

**DETERMINANT OF CORPORATE SOCIAL RESPONSIBILITY IN
NIGERIA**

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**BEING A PROJECT SUBMITTED TO THE DEPARTMENT OF
ACCOUNTING, FACULTY OF MANAGEMENT SCIENCES,
UNIVERSITY OF BENIN IN PARTIAL FULFILLMENT OF THE
REQUIREMENTS OF DEGREE OF BACHELOR OF SCIENCES (BSC)
DEGREE IN ACCOUNTING.**

MARCH, 2020

DECLARATION

1. This project is based on study undertaken by me in the Department of Accounting, Faculty of Management Sciences, University of Benin, Benin City
2. This work has not been previously submitted for the award of a degree elsewhere
3. All the ideas and views expressed herein are product of my personal research and where views of others have been expressed (cited), they were duly acknowledged.
4. All litigation (error and omission) arising this work is to be borne by me and wholly and not that of the supervisor.

John Omoregbe EMWANTA
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Date

CERTIFICATION

This is to certify that project work titled determinants of corporate social responsibility in Nigeria, was carried out by John Omoregbe EMWANTA in the Department of Accounting in partial fulfillment for the award of bachelors' degree in Accounting.

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Date

DEDICATION

This research work is dedicated to God Almighty, the Universal Sovereign for His divine protection, prudence, grace and mercy for keeping me all through my years in this institution in the pursuit of my bachelors' degree in Accounting.

ACKNOWLEDGEMENT

For insight on the usual problems of project writing, I wish to sincerely thank Prof. C.O. Mgbame, as a matter of fact, I was privileged to have him as my supervisor. Despite his numerous commitments, he devoted his time to read through my work, making corrections and suggestions.

My profound gratitude goes to my parents Mr. Solomon and Mrs. Felicia Emwanta for their love, support and care both in words and in deeds towards me throughout this path of higher academic learning. I will forever remain indebted and grateful.

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ABSTRACT

This study examines the determinant of corporate social responsibility in Nigeria on selected quoted companies. The broad objective of the study is to examine the determinants of CSR on corporate entities. The study also examines the relationship between company size, profitability, industry type, institutional ownership, audit firm and leverage.

The population consists of 30 quoted companies in the Nigeria capital market. Data collected was analyzed using the descriptive statistics while hypotheses formulated were tested using the ordinary least square method. The findings indicate that there is a positive relationship between the extents of CSR disclosed and firm size. There is also a positive relationship between profitability and CSR. Industry type was found to have a negative relationship. Institutional ownership was also found to have a negative relationship, also Audit type was found to have a negative relationship. Leverage which is the last variable was found to have a positive relationship on corporate social responsibility.

The study also recommended among others that there is need for regulatory agencies to develop a CSR and environmental responsibility framework that forces considerably on responsiveness and irresponsiveness respectively.

CHAPTER ONE

INTRODUCTION

1.1 Background to the Study

The demand for information and transparency from institutions has increased rapidly in the last twenty year. Public awareness in social and environmental issues and more attention from the media have resulted in more disclosure for institutions, in other to open the communication channels with their stakeholders and demonstrate their corporate social responsibility.

Corporate social responsibility (CSR) is defined as organisation contribution toward the community that it operates in (Dahlsrad, 2008). According to Carroll (1979) the definition of (CSR) is not complete without addressing the entire obligations that a business has to a society. These obligations were group into four basic categories: Economic, Legal, Ethical, and discretionary.

Corporate Social responsibility by corporations has been increasing steadily in both size and complexity over the last two decades (Smith, 2003). Corporate social responsibility (CSR) boosts the reputation of a firm. When a firm financial reports reveals that it is socially responsible stakeholders hold the firm with high esteem, stakeholders uses CSR information to ascertain whether a firm is a good corporate citizen and ultimately justifies the firms continual operation in host community. Gelb and Strauser (2001) argue that a greater level of reporting is in itself is a form of social responsive behaviour. Bowen

(2000) in this regards identified that corporation engage and report their CSR activities in order to increase their social visibility and to improve stakeholder relation as it create promotional opportunities for the firm.

Research attention over the years has attempted to understand and explain this area of corporate reporting which appears to lie outside the conventional domains of accounting disclosures (Alexander, Olawumi, & Dabor, 2015). The evolving challenge in contemporary business firms is the need to reconfigure their performance indices to incorporate Societal and environmental concerns as part of the overall objective of business. Social Responsibility (CSR) practices and reporting provides a strategic framework for achieving this holistic reappraisal of corporate.

The increasing demand for companies to be socially responsible seems to have witnessed considerable perceptual divergences especially within the context of the stakeholder-shareholder debate. The idea which underlies the “shareholder perspective” is that the only responsibility of managers is to serve the interests of shareholders in the best possible way, using corporate resources to increase the wealth of the latter by seeking profits. In contrast, the “stakeholder perspective” suggests that besides shareholders, other groups or constituents are affected by a company’s activities (such as employees or the local community), and have to be considered in managers’ decisions possibly equally’ with shareholders.

1.2 Statement of the Research Problem

One approach to evaluating company's corporate social responsibility behaviour is to examine if they engage in social responsibility disclosure. It is believed that when a company engages in corporate social reporting it presents a balanced reporting of its activities and impacts and provides a basis for stakeholders to evaluate its performance. However, the research evidence in this regards has been inconclusive and the role of the firm specific factors have been vacillating indicating that the issues are still quite unresolved in the literature and this defines the contribution and relevance of the study.

In addition, the empirical evidence in this area from developing economies is still largely inadequate and a number of reasons may account for this and of paramount amongst them being the voluntary stance on CSR reporting. Consequently, do we expect differences in the influence of corporate factors on social responsibility disclosure for both developing and developed economies? The study findings are an important contribution in this regards.

