

**Ownership Structure and Corporate Social Responsibility Disclosures of Listed**

**Companies in Nigeria**

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**Ownership Structure and Corporate Social Responsibility Disclosures of Listed  
Companies in Nigeria**

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**Being a Thesis Presented to the Department of Accounting, Faculty of Management  
Sciences, University of Benin, Benin City, in Partial Fulfilment of the Requirements for  
the Award of Masters of Science (M.Sc.) Degree in Accounting.**

**Supervisor:**

**Dr. N. P. Osazuwa**

**FEBRUARY, 2020**

## DECLARATION

I, Efafosa OGBORO declare that:

1. This thesis is a study carried out by me in the Department of Accounting, Faculty of Management Sciences, University of Benin, Benin City under the supervision of Dr. N. P. Osazuwa of the Department of Accounting, Faculty of Management Sciences, University of Benin, Benin City, Nigeria.
2. This work has not been submitted for the award of any degree elsewhere.
3. All the ideas and views are the products of my personal research. All references made to the works of others have been duly acknowledged.
4. I shall be solely and completely accountable for any liability that may arise from this study, if any.

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Efafosa OGBORO

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Date

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## CERTIFICATION OF THESIS ON PLAGIARISM

We the undersigned attest and declare that the thesis of Efafosa OGBORO titled “**Ownership Structure and Corporate Social Responsibility Disclosures of Listed Companies in Nigeria**” has successfully passed the anti-plagiarism test and does not violate any copyright regulations.

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Dr. N. P. Osazuwa

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Date

## CERTIFICATION

We certify that this thesis was carried out by Efafosa OGBORO in the Department of Accounting, Faculty of Management Sciences, University of Benin, Benin City, Nigeria and it is considered adequate in scope and quality in partial fulfilment of the requirements for the award of Masters of Science (M.Sc.) degree in Accounting.

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## ATTESTATION OF CORRECTED THESIS

We the cosignatories, attest that Efafosa **OGBORO** has successfully carried out all the required corrections as suggested by the External and Internal Examiners in his thesis titled **“Ownership Structure and Corporate Social Responsibility Disclosures of Listed Companies in Nigeria”**.

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Date

## **DEDICATION**

This thesis is dedicated to God Almighty for His grace, favour and infinite mercies towards me and to my parents for their enduring support.

## **ACKNOWLEDGEMENTS**

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## ABSTRACT

This study investigated the relationship between ownership structure and Corporate Social Responsibility Disclosures (CSR) with focus on the impact of managerial ownership, institutional ownership, foreign ownership and ownership concentration on CSR.

The study also used the United Nations Global Compact (UNGC) index as a framework for measuring the disclosing of CSR information. The study adopted a longitudinal research design and a sample of one hundred and eighteen (118) companies was selected from a population of one hundred and sixty eight (168) companies listed on the Nigeria Stock Exchange (NSE) as at 31<sup>st</sup> December 2018. This was studied from year 2009 to 2018. The data collected from these companies was analysed using descriptive statistics, correlation analysis and panel regression analysis. Also, the panel regression analysis used fixed effect model for data estimation.

The results derived from the data analyses indicated that CSR in Nigeria is low with an average CSR of 35% for the sampled firms. The regression results suggested that among firms listed on the NSE, managerial ownership and foreign ownership have a significant negative effect on CSR, while institutional ownership and ownership concentration have a significant positive effect on CSR. The study therefore recommended that the voluntary nature of CSR in Nigeria should be enhanced through compulsory disclosure requirements as voluntary CSR in Nigeria is low. Management should not be allowed to own large amounts of equity shares as management ownership of equity shares has a negative relationship with CSR indicating that the more equity shares are owned by management, the less CSR are made. Institutional shareholders should be allowed to own large amounts of equity shares as institutional share ownership is significant and positively related to CSR, thus, indicating that as institutional share ownership increases, CSR also increases. Foreign ownership of equity shares should be reduced either through corporate regulations or otherwise due to CSR decreasing as foreign ownership of equity shares increases, and there is a significant negative effect of foreign equity share owners on CSR. Ownership concentration should be encouraged in Nigeria especially when such concentration is in the hands of institutional shareholders because ownership concentration among NSE listed firms has a significant positive relationship with CSR. This indicates that as ownership concentration increases CSR also increases. Institutional shareholders should be allowed and encouraged to have representatives on the board of directors which represents corporate management, in order to strengthen the relationship between management and institutional shareholders, as the presence of institutional shareholders in NSE listed companies leads to increase in the extent of CSR.

## CHAPTER ONE

### INTRODUCTION

#### 1.1 Background to the Study

Corporate organisations have been accused of contributing negatively to the environment and society through issues like resource depletion, pollution, poor waste disposal and poor product quality and safety (Salisu, Saidu & Lawan, 2018). These environmental and social issues becoming the focus of public attention and concern, there has been the need for corporate organisations to accept responsibility for the effect of their corporate actions on the society and environment. This accepted responsibility has brought about the need for corporations to carry out Corporate Social Responsibility (CSR).

CSR entails that corporate organisations take cognisance of social and environmental issues like proper waste disposal and labour welfare in their business activities. Inclusion of social responsibility in the activities of corporations has also brought about the need for corporate organisations to provide information, in their annual financial reports, on how their corporate actions affect society and what steps they are taking to positively affect the society and environment. Hence, the need for corporations to disclose the effect of their activities on society has become a very fundamental issue (Ebimobowei, 2011). According to Dibia and Onwuchekwa (2015), corporations by disclosing CSR information seek to influence the perception of the public on their corporate actions. Thus, disclosing CSR information creates a channel of communication between a firm and its stakeholders, which is used to influence the views and perceptions of the firm in the eyes of these stakeholders, including the public.

Corporate Social Responsibility Disclosures (CSR D) are important, to inform corporate stakeholders that organisations recognise their interests in their corporate actions. These voluntary and obligatory disclosures ensure that the effect of corporations' actions on the

society and environment are seen to be sustainable (Salisu et al., 2018). The Nigerian business environment becoming more complex and demanding due to factors like increased competition and better information and communication technology, the need for CSR and disclosures have also increased (Uwuigbe & Egbide, 2012). Studies have therefore been carried out on CSRD in Nigeria to determine its nature, extent and what influence various corporate attributes have on CSRD. For instance, Ahmed, Zakaree and Kolawole (2016) described CSRD to include information on environmental issues, welfare of employees, community relations, consumer and product related issues, while Umoren, Isiavwe-Ogbari and Atolagbe (2016) revealed that the level of CSR information reported from a sample of 45 companies listed on the Nigeria Stock Exchange (NSE) between 2013 and 2014 was only 44% with environmental disclosures at 6% while social information was 68%. This relatively low level of disclosure agrees with the level of CSRD in many developing countries where CSRD is voluntary, like Jordan which has a disclosure level of 34.1%, social disclosures being 38.7% and environmental disclosures 7.7% (Alshannag, Basah & Khairi, 2016). Also, Saudi Arabia with CSRD level of 32%, environmental disclosure being 21% and social disclosure, 24% (Al-Gamrh & Al-Dhamari, 2016). It is however in sharp contrast with countries having mandatory disclosure requirement like Turkey, with CSRD level of 93.6% (Akbas & Canikli, 2014) and 96% in Thailand (Suttipun & Stanton, 2012).

While studies have been carried out on CSRD in environmentally sensitive industries like the petroleum (Mohammed, 2018) and manufacturing industries (Egbunike & Tarilaye, 2017) and studies such as Ohidoa, Omokhudu and Oserogho (2016) have also investigated the determinants of CSR information disclosure in Nigeria, there have been few studies such as Yusuf, Fodio and Nwala (2018) and Sadiq and Mohammed (2017) dedicated to the influence of firm ownership structure attributes on CSRD in Nigeria. Ownership structure is nevertheless important as it reflects how power and influence are distributed among the

shareholders of a corporation. Ownership structure reveals where power and influence reside in corporate organisations and also determines for whose benefit this corporate power is being used. Hence, in relation to CSR, ownership structure can determine whether or not disclosures are made through who holds power and what benefits' CSR provides for the corporate power holder.

There have been mixed results from studies available on the relationship between corporate ownership structure attributes and CSR such as Kurawa and Kabara (2014) (managerial ownership) finding a negative relationship while Yusuf *et al.* (2018) found a positive relationship. This study therefore investigates empirically the relationship between ownership structure and CSR in Nigeria, with focus on four (4) ownership structure attributes, namely; managerial ownership, institutional ownership, foreign ownership and ownership concentration. The reason for this focus is to resolve the mixed findings from previous studies through a study of companies listed on the NSE and using the United Nations Global Compact (UNGC) as a framework for measuring CSR. This framework for CSR is selected due to the fact that few studies like Ortas, Alvarez and Garayar (2015) have used it to measure CSR. The use of the UNGC also aligns this study with the year 2015 United Nations Sustainable Development Goals (UN SDGs) which include; clean water and sanitation, quality education and affordable energy, by examining how NSE listed companies are set to achieve these goals, through the extent of their CSR. This is because the principles of the UNGC are posed to ensure the seventeen (17) UN SDGs of the year 2030 UN agenda for sustainable development are achieved. This achievement of the UN SDGs through the UNGC principles include SDGs like; peace and justice strong institutions (anti-corruption principle), affordable energy (more development and diffusion of environmentally friendly technologies principle) and clean water and sanitation (responsibility to the environment principle).

## **1.2 Statement of Problem**

CSR in Nigeria is currently a voluntary activity (Adeyemi & Ayanlola, 2015). Its voluntary nature provides corporate organisations the liberty to decide what information to disclose or withhold. This decision on what should be disclosed and how much information should be disclosed has been a challenge for corporations. Therefore, the question that arises is what makes corporations disclose their CSR activities.

In corporate organisations, there is usually the interplay of influences on the policies, strategies and decisions of the company. The major influencers are the shareholders and management through the board of directors. Generally, the board of directors is charged with the responsibility of monitoring and controlling the activities of the corporation (Dias, Rodrigues & Craig, 2017). The directors are also charged with preparing the annual financial reports of the company together with disclosing non-financial information. Thus, the board ensures that the corporation is accountable and transparent to its stakeholders.

However, in the board's discharge of its functions, agency problems of conflict between management and shareholders arise, in which management may put their interests above those of the shareholders. Various measures are deemed to mitigate this agency problem. Managerial ownership as a measure is believed to align the interests of management with shareholders. Managerial ownership in a corporation being executives or directors owning stock or shares in the corporation (Chang & Zhang, 2015). This agency problem is believed to be reduced when managers are also owners in the company. The owner managers are believed to place the interests of shareholders as high priority. A second dominant influence that can reduce this agency problem is institutional ownership. Institutional owners include banks, mutual funds, pension funds and insurance companies (Chang & Zhang, 2015). They usually influence the policies, strategies and decisions of corporations through their

substantial voting power which is gained through their high number of share investment. With this voting power, institutional owners can choose which directors they want and remove others not working in their interest.

A large number of foreign shareholders can also influence the strategies, policies and decisions of a corporation. This ability to influence the actions of a firm's management is basically due to the high expertise and corporate governance skills which foreign shareholders possess (Alrabha, Haija, Alqudah & Azzam, 2018). This expertise and corporate governance skills stem from their being familiar with very complex investment environments and their need to protect their usually high equity share investments. Hence, where there is a concentration of foreign equity shareholders in a company, there is usually a tendency for them to challenge, modify and control the policies, strategies, actions and decisions of the company's management (Tahir & Sabir, 2014). This is due to the need for foreign owners to protect their investments from risks and uncertainties such as social sanctions which they face in these foreign environments (Khan, Muttakin and Siddiqui, 2012).

High number of share investment by certain groups of investors can however lead to ownership being concentrated in a few hands in corporations. Ownership concentration being a major source of influence among shareholders provides for more effective supervision over a company's management. This more effective supervision over a corporations' management activity is due to the need of large share owners to protect their investment in the company in the long term (Ba, 2017). The major contention is therefore how these ownership structure attributes (managerial ownership, institutional ownership, foreign ownership and ownership concentration) interact to affect a corporation's policies, strategy and decisions on CSR.

The relationship between various corporate attributes and CSR has been studied in Nigeria with studies such as Mohammed (2018) and Dibia and Onwuchekwa (2015), being carried

out in the petroleum industry, Ozordi, Uwuigbe, Obarakpo, Ikumapayi and Gbenedio (2018) studied the manufacturing industry while Haladu and Salim (2017) studied the relationship between corporate attributes and CSR in the Nigerian economy using firms listed on the NSE. However, there have been few studies such as Sadiq and Mohammed (2017) dealing with the relationship between corporate ownership structure in Nigeria and CSR. The studies carried out have also produced mixed findings. Ownership structure nevertheless is important as it describes the nature of ownership in corporations. Ownership structure is also important for monitoring the quality of information disclosed in corporate financial reports and for controlling the behaviour of management in corporations (Sadiq & Mohammed, 2017). Hence, ownership structure determines which shareholders can exert influence on management decisions and policies.

Against the backdrop that shareholders can influence management decisions and actions through their voting power, this study investigates empirically the relationship between ownership structure and CSR in Nigeria, using managerial ownership, institutional ownership, foreign ownership and ownership concentration as variables. This study also contributes to the existing literature on the relationship between ownership structure and CSR in Nigeria by using the UNGC as framework for CSR. This is because very few studies such as Ortas *et al.* (2015) have used it as a measure for CSR. Rather, studies carried out on CSR have used various frameworks like the Global Reporting Initiative (GRI) (Egbunike & Tarilaye, 2017), GRI4 (Haladu & Salim, 2017) or researchers develop their own CSR checklists from previous studies carried out (Ahmed *et al.*, 2016). The use of the UNGC also aligns this study with the year 2015 UN SDGs like quality education and affordable energy, by examining how NSE listed companies are set to achieve these goals, through the extent of their CSR. This achievement of the UN SDGs is through UNGC

principles like; anti-corruption (peace and justice strong institutions) and more development and diffusion of environmentally friendly technologies (affordable energy).

