) index would have been more appropriate measurement of CSR. However, the measurement used does not affect the outcome of the study; hence the findings are valid for the purpose of inference making.

5.5 Areas for Further Research

- A study on the determinants of CSR covering longer period of time can be undertaken with a broader selection of variables which could include inter alia industry type, age of firm, institutional ownership, competition, government policy and customer demand.
- A replica study on determinants of CSR to cover multiple industries (sectors or domains) is suggested.

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APPENDICES


Appendix A: Population of the Study

| LISTED CONGLOMERATES | YEAR LISTED ON NSE |
|--------------------------------|---------------------------|
| A.G. LEVENTIS (NIG) PLC | 1958 |
| CHELLARAMS PLC | 1990 |
| JOHN HOLT PLC | 1974 |
| P.Z. CUSSONS NIGERIA PLC | 1974 |
| SCOA (NIG) PLC | 1977 |
| TRANSNATIONAL CORP. OF NIG PLC | 2004 |
| UAC OF NIGERIA PLC | 1974 |
| UNILEVER NIGERIA PLC | 1973 |

Appendix B: Sample of the Study

| LISTED CONGLOMERATES | YEAR LISTED ON NSE |
|--------------------------------|---------------------------|
| A.G. LEVENTIS (NIG) PLC | 1958 |
| CHELLARAMS PLC | 1990 |
| JOHN HOLT PLC | 1974 |
| SCOA (NIG) PLC | 1977 |
| TRANSNATIONAL CORP. OF NIG PLC | 2004 |
| UAC OF NIGERIA PLC | 1974 |
| UNILEVER NIGERIA PLC | 1973 |

Appendix C: STATA OUTPUT

 tm
10.0 Copyright 1984-2008
StataCorp
4905 Lakeway Drive
College Station, Texas 77845 USA
800-STATA-PC <http://www.stata.com>
979-696-4600 stata@stata.com
979-696-4601 (fax)

28-student Stata for windows (network) perpetual license:
Serial number: 1910569294
Licensed to: James Lin
UC Riverside

```
. xtset id year, yearly
    panel variable: id (strongly balanced)
    time variable: year, 2009 to 2013
                delta: 1 year
```

. su CSR PROF FS FG LEV, detail

| CSR | | | | |
|------|-------------|----------|-------------|-----------|
| | Percentiles | Smallest | | |
| 1% | 0 | 0 | | |
| 5% | 0 | 0 | | |
| 10% | 0 | 0 | Obs | 35 |
| 25% | 4.11 | 0 | Sum of wgt. | 35 |
| 50% | 7.2 | | Mean | 5.454 |
| | | Largest | Std. Dev. | 3.256199 |
| 75% | 7.74 | 8.97 | Variance | 10.60283 |
| 90% | 8.97 | 9 | Skewness | -.821202 |
| 95% | 9.14 | 9.14 | Kurtosis | 2.202592 |
| 99% | 9.41 | 9.41 | | |
| PROF | | | | |
| | Percentiles | Smallest | | |
| 1% | -.9 | -.9 | | |
| 5% | -.9 | -.9 | | |
| 10% | .01 | 0 | Obs | 35 |
| 25% | .06 | .01 | Sum of wgt. | 35 |
| 50% | .53 | | Mean | 3.793714 |
| | | Largest | Std. Dev. | 5.327646 |
| 75% | 7.39 | 11.32 | Variance | 28.38381 |
| 90% | 11.32 | 15.45 | Skewness | 1.206909 |
| 95% | 16.12 | 16.12 | Kurtosis | 3.210569 |
| 99% | 17.01 | 17.01 | | |
| FS | | | | |
| | Percentiles | Smallest | | |
| 1% | 6.02 | 6.02 | | |
| 5% | 6.47 | 6.47 | | |
| 10% | 6.59 | 6.57 | Obs | 35 |
| 25% | 6.91 | 6.59 | Sum of wgt. | 35 |
| 50% | 7.24 | | Mean | 7.180857 |
| | | Largest | Std. Dev. | .4052767 |
| 75% | 7.51 | 7.66 | Variance | .1642492 |
| 90% | 7.66 | 7.69 | Skewness | -.7886582 |
| 95% | 7.7 | 7.7 | Kurtosis | 3.256083 |
| 99% | 7.73 | 7.73 | | |