1.3 Research Questions

The following are the research questions for this study;

1. How is company size significantly related to corporate social responsibility,
2. What significant relationship exist between profitability and corporate social responsibility,
3. How significantly related is firm industry type with corporate social responsibility?

4. How is ownership concentration related to corporate social responsibility?
5. To what extent is the Audit firm size related to corporate social responsibility
6. How is leverage significantly related to corporate social responsibility?

1.4 Objective of the Study

The main objective of this study is to examine the determinants of corporate social responsibility in Nigerian listed companies. Other specific objectives are to:

1. Examine the relationship between company size and corporate social responsibility,
2. Ascertain if there is any significant relationship between profitability and corporate social responsibility,
3. Examine the relationship between the firm industry type and corporate social responsibility.
4. Examine the relationship between the firm and ownership and corporate social responsibility
5. Examine the relationship between the audit firm size and corporate social responsibility.
6. Ascertain if there is any significant relationship between leverage and corporate social responsibility.

1.5 Research Hypotheses

In order to achieve the objective of this research work, the following hypotheses have been formulated for empirical validation;

Ho₁: There is no significant relationship between company size and corporate social responsibility.

Ho₂: There is no significant relationship between profitability and corporate social responsibility.

Ho₃: There is no significant relationship between industry type and corporate social responsibility.

Ho₄: There is no significant relationship between ownership and corporate social responsibility

Ho₅ There is no significant relationship between audit firm size and corporate social responsibility.

Ho₆ There is no significant relationship between leverage and corporate social responsibility.

1.6 Scope of the Study

The study examines the evaluation of social responsibility of corporate bodies in Nigeria. The study is restricted to firms listed on the Nigerian Stock Exchange as it is more feasible to access information on their social responsibility activities. The geographical region for this research is Nigeria. The simple random sampling technique was employed in selecting the 30 companies for 2010 – 2017 financial years.

1.7 Significance of the Study

The subject of corporate social responsibility is an important issue not used for corporate entities alone, but also for society. The impact of corporate activities on society demands that corporations must act responsibly in finding ways to ensure that the social implications of their business concerns are addressed especially when it constitutes a cost to society.

1. **Industries:** In Nigeria, multinational now try to placate the restive host communities by embarking on series of ventures such as building classroom blocks, boreholes and roads: offering some employment opportunities to members of the communities, and giving scholarships to selected students from the affected communities. On the overall, Corporate Social Responsibility (CSR) activities are gaining momentum in Nigeria as companies attempt to project a positive image to the society.
2. **Stakeholders:** The study will also be useful to stakeholders who need to understand the concept and issues involved in the CSR disclosure, stakeholders want to know how the society views the organisation .In addition the study will significantly improve the existing studies from developing economies. The study will also serve as a valuable research material for subsequent researches in this direction.
3. **Researcher:** It will serve as a reference point for the future researchers' interest. And the importance of corporate social responsibility disclosure will be known to various bodies.

CHAPTER TWO

LITERATURE REVIEW

2.0 Introduction

This chapter aims at reviewing relevant literature on corporate social responsibility disclosure. The concept of corporate social responsibility in relation to the variables include company size, profitability, industry type, ownership, Audit firm and Leverage.

2.1 Corporate Social Responsibility

In a view to fully understand the concept of corporate social responsibility a number of researches have been inventively carried out by several individuals. The demand for the disclosure of corporate social responsibility by firms has increased in recent times. It is crucial to bear in mind that CSR is an outshot of CSR. Consequently, it simply means that CSR provides information about the CSR status of a company and provides a platform for negotiation between the firm and its stakeholders, CSR boost the reputation of the firm (Dabor & Dabor 2015). Esa and Ghazail (2012) viewed CSR to be the process of providing information on a company product, welfare of employees, community involvement and concern for the environment. Therefore, CSR involves corporations providing information relevant to their stakeholders and to the public at large on how CSR is incorporated in the business corporate social activities. CSR explained that environmental disclosure are part of CSR activities and are intended as a

means which the community and investors can use in economic and political decision making.

Alternatively, CSR can be either voluntary or mandatory (Ahmed et al., 2016) in countries such as the Netherland and France have mandatory CSR while countries such as Nigeria and Germany operate a voluntary CSR. Mandatory disclosures comprise information which are disclosed but not regulated and various guidelines are used in disclosing CSR information. In Musa (2010) he asserted that Nigeria companies are to provide the mandatory disclosure requirement to the public. These standard guidelines include ISO14000 environmental management standard which was developed by International Standard Organisation in 1996 and aims at reducing the depletion of natural resources through reduction in their use and to minimize the harmful effect of corporate activities on the soil, water and air. SA8000 standard deals with improving the work environment of corporations and was developed in 1989 by social accountability international. Accountability 1000(AA1000) is aimed at increasing corporate professional approach toward their establishment, social audit, ethics and standards related to accountability issues and was developed by accountability in 1999 .

In addition, CSR is an extension of the financial disclosure system which reflects the wider anticipation of society concerning the roles of the business community in the society, major corporate ethical disaster impacting on the environment, human resource, and the communities have highlighted the demand for public firm to voluntarily disclose

their corporate social responsibility. The world business Council for sustainable development (WBSCD) 1998, defined CSR as the continual commitment by business to behave ethically and contribute to economic development while improving the quality of the workforce as well as the local community and the society at large. CSR involves organisations disclosing both quantitatively and qualitatively about their CSR activities in order to inform their stakeholders. All organisation has responsibilities to their stakeholders, immediate environment and the society, therefore CSR is expected to unite the organisation, strengthens its reputation and create vital link with the communities in which the operate. CSR is a critical way for firms to communicate with society, to win the minds of the public that they are to meet their social expectations to (Branco and Rodrigues,2008).