### **1.3 Research Questions**

Based on the problem statement, this study seeks to answer the following questions; the broad question being, what is the relationship between ownership structure and CSR? The specific questions are therefore;

1. What is the impact of managerial ownership on CSR?
2. To what extent does institutional ownership affect CSR?
3. What is the effect of foreign ownership on CSR?
4. To what extent does ownership concentration impact CSR?

### **1.4 Objectives of the Study**

The aim of this study is to examine the relationship between ownership structure and CSR. The specific objectives are therefore to:

- a. examine the impact of managerial ownership on CSR;
- b. ascertain the effect of institutional ownership on CSR;
- c. determine the effect of foreign ownership on CSR; and
- d. investigate the impact of ownership concentration on CSR.

### **1.5 Research Hypotheses**

The research hypotheses of this study, which are stated in null form, are;

1. Managerial ownership has no significant impact on CSR.
2. Institutional ownership has no significant effect on CSR.
3. Foreign ownership has no significant effect on CSR.
4. Ownership concentration has no significant impact on CSR.

## **1.6 Scope of the Study**

This study investigates empirically the relationship between ownership structure and CSR, with focus on the impact of four (4) corporate ownership structure attributes namely; managerial ownership, institutional ownership, foreign ownership and ownership concentration. The study uses data from the annual reports of companies listed on the NSE. The population of this study being the one hundred and sixty-eight (168) companies listed on the NSE as at 31<sup>st</sup> December 2018 (NSE Fact book, 2018). The financial statements of a sample of one hundred and eighteen (118) financial and non-financial companies were used to provide information on the companies from year 2009 to 2018. The year 2009 is significant being the year following the global financial crisis that occurred in 2008. This financial crisis, being caused mainly by financial institutions' corrupt practices and high pursuit of profit, resulted in corporations shifting their focus away from solely making profit and to include other social and environmental pursuits in their corporate actions. The ten-year period (2009 - 2018) is also chosen as 2018 is the most recent year with available financial reports.

## **1.7 Significance of the Study**

CSR has received a lot of attention due to the public awareness of the impact of companies on the society. It has therefore become necessary for companies to disclose their CSR activities. This has necessitated the studies being carried out to determine the extent of CSR in Nigeria and what influences companies to disclose their CSR. This study therefore adds to the existing literature on the relationship between ownership structure and CSR by providing a theoretical background on this relationship through a review of extant literature and contributing to the existing literature through an empirical analysis of the effect of corporate ownership structure (managerial ownership, institutional ownership foreign

ownership and ownership concentration) on CSR in Nigeria using the year 2000 UNGC, which very few studies have used, as a measure for CSR. This is done in order to resolve the mixed findings from previous studies through an empirical investigation of firms listed on the NSE. Also, the use of the UNGC aligns this study with the year 2015 UN SDGs like, climate action (more development and diffusion of environmentally friendly technologies principle) and quality education (elimination of all forms of child labour principle), by examining how NSE listed companies are set to achieve these goals, through the extent of their CSR.

This study is also of practical significance to corporate organisations, corporate stakeholders, other researchers and the general public. This is in general, for the purpose of information and awareness on the relationship between ownership structure and CSR and how these four (4) ownership structure attributes affect CSR in Nigeria, for their use in dealing with companies operating in Nigeria. It is also of practical significance in particular to corporate organisations, for understanding how the ownership structure in organisations influences their corporate actions and decisions in general and CSR in particular. It also provides stakeholders with information on how corporate ownership structure has an indirect influence on them through a direct influence on the decisions and policies of the company. Also, it is significant to the general public for awareness on the power and influence owners (shareholders) can exert in corporate organisations. Lastly, it is also of practical significance to other researchers for awareness on the relationship between corporate ownership structure and CSR in order to provide a body of knowledge for further research and study.

## **1.8 Limitations of the Study**

The limitations encountered during this study include;

1. **Non-disclosure of information on the selected variables:** Some companies listed on the NSE did not disclose all information relating to the independent variables (managerial ownership, institutional ownership, foreign ownership and ownership concentration) used for the study, in their annual financial reports.
2. **Non-publication of annual financial reports:** Some companies listed on the NSE did not publish their annual financial reports for public view, in some of the years under study.

## **CHAPTER TWO**

### **LITERATURE REVIEW**

This chapter focused on the concept of CSR (Corporate Social Responsibility), CSRD (Corporate Social Responsibility Disclosures) and ownership structure. Various methods of measuring CSRD were examined along with the UNGC (United Nations Global Compact). This chapter also examined the relationship between ownership structure and CSRD by reviewing empirical studies that have been carried out and related theories were also reviewed.

#### **2.1 Conceptual Review**

##### **2.1.1 Corporate Social Responsibility**

CSR according to Alkababji (2014) was defined as a commitment by business organisations' that is voluntary and contributes to social and environmental development. Chauhan and Amit (2014) also described CSR to be a part of a corporation's operations in which there is a contribution to the society and environment, through voluntary social, environmental and financial corporate investments. These definitions explain CSR to be an activity carried out by business corporations which is basically voluntary and is done for the benefit and welfare of society. Pour, Nazari and Emami (2014), while viewing that CSR is a concept that is purposely vague, all-encompassing and designed to facilitate activities by corporations that are beyond their fiduciary responsibility, also described CSR broadly as a company's activity that is beyond their self-interest and ensures they make contributions to the welfare of the society and environment as corporate citizens.

The general idea of CSR was however given by Alkababji (2014) as corporations having consideration for the concerns of its multiple and diverse stakeholders. This was supported by Akin and Yilmaz (2016) where they stated that the main idea of CSR arises out of the

argument that corporate organisations must in addition to their profit maximizing motive have other objectives. Corporate social responsibility thus entails activities by companies that are voluntary, not profit driven and are done in consideration for their stakeholders. These stakeholders according to Pour *et al.* (2014) included employees, suppliers, consumers, government, contractors, non-governmental organisations, investors and the media.

Rahman (2011) gave ten (10) dimensions on major issues in the CSR concept. These dimensions are given as corporations having societal obligations, need to consider stakeholders in organisational activities, ensuring corporate organisations engage in actions that improve stakeholders lives' quality, promote economic development of the society, ensure continuous adherence to corporate practices that are ethical, obey social laws and regulations. CSR should be of a voluntary nature, promote and protect the fundamental rights and dignity of mankind, ensure protection of nature and the environment, maintain accountability to the society and ensure transparency in corporate actions. Hamidu, Haron and Amran (2015) concluded that CSR has six (6) characteristics which are voluntariness, effective management of the external effects of companies on society, having concern for multiple and diverse stakeholders, aligning environmental and social concerns into corporate business practices, going beyond mere corporate philanthropy and implementing both practical social and environmental activities and establishing core corporate social and environmental values in organisations.

The idea of CSR is that corporate organisations meet their financial requirements along with social needs in the present and ensure there is the ability to continue to do so in the future. Corporations are also expected to recognise the interest of their various stakeholders which include: customers, shareholders, employees, the community, as well as consider their environmental and ecological foot prints. In view of these definitions of CSR, Karabrahimoglu (2010) viewed that CSR should be a loose set of guidelines on how a

corporation can constructively and positively contribute to their community and not a fixed standard that corporations need to meet to ensure good reputation alone. CSR can therefore be concluded to be any activity carried out by corporate organisations that is not profit motivated and is carried out for the direct and indirect benefit of the society and environment.

### **2.1.2 Corporate Social Responsibility Disclosures**

Ahmed *et al.* (2016) defined CSR as a medium by which corporate organisations provide their stakeholders with information on the effect of their corporate actions on society. Esa and Ghazali (2012) viewed CSR to be the process of providing information on a company's products, welfare of employees, philanthropy, community involvement and concern for the environment. Thus, CSR entails corporations providing information to their stakeholders and the public on how CSR is incorporated in the business corporate activities. This is supported by Said, Hizainuddin and Haron (2009) who posited that the reason for CSR is to provide information to the public in regard of a corporations' interaction with the community, customers, employees and the environment.

The basic idea behind CSR is explained by Ali and Isa (2018) to be that each stakeholder sees corporations as being responsible for their actions towards them and each of these stakeholders evaluates the extent to which corporations meet this responsibility. In view of this, the writers stated that owners evaluate corporations based on their performance financially, the community assess based on how companies engage in social responsibility, the government uses how corporations comply with the relevant legislations enacted, employees assess based on the company's working conditions and customers use product quality. Hence, Jamali, Safieddine and Rabbath (2008) conclude that companies are therefore charged with including information dealing with CSR in their annual financial reports to satisfy the information needs of their corporation's stakeholders. Hartikayanti, Trisyardi and

Saptono (2016) thus posits that environmental disclosures are part of CSR activities and are intended as a means which the community and investors can use in economic and political decision making. CSRD had also been seen by Ahmed *et al.* (2016) as a veritable tool used in increasing a company's transparency, accountability and credibility in society. The transparency, accountability and credibility are to be derived from disclosures on environmental and ecological issues, employee welfare, community involvement, energy, consumer and product related issues. CSRD can therefore be concluded to be the provision of information on a corporation's social responsibility actions, for its stakeholders' knowledge and awareness, so as to ensure they have a positive perception of the organisation.

Generally, CSRD can be made voluntarily or mandatorily (Ahmed *et al.*, 2016). Countries such as the Netherlands and France practise mandatory CSRD while countries like Nigeria and Germany practise voluntary CSRD (Adeyemi & Ayanlola, 2015). Mandatory disclosures comprise information on a company's CSR activities that are required by law or regulation while Voluntary disclosures are seen as CSR information which are disclosed but not regulated or required by law. Hence, this study focuses on voluntary disclosures, as CSRD in Nigeria is regarded as voluntary (Adeyemi & Ayanlola, 2015) due to there being no strict regulations on it. Mandatory CSR disclosures while being regulated have been structured by various guidelines in disclosing CSR information. These standard guidelines include; ISO14000 environmental management standard which was developed by International Standard Organisation (ISO) 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 corporation's professional approach

towards their establishment, social audits, ethics and standards related to accountability issues and was developed by Account Ability in 1999.

The UNGC (United Nations Global Compact) was given through a United Nations initiative in 2000 and it aims to ensure corporations make decisions and policies in line with sustainability and CSR context. It is divided into ten (10) principles which deal with human rights, labour, environment and anti-corruption. Global Reporting Initiative (GRI), a non-governmental organization founded in 1997, provides guidelines that are suitable for CSRD universally, on corporation's actions relating to their environmental, social and economic activities and the goal of GRI is to develop and promote a universally suitable set of guidelines for CSRD on the environmental, economic and social activities of companies.

According to Adeyemi and Ayanlola (2015), CSRD in Nigeria is beset by corporations' self induced vices, laxity in regulations, corruption and inauspicious macroeconomic environment. Dibia and Onwucheka (2015) further state that the voluntary nature of CSRD in Nigeria is used as a cover for corporations to disclose little information on their CSR activities. However, CSRD being a means through which corporations' communicate their socially responsible actions, is a continuous commitment by firms to disclosing the cost of improving the society, community, labour and the environment. (Omoye & Wilson-Oshilim, 2018). This continuous commitment by firms is necessitated by the need for strict monitoring of the use of natural resources and the effect of corporate actions on the society and environment. Environmental activists have also decried the effects of industrial activities pollution and deforestation in Nigeria. This has led to the establishment of regulatory policies on social and environmental issues like the Federal Environmental Protection Agency (FEPA) Act of 2004 and the National Environmental Standards and Regulations Enforcement Agency (NESREA) Act of 2007 (Odia & Imagbe, 2015) which repealed the FEPA Act of 2004 and is charged

with the protection and development of the environment, bio-diversity, conservation and sustainable development of the nation's natural resources and environmental technology.

Disclosure of CSR information by corporations in Nigeria is usually in the form of integrated format. This integrated format is usually a section dedicated to CSR in the annual financial statements of corporations (Sheba, 2017) and the fact that CSR in Nigeria is voluntary or unregulated has not helped to encourage more forms of disclosure. CSR and CSR are however, very important issues for Nigeria due to social and environmental problems like indiscriminate land clearing, toxic waste dumps and bush burning. In the Niger Delta there is the common occurrence of open gas flaring and environmental degradation caused by the petroleum companies operating there (Uwuigbe & Egbide, 2012). Nevertheless, Uwaoma and Ordu (2016) viewed that laws and regulations in Nigeria on social and environmental issues are highly inadequate. They therefore suggest the need for more social and environmental regulations that will recognise more CSR reporting in contrast to the voluntary nature of CSR being operated in Nigeria. This is because more CSR will enhance constructive relations with stakeholders and enable firms have a better understanding of the concerns of their stakeholders.

### **2.1.3 Measures of Corporate Social Responsibility Disclosures**

The measurement of CSR and CSR is generally difficult and complicated (Galant & Cadez, 2017). The reason is that it is difficult and complicated is due to the fact that there is a lack of consensus on the meaning of CSR theoretically and also CSR being multidimensional in nature. Eshan *et al.* (2018) buttressed this assertion by stating that the measurement of CSR, as much as it is an important task is also a difficult one in carrying out CSR research. They further asserted that CSR is a complex and multidimensional concept and it is arguable if all dimensions are quantifiable. The environmental context in which CSR is being measured

was also believed by Eshan *et al.* (2018) to be highly important in CSR research. These environmental contexts are made up of factors that are socio-cultural, political and economic and influence or affect CSRD in different ways. These factors affect CSRD based on the fact that CSRDs are mandatory in some countries like France, while it is voluntary in others such as Germany. It may also be based on the fact that some corporations may choose to follow a specified framework for their social and environmental performance and disclosures where there is no specified format or regulation to be followed. These affect the CSRD of companies and in turn affect the method of measuring social and environmental disclosures of the companies. The various ways researchers have measured CSRD are Content Analysis, Social Ratings and Reputational Indices and Questionnaire Survey.