FG

| Percentiles | Smallest | | |
|-------------|----------|---------|-------------|
| 1% | -.35 | -.35 | |
| 5% | -.14 | -.14 | |
| 10% | .02 | .02 | Obs |
| 25% | .04 | .02 | Sum of wgt. |
| | | | 35 |
| 50% | .08 | | Mean |
| | | | Std. Dev. |
| 75% | .16 | Largest | .1537143 |
| | | .45 | .2621527 |
| 90% | .45 | .7 | Variance |
| 95% | .99 | .99 | .068724 |
| 99% | .99 | .99 | Skewness |
| | | | 1.964183 |
| | | | Kurtosis |
| | | | 7.368245 |

LEV

| Percentiles | Smallest | | |
|-------------|----------|---------|-------------|
| 1% | .22 | .22 | |
| 5% | .31 | .31 | |
| 10% | .33 | .32 | Obs |
| 25% | .49 | .33 | Sum of wgt. |
| | | | 35 |
| 50% | 1.32 | | Mean |
| | | | Std. Dev. |
| 75% | 2.34 | Largest | 1.859429 |
| | | 3.66 | 2.136506 |
| 90% | 3.66 | 3.75 | Variance |
| 95% | 9.41 | 9.41 | 4.564658 |
| 99% | 9.41 | 9.41 | Skewness |
| | | | 2.559185 |
| | | | Kurtosis |
| | | | 9.572781 |

. pwcorr CSR PROF FS FG LEV, star (0.05) sig

| | CSR | PROF | FS | FG | LEV |
|------|----------|---------|---------|--------|--------|
| CSR | 1.0000 | | | | |
| PROF | 0.5133* | 1.0000 | | | |
| | 0.0016 | | | | |
| FS | 0.5590* | 0.4454* | 1.0000 | | |
| | 0.0005 | 0.0073 | | | |
| FG | -0.2825 | 0.0378 | -0.0708 | 1.0000 | |
| | 0.1001 | 0.8294 | 0.6860 | | |
| LEV | -0.4764* | -0.1898 | -0.3113 | 0.0239 | 1.0000 |
| | 0.0038 | 0.2747 | 0.0687 | 0.8917 | |

. reg CSR PROF FS FG LEV

| Source | SS | df | MS | Number of obs = | 35 |
|----------|------------|----|------------|-----------------|--------|
| Model | 202.106671 | 4 | 50.5266677 | F(4, 30) = | 9.57 |
| Residual | 158.389574 | 30 | 5.27965246 | Prob > F = | 0.0000 |
| Total | 360.496244 | 34 | 10.6028307 | R-squared = | 0.5606 |
| | | | | Adj R-squared = | 0.5021 |
| | | | | Root MSE = | 2.2977 |

| CSR | Coef. | Std. Err. | t | P> t | [95% Conf. Interval] |
|-------|-----------|-----------|-------|-------|----------------------|
| PROF | .2033166 | .083012 | 2.45 | 0.020 | .0337833 .3728498 |
| FS | 2.360181 | 1.128902 | 2.09 | 0.045 | .0546555 4.665706 |
| FG | -3.313493 | 1.511548 | -2.19 | 0.036 | -6.400487 -.2264997 |
| LEV | -.4807968 | .1944433 | -2.47 | 0.019 | -.8779029 -.0836907 |
| _cons | -10.86211 | 8.11592 | -1.34 | 0.191 | -27.43703 5.712814 |

. vif

| variable | VIF | 1/VIF |
|----------|-------------|-----------------|
| FS | 1.35 | 0.741841 |
| PROF | 1.26 | 0.793914 |
| LEV | 1.11 | 0.899772 |
| FG | 1.01 | 0.988948 |
| Mean VIF | 1.18 | |

. hettest

Breusch-Pagan / Cook-Weisberg test for heteroskedasticity

H0: Constant variance

Variables: fitted values of CSR

chi2(1) = 2.31

Prob > chi2 = 0.1284

.