2.2 Company Size

Company size can be related to environmental responsibility activities due to the fact that larger companies are likely to be scrutinized by both the stakeholders and the general public. Larger companies have more shareholders who might believe that there is a need for the company to report its social and environmental activities. Large company tends to disclosure their information compare to smaller company because they receive more attention from the public as these companies are more likely to diversify across geographical and product market, thus, these companies might have larger and more sophisticated stakeholders groups (Brammer and Pavelin 2008). Most previous

researchers from developing economy that have investigated the effects of the company size, has indicated that firms assets and paid up share capital on CSR disclosure have suggested a positive effect between size and social disclosure. Larger firms are more politically sensitive than small firms and face differential incentives in their choice of accountability procedures that lead them to defer reported earnings from current to future period.

2.3 Profitability

According to Dabor and Dabor (2015) profitability avails management of companies the freedom to be involve in more social responsibility activities. The main goal of a company is to make profit and pay its shareholders, but, in this contemporary world, for a company to function in the unforeseeable future, a strategy of CSR activities is needed to meet stakeholder demand, respect ethical principles and give an appropriate answer to company stakeholders. CSR activities are provided in the annual budget based on the financial performance of the previous year, so, the profit of the current year may also be influenced by external factors, such as market conjecture, commodity prices and economic prices .Profitable firm could face higher social expectations and public exposure then less profitable firm, they are more affected by potential political cost especially if they appear overly profitable , as a result profitable companies should be able to carry out CSRD on how their profit is been made. (Brammer and Pavelin2006) explains that it provides managers with resources from which the costs of disclosure are funded.

2.4 Industry type

According to Dabor (2015) suggest that disclosure level are more likely to differ among different type of firms, reflecting their attributes. This firm may be subject to numerous controls that will affect the disclosure practices of the firm in that industry. A disclosure differential may also be experienced in the type of product line involved by the industry; it will make it difficult for the firm to disclose information about their industry. Hackston and Milne (1996) extractive industries disclose information about the industry and their environmental impact than other industries.

The type of industry plays a big role in determining the amount of information that is been disclosed. For instance, industries that have a big effect on the environment like chemical industries tend to have larger amounts of environmental disclosures. Whereas, consumer oriented industries such as services prefer to disclose more about their social disclosure to improve the company's image among competitors, likewise labour-intensive industries are more likely to disclose information on their employees. Therefore, industry type has a major influence on CSR practices (Haniffa & Cooke, 2005). Furthermore, regulatory bodies also influence the management to disclose more (Miller & Skinner, 2015). According to legitimacy theory, organisations tend to disclose more voluntary disclosures regarding their environmental activities in order to respond to any threats that occurs (Luft Mobus, 2005), such as oil spills (Frynas, 2012). Gamble et al(1995) found out that the nature of the industry and the activities been carried out in the industry affects

the level of disclosure especially those companies involved in waste management, it was also added that industries that are highly environment sensitive carry out environmental and social disclosure.

2.5 Institutional Ownership

Ownership tends to explain the percentage of total shares owned by different block owners, that is, institution ownership, director ownership and governmental ownership. It was found out that government companies provide more environmental information in corporate annual reports than private companies. Ownership is important as it reflects how power and influence are distributed among the shareholders of a corporation. Ownership reveals where power and influence reside in corporate organisations and also determines for whose benefit this corporate power is being use. Hence, in relation to CSR, ownership can determine whether or not disclosures are made through who holds power and what benefits CSR provides for the corporate power holder. Tagesson et al. (2009) find that government companies disclosed more environmental information than private companies because government-owned companies are under greater scrutiny, and there is pressure from the owner, the state, and from the mass media to comply with society's expectations. Belal (2000) finds that private companies disclose more environmental information in annual reports than government companies.

2.6 Audit Firm Size

Agency theory suggests that auditing helps to mitigate the interest conflicts among investors and management (Xiao, Yang & Chow, 2004). Larger auditing firms such as (big4) have higher standards regarding the quality of information disclosed, since their incentive is to maintain their reputation and preserve their brand name . Moreover, if a company is audited by well-established auditing firm, analysts tend to extend higher recognition to the quality of their disclosure . Audit firms are interested in maintaining their popularity, and thus provide better quality in revision and auditing, the quality of audit is an important factor in improving firms over all reporting practise. There is an increasing need for more financial and non-financial information as part of a company performance against sustainable development commitments, as it is also important to external stakeholders whose demand may include social and environmental disclosure and to those interested in the non-financial performance of the firm, they can usually advise on whether to disclose more information.

2.7Leverage

The disclosure level of CSR is very important as the information help creditors to correctly evaluate risk. Debt providers' are a class of stakeholders who are also concerned with the financial performance and the stability of the organization. They may also be interested in the impact of corporate Social liabilities on liquidation of the company. Companies with higher level of financial leverage may find it more needful to

engage in corporate social reporting and tend to disclose the reports than companies with lower level of financial leverage. According to the agency theory, firms with a higher level of financial leverage tend to voluntarily engage in CSR reporting in order to satisfy creditors and remove the suspicious of wealth transfer to shareholders. Brammer and Pavelin (2016) state that a low degree of leverage ensures that creditor stakeholders will exert less pressure to constrain managers' discretion over CSR activities which are only indirectly linked to the financial success of the firm.