#### **2.1.3.1 Content Analysis**

This is the measurement of CSRD through the disclosures made by companies on their social and environmental effects in their annual financial reports and other information outlets such as their corporate website and magazines, to their stakeholders and the public in general. The content of their information disclosure is used as the measure for their CSRD. Galant and Cadez (2017) posited that this measure involves determining the interested information construct and codifying the qualitative information to obtain quantitative data that can be used in statistical analysis. This codifying of the qualitative information obtained can be through counting of words or sentences in the CSRDs (Aras, Aybars & Kutlu, 2010). Binary digits (0 and 1) are then assigned if the CSR issue of interest is disclosed. Coding of the qualitative information could also be through pre-specification of CSR dimensions such as the environment and community and assigning interval scores to each of the CSR issues in the various CSR dimensions under consideration (Galant & Cadez, 2017).

This method of measuring CSR, though relatively easy, requires a lot of subjective analysis. Here, the researcher has to determine what aspect or dimension of CSR he expects companies to disclose. Established CSR frameworks like the GRI are usually used as a guide for selecting the dimensions of CSRs. Then a method of scoring each disclosure has to be chosen. The most common method is by assigning binary numbers of one (1) and zero (0) to the disclosures, that is, 1 when a CSR dimension is disclosed and 0 when the dimension is not disclosed. A major challenge with this method of measurement is when items that are not specifically in the CSR dimension but are related are disclosed. Scores may then be arbitrarily assigned which may not be a true reflection of the state of disclosures. The advantage of using this method to measure CSR therefore is that it allows flexibility for the researcher in choosing which dimension of CSR to investigate. The disadvantage however, is the bias and subjectivity of the researcher influencing the study. Asif and Batool (2017) also faulted this method by stating that a major issue of the measure is the divergence that can arise between what is actually performed and what is reported in CSRs. Studies that have used this measurement method include Isa and Muhammad (2015) and Chang and Zhang (2015).

### **2.1.3.2 Social Ratings and Reputational Indices**

This involves the use of indices that have been compiled by special corporate rating agencies such as the Dow Jones Sustainability index and the Fortune Magazine Reputation index. These specialised rating agencies investigate corporate organisations' CSR activities through surveys, interviews, companies' annual financial reports and corporate websites and rate them according to these activities (Eshan *et al.*, 2018). Under this method of measuring CSR, the researcher depends on the rating/indices that have been compiled by specialised rating agencies. These agencies are deemed to have professional expertise in rating companies CSR

and CSRD activities. The researcher therefore uses these professional opinions in the rating of companies to analyse their CSRD.

A major issue here is that the researcher has no real control over what aspects of CSRD should be focused on and also there is no real way of authenticating the information as the researcher is dependent on rating these special rating agencies provide for various companies. However, the rating agencies are believed to be specialised rating agencies that are focused on rating companies and bring to public knowledge the social and environmental reputation of different companies. The advantage of this method is that social ratings and reputational indices take into cognisance the multidimensional nature of CSR when rating companies (Galant & Cadez, 2017). Also, there is no consensus on which rating is the best as they are all based on similar CSR dimensions. The disadvantages however, are these ratings are done by different agencies who have their own private agenda. Hence, there may be bias and subjectivity in their ratings. The ratings may also be limited and thus may not be accurate representations of fact. Galant and Cadez (2017) gave these ratings to be usually limited to a particular country or geographical area and also limited in the number of corporations chosen for study. Studies that have used this method include Girerd-Potin, Jimenez-Garces and Louvet (2014) and Michelon, Boesso and Kumar (2013).

### **2.1.3.3 Questionnaire Based Measures**

This method of measuring CSRD is based on researchers collecting information on corporate organisations' CSR activities through interviews and questionnaires given to companys' staff and executive (Gallardo-Vazquez & Sanchez- Hernandez, 2014). This method is usually used when corporations have no available or insufficient corporate reports and are not rated by any agency. Researchers usually send questionnaires to such companies which are usually small firms that are not listed on any Stock Exchange, for the staff and management to respond to

or researchers visit the companies to interview them. Through this method of measuring CSR, the researcher seeks to eliminate any misstatement in the CSRs of companies by getting firsthand information and knowledge on the actual CSRs of corporate organisations.

The researchers using this method get their information by distributing questionnaires to the employees and management of various companies. However, this method may not achieve its primary objective of eliminating misstatements as the employees and management to whom the questionnaires are given may not answer the questionnaire truthfully and unbiased. The researcher will also need to determine the type of questions to be asked, whether open ended questions, closed ended questions or multiple choice questions and also ensure that the questions asked are relevant, clear and unbiased. The responses to these questionnaires are then coded and used in analysing the CSR of the companies. The advantage of this method is that it allows the researcher have flexibility in carrying out the study. The drawback however, is bias in response, as highly social responsible firms may respond more than less social responsible firms (Cadez & Czerny, 2016). Respondents may also give socially responsible responses which are far from the reality of the companies' CSR actions. Studies that have used this measurement method include Cadez and Czerny (2016) and Gallardo-Vazquez and Sanchez-Hernandez (2014).

In view of these methods of measuring CSR, this study adopts the content analysis method of measuring CSR for the empirical investigation of the relationship between ownership structure and CSR. This is due to the fact that it is the method that provides the most accessible and readily available CSR information. This CSR information can easily be derived from the corporate reports of different companies as companies listed on the NSE are required to publish their financial reports annually. It also provides the most reliable CSR information as the researcher can collect data directly from a source of corporate

organisations' CSR. The content analysis for this study also uses the UNGC (United Nations Global Compact) as a framework for analysing the CSR of companies listed on the NSE. This is because few studies have used it as framework for measuring CSR.

#### **2.1.3.4 The United Nations Global Compact**

The UNGC (United Nations Global Compact) was founded in the year 2000 by the UN (United Nations) Secretary General Kofi Annan. It is an initiative on global corporate governance that is voluntary and emphasises the ecological and social responsibilities of multinational corporate organisations. The UNGC was setup as a voluntary initiative for participation by corporate organisations who want to support broad UN goals, such as the UN Millennium Development Goals (MDGs) (Voegtlin & Pless, 2014), that have been replaced in year 2015 with the UN SDGs (United Nations Sustainable Development Goals), which consists of seventeen (17) broad goals, that include; no poverty, clean water and sanitation and quality education. Since its inception, the UNGC has played a substantial role in the global discuss on CSR and CSR by establishing a global standard on ethical business practices which are contained in its ten (10) principles. These ten (10) principles deal with four (4) fundamental ethical issues which are; human rights, labour, environment and anti-corruption.

According to Scherer, Palazzo and Seidl (2013), initiatives on global corporate governance such as the UNGC, came about through a network of international organisations, companies and civil societies who try to regulate business practices globally and compensate for inadequate public goods and market failure which are caused by global corporate governance gaps such as corporate exploitation of labour, the community and the environment. The UNGC aims to regulate such corporate governance gaps globally and has been described by Post (2013) as the most prominent voluntary initiative globally. Since it was founded, the

UNGC has engaged corporations in CSR activities and has developed a broad global consensus on ethical values globally (Voegtlin & Pless, 2014). It has therefore become a global role model on governance.

Being a voluntary governance initiative, corporations in order to participate must register with the UNGC and through its established local networks in various countries such as; France and Australia, exchange ideas and also dialogue among themselves as participants globally. The participants are also required to submit a progress report on how far they have achieved the aims of the UNGC in their operations annually. In Nigeria, the UNGC was launched in the year 2006 with participants from various sectors of the Nigerian economy such as the financial services and banking sector. Some of the institutions in Nigeria which participate in the UNGC include Axiom Consulting Limited, Chemical and Allied Products Plc and Ecobank Plc and more Nigerian companies are encouraged to register and participate in the UNGC principles.

The UNGC has however been criticised that corporations who register to participate in it use it to enhance their corporate image through the positive effect of the UN brand and to remove public attention from the reality of their corporate activities (Voegtlin & Pless, 2014). Also, Sethi and Schepers (2014) criticised the UNGC for failing to record any progress except increase in the number of participants. This, the researchers believe leads to the participants being less cohesive and hence less successful in achieving the objectives of the initiative. The researchers also state that the UNGC being unspecific in its provision leads to less accountability which also makes the initiative less successful in achieving its objectives.

Rasche and Waddock (2014) buttress this criticism by stating that ensuring transparency, implementation and learning remain a challenge for the UNGC, there should be a balance between the number of participants (quantitative) and improved corporate progress report

(qualitative). However, Berliner and Prakash (2015) debunked these criticisms by opining that the UNGC is a mechanism to help institutions correct market failures like the inefficient allocation of resources, especially when there is information asymmetry between corporations' and corporate stakeholders of the intensity and quality of the companies' CSR activities. They, however, state that there is the need for enforcement of the principles of the UNGC. Nevertheless, the UNGC was founded and established to act as a guide for corporate organisations' in the performance and disclosure of their CSR activities.

#### **2.1.4 Ownership Structure**

Corporate attributes also referred to as firm attributes, corporate characteristics or firm characteristics was defined by Ali and Isa (2018) as the specific features of a company which distinguishes it from another company. This definition infers that every firm has some features or attributes which are particular to it and which differentiates it from other firms. Ali and Isa (2018) further stated that firm characteristics or the distinguishing features of firms are numerous and can be based on; size, industry type, profitability, nature of business, leverage and geographical location. Mgeni and Nayak (2016) classified corporate attributes into three (3). These classifications they listed to be firstly, structural corporate attributes which include; firm size, ownership and age. Secondly, market related corporate attributes which consists of; type of industry, environmental uncertainty and market environment. The third classification being capital related corporate attributes which include; firm liquidity and capital intensity.

Managerial ownership, institutional ownership, foreign ownership and ownership concentration as corporate characteristics adopted for this study, are based on the structural classification. The reason being, they are attributes that influence the ownership structure of companies. This ownership structure in turn can also influence a corporation's decision

making structure together with its formulation of policies and strategies. Also, structural attributes were selected due to the direct and indirect influence other firm attributes' classifications (market and capital related) have on a company's structure, like the nature of the market it operates in, can affect a firm's need for capital and the nature of a firms' capital also affects its ownership structure. These selected structural attributes are however significant as market and capital related factors have an effect on them and they in turn have effect on these factors through their influence on a corporation's strategy and policy formulation and its decision making.

Ownership structure is a corporate governance mechanism which includes corporate policies, guidelines and control systems that are required for the proper management of corporations and for reducing inefficiencies in companies (Jaya, Bambang & Endang, 2017). Ownership structure denotes how the equity shares of a corporation are owned, held and distributed among the various equity shareholders in the corporate organisation. Corporations having a successful relationship with their stakeholders are based on their ownership structure and how the ownership structure affects the firm's operations and execution of its corporate obligations (Li & Zhang, 2010).

According to Uwuigbe, Erin, Igbinoba and Jafaru (2017), a firms' ownership structure is defined by the total number of equity shares that are owned by the shareholders having the largest number of equity shares divided by the total number of outstanding equity shares. Where the power and authority in a firm resides is generally a reflection of the ownership structure of the firm and this ownership structure also connotes how power is distributed among the shareholders or owners. Jaya *et al.* (2017) believed that a corporations' ownership structure can be used to reduce agency conflicts in corporations as corporate ownership structure affects the process of monitoring in a firm. This monitoring is by way of powerful and dominant shareholders/corporate share owners using their power to influence

management decisions through their voting power and therefore determining which decisions are taken by management including decisions on CSR. This study therefore investigated empirically the relationship between ownership structure and CSR, with focus on four (4) ownership structure attributes namely; managerial ownership, institutional ownership, foreign ownership and ownership concentration.

## **2.2 Theoretical Review**

### **2.2.1 Agency Theory**

Agency theory stipulates that in corporations there is usually a separation of ownership from control. This separation is between the shareholders or owners of the company and the management or directors who control it. Jensen and Meckling (1976) defined this agency relationship as a contract in which a person or persons, who are the principal, engage another person, who is the agent, to carry out some task on their behalf, which involves delegating decision making authority to the agent. Ahmad *et al.* (2017) provided that the separation of ownership from control in corporations has resulted in serious potential conflict of interests between the managers (agents) and owners (principal). This conflict of interest takes the form of management making decision and managing the corporation in ways that are beneficial to themselves and which put their interests before the interests of the owners or shareholders.

A divergence in interests between owners and management can also create information asymmetry (Ahmad *et al.*, 2017). This is because when management put their interest above the interests of owners, there is the tendency for management to withhold information which the shareholders need and to disclose less information so as to keep the shareholders unaware of the true state of company. This agency conflict also creates extra costs for the company when ensuring that management act in the interest of the shareholders rather than their own interest. Jensen and Meckling (1976) gave these costs to be monitoring cost, bonding cost and

residual cost. Monitoring cost being the cost shareholders incur in monitoring the management, bonding cost is the cost incurred to motivate management to work in favour of the shareholders and residual cost is the cost incurred after all necessary and available measures have been put in place to ensure management work in favour of the shareholders.

Ishtiaq, Khalid, Khan and Noreen (2017) stated that agency problem includes not only conflict of interests but also expropriation by the controlling or dominant shareholder at the cost of minority shareholders and expropriation by the monitoring shareholder at the expense of other shareholders. One way this agency problem can be solved however is through the disclosure of corporate information by management to shareholders. Mohammed, Olfa and Faouzi (2014) opine that agency theory views traditional accounting disclosures are not able to provide sufficient information for a corporate organisation's stakeholders. There is therefore the need for a company to disclose other information which includes CSRD.