2.8 Firm Size and CSR

Results from prior studies on the relationship between firm size and CSR have been inconsistent. Owen, Ferreri and Parker (1987) report that larger firms are in better position to disclose more information because they are more visible, make greater impact to the society, and have large ranges of shareholders who are concerned with social activities they embark on. Mitchell and Quinn (2005) compared the level corporate social disclosure across some countries to find out the level of differences among them. The study looked at the relationship between firm size and operating performance and the level of corporate social disclosure. The study suggests that firm size plays a significant role in the level of corporate social disclosure. Belkaoui and Karpik (1989) examined the association between the decision of firms to disclosure corporate social responsibility information and economic performance in their research work. They found out that

corporate social responsibility correlated with firms that are perceived to be responsive socially.

Mitchell and Quinn (2005) compared the level corporate social across some countries to find out the level of differences among them. The study looked at the relationship between firm size and operating performance and the level of corporate environmental disclosure. The study suggests that firm size plays a significant role in the level of corporate environmental disclosure.

2.9 Profitability and CSR

Most empirical research has found no significant relationship between CSR and the profitability (for example Hackston and Milne, 1996; Moneva and Rivera-Lino, 2008; Richardson and Welker, 2001). Honssien and Andrew (2006) explored the extent and nature of CSR of companies in Bangladesh using sixty disclosure items. The result shows that CSR is positively related with net profit margin.

Aras and Guillien (2010) examine the relationship between CSR and financial performance of forty listed companies listed on the Istanbul Stock Exchange (ISE) between 2005 and 2007. The result shows that there is no significant relationship between CSR and profitability measure of ROA and ROE. On the contrary Khemir and Baccouche (2010) analyzed the determinants of CSR in Tunisian listed firm. The study also examined the relationship between financial performance and CSR. The findings reveal

there is a positive relationship between CSR activities disclosure and economic performance.

Murray et al., (2006) examined the relationship between profitability and level and patterns of CSR related to environmental, community, employee and customer issues. The sample of this study included the top 100 companies in the UK sectors during 10 years (Chemicals, Oil and Gas; Pharmaceuticals; General Manufacture; and Extractive). The results show that there was a variation in the associations between profitability and level of CSR, as such (the correlations between profitability and the level and nature of CSR practices from 1989-1992 were low but positive. Between 1993-1996, it was very close to zero and a negative relationship was observed during (1996-1997).

2.10 Industry Type and CSR

Previous studies found that the level of CSR with industry type was not on the same level of consistency. In this regard, Patten, (1992) argues that the variations of CSR patterns are a result of the difference in firms' activities and stakeholders' needs as well. The effect of industry and size were the main investigation by Holder-Webb, Cohen, Nath, & Wood (2009), they have chosen 50 publicly traded U.S. firms as a sample for their study, and content analysis was employed to examine the contents of disclosures. It was found that the disclosure content and frequency is significantly different between industries, with emphasis on the importance of industry effect regarding CSR.

Watson, Shrives & Marston (2002) employed the 'Times UK's Top 1000' list i Previous studies found that the level of CSED was not on the same level of consistency, compared with the same factor (type of industry), as shown in the quotation above. For example Kelly (1981) found that there was some variance in the positive relationship with the CSR patterns among types of industry, as such: primary and secondary industry companies tended to disclose environmental and energy related information more than corporations engaged in service industry.

Patten, (1992) argues that the variations of CSR patterns are a result of the difference in firms' activities and stakeholders' needs as well. In order to choose the biggest UK firms according to their turnover. The sample encompassed 313 firms from the utilities, manufacturing, mineral extraction, consumer goods, and services industries. The financial data was requested from the chosen companies relating to the period from 1989 to 1993, and the level of disclosure was evaluated in the annual reports. A number of statistical techniques were employed, including the stepwise model and a multivariate analysis to help with identifying the independent variable that most accounts for the voluntary disclosure level. The study concluded that industry type have a significant relationship with the level of disclosure.

2.11 Institutional Ownership and CSR

According to Ghazali (2007), government ownership was found as important when explaining the increase in the extent of CSR, while Naser et al. (2006) found that

government ownership has a slight impact on the extent of CSR. Juhmani (2013) studied the relationship between voluntary disclosures and ownership variables in Bahrain. 41 Bahraini listed companies were examined and it was found that no relationship was evidenced between governmental ownership and managerial ownership with voluntary 61 disclosures. Whereas, block-holder ownership (shares owned by substantial shareholders 5% or more) has a negative association with voluntary disclosure.

More recently, Abdullah, Mohamad, & Mokhtar (2011) has conducted a study on the top largest 100 companies in Malaysia, they examined the effect of board independence and ownership on CSR; they have used a multiple regression to find the relationship between ownership structure and CSR. They found a negative relationship between family owned firms with the level and quality of CSR disclosures. Eng & Mak (2003) however, conducted another study and obtained varying results when utilising a sample of financial and non-financial companies listed on the Singapore stock exchange. Eng & Mak analysed the influence of ownership structure and the composition of the board on the comprehensiveness of voluntary disclosure, the study identified that managerial ownership at lower levels and higher government ownership improved the voluntary disclosure level.

2.12 Audit Firm and CSR

Empirically, it has been found that international audit firms (the big 4) are more likely to be associated with the increase of disclosures (Xiao, Yang & Chow, 2004). In the same

context, Ahmad, Hassan, & Mohammad (2003) investigated the same factor (auditor type,) and their influence on the environmental disclosure for Malaysian listed companies. Based on a sample of 299 firms, the findings showed that audit firm type (if the audit firm is one of the big four) has a significant relationship with CSR. Another study by Kent & Stewart (2008) The research demonstrated that firms that hired big external audit firms share more data than companies that hired audit firms that were smaller. Kent & Stewart determined that competent governance, focusing on quality monitoring and giving more voluntary disclosures.