### **2.2.2 Stakeholder Theory**

Stakeholder theory was given by Edward Freeman in 1984. This theory argues that companies have other stakeholders besides their shareholders. The stakeholder theory is basically about the identification and recognition of the behaviour of companies and their impact on their stakeholders (Ofoegbu *et al.*, 2018). The stakeholder theory view recognises all of a corporation's stakeholders, which include suppliers, society, customers and employees. These stakeholders have a stake in the companies' operations in that the actions of companies have an impact on them and they have an impact on the company too. Mohammed (2018) defined stakeholders to be any individual or group that can affect the achievements of an organisation. Ali and Rizwan (2013) separated a corporation's stakeholders into primary and secondary stakeholders. The primary stakeholders were seen as those stakeholders whose support are needed for corporations to continue as going concerns,

have greater power to influence the actions of the firm and include shareholders, creditors and employees. The secondary are given to be those stakeholders whose support are not needed for a firm's going concern, have lesser power to influence the actions of the firm and include consumer advocacy groups and environmental lobby groups.

Wittichindanon (2017) also separated corporate stakeholders into two (2) groups which are; internal and external stakeholders. Internal stakeholders being those stakeholders that are within the firm such as shareholders and employees while external stakeholders are those outside the firm like the community and public interest groups. While the greater the importance and power of the stakeholders the more attention will be given to them by the company, stakeholder relationship with a firm can be managed by providing more information to gain the support and acceptance of these stakeholders. These stakeholders are those who have a goal or cooperation in society and are therefore significant for the company's success (Mohamed & Faouzi, 2014). Stakeholder theory therefore provides that corporations have stakeholders who their corporate actions affect and who can in turn affect them. Thus, a corporation needs to show these stakeholders that they are being recognized in the decisions and actions of the company through disclosing information which includes information on the company's CSR activities (Mohammed *et al.*, 2014).

### **2.2.3 Legitimacy Theory**

Legitimacy theory emphasises a social contract between corporations and society. This social contract requires that corporations carry out their operations in line with society's stipulated and accepted rules, regulations and norms (Fernando & Lawrence, 2014). Therefore according to this social contract, corporations must obey the rules and norms of society in its corporate actions for them to be accepted by the society. Corporations are thus forced to ensure that these social contract terms are not breached in order to have a good relationship with

the society and to remain legitimate. Therefore, legitimacy theory deals essentially with the relationship between corporate organisations and the society or community in which it operates (Fernando & Lawrence, 2014). This relationship between society and corporations' is generally a symbiotic relationship where both the society and corporate organisations benefit. Corporate organisations benefit from the society through the human, material and natural resources which they obtain from it while the society and community benefits from corporate organisations through the services and products which corporate organisations provide. Legitimacy theory suggests that for companies to succeed they must be seen to be legitimate in the eyes of the society and this legitimacy comes about by companies meeting the expectations of society at large.

According to An, Davey and Eggleton (2011), only when these societal and communal expectations are met does the society allow corporations' to operate continually in peace and is the survival of organisations ensured. Norms and regulations of society however, change with time, hence it is difficult for corporations to have objectives that are always consistent with the society's objectives at all times and this usually creates a legitimacy gap for companies. One way this legitimacy gap can be closed is by corporations disclosing their socially responsible actions. This is because CSRD ensures a firms' visibility and this visibility acts as a corporate signal to the society that the firm has attempted successfully to meet their expectations (Oyewumi, Ogunmeni & Oboh, 2018). Hence, CSRD supports a firm in confronting societal pressures to operate in ways that are socially acceptable and sustainable and a firm disclosing its CSR activities can also have positive approval from the community and society for it to continue its corporate activities. Thus, the social contract that exists between a society and corporations, forces firms to operate in ways that are socially acceptable in return for society's approval, rewards such as patronage and the firm's ultimate survival (Mgammal, 2017). Corporate acknowledgment of this need for society's approval

leads to the acceptance of responsibility to the environment and society which motivates companies to carryout CSRD to avoid costly control and sanctions from the society.

#### **2.2.4 Institutional Theory**

According to Fernando and Lawrence (2014) institutional theory dwells on the various forms of organisations and reveals why homogenous characteristics exist among firms within the same organisational field. It describes why an organisation adopts a particular structure which is based on the premise that organisations obey societal norms and beliefs that are imposed on it by the society and this leads to different organisations having a homogenous structure of operations. Brammer, Jackson and Matten (2012) view that corporate organisations are political creations which are granted limited liability benefits by the state. The writers further stress that corporate organisations therefore have profound impact on many societal issues such as environmental quality, consumption and employment. Thus, corporations being political creations are bound by state laws, rules and regulations and these state laws, rules and regulations also give rise to various state institutions. These state institutions include formal institutions such as trade unions, laws, civil society groups and business associations, while informal institutions include tribal traditions, religious rules and customs (Brammer *et al.*, 2012). Thus, understanding these institutions in a wide sense therefore allows us to understand them as conventions and practices that govern the activities of corporations (Fernando & Lawrence, 2014).

Institutional theory creates a link between the CSR performance and CSRD of companies with the norms, rules, regulations and values of the society in which it operates. This link is formed and established through the various structures and practices in society such as established laws, which ensures that companies through coercion, normative pressures and imitations carryout their corporate activities in certain ways that are prescribed by various

state institutions like customs and traditions. An aspect of this relationship is smaller, less powerful companies copying the corporate practices which larger and more powerful companies deem to be normal practice (Fernando & Lawrence, 2014). Nevertheless, considering a broad view of institutional theory, corporations' carryout their operations which include CSRD, in line with what termed accepted practice by state institutions. When societal institutions view CSRD as a normal, acceptable practice to be desired, then corporations in order to be accepted by the society generally have high levels of CSRD but when societal institutions see CSRD as something unimportant or unnecessary then companies accept that as the standard and have generally low levels of CSRD.

### **2.2.5 Stewardship Theory**

Stewardship theory deals with the behaviour of corporate organisations' management which is explained to be rational. Hernandez (2012) defined stewardship to be the extent to which individuals are willing to place the protection of others welfare above their own interests. Stewardship theory therefore emphasises the extent to which the management of corporate organisations are willing to subjugate their interest to the interests of the shareholders/owners and other corporate stakeholders. Kota and Charumathi (2018) describe stewardship theory to be based on the premise that conflict of interest does not exist between the shareholders or owners and management, there is also no executive control problem and effective coordination exists between owners and management. They also state both the shareholders and management are focused on the achievement of corporate goals rather than their self interests. These premises do not however, eliminate the presence of opportunistic behaviour in corporations by stakeholders and stakeholders like shareholders and employees, can use the incompleteness of contracts and information asymmetry in a corporation to exploit it for

their personal interests and gain which may be detrimental to other stakeholders (Fernando & Lawrence, 2014).

Stewardship theory views that corporate shareholder's derive maximum satisfaction from owning shares in a company and having corporate leaders (management), who are the agents of the shareholders, creates and ensures that there is a constant channel of communication between the corporate shareholders and management to communicate their needs to each other. Hence, stewardship theory asserts that corporate management will always act responsibly with the corporate assets they have been entrusted with and which they control and can always be relied upon to do what is right for the organisation and its shareholders.

In relation to CSR, the stewardship theory is a theory that is sociological and psychological in nature rather than being finance and economic (Hao, Moreira & Haq, 2017). The function of a steward according to the stewardship theory is to protect and maximise the owner's wealth. The steward (agents/management) acquires satisfaction from achieving corporate objectives rather than their personal interests. The stewardship theory is believed to promote CSR as the corporate stewards (management) exist to serve the interests of the shareholders and have no self-interest pursuit; hence, no conflict of interest exists between the shareholders and management. Due to this fact, there is little or no need for monitoring management by the corporate shareholders. All corporate information, are also believed to be fully disclosed as the management have no self-serving interests.

CSR is therefore very important to the corporation as it provides information to the shareholders for their knowledge on the activities of the stewards, in promoting their welfare and that of the company and ultimately provides benefits for the shareholders through profitability, long term stability, survival and competitiveness of the corporation. It also reduces business risks and societal sanctions such as the risk of government sanctions, for the

corporation. Hence, as stewards/management exist solely for the furthering of the shareholders benefits', CSR is given very high priority as it ultimately ensures the maximisation of these benefits to corporate shareholders.

### **2.3 Empirical Review**

Ofoegbu, Odoemelam and Okafor (2018) examined the relationship between board independence, board size, industry membership, environmental committee, audit committee independence, board meeting, firm size, audit firm size and CSR in Nigeria and South Africa. From a sample of two hundred and thirteen (213) companies listed in South Africa and ninety (90) companies listed in Nigeria, Ordinary Least Squares (OLS) regression results indicate that board independence is significant for Nigeria only, board size is significant in both south Africa and Nigeria, environmental committee and industry membership are significant in South Africa and insignificant in Nigeria, board meeting, independent audit committee and firm size are insignificant in the two countries while audit firm size is significant in both countries.

Mohammed (2018), using Panel Corrected Standard Error regression analysis, studied a sample of eight (8) oil and gas firms listed on the NSE. For twelve (12) years, pre 2011 and post 2011 regulation of aspects of CSR for Nigerian listed companies. Results showed that corporate size has significant relationship with CSR, profitability and liquidity has no relationship with CSR, while, leverage has an insignificant relationship with CSR. Ozordi *et al.* (2018) investigated a sample of seventeen (17) manufacturing firms listed on the NSE from 2012 to 2016. Panel regression analysis showed that board gender, board size and foreign directors had a significant positive influence on CSR while independent directors had an insignificant positive influence on CSR. Yusuf *et al.* (2018) studied a sample of 44 financial institutions listed on the NSE from 2008-2017. Probit regression analysis using

STATA (Version 13) revealed that block owners had a positive and significant effect on voluntary disclosures while institutional ownership had a negative and no significant effect on voluntary disclosures and managerial ownership had a positive but insignificant relationship with voluntary disclosures. Laksmi and Kamila (2018) also studied state owned corporations listed on the Indonesian Stock Exchange from year 2013 to 2015. Results from a sample of fifty-one (51) companies derived from a population of twenty-two (22) listed firms, using purposive sampling which was based on three (3) criteria. Results from multiple regression analysis showed that managerial ownership has significant negative relationship with CSR, state ownership has significant positive relationship with CSR, foreign ownership has insignificant negative relationship with CSR while, board composition, audit committee and earnings management has no relationship on CSR.

Sadiq and Mohammed (2017) studied the impact of corporate ownership structure on the voluntary disclosure of financial service corporations listed on the NSE from 2006 to 2015. From a sample of 28 companies, the results generated from Pearson correlation analysis showed that managerial ownership has a negative association with CSR while the control variables; firm age, firm size and board size, have positive association with CSR. OLS regression, however, showed managerial ownership has an insignificant and positive effect on CSR while control variables; firm age, firm size and board size, have a significant positive relationship with CSR. Dias *et al.* (2017) carried out research on listed companies in Portugal using OLS regression to analyse a sample of 48 firms. The results showed that board size and industry type are significant and positively related to CSR, CEO duality is significant and negative while board independence, audit committee, ownership structure and CSR committee are positive but not significant. Ahmad, Rashid and Gow (2017) investigated the influence of corporate attributes on the CSR of 450 sample firms listed on the Bursa Malaysia from 2008 to 2013. Board independence, managerial ownership, institutional

ownership, company age, return on assets, company size and market capitalisation were used as corporate attributes. Results derived from OLS regression analysis gave that the influence of board independence on CSRD was industry specific. Other corporate attributes; managerial ownership, institutional ownership, company age, company size, return on asset and market capitalisation had a positive significant relationship to CSRD.

Egbunike and Tarilaye (2017) studied the association between firm size, earnings, leverage and governance on voluntary environmental disclosure for a sample of ten (10) manufacturing firms listed on the NSE from year 2011 to 2015. Robust regression analysis showed that all corporate attributes (firm size, earnings, leverage and governance) had positive relationship with voluntary environmental disclosures. Haladu and Salim (2017) investigated, using OLS regression analysis, the effect of various corporate attributes on social and environmental disclosures for sixty-one (61) firms, from the thirteen (13) sectors of the NSE from 2009 to 2014. Results showed that listing on the NSE, firm size, industry type, ownership concentration and environmental expert are positive and significant for both environmental and social disclosures. Companies monitored by the ministry of environment, board composition, financial leverage and firm age, however, are positive but insignificant for both. Social disclosures are better for effective tax rate, Market to book value, audit firm, companies monitored by the Department of Petroleum Resources (DPR) and National Environmental Standards and Regulations Enforcement Agency (NESREA) while Environmental disclosures are better under profitability and CEO duality.

Hu, Zhu and Hu (2016) studied a sample of one thousand eight hundred and seventy-two (1872) companies from the total companies listed on China Stock Exchange Market at the end of the year 2010. Using Probit and Tobit regression analysis on the relationship between ownership structure and CSRD and using the year 2011 white paper published by the Chinese Academy of Social Sciences research centre for CSR, state ownership, institutional

ownership, foreign ownership and corporate ownership were all found to have positive relationship with CSR. Ghabayen, Mohamad and Ahmad (2016) studied the impact of firm board attributes on CSR in the Jordan banking sector using a sample of 147 publicly listed banks for a period of ten (10) years (2004-2013). The study used a check list of one hundred (100) items on CSR. Results showed that board size and institutional ownership has a significant negative association with CSR, independent directors have a negative association with CSR, female directors have negative association with CSR, profitability has insignificant association with CSR, while leverage and liquidity are significant and positively associated.