2.13 Leverage and CSR

However, Patelli & Prencipe (2007) studied the effect of several company's characteristics including leverage using a sample of 175 non-financial Italian listed on Italy stock exchange, the empirical results show that leverage was found insignificant in determining the amount of disclosures, this result can be related to the unusual relationship between banks (lenders) and companies. Since they generally tend to establish a confidential relation with lenders (banks), and such type of information of loans and borrowings is likely to be given informally and not through annual reports.

Conversely, Haniffa & Cooke (2005) studied the relationship between gearing (debt to equity) and corporate social disclosure alongside several variables. They have assumed

that highly geared firms will reveal more information to legitimise their actions and to comfort their creditors in terms of their financial position. Alternatively, it can be argued that more debts companies have, more disclosures than they do to satisfy stakeholders which will give them assurance and information about the company. Barnea & Rubin (2010) investigated the debate regarding which benefits are generated from CSR investment, emphasizing that companies increased their CSR investment activities in the years prior as they enhance the firm's maximization of value.

2.14 Theoretical Framework

2.14.1 Legitimacy Theory

The concept on which legitimacy theory is based is the notion of a social contract (Guthrie & Parker, 1989; Mathews, 1993; Patten, 1992). In other words, when a business operates within a society, a tacit agreement is in place that that company should endeavour, in its business practices, to behave in socially and environmentally responsible ways in exchange for public approval, which it needs in one degree or another in order to survive (Michelon, Pilonato, & Ricceri, 2015).

The need for legitimacy may not be the same for every firm as organisations may experience different levels of social pressure. The various factors, which contribute to the

level of pressure a company faces and how they respond to it determines CSR practices. The second aspect includes not only potential benefits of engaging in CSR but also possible consequences if a company fails to do so. Therefore, legitimacy theory provides a framework for explaining the determinants and consequences of CSR.

According to. Empirically, legitimacy theory has been extensively studied in the current literature by a number of researchers interested in CSR behaviours and the reasons behind it (Ali, Frynas, and Mahmood, 2017). The main assumptions of legitimacy theory appear to offer at least a partial explanation as to why corporations choose to disclose (or not) information about their social or environmental activities.

Cormier & Gordon (2001) attempted to explain differences between the CSR practices of publicly and privately-owned companies using legitimacy theory, It was found that public companies tend to provide more CSR information than privately owned firms do. As they face greater pressure from the public, which supports the major assertions of legitimacy theory that companies with government and public ownership are adopting this behaviour in order to give a better example of following laws and regulations.

However, legitimacy theory rests on the conception that companies have contracts with the society they operate in, and they have to fulfill these contracts in order to legitimise their activities and actions (Tresch, 2014). Which means if the management fails to legitimise their current activities and support these disclosures, the consequences will be

severe either from the lobbyists (environmental activists, unions, and community pressure) or the government.

2.14.2 Stakeholder Theory

Stakeholder theory was first applied to the concept of CSR in the 1960s and 70s. This led to the addition of many new ideas being added to the literature on corporate social responsibility regarding the management of companies (Bhaduri & Selarka, 2016).

Freeman (1984) can be credited with popularizing the term. He defines stakeholders as “groups or individuals who can affect and are affected by the achievement of an organization’s mission. This includes not only shareholders but also employees, customers, suppliers, creditors, the government, and society as a whole.

Stakeholder theory asserts that the external environment must be influenced. Freeman (1984) argued that companies with the ability to successfully manage their stakeholders would be proactive in anticipating stakeholder concerns and trying to influence their environment. This involves addressing stakeholder needs and concerns, engaging in communication process with stakeholders, negotiating with stakeholders, and seeking voluntary agreements with regard to any issues at hand. The theory is concerned with interactions both between the company and its stakeholder groups and with relationships between managers, shareholders, etc. (Freeman, 2010).

2.14.3 Agency Theory

Jensen & Meckling (1976) explain the principal-agent relationship as “a contract under which one or more persons (the principal(s)) engage another person (the agent) to do some service on their behalf which includes delegating some decision-making authority to the agent.

In this agency’s framework, the agents are the managers and the principals are the shareholders. Jensen & Meckling (1976) propose that the basic principal-agent relationship is faced with major issues. This is to say; the agent might not act in a way that is the best for the principal. Cormier et al. (2011) suggest that increased amounts of environmental or social disclosure results in lower information asymmetry among a company and its investors, therefore reducing risk for the firm. Thus, shareholders look to regulate the behaviour of managers through bonding costs and supervision.

In terms of agency theory, voluntary disclosure can be viewed as one of the bonding costs incurred by managers in order to decrease their agency costs (Jensen & Meckling, 1976). Managers might even signal to shareholders that they are acting to an optimal level via voluntary disclosure.

Friedman (1970) proposed that CSR engagement is symptomatic of an agency problem or a conflict among the managers and shareholder’s interests. He claims that management can employ CSR as a way in which to follow their personal political, social or career agendas at the shareholder’s expense. In light of this argument, Barnea & Rubin (2010)

said that if expenditure on CSR lowers the value of the firm, then a negative correlation between expenditure on CSR and insider ownership is anticipated.

CHAPTER THREE

METHODOLOGY

3.1 Introduction

In this chapter, the study provides explanations relating to the procedures and manners with which data was gathered, presented and analyzed. It presents the sample and population of the study, techniques used in sampling, sources and method of data for the study and the technique of data analysis.

3.2 Population and Sample of the Study

The population of this study comprise of all firms listed in Nigerian stock exchange. The sample is made up of 30 companies listed in the Nigeria stock exchange as at 2010-2017. The reason for choosing Nigeria listed companies is because of their level of compliance to financial reporting and availability of their financial information.