Dibia and Onwuchekwa (2015) investigated firm characteristics as determinants of CSR with a sample of 15 companies in the Nigerian oil and Gas Sector from 2008 to 2013. Using binary regression analysis, results showed that firm size has significant negative relationship with CSR, profitability had positive insignificant relationship with CSR, audit firm type had insignificant negative relationship with CSR and leverage had negative insignificant relationship with CSR. Giannarakis (2015) used a sample of one hundred (100) firms from the fortune 500 list in the United States of America (USA) for year 2011. Data was sourced from social and environmental disclosure score provided by the Bloomberg Database.

The results based on Multiple Linear Regression indicate that return on equity and return on sales are positively associated with CSR while leverage is negatively associated. Board size, board meetings and company size also have a positive relationship with CSR although board size is statistically insignificant. Return on equity, return on sales, leverage, number of board meetings and company size were however significant. Hartikayanti and Maryani (2015), using multiple linear regression analysis of a sample of twenty (20) companies listed on the Indonesian Stock Exchange in 2013, revealed that public ownership and growth

opportunity have insignificant influence on CSRD while industry profile has significant influence.

Chang and Zhang (2015) found that ownership concentration and institutional investors have a significant positive impact on CSRD while managerial ownership has an insignificant negative influence on CSRD. The results were derived from OLS regression analysis of a sample of one hundred and thirty nine (139) firms in Chinese industries with heavy pollution from 2008 to 2012. Isa and Mohammed (2015) investigated a sample of six (6) companies from food product firms listed on the NSE from 2005-2014 using STATA (version 12) regression analysis. Variables used indicate board independence was significant and positively associated with CSRD, managerial ownership was significant and negatively associated with CSRD, while board size and women on board showed significant positive association with CSRD.

Mohamed and Faouzi (2014) by means of Generalised Least Square (GLS) analysed, a sample of twenty three (23) non-financial listed companies in Stock Exchange Securities Value of Tunisia, from 2003 to 2011. The results derived showed that CEO duality, board independence and ownership concentration have negative significant relationship with CSRD. Leverage has significant positive relationship with CSRD while profitability has insignificant positive relationship with CSRD, board size and institutional ownership having positive but insignificant relationship with CSRD. Kurawa and Kabara (2014) also examined voluntary disclosures made by companies in the Nigerian petroleum industry downstream sector, from 2001-2010 using STATA (Version 12) regression analysis package. Ownership concentration was found to have significant positive association with voluntary disclosures. Board composition had positive but insignificant association with voluntary disclosures, CEO duality and managerial ownership however, indicated significant negative relationship with voluntary disclosures. The association between ownership concentration in firms, number of

shareholders, foreign ownership and board size with CSRD was also studied by Sufian and Zahan (2013). Analysis, with OLS regression, of a sample of one hundred and thirty (130) firms listed on the Dhaka Stock Exchange showed that, ownership concentration had positive association with CSRD. Board size had negative association with CSRD, other variables; foreign ownership and number of shareholders also had no association with CSRD.

Uyar, Kilic and Bayyurt (2013) studied a sample of one hundred and thirty one (131) corporations listed on the Borsa Istanbul stock Exchange (BIST) for year 2010. Using OLS and two (2) stage least square regression analysis, auditing firm size, institutional ownership, independent directors, firm size and corporate governance was positively associated with voluntary information disclosure. Ownership diffusion and Leverage were found to be negative and significant. Board size, listing age and Profitability were however, found to be positive but insignificant. Wang, Song and Yao (2013) studied a sample of eight hundred (800) firms listed on the Shanghai Stock Exchange in China from 2006 to 2015. Results from OLS regression showed that CSRD is positively associated with media exposure, firm size, institutional ownership and ownership concentration.

Rouf (2011) used Ordinary Least Square (OLS) regression model to examine the relationship between firm characteristics and CSRD. From a sample of ninety three (93) companies listed on the Dhaka Stock Exchange in year 2007, the study found that having independent directors on corporate boards has a significant positive relationship with CSRD. Firm size was also found to have positive but insignificant relationship to CSRD. Percentage return on equity, board leadership structure and board audit committee have positive and significant relationship with CSRD. Said et al. (2009) studied the relationship between firm attributes and CSRD in non-financial companies listed on the main board of the Bursa Malaysia in year 2006 using multiple regression analysis. The study discovered from a sample of 250 firms that government ownership, ownership concentration and audit committee have significant

positive relationship with CSR, together with firm size and profitability is significant also. Foreign ownership, board independence, CEO duality, board size and managerial ownership were found to be positive but insignificant.

While studies such as Mohammed (2018) and Egbunike and Tarilaye (2017) have examined the relationship between company characteristics and CSR in Nigeria, few studies have focused on the relationship between ownership structure attributes and CSR. The few studies carried out have also produced mixed results. Ownership structure is an important concept that deals with the structure of shareholding in corporations. Hashim and Devi (2008) defined corporate ownership structure as the ratio of shares owned by large share investors to the total shares issued by the company. Thus, ownership structure describes the manner in which power and authority are distributed among shareholders (owners) in a company. Ownership structure in firms usually entail managerial ownership, institutional ownership, ownership concentration/block ownership (Ali & Isa, 2018), individual ownership, insider ownership, state/government ownership (Malik, Ahsan & Khan, 2017) and foreign ownership (Hassan, 2011).

Ownership structure is responsible for monitoring a corporations' disclosed information quality in its annual reports and also controls management behaviour to ensure that their actions are in line with the interests of stakeholders (Sadiq & Mohammed, 2017). Hence, corporate ownership structure can determine the extent of corporate monitoring and this affects the quality of disclosures in corporate financial statements (Samaha & Dahawy, 2011). This study therefore empirically investigated the relationship between ownership structure and CSR in Nigeria, with focus on four (4) corporate ownership structure attributes (managerial ownership, institutional ownership, foreign ownership and ownership concentration) as variables. These corporate attributes' were chosen because they are

corporate attributes that explicitly show the power that shareholders can have in corporations especially when the shareholding structure is not balanced.

### **2.3.1 Managerial Ownership and Corporate Social Responsibility Disclosures**

According to Ba (2017), in order to reduce the conflict of interests between managers and shareholders, managers may be given equity shares to increase their stake in the company. Chang and Zhang (2015) stated that if on one hand, management own a significant number of shares in a corporation, they are more likely to make decisions on corporate matters that maximize shareholder values. They went further to state that on the other hand, management may also likely take short term decisions that increase the firms profit and also increase managements' power to take decisions in their own interest. Hence, when management are given shares in corporations to ensure that their interests are aligned with the interests of other shareholders and so make decisions in the shareholders interests, management may still make corporate decisions based on their own interests rather that shareholders interests. Also, if management own a large number of equity shares in corporate organisations, it can lead to entrenchment in which they gain more control and it becomes difficult to monitor and control their actions (Ba, 2017).

Furthermore, due to the fact that corporate management usually have better information about a company than any other corporate stakeholder, this better information can be used to achieve their personal goals and gain advantage in the company. Corporate management are usually risk averse and prefer to pursue short term less risky business opportunities than shareholders who prefer long term higher risk ventures if the rewards are sufficiently high. Thus, while performing CSR activities, disclosure of these activities may provide long term benefits to shareholders such as the long term sustainability and going concern of the company, management may still prefer corporate activities that provide short term benefits

and hence may not carry out much CSR and CSRD. Nevertheless, managerial ownership can induce management to align their interests with other shareholders and thus pursue these long term shareholder values like long term sustainability of investment, competitiveness and profitability of the firm, which performing CSR activities and CSRD may provide. Hence, if management is given equity shares in companies, they may be motivated to pursue long term goals that maximise shareholders' values/benefits as they will also benefit from these shareholding maximising activities. Management share ownership is therefore a major factor in the agency conflict between management and corporate shareholders/owners in which management may put their interests above the interests of the owners of the corporation. This is because with increasingly high management ownership of equity shares, control of the firm by other stakeholders, especially the owners, in which the interests of all stakeholders are taken into cognisance, will be reduced (Mgammal, 2017). Also, when managerial ownership is low, there is enhanced control over the activities of the management by the shareholders and other corporate stakeholders. Hence, managerial ownership of firms can be a determining factor of the CSRD of corporate organisations. Yusuf *et al.* (2018), Sadiq and Mohammed (2017), Ahmad *et al.* (2017) and Said *et al.* (2009) therefore found that managerial ownership has positive relationship with CSRD. However, Chang and Zhang (2015) and Kurawa and Kabara (2014) found that managerial ownership has negative influence on CSRD.

### **2.3.2 Institutional Ownership and Corporate Social Responsibility Disclosures**

Institutional investors are influential in corporations because they can either significantly change a firm's management or organise the interests of various shareholder groups (Mohamed & Faouzi, 2014). Institutional ownership relates to investments in shares of corporations by institutional investors like banks and pension funds (Chang & Zhang, 2015). Institutional investors, usually have large amounts of fund from various individuals who bring their money together into a pool. These large amounts of funds which are invested give

institutional investors significant power and influence in companies. This power and influence is exercised through their voting power and asymmetric information advantages over other shareholders (Chang & Zhang, 2015). Their voting power is used to ensure that individuals who will work in their favour are elected as directors and asymmetric information advantages are gained through their ability to influence the disclosure of the information they need through these elected directors. Institutional investors, due to their large investments, are also particularly interested in the safety of their investments and also the sustainability and profitability of the companies they invest in. Hence, Jo and Harjoto (2011) state that, institutional investors are better able to monitor the actions of corporations' management and have greater incentives to carry out this monitoring. Ba (2017) buttresses this by saying that institutional investors own a significantly large number of shares and this makes them to be more actively involved in the company's decision making.

Ali, Trabelsi and Summa (2014) opine that institutional equity shareholders are an important source of fund for corporations, have professional experience and expertise, are powerful and have high controlling share interest in relation to the total number of shares of the company. A major focus of these shareholders is that the companies they invest in provide financial and non-financial disclosures that possess integrity, are transparent and are in line with the necessary financial reporting standards (Uwugbe *et al.*, 2017). Hence, institutional shareholders are inclined to use their usually large share ownership rights to influence management to make decisions and policies that are in the best interests of shareholders. They also need to protect their equity share investments and therefore demand accountability and transparency from management which are derived through corporate disclosures like CSRD.

Due to the large amount of shares owned by institutional shareholders, it is difficult for them to move their investments out of companies without affecting share prices generally. This

creates an incentive for them to monitor very closely the actions and decisions of the companies they invest in. Institutional investors can therefore promote the disclosure of CSR information in order to enable other stakeholders, which includes the public in general, know that the invested companies are socially responsible and hence protect their investment through ensuring the company is protected from social sanctions and criticisms. Studies like Ahmad *et al.* (2017), Chang and Zhang (2015), Mohamed and Faouzi (2014), Uyar *et al.* (2013), Wang *et al.* (2013) therefore found that institutional ownership is positively related to CSR. Yusuf *et al.* (2018) and Ghabayen *et al.* (2016) however, found institutional ownership has a negative association with CSR.

### **2.3.3 Foreign Ownership and Corporate Social Responsibility Disclosures**

Foreign ownership in a company can be defined as the number of shares of the company that are owned by foreign parties, which can be private individuals or institutions (Laksmi & Kamila, 2018). The basic idea of the relationship between foreign ownership and CSR is given by Hu *et al.* (2016) where they opined that CSR developed due to the globalisation and expansion of the world economy, which led to the growth of multinational companies that had great economic power and were owned by foreigners. These multinational companies were described as having extensive effect on the society and this extensive effect required them to accept responsibility for the environment, local employment, safety and local community development, the neglect of which was said could threaten the sustainability of the company.

CSR is also important to foreign owners of corporations due to risks and uncertainties, like the risk of government sanctions and environmental litigation costs arising from information asymmetry. This information asymmetry can be reduced through the disclosing of corporate information which includes CSR information and the risks and uncertainties are stated by

Istianingsih (2015) to be due to geographic barriers and language reasons. Khan, Muttakin and Siddiqui (2012) opined that the risks and uncertainties are derived from the fact that foreign owners have institutional knowledge and values that are different from those of the local environment, due to their exposure to a foreign market. They also emphasized this statement by concluding that a firm with foreign owners is expected to disclose more information which should include information on social and environmental issues that will help the foreign owners make decisions. Thus, Swandari and Sadikin (2016) posited that foreign ownership can be associated with implementing better CSR and therefore better CSRD. This statement was also supported by Laksmi and Kamila (2018) in saying, foreign ownership is a characteristic of corporate governance which influences CSRD and corporations with large foreign ownership are encouraged to disclose more voluntarily and extensively their CSR actions. Therefore, foreign owned companies are more likely to disclose more non-financial information because of the needs and demands of foreigners (Darus, Yusoff, Mohamed & Nejati, 2016).

Foreign owners of companies usually experience high levels of information asymmetry when compared to local owners. Albassam and Ntim (2017) revealed that foreigners prefer to invest in companies with higher levels of corporate disclosure and there exists a relationship between voluntary information disclosure of companies and foreign ownership. Thus, having foreign owners as shareholders of a company can encourage the management of such company to disclose more corporate information and hence more CSRD. Foreign investors usually have the expertise and excellent corporate governance skills to monitor the activities of the firm they want to invest in (Alrabha *et al.*, 2018). This expertise and excellent corporate governance skills are usually acquired due to the need to protect their investments in foreign countries and also from the highly developed and complex investment environment they are used to. Also, Tahir and Sabir (2014) stated that in companies where foreign

ownership is concentrated, there is the motivation for them to take actions to correct an inefficient board of directors such as using their power to challenge the management and to modify their corporate decisions and policies. Nevertheless, in companies where there is concentration of foreign owners from countries and environments where there are little or no CSR or voluntary CSR, there may be the tendency for such investors to influence the company's management to ignore CSR and CSR. Laksmi and Kamila (2018) therefore found negative relationship between foreign ownership and CSR while, Hu *et al.* (2016) and Said *et al.* (2009) found positive relationship between foreign ownership and CSR. Sufian and Zahan (2013) however, found no relationship between foreign ownership and CSR.

#### **2.3.4 Ownership Concentration and Corporate Social Responsibility Disclosures**

Ownership concentration can be described as the amount of equity shares owned by the largest shareholders or block equity holders (Ba, 2017). According to Dias *et al.* (2017) where ownership is concentrated, there may be pressure on management to respond to the interests of these large shareholders, much to the disadvantage of smaller shareholders. The corporate information that is disclosed is also highly likely to reflect the large shareholders interests rather than the interests of all shareholders and the presence of large shareholders may also limit corporate disclosures (Fathi, 2013). Where ownership concentration is low and ownership more dispersed, the information disclosed is likely to be more effective, especially when shareholders are concerned with a company's social and environmental activities (Chan, Watson & Woodliff, 2014). Hence, when ownership is concentrated in corporations, larger shareholders can carry out effective supervision of management and also improve management ability.

Low ownership concentration usually incurs higher agency costs such as the cost of monitoring the activities of management, while high ownership concentration reduces agency costs (Machek & Kubicek, 2018). Hamadi and Heinen (2015) posited that generally ownership is concentrated if the largest shareholder owns more than 10% of shares. Busta, Sinani and Thomsen (2014) also state that, shareholders having concentrated ownership own at least 5% of total equity shares. Hence, increasing ownership concentration from a low level to higher levels may create controlling ambitions and ensure the ability of shareholders with large shares to manipulate the firm and expropriate minority shareholders.

Ownership concentration aims to explain the percentage equity shares that are owned by block equity shareholders such as managerial ownership and government equity share ownership (Dabor & Dabor, 2015). Firms with high ownership concentration are usually associated with low corporate disclosures including CSR. These low disclosures usually stem from the fact that the shareholders who have control over the firm due to their large concentrated shareholdings are able to effectively monitor the activities of management and thus do not need more corporate disclosures and these large equity owners have greater incentive to monitor management due to the need to protect their huge investments and also have the ability to control the decisions and policies of the firm including its CSR policies (Khan, Chand & Patel, 2013). Ba (2017) however stated that concentrated ownership of shares in corporations can support CSR, as the shareholders believe it has a positive effect on the long term value of the firm and their investments in it.

Thus, in corporations where ownership is diffused CSR and CSR are expected to be major corporate concerns as the companies need to cater for the information needs of a large number of shareholders. Having a larger number of concentrated amounts of equity shares held by shareholders who value CSR usually leads to high CSRs but when high amounts of equity shares are held by shareholders who have no regard for CSR, disclosure of CSR

information is usually low. Hence, Yusuf *et al.* (2018), Haladu and Salim (2017), Chang and Zhang (2015), Sufian and Zahan (2013), Uyar *et al.* (2013), Wang *et al.* (2013) and Said *et al.* (2009) found positive relationship between ownership concentration and CSR. Mohamed and Faouzi (2014), however, found negative relationship between ownership concentration and CSR.

## **2.4 Gaps in Literature**

Studies carried out on CSR in Nigeria have focused majorly on environmentally sensitive industries like the petroleum (Mohammed, 2018) and manufacturing industries (Egbunike and Tarilaye, 2017). Also, studies such as Sadiq and Mohammed (2017) which have focused on the relationship between ownership structure and CSR have been few and have dealt with only financial companies listed on the NSE. The studies carried out on the relationship between ownership structure attributes and CSR have also found mixed results, like Haladu and Salim (2017) finding a positive relationship between ownership concentration and CSR while Mohamed and Faouzi (2014) found a negative relationship.

Content analysis has been used to measure CSR, with CSR frameworks like GRI (Egbunike and Tarilaye, 2017) being used. However, very few studies on CSR like Ortas *et al.* (2015) have used the UNGC (United Nations Global Compact) CSR framework as a measure of CSR information disclosure. The studies on ownership structure and CSR in Nigeria have also included CSR under voluntary disclosures (Sadiq and Mohammed, 2017), which includes other information like corporate strategy and methods of data analysis like probit regression analysis (Yusuf *et al.*, 2018) which usually require control variables like firm age have been used to study financial companies listed on the NSE.

In order to holistically fill these gaps in literature on the relationship between ownership structure and CSR in Nigeria, this study focused on the effect of four ownership structure

attributes (managerial ownership, institutional ownership, foreign ownership and ownership concentration) on CSRD for both financial and non-financial companies listed on the NSE as at 31<sup>st</sup> December 2018. CSRD was therefore investigated as a distinct aspect of voluntary disclosures in Nigeria. This is because CSRD is voluntary in Nigeria (Adeyemi and Ayanlola, 2015). The UNGC was used as framework for measuring CSRD because very few studies like Ortas *et al.* (2015) have used it to measure CSRD. Panel regression analysis using fixed effect model was also used for data analysis because it partials out the need for control variables like firm size and firm age.

## **CHAPTER THREE**

### **METHODOLOGY**

This chapter examined the research methods used in analysing the data generated from the annual financial reports of companies listed on the NSE (Nigeria Stock Exchange). It includes the research design used, the population and sample, the sources of data, the theoretical framework, model specification, diagnostic tests and method of data analysis.

#### **3.1 Research Design**

The research design adopted in this study was the longitudinal research design. This is because the longitudinal research design enables the study of the effect of selected ownership structure attributes on the CSRD of a sample of companies listed on the NSE over a period of ten (10) years (2009-2018). The longitudinal research design enables the study to investigate empirically the relationship between corporate ownership structure and CSRD in Nigerian listed companies and also the effect of changes in the selected ownership structure attributes on CSRD over the time period (ten years) of the study.

#### **3.2 Population and Sample**

The population of the study consisted of all the companies listed on the NSE. The study used as population the one hundred and sixty-eight (168) companies listed on the NSE as at 31<sup>st</sup> December 2018 (NSE Fact book, 2018). These companies consisted of listed financial and non-financial companies. The financial statements of these companies were used to provide information on them from year 2009 to 2018. The sample size used for the study was derived with the Taro Yamane (1967) formula. The sample size was therefore derived as follows;

$$\frac{N}{1 + N (e)^2}$$

Where; N= Population of study

e = Error Margin

$$= \frac{168}{1 + 168 (5/100)^2}$$

$$= \frac{168}{1.042}$$

$$= 118.31$$

$$= 118 \text{ sample companies}$$

These one hundred and eighteen (118) financial and non-financial sample companies were selected through purposive sampling, which eliminated the companies that did not publish their annual financial reports in some of the years of the time frame (2009-2018) under study and also eliminated those companies that did not disclose all information on the selected independent variables (managerial ownership, institutional ownership, foreign ownership and ownership concentration) in some of the years. Financial and non-financial companies were studied because previous studies carried out such as Yusuf *et al.* (2018), used only financial companies.

### 3.3 Sources of Data

The study used Secondary data for its analysis. The secondary data was obtained from the corporate website and annual reports of the various sampled companies listed on the NSE as at 31<sup>st</sup> December 2018. The data for the dependent variable (CSR) was obtained from the CSR or sustainability disclosure of the directors' report of the various sample firms, while data for the independent variables; institutional ownership, foreign ownership and ownership concentration, were sourced from the shareholding profile of the companies in their annual

financial reports. Data for managerial ownership were also sourced from the directors' shareholding profile in the directors' report.

### **3.4 Theoretical Framework**

Based on the theories reviewed, this study anchored on the agency theory as theoretical framework for empirically investigating the relationship between ownership structure and CSR. A theoretical framework is a body of concepts that are interrelated and is used as a guide when determining the measures and statistical relationships to be derived in a research area (Borgatti, 1999). Agency theory was selected over the other theories reviewed due to the fact that it best explained how management decisions are taken and policies made in corporations. It also best showed the relationship between owners and managers in a firm and the interplay of power between them. Thus, agency theory best described how owners (shareholders) can influence management decisions and policies and how a firm's shareholding structure can also affect corporate decisions and actions, which the selected corporate characteristics (managerial ownership, institution ownership, foreign ownership and ownership concentration) portray in relation to the disclosing of CSR information.

This was in contrast with the stakeholder theory which described the responsibility corporate organisations have towards stakeholders and how corporations can manage their relationship with corporate stakeholders. Also, the legitimacy theory which described how corporations can gain society's approval and be seen to be legitimate in the society, the institutional theory which explained how societal institutions affect a corporation's actions and stewardship theory, which described management as mindless corporate tools which exist to maximise shareholders' values. Though stewardship theory suggested that management will disclose CSR information, the agency theory described management as an independent corporate function which is tasked with making policies and decisions on behalf of the shareholders and

also explained how shareholders try to influence this independent corporate function. Hence, from the agency theory perspective, the four variables (managerial ownership, institutional ownership, foreign ownership and ownership concentration) can affect the decisions and policies of management in the area of CSR, when they own large amounts of shares which gives them power and influence in firms through their voting rights. Also, there is the tendency for large shareholders, especially those in the category of these variables, to protect their interests in corporations through influencing management decisions, which can also affect CSR.

### 3.5 Model Specification

The model used for this study is adapted from the work of Yusuf *et al.* (2018). This is because it is a very current study carried out in Nigeria on the relationship between ownership structure and voluntary disclosures, and CSR was seen to be voluntary in Nigeria by Adeyemi and Ayanlola (2015). Therefore, the model as used by Yusuf *et al.* (2018) is stated in its functional form as;

$$VID = f(INO + MNO + BLO + AGE + SIZE)$$

While, the model in its econometric form is;

$$VID_{it} = \alpha_0 + \beta_1 INO_{it} + \beta_2 MNO_{it} + \beta_3 BLO_{it} + \beta_4 AGE_{it} + \beta_5 SIZE_{it} + \epsilon_{it}$$

Where:

VID= Voluntary information disclosure

INO= Institutional ownership

MNO= Managerial ownership

BLO= Block ownership

AGE= Number of years passed after listing on the Nigeria Stock Exchange

SIZE= Size of deposit money bank

$\alpha_0$ = constant or intercept

$\beta_1 - \beta_5$ = regression coefficients

$\varepsilon$ = error term

i= Cross section (1...44)

t= Time frame (1...10)

This study therefore uses an adapted version of the model by Yusuf *et al.* (2018) and the adapted model is stated in its functional form as;

$CSR D = f(MNOW, INOW, FOWN, OWCN)$

The model as stated in its econometric form is;

$CSR D_{it} = \beta_0 + \beta_1 MNOW_{it} + \beta_2 INOW_{it} + \beta_3 FOWN_{it} + \beta_4 OWCN_{it} + U'_{it}$

Where;

CSR D= Corporate Social Responsibility Disclosures

MNOW= Managerial Ownership

INOW= Institutional Ownership

FOWN= Foreign Ownership

OWCN= Ownership Concentration

$B_0, \beta_1 \dots \beta_4$ = Constant term and regression coefficients

$U'_{it}$ = Error term

i= Cross section (1...118)

t= Time frame (1...10)

### 3.6 Operationalisation of Variables

VARIABLES	CODE	MEASUREMENTS
Corporate Social Responsibility Disclosures	CSR D	United Nations Global Compact standard for CSR D (Ortas <i>et al.</i> , 2015). A company is scored one (1) if an item in the standard is disclosed and zero (0) if the item in the standard is not disclosed. The total score for each company is then divided by the maximum score of ten (10) which is the total number of items in the standard (Appendix I).
Managerial Ownership	MNOW	Percentage of equity shares held by directors of the company to the total number of equity shares issued (Yusuf <i>et al.</i> , 2018). The apriori expectation is $\beta_1 > 0$ .
Institutional Ownership	INOW	Percentage of equity shares of the company held by institutional investors to the total number of equity shares issued (Yusuf <i>et al.</i> , 2018). The apriori expectation is $\beta_2 > 0$ .
Foreign Ownership	FOWN	Percentage of equity shares owned by foreigners to the total number of equity shares issued (Laksmi & Kamila, 2018). The apriori expectation is $\beta_3 > 0$ .
Ownership Concentration	OWCN	Percentage of equity shares owned by shareholders who own atleast 5% of total equity shares (Ba, 2017). The apriori expectation is $\beta_4 > 0$ .

Source: Researcher's Compilation (2019)

Based on the empirical studies reviewed, the apriori expectations of the coefficients of the independent variables are given below as;

$$\beta_1, \beta_2 \dots \beta_4 > 0$$

This is in line with the agency theory and the empirical studies reviewed such as Ahmad *et al.* (2017) (institutional ownership) and Haladu and Salim (2017) (ownership concentration) have found a positive relationship between ownership structure attributes and CSR.

### **3.7 Diagnostic Tests**

The diagnostics tests conducted for this study includes Variance Inflation Factor (VIF) to test for multicollinearity. The VIF describes how much multicollinearity exists in a regression analysis. Breusch-Godfrey test is used to test for serial correlation which indicates the presence of correlation among the estimating parameters. Ramsey Reset test checks the accuracy of the regression model specification. Breusch-Pagan-Godfrey test is also used to test for heteroskedasticity which shows if there is a violation of the assumption of homoskedasticity and determines if the variance of the errors in the regression model is constant. Redundant Fixed Effect tests the adequacy of using pooled Ordinary Least Square (OLS) model for the regression analysis. The Hausman Test is also used to determine if the model has a fixed effect which assumes that each independent variable (ownership structure attributes) has a fixed effect on the dependent variable (CSR) or the model has a random effect which assumes that the independent variables have a random effect on the dependent variable. The decision rule (random effect or fixed effect) is if the probability value of the Hausman Test lies from 0 to 0.5, fixed effect model is used and if it lies above 0.5 random effect model is used. Random effect model requires the use of control variables due to the model assuming that there are time invariant variables that affect the variables in the regression model. While fixed effect model eliminates the need for control variables, the

model assumes that the selected independent variables act as their own controls and partials out time invariant variables which affect the variables in the regression model.