3.3 Method of Data Collection

The data of this study were obtained mainly from secondary sources which were collected from audited annual report of listed companies in Nigeria stock exchange.

3.4 Techniques for Data Analysis

This research work is descriptive and highly empirical as it embraces the use of multiple regressions using ordinary least square method of estimation (OLS) and correlation.

These techniques are very effective in estimating the relationship as well as the impact of one variable on another variable.

3.5 Models Specification

In line with the objective of this study which is to examine the determinants of corporate social responsibility disclosure in Nigeria listed companies, the model adopted in this study is given in a functional form as;

$$\text{CSR}D = f[\text{SIZE}, \text{PROFIT}, \text{ITYPE}, \text{OWN}, \text{AUFIRM}, \text{LEV}.]$$

$$\text{CSR}D = \alpha + \beta_1 \text{SIZE} + \beta_2 \text{PROFIT} + \beta_3 \text{ITYPE} + \beta_4 \text{OWN} + \beta_5 \text{AUFIRM} + \beta_6 \text{LEV} + U_t$$

Where:

CSR D = Corporate Social Responsibility Disclosure

SIZE = Company Size (proxied by log of total asset)

PROFIT = Profitability [proxied by Profit after tax (PAT)]

ITYPE = industry type [proxied by dichotomy variable (1 and 0). 1 for if the firm is in the financial institution and 0 if it is in a non-financial institution.]

AUFIRM = Audit firm [proxied by dichotomy variable (1 and 0). 1 for if the audit firm is one of the big four (KPMG, PWC, Deloitte and EY) and 0 if it is not.]

OWN = Ownership (is measured by the percentage of shares owned by institutions)

LEV = Leverage (long term liabilities divided by total asset)

U_t = Stochastic term

The a priori signs are $\beta_1 > 0$, $\beta_2 > 0$, $\beta_3 > 0$, $\beta_4 > 0$, $\beta_5 > 0$, $\beta_6 > 0$.

3.6 Measurement and Operation of Variables

The table below shows the variables, definitions, type and measurement of variables used in this study.

S/N	Variables	Definitions	Variable type	Measurement
1	CSR	Corporate Social Responsibility	Dependent	Total amount spent on corporate social activities.
2	SIZE	Company size	independent	log of total asset
3	PROFIT	Profitability	independent	Profit after tax (PAT)
4	ITYPE	industry type	independent	Dichotomy variable (1 and 0). 1 for if the firm is in the financial institution and 0 if it in a non-financial institution
5	AUFIRM	Audit firm	independent	Dichotomy variable (1 and 0). 1 for if the audit firm is one of the big four (KPMG, PWC, Deloitte Sand EY) and 0 if it is not.]
6	I OWN	Institutional Ownership	independent	The percentage of shares own by institutions
7	LEV	Leverage	independent	Long term liabilities divided by total asset

CHAPTER FOUR

DATA PRESENTATION AND ANALYSES

4.0 Introduction

This section focused on the presentation, analysis and interpretation of the data collected for this research work. Consequently, it entails the application of both mathematical and statistical techniques to provide the bases for the research hypothesis. Hence, it is a vital part of any research work, since it forms the basis for recommendation and conclusion at the end of the research. A quantitative analysis of the models specified in the previous chapter is examined empirically. The preliminary analysis of the data where first conducted thereafter, the regression analysis test was conducted using the panel regression analysis which encompasses the fixed effect and random effect model. The results are presented below.

4.1 Descriptive Statistics

	CSR	FSIZE	PRF	INDUSTRY	INOWC	AUDTYPE	LEV
Mean	7.529294	8.380650	6.825316	0.459627	53.37807	0.496894	0.785514
Median	7.797345	8.564839	6.935153	0.000000	55.00000	0.000000	0.803335
Maximum	8.786815	9.836582	8.310158	1.000000	87.95000	1.000000	7.992495
Minimum	4.995635	6.335890	4.269746	0.000000	8.660000	0.000000	0.177877
Std. Dev.	0.926557	0.973316	0.960929	0.499922	23.64084	0.501550	0.641315
Jarque-Bera	22.93040	11.45252	11.85720	26.83796	12.27643	26.83333	66418.25
Probability	0.000010	0.003259	0.002662	0.000001	0.002159	0.000001	0.000000

Source: Researchers compilation, 8.0

The table above reveals the descriptive statistics which took into account the measures of central tendency, measures of dispersion as well as measures of normality. The first variable which is corporate social responsibility was found to have a mean value of 7.5, the standard deviation measuring the spread of the distribution stood at a value of 0.92. The Jarque Bera. The next variable which is firm size was found to have a mean value of 8.3. The standard deviation measuring the spread of the distribution stood at a value of 0.491. The Jarque Bera measuring the spread of the distribution stood at a value of 11.45. The Jarque Bera probability value stood at 0.003 therefore indicating the absence of an outlier in the model. Profitability was found to have a mean value of 6.82. The standard deviation stood at a value of 0.96. The Jarque Bera statistics measuring the spread of the

distribution stood at a value of 11.8 therefore indicating that on the average the variable is normally distributed. Industry type was found to have a mean value of 0.45. The standard deviation stood at 0.49. The Jarque bera statistics stood at 26.8 with an associated probability value of 0.00. Institutional ownership was found to have a mean value of 53.3. The standard deviation stood at 23.6. The Jarque bera statistics measuring the spread of the distribution stood at a value of 12.2. The probability value stood at 0.00. Audit type was found to have a mean value of 0.49. Standard deviation stood at 0.50. The Jarque Bera statistics stood at 26.8 and the probability value stood at 0.00. Leverage was found to have a mean value of 0.78. The standard deviation value stood at 0.64. The Jarque bera statistics value stood at probability value of 0.00.