### **3.8 Method of Data Analysis**

This study used descriptive statistics, which include; mean, median, maximum, minimum, standard deviation, skewness, kurtosis, Jarque-Bera, probability, sum and sum of square deviation, to analyse the data generated from the annual financial reports of the sampled listed companies. Correlation analysis is also used to analyse how the model variables are related. Panel regression analysis using fixed effect model, which partials out the need for control variables like firm size, is used for model estimation. The reason for this choice of regression technique for data analysis is that it enables the study of changes in complex behavioural models and minimises any bias that can arise from aggregating firms into groups.

## CHAPTER FOUR

### DATA PRESENTATION AND ANALYSES

#### 4.1 Introduction

The aim of this chapter was to present and analyse the regression results. The data analyses entailed descriptive statistics, correlation analysis and panel regression analysis using a fixed effect model. Following this, the results of the data analyses was related to the relevant literature. The outcome of the analyses was also used to accept or reject the research hypotheses.

#### 4.2 Descriptive Statistics

**Table 4.1**

**Results of the Descriptive Statistics**

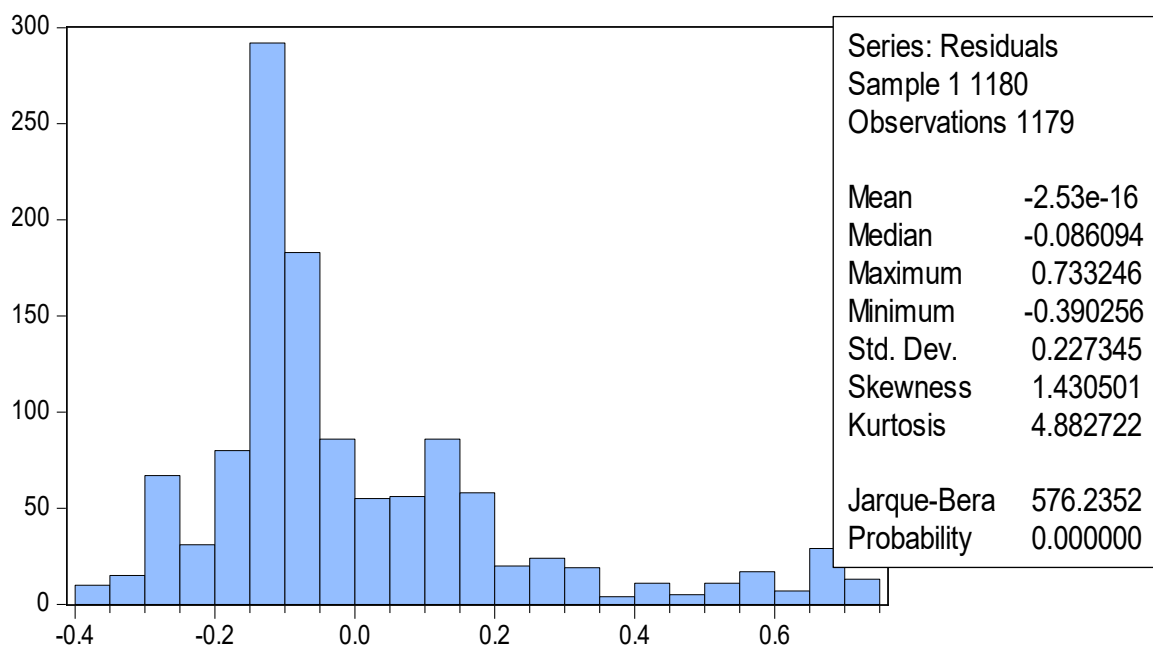
	<b>CSR</b>	<b>FOWN</b>	<b>IOWN</b>	<b>MOWN</b>	<b>OWCN</b>
Mean	0.345886	0.131251	0.679862	0.073466	0.553704
Median	0.200000	0.000000	0.743100	0.009600	0.595900
Maximum	1.000000	0.973700	0.994900	0.877000	0.983000
Minimum	0.000000	0.000000	0.000000	0.000000	0.000000
Std. Dev.	0.239176	0.242869	0.237130	0.146586	0.221905
Skewness	1.559007	1.594241	-1.122704	3.111248	-0.466963
Kurtosis	4.726225	3.927539	3.656079	13.64520	2.526160
Jarque-Bera	623.9789	541.6888	268.8267	7468.953	53.87754
Probability	0.000000	0.000000	0.000000	0.000000	0.000000
Sum	407.8000	154.7455	801.5572	86.61638	652.8169
Sum Sq. Dev.	67.38755	69.48470	66.23951	25.31226	58.00671
Observations	1179	1179	1179	1179	1179

*Source: Researchers Computation (2019)*

CSR=Corporate Social Responsibility Disclosures; FOWN= Foreign Ownership; IOWN= Institutional Ownership; MOWN=Managerial Ownership; OWCN= Ownership Concentration

The result of the descriptive statistics as shown in table 4.1 reveals a mean CSR (corporate social responsibility disclosure) of 0.3459, which indicates that the sampled companies on the

average disclose about 35% of CSR (corporate social responsibility) information in their annual financial reports. The results also reveal a mean foreign ownership (FOWN) of 13.13%, average institutional ownership (IOWN) of 68%, managerial ownership (MOWN) of about 7% and ownership concentration of 55%. The maximum value of the dependent variable CSRD is 1 with a minimum value of 0. For the independent variables, foreign ownership has a maximum value of 0.97 and a minimum value of 0, institutional ownership has a maximum value of 0.99 and a minimum value of 0.00. The maximum value of the variable, managerial ownership is 0.87 and the minimum value is 0.00. Lastly, ownership concentration has a maximum value of 0.98 and a minimum value of 0.00. The normality and other mean statistics of the regression variables are revealed in the histogram normality test below



Source: Researchers Computation, 2019

**Figure 4.1 Histogram Normality Test**

The result of the histogram normality test revealed a mean Jarque-Bera test of 576.2352 and a probability value of 0.0000. The result of the test suggests normally distributed regression

variables. The mean positive kurtosis of 4.882 reveals a positive kurtosis in excess of 3.00 which signifies a leptokurtic kurtosis in excess of the 3.00 benchmark. The mean positive skewness of 1.430 means rightward skewed regression variables as depicted in the histogram normality test in figure 1 above. The average standard deviation of 0.227 shows that the deviation from the mean of the regression variables is relatively small, which is indicative of the quality of the data.

### 4.3 Correlation Analysis

**Table 4.2**  
**Correlation Analysis**

	<b>CSRD</b>	<b>FOWN</b>	<b>IOWN</b>	<b>MOWN</b>	<b>OWCN</b>
<b>CSRD</b>	1.000000	0.276008	-0.049726	-0.139080	-0.003309
<b>FOWN</b>	0.276008	1.000000	0.071868	-0.198844	0.211647
<b>IOWN</b>	-0.049726	0.071868	1.000000	-0.385891	0.320008
<b>MOWN</b>	-0.139080	-0.198844	-0.385891	1.000000	-0.031480
<b>OWCN</b>	-0.003309	0.211647	0.320008	-0.031480	1.000000

*Source: Researchers Computation, 2019*

The result of the correlation coefficient revealed a mixed coefficient of both positive and negative values. The correlation coefficient between the dependent variable of CSRD and the independent variable of foreign ownership is positive with a value of 0.2760. The correlation coefficients between the dependent variable of CSRD and the independent variables of institutional ownership, managerial ownership and ownership concentration are all negative with values of -0.0497, -0.1390 and -0.0033 respectively. The correlation coefficients did not pose any problem of multicollinearity as the results of the correlation coefficients are relatively small. The highest value of correlation coefficient is between institutional ownership and ownership concentration with values of 0.3200. The result of the variance inflation factor is a further confirmation of the absence of the problem of multicollinearity in the regression variables.

**Table 4.3****Result of the Variance Inflation Factor (VIF)**

Variance Inflation Factors

Date: 10/05/19 Time: 17:56

Sample: 1 1180

Included observations: 1179

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Variable	Coefficient Variance	Uncentered VIF	Centered VIF
C	0.000643	14.60782	NA
FOWN	0.000818	1.416855	1.096380
IOWN	0.001042	12.28362	1.331279
MOWN	0.002549	1.557071	1.244269
OWCN	0.001061	8.578557	1.186281

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*Source: Researchers computation (2019)*

The result of the VIF in Table 4.3 revealed relatively low centred VIFs of 1.0963 for foreign ownership; 1.3312 for institutional ownership; 1.2442 for managerial ownership and 1.1862 for ownership concentration. The result is a further confirmation of the results of the correlation analysis in Table 4.2

#### 4.4 Results of Regression Diagnostics Tests

**Table 4.4**

##### Result of Test of Serial Correlation

Breusch-Godfrey Serial Correlation LM Test:

F-statistic	1127.627	Prob. F(2,1172)	0.0000
Obs*R-squared	775.8237	Prob. Chi-Square(2)	0.0000

Test Equation:

Dependent Variable: RESID

Method: Least Squares

Date: 10/06/19 Time: 22:09

Sample: 1 1180

Included observations: 1179

Pre sample and interior missing value lagged residuals set to zero.

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	-0.018429	0.014865	-1.239743	0.2153
FOWN	-0.011006	0.016744	-0.657284	0.5111
IOWN	0.017286	0.018920	0.913617	0.3611
MOWN	0.028347	0.029589	0.958025	0.3382
OWCN	0.011250	0.019064	0.590136	0.5552
RESID(-1)	0.780566	0.029180	26.74993	0.0000
RESID(-2)	0.038580	0.029239	1.319490	0.1873
R-squared	0.658035	Mean dependent var		-2.74E-16
Adjusted R-squared	0.656285	S.D. dependent var		0.227345
S.E. of regression	0.133286	Akaike info criterion		-1.186722
Sum squared resid	20.82071	Schwarz criterion		-1.156606
Log likelihood	706.5729	Hannan-Quinn criter.		-1.175368
F-statistic	375.8758	Durbin-Watson stat		1.992399
Prob(F-statistic)	0.000000			

Source: Researcher's Computation (2019)

The result of the Breusch-Godfrey test of serial correlation indicates the presence of serial correlation in the variables of regression. The F-statistic of 1127.627 and the probability value of 0.0000 indicate that the null hypothesis of no serial correlation is rejected. Hence, there, we accept the alternate hypothesis of serially correlated variables. This error was addressed using the White cross-section standard errors & covariance. Therefore, the regression analyses were first adjusted with the White cross-section standard errors and covariance to allow for correlation among the regression variables, which is the accepted alternate hypothesis of serially correlated variables, before the regression analyses were carried out. This adjustment was done by allowing correlations to exist across the variables of the regression model.

**Table 4.5****Result of the Test of Heteroskedasticity**

Heteroskedasticity Test: Breusch-Pagan-Godfrey

F-statistic	14.29502	Prob. F(4,1174)	0.0000
Obs*R-squared	54.75665	Prob. Chi-Square(4)	0.0000
Scaled explained SS	105.4027	Prob. Chi-Square(4)	0.0000

Test Equation:

Dependent Variable: RESID<sup>2</sup>

Method: Least Squares

Date: 10/03/19 Time: 15:15

Sample: 1 1180

Included observations: 1179

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	0.107028	0.011084	9.656018	0.0000
FOWN	0.024203	0.012508	1.934957	0.0532
IOWN	-0.072941	0.014117	-5.166909	0.0000
MOWN	-0.132754	0.022078	-6.013014	0.0000
OWCN	0.001408	0.014240	0.098846	0.9213

R-squared	0.046443	Mean dependent var	0.051642
Adjusted R-squared	0.043194	S.D. dependent var	0.101801
S.E. of regression	0.099578	Akaike info criterion	-1.771513
Sum squared resid	11.64119	Schwarz criterion	-1.750002
Log likelihood	1049.307	Hannan-Quinn criter.	-1.763403
F-statistic	14.29502	Durbin-Watson stat	0.500583
Prob(F-statistic)	0.000000		

*Source: Researcher's Computation (2019)*

The test of heteroskedasticity was conducted using the Breusch-Pagan Godfrey test. The result of the test reported an F-statistic of 14.2950 and a significant probability value of 0.0000. The result of the test could not accept the null hypothesis of homoscedastic residuals.

Hence, the null hypothesis of homoscedastic residuals was rejected. The presence of heteroskedastic residuals did not however affect the validity of the regression result.

**Table 4.6**

**Result of the Ramsey Reset Test**

Ramsey RESET Test  
 Equation: UNTITLED  
 Specification: CSRD C FOWN IOWN MOWN OWCN  
 Omitted Variables: Squares of fitted values

	Value	Df	Probability
t-statistic	5.894731	1173	0.0000
F-statistic	34.74786	(1, 1173)	0.0000
Likelihood ratio	34.41829	1	0.0000

F-test summary:

	Sum of Sq.	Df	Mean Squares
Test SSR	1.751725	1	1.751725
Restricted SSR	60.88555	1174	0.051862
Unrestricted SSR	59.13382	1173	0.050412
Unrestricted SSR	59.13382	1173	0.050412

LR test summary:

	Value	Df
Restricted LogL	74.01115	1174
Unrestricted LogL	91.22030	1173

Unrestricted Test Equation:  
 Dependent Variable: CSRD  
 Method: Least Squares  
 Date: 10/06/19 Time: 22:48  
 Sample: 1 1180  
 Included observations: 1179

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	-1.290237	0.291104	-4.432219	0.0000
FOWN	-1.835866	0.356670	-5.147241	0.0000
IOWN	0.665227	0.135432	4.911895	0.0000
MOWN	1.101107	0.228228	4.824602	0.0000
OWCN	0.140833	0.043291	3.253150	0.0012
FITTED^2	10.11526	1.715983	5.894731	0.0000

R-squared	0.122482	Mean dependent var	0.345886
Adjusted R-squared	0.118741	S.D. dependent var	0.239176
S.E. of regression	0.224527	Akaike info criterion	-0.144564
Sum squared resid	59.13382	Schwarz criterion	-0.118750
Log likelihood	91.22030	Hannan-Quinn criter.	-0.134831
F-statistic	32.74479	Durbin-Watson stat	0.392797
Prob(F-statistic)	0.000000		

Source: Researcher's Computation (2019)

Furthermore, Ramsey reset test of model specification was adopted to test the accuracy of the regression model. The result of the test reported an F-statistic of 34.747 and a significant probability value of 0.00. The result of the test rejects the null hypothesis of wrongly specified model.