4.2 Diagnostic Test

Hausman Test

Test cross-section random effects

	Chi-Sq.	Chi-Sq.	
Test Summary	Statistic	d.f.	Prob.
Cross-section random	6.626427	6	0.3568

Source: Researchers compilation,8.0

An examination of the table above it was observed that the Chi value was found to have a probability value of 0.3568 which was greater than the p value. Therefore indicates that the random effect model is a more suitable model.

4.3: Regression Result

Variable	Coefficient	Std. Error	t-Statistic	Prob.
FSIZE	0.455887	0.064015	7.121564	0.0000
PRF	0.077638	0.077463	1.002263	0.3181
INDUSTRY	-0.071427	0.044815	-1.593830	0.1134
INOWC	-0.000328	0.001363	-0.240445	0.8104
AUDTYPE	-0.051266	0.016733	-3.063818	0.0027
LEV	0.021981	0.008327	2.639674	0.0093
C	3.238293	0.506040	6.399283	0.0000
Weighted Statistics				
F-statistic	4.658880	Durbin-Watson stat	1.502228	
Prob(F-statistic)	0.000256			
Hausman test	0.3568			

Source: Researchers compilation,8.0

The Table above gives a summary of the analysis carried out using the random effect model. This model was arrived at after a critical selection was made with the aid of the Hausman test.

From the result above it was observed that firm size was found to have a positive relationship with corporate social responsibility as depicted by the positive coefficient value. It was also found to be statistically significant when tested at 5% level of

significance. This therefore implies that on the average a unit change in the size of a firm will lead to a 45% increase in the corporate social responsibility practices amongst sampled companies. Profitability which is the second variable was found to have a positive impact on corporate social responsibility. It was however not found to be statistically significant when tested at 5% level of significance. Industry type was found to have a negative relationship with corporate social responsibility. It was also not found to be statistically significant when tested at 5% level of significance. Institutional ownership was found to have a negative impact on corporate social responsibility. It was also not found to be statistically significant when tested at 5% level of significance. Audit type which is the last variable was found to have a negative relationship with corporate social responsibility. It was also found to be statistically significant when tested at 5% level of significance. This therefore indicates that on the average the type of audit firm has the tendency of reducing the level of corporate social responsibility practices in the organisation by 5%. Leverage was found to have a positive relationship with corporate social responsibility. This therefore indicates that on the average a unit change in debt to equity ratio will lead to a 2% increase in corporate social responsibility. This variable was also found to be statistically significant when tested at the 5% level of significance.

4.4 Discussion of Findings

From the result firm size was found to be positively related with corporate social responsibility. This therefore indicates that larger firms have the tendency to engage more in CSR activities than small firms. It also validates theory as regards to Political Cost hypothesis put forward by positive accounting theory. Thus *ceteris paribus*, large firms are more politically sensitive than small firms and face differential incentives in their choice of accounting procedures that lead them to defer reported earnings. This therefore implies that managers of this kind of firm consider that they are under great deal of political scrutiny and public pressure, this could this could make them to disclosure social reporting. This finding is tandem with the findings of Watt and Zimmerman (1986). Profitability was found to have a positive relationship with corporate social responsibility. This implies that firms that engage in corporate social responsibility there is a probability that they have greater returns compare to firms that don't engage in CSR activities. This finding is in line with the finding of Zakaria (2011) as well as Rahman (2005).

Leverage which was found to exert a positive impact on corporate social responsibility disclosure. This therefore indicates that companies with high leverage have the tendency to adhere to strict debt covenant which in turn will bring about a boost in their ability to spend resources on corporate social responsibility. This findings is consistent with the findings of Belkoui and Karpik(1989) but at variance with the finding of Ahmad, et al. (2003).

Industry type was found to have a negative impact on corporate social responsibility. This therefore indicates that on the average the type of industry does not in any way determine the level of CSR activities that a firm will engage in. Institutional ownership was found to have a negative impact on corporate social responsibility. This findings is in line with the findings of

Audit type was found to have a negative impact on corporate social responsibility as depicted by the negative coefficient value. This implies that Big four audit is not a basis for corporate social responsibility practices in an organisation. This findings is in line with the findings of Kent & Stewart (2008). Institutional ownership was found to have a negative impact on corporate social responsibility. This findings is at variance with the findings of Belal (2000) who stated that private companies disclose more environmental information in annual reports than government companies.

CHAPTER FIVE

SUMMARY OF FINDINGS, CONCLUSION AND RECOMMENDATIONS

5.1 Introduction

This study is fashioned and designed to critically analyze the determinants of corporate social responsibility in Nigerian listed companies. This chapter is divided into summary of findings, discussion of finding, policy recommendation and conclusion.

5.2 Summary of Findings

The objective of this study is to investigate the determinants of corporate social responsibility in Nigerian listed companies. The following entail the findings of various studies

1. Firm size was found to have a positive relationship with corporate social responsibility as depicted by the positive coefficient value. It was also found to be statistically significant when tested at 5% level of significance.
2. Profitability was found to have a positive impact on corporate social responsibility. It was however not found to be statistically significant when tested at 5% level of significance.
3. Industry type was found to have a negative relationship with corporate social responsibility. It was also not found to be statistically significant when tested at 5% level of significance.

4. Institutional ownership was found to have a negative impact on corporate social responsibility. It was also not found to be statistically significant when tested at 5% level of significance.
5. Audit type which is the last variable was found to have a negative relationship with corporate social responsibility. It was also found to be statistically significant when tested at 5% level of significance.
6. Leverage was found to have a positive relationship with corporate social responsibility. This therefore indicates that on the average a unit change in debt to equity ratio will lead to a 2% increase in corporate social responsibility. This variable was also found to be statistically significant when tested at the 5% level of significance.

5.3 Conclusion

CSR could go a long way in boost the reputation of the firm because corporate social responsibility provides information on a company product, welfare of employees, community involvement and concern for the environment. Therefore, CSR involves corporations providing information relevant to their stakeholders and to the public at large on how CSR is incorporated in the business corporate social activities. CSR explained that environmental disclosure are part of CSR activities and are intended as a means which the community and investors can use in economic and political decision making.

5.4 Recommendations

From the findings carried out based on the regression analysis been carried out the following entail the recommendation for the study

1. Firm size was found to be positively related with corporate social responsibility. This therefore indicates that larger firms have the tendency to engage more in CSR activities than small firms. It also validates theory as regards to Political Cost hypothesis put forward by positive accounting theory. Thus *ceteris paribus*, large firms are more politically sensitive than small firms and face differential incentives in their choice of accounting procedures that lead them to defer reported earnings. It therefore implies that managers of this kind of firm consider that they are under great deal of political scrutiny and public pressure; this could make them to disclosure social reporting.
2. Profitability was found to have a positive relationship with corporate social responsibility. It is therefore recommended that more profitable firms should engage in corporate social responsibility.
3. Leverage which was found to exert a positive impact on corporate social responsibility disclosure. This therefore indicates that companies with high leverage have the tendency to adhere to strict debt covenant which in turn will bring about a boost in their ability to spend resources on corporate social

responsibility. It is therefore recommended that debt to equity ratio place an important role in when it comes to CSR activities.

4. Industry type was found to have a negative impact on corporate social responsibility. This therefore indicates that on the average the type of industry does not in any way determine the level of CSR activities that a firm will engage in. Institutional ownership should not be considered as a key variable when ascertaining the CSR activities of an organisation.
5. Audit type was found to have a negative impact on corporate social responsibility as depicted by the negative coefficient value. It is therefore recommended that Big four audit is not a basis for corporate social responsibility practices in an organisation.
6. Institutional ownership was found to have a negative impact on corporate social responsibility. It is therefore recommend that institutional ownership is not a major factor that impact on corporate social responsibility activities

5.5 Recommendation for Further Studies

1. The time frame and sample size could be increased in order to cover a longer time frame and a more representative sample size in order to enhance the quality of the results.
2. More variables of a technical nature that impinge directly on CSR measurement could also be introduced into the model for more robustness

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	INDUSTR			AUDTYP			
	CSR	FSIZE	PRF	Y	INOWC	E	LEV
Mean	7.529294	8.380650	6.825316	0.459627	53.37807	0.496894	0.785514
Median	7.797345	8.564839	6.935153	0.000000	55.00000	0.000000	0.803335
Maximum	8.786815	9.836582	8.310158	1.000000	87.95000	1.000000	7.992495
Minimum	4.995635	6.335890	4.269746	0.000000	8.660000	0.000000	0.177877
Std. Dev.	0.926557	0.973316	0.960929	0.499922	23.64084	0.501550	0.641315
Skewness	-0.924018	-0.491523	-0.641277	0.162020	-0.393565	0.012423	9.054831
Kurtosis	3.054376	2.139285	2.649875	1.026250	1.899794	1.000154	100.8412
Jarque-							
Bera	22.93040	11.45252	11.85720	26.83796	12.27643	26.83333	66418.25
Probability	0.000010	0.003259	0.002662	0.000001	0.002159	0.000001	0.000000
Sum	1212.216	1349.285	1098.876	74.00000	8593.870	80.00000	126.4677
Sum Sq.	137.3612	151.5752	147.7417	39.98758	89422.28	40.24845	65.80553

Dev.

Observatio

ns 161 161 161 161 161 161 161

APPENDIX

Regression Result: Random Effect model

Dependent Variable: CSR

Method: Panel EGLS (Cross-section random effects)

Date: 12/08/19 Time: 02:55

Sample (adjusted): 2012 2016

Periods included: 5

Cross-sections included: 30

Total panel (unbalanced) observations: 135

Swamy and Arora estimator of component variances

White cross-section standard errors & covariance (d.f. corrected)

WARNING: estimated coefficient covariance matrix is of reduced rank

Variable	Coefficient	Std. Error	t-Statistic	Prob.
FSIZE	0.455887	0.064015	7.121564	0.0000
PRF	0.077638	0.077463	1.002263	0.3181
INDUSTRY	-0.071427	0.044815	-1.593830	0.1134
INOWC	-0.000328	0.001363	-0.240445	0.8104
AUDTYPE	-0.051266	0.016733	-3.063818	0.0027
LEV	0.021981	0.008327	2.639674	0.0093
C	3.238293	0.506040	6.399283	0.0000

Effects Specification

	S.D.	Rho
Cross-section random	0.686528	0.9459
Idiosyncratic random	0.164122	0.0541

Weighted Statistics

R-squared	0.179241	Mean dependent var	0.833917
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Adjusted R-squared	0.140768	S.D. dependent var	0.190506
S.E. of regression	0.163511	Sum squared resid	3.422203
F-statistic	4.658880	Durbin-Watson stat	1.502228
Prob(F-statistic)	0.000256		

Unweighted Statistics

R-squared	0.409621	Mean dependent var	7.491007
Sum squared resid	64.19303	Durbin-Watson stat	0.080085

Correlated Random Effects - Hausman Test

Equation: Untitled

Test cross-section random effects

Test Summary	Chi-Sq.		
	Statistic	Chi-Sq. d.f.	Prob.
Cross-section random	6.626427	6	0.3568