## 4.5 Analysis of the Regression Results and Test of Hypotheses

### 4.5.1 Analysis of Regression Results

**Table 4.7**

#### Results of the Regression Analyses

VARIABLE	POOLED	RANDOM EFFECT	FIXED EFFECT
C	16.5454 (0.0000)	7.5878 (0.0000)	6.8603 (0.0000)
FOWN	9.0899 (0.0000)	-0.5002 (0.0000)	-4.4255 (0.0000)
IOWN	-3.4302 (0.0000)	1.5150 (0.1300)	2.3321 (0.0000)
MOWN	-4.1956 (0.0000)	-0.8330 (0.4050)	-3.3934 (0.0007)
OWCN	-0.9314 (0.3518)	2.2701 (0.0234)	4.2016 (0.0000)
R-squared	0.0964	0.0084	0.8251
Adjusted R-squared	0.0934	0.0050	0.8051
F-statistic	31.3430	2.4791	41.2101
Prob(F-statistic)	0.0000	0.0050	0.0000
Durbin-Watson Stat	0.3791	0.9494	1.0581
Redundant Fixed Effects Test			37.6351 (0.0000)
Hausman		30.4443 (0.0000)	
Observations	1179	1179	1179

*Source: Researchers Computation (2019)*

(All variables are significant at the 5% level. The probability values are in parenthesis)

The result of the regression analysis shows the pooled, random effect and fixed effect regression analysis. The result of the redundant fixed effect with F-statistic value of 37.6351 and probability value of 0.0000 from table 4.7 shows the pooled OLS is not adequate, hence, we proceed to test between fixed and random effects model. The result of the Hausman test in table 4.7 with a probability value of 0.0000 and a Chi-sq value of 30.4444 shows preference for the fixed effect model. The result of the Hausman test rejects the null hypothesis of equality of coefficients between the random and fixed effect model. The coefficient of multiple correlation of the pooled regression result is 0.0964 with an adjusted R-square of 0.0934. The coefficient of multiple correlation of the random effects model is 0.0084 with an adjusted R-square of 0.0050. The fixed effect model has a coefficient of multiple correlation of 0.8251 with an adjusted R-square of 0.8051. The adjusted R-square value of 0.8051 shows that, about 82.51% of the systematic cross-sectional variation of the dependent variables of corporate social responsibility disclosure, is accounted for by the independent variables of foreign ownership, institutional ownership, managerial ownership and ownership concentration. Thus, the fixed effect model result shows that 82.51% of the dependent variable is explained by the independent variables after the fixed effect model partials out time invariant variables. This is because the fixed effect model eliminates the need for control variables as the selected independent variables act as their own controls and partials out time invariant variables which affect the regression variables. This contrasts with the random effect model which shows that 0.84% of the dependent variable is explained by the independent variables and also requires the use of control variables due to the model assuming that there are time invariant variables that affect the variables in the regression model. The F-statistic value of 41.2101 obtained from the fixed effect model and the significant probability value of 0.0000 shows that a significant linear relationship exists between the dependent variable and the independent variables.

## 4.5.2 Test of Hypotheses

### **H<sub>1</sub>: Managerial ownership has no significant impact on CSRD**

The result of the fixed effect regression analysis shows that our apriori expectation of  $\beta_1 > 0$  could not be sustained with a t- value of -3.3934 and a probability value of 0.00. The result revealed a significant negative impact of managerial ownership on corporate social responsibility disclosure. The result rejects the null hypothesis of managerial ownership having no significant effect on CSRD.

### **H<sub>2</sub>: Institutional ownership has no significant effect on CSRD**

Agency theory predicts institutional ownership having a positive significant effect on CSRD. In consonance with our apriori expectation of a positive effect, the fixed effect regression analysis reported a positive and statistically significant effect with a t-value of 2.3321 and probability value of 0.00. The regression result shows that institutional ownership predicts CSRD. Hence the null hypothesis of institutional ownership having no significant effect on CSRD is rejected.

### **H<sub>3</sub>: Foreign ownership has no significant effect on CSRD**

The result of the fixed effect regression analysis shows that our apriori expectation of  $\beta_3 > 0$  could not be sustained with a t- value of -4.4255 and a probability value of 0.00. The result revealed a significant negative effect of foreign ownership on CSRD. The result rejects the null hypothesis of foreign ownership having no significant effect on CSRD.

#### **H<sub>4</sub>: Ownership Concentration has no significant impact on CSRD**

Agency theory predicts ownership concentration having a positive significant impact on CSRD. In consonance with our apriori expectation of a positive effect, the fixed effect regression analysis reported a positive and statistically significant effect with a t-value of 4.2016 and probability value of 0.00. The regression result shows that institutional ownership predicts CSRD. Hence the null hypothesis of ownership concentration having no significant effect on CSRD is rejected.

#### **4.5.3 Discussion of Findings**

This study empirically investigates the relationship between ownership structure (managerial ownership, institutional ownership, foreign ownership and ownership concentration) and CSRD using descriptive statistics, correlation analysis and panel regression analysis as the methods of analysing the data collected from the annual financial reports of companies listed on the NSE from year 2009 to 2018. Results from the analysis of this relationship using descriptive statistics showed that CSR information disclosure by companies listed on the NSE is low with an average disclosure of 35% by the sampled listed companies. This low level of disclosure agrees with the study by Umoren *et al.* (2016) which found, by using a checklist on voluntary disclosures developed from previous studies such as Ortas *et al.* (2015), average disclosure levels among firms listed on the NSE to be 44%. This low level of CSRD among NSE listed companies indicates that many of the listed companies are not yet set to achieve the year 2030 UN SDGs.

Notably, Panel regression analysis using a fixed effect model revealed that managerial ownership has a significant negative impact on CSRD. This finding is inconsistent with that of Yusuf *et al.* (2018) and Sadiq and Mohammed (2017) who found a positive relationship.

However, it supports the findings of Kurawa and Kabara (2014) and Chang and Zhang (2015) where a negative relationship was found. This significant negative impact implies that the more equity shares are owned by corporate managers, the less CSR is made and when management own few shares, more CSRs are made by firms listed on the NSE. This may be due to the fact that corporate managers in companies listed on the NSE may take advantage of their positions and promote their personal interests such as higher remuneration and executive bonus, above those of the shareholders, thus neglecting long term shareholder values of CSR and CSR. It may also be due to the fact that when managers own shares in companies, it may be more difficult for owners/shareholders to control and monitor them.

Results for institutional ownership indicate that institutional ownership of shares has a significant positive effect on CSR. This finding is in line with those of Ahmad *et al.* (2017) and Chang and Zhang (2015) but debunks the findings of Yusuf *et al.* (2018) and Ghabayen *et al.* (2016). The result therefore suggests that the higher the equity shares owned by institutions such as pension funds, the higher the CSRs carried out. This supports the idea that institutional shareholders seek to protect their usually large investments and thus use their high voting power which is derived from their large investments to influence the decisions of the management.

In contrast, foreign ownership was found to have a significant negative effect on CSR among NSE listed firms. This suggests that as foreign ownership increases in NSE listed companies, CSR decreases. The result explains that foreign owners of equity shares in NSE listed firms are more interested in repatriating profits to their home countries than carrying out CSR and CSRs. This therefore negates the idea that foreign owners of shares protect their share investments by promoting social and environmental activities. Hence, the result is inconsistent with the findings of Hu *et al.* (2016) and Said *et al.* (2009) where a positive

relationship was found but is consistent with the findings of Laksmi and Kamila (2018) where a negative relationship was found.

Also, ownership concentration is found to have a significant positive impact on CSR. This reveals that as more equity share ownership is concentrated among a few shareholders, disclosure of CSR information increases. This may be due to the ability of these concentrated share owners to control and monitor management and also the need for them to protect their investments by ensuring the corporation has a positive public image. Also, the result reinforces the findings of Yusuf *et al.* (2018) and Chang and Zhang (2015) while it negates the findings of Mohamed and Faouzi (2014). The regression results for institutional ownership and ownership concentration thus support the apriori expectation which suggests a significant positive effect on CSR, while the results for managerial ownership and foreign ownership negate the apriori expectation of a significant positive effect on CSR.

## CHAPTER FIVE

### SUMMARY, CONCLUSION, AND RECOMMENDATIONS

#### 5.1 Introduction

This chapter presents the summary of findings, conclusion, contributions to knowledge and recommendations of this study on the relationship between ownership structure and CSR. It includes by way of conclusion, summary of the method of analysis and findings of the study carried out on this relationship.

#### 5.2 Summary of Findings

This study deals with the empirical investigation of the relationship between ownership structure and CSR with focus on four ownership structure attributes (managerial ownership, institutional ownership, foreign ownership and ownership concentration). Data collected from the annual financial reports of one hundred and eighteen (118) companies listed on the NSE from year 2009 to 2018 was analysed using descriptive statistics, correlation analysis and panel regression analysis using a fixed effect model. The findings from the data analysis indicate that;

1. Managerial ownership has a significant negative effect on CSR as revealed by the t-value of -3.3934 and 0.000 probability value of the panel regression analysis. This result negates the apriori expectation of managerial ownership having a positive effect on CSR.
2. Institutional ownership has a significant positive relationship with CSR. This is indicated by the regression analysis t-value of 2.3321 and probability value of 0.000 which support the apriori expectation of institutional ownership having a positive effect on CSR.

3. The panel regression t-value of -4.4255 and probability value of 0.000 reveal that a significant negative relationship exists between foreign ownership and CSRD among sampled firms listed on the NSE. This result negates the apriori expectation of foreign ownership having a positive effect on CSRD.
4. The t-value and probability value of 4.2016 and 0.000 respectively suggest that ownership concentration has a significant positive effect on CSRD thus supporting the apriori expectation of ownership concentration having a positive effect on CSRD.

## **5.2 Conclusion**

This study investigated the relationship between ownership structure and CSRD in Nigeria with focus on four (4) ownership structure attributes, which includes; managerial ownership, institutional ownership, foreign ownership and ownership concentration. Data analysis was carried out using descriptive statistics, correlation analysis and panel regression analysis using a fixed effect model.

The result of the data analysis indicated that CSRD in Nigeria is low with an average CSRD of 35%, maximum CSRD being 100% and minimum 0% in accordance with the principles of the UNGC. Average managerial ownership among firms listed on the NSE is 7%, average institutional ownership being 68%, with foreign ownership and ownership concentration having averages of 13.13% and 55% respectively. Results for the correlation analysis revealed that managerial ownership, institutional ownership and ownership concentration are negatively related with CSRD while foreign ownership is positively related with CSRD. Institutional ownership and ownership concentration have the highest correlation while managerial ownership and institutional ownership have the lowest correlation. A significant linear relationship is found to exist between the independent variables (managerial ownership, institutional ownership, foreign ownership and ownership concentration) and the dependent

variable (CSRSD). The regression results therefore suggest that among firm listed on the NSE, managerial ownership and foreign ownership have a significant negative effect on CSRSD in Nigeria which negates the apriori expectation for managerial and foreign ownership, while institutional ownership and ownership concentration have a significant positive effect on CSRSD which emphasizes the apriori expectation for institutional ownership and ownership concentration.

### **5.3 Recommendations**

In view of the research findings of this study and its contribution to knowledge, the study recommends the following;

1. The voluntary nature of CSRSD in Nigeria should be enhanced through the enactment of compulsory regulations on CSRSD as this will aid increase in the low level of CSRSD.
2. Management should not be allowed to own large amounts of equity shares in order to increase CSRSD in Nigeria.
3. Institutional shareholders should be allowed to own large amounts of equity shares in Nigeria as this leads to increased levels of CSRSD.
4. Foreign ownership of equity shares should be reduced either through corporate regulations or otherwise as this will increase CSRSD levels in Nigeria.
5. Ownership concentration should be encouraged in Nigeria especially when such concentration is in the hands of institutional shareholders in order to increase CSRSD levels.
6. Institutional shareholders should be allowed and encouraged to have representatives on the board of directors which represents corporate management, as this will help to strengthen the relationship between institutional shareholders and their company's

management as institutional shareholders promote increased levels of CSR in NSE (Nigeria Stock Exchange) listed companies.

The recommendations for further studies are;

1. The relationship between corporate governance and CSR in Nigeria should be further studied to determine if the manner in which corporations are governed influences CSR.
2. The effect of other ownership structure attributes, like family ownership, on CSR should be further examined.
3. Studies should be carried out to investigate which is best suited to the Nigerian environment, compulsory CSR legislation or voluntary CSR.

#### **5.4 Contributions to Knowledge**

This study contributes to the existing body of knowledge on ownership structure and CSR in the following areas;

1. This study used the UNGC (United Nations Global Compact), which very few studies have used as framework, to measure the CSR of companies listed on the NSE. The use of the UNGC aligned this study with the year 2015 UN SDGs (United Nations Sustainable Development Goals) which have replaced the UN MDGs (United Nations Millennium Development Goals) of year 2000. This is because the principles of the UNGC are posed to ensure the seventeen (17) UN SDGs of the year 2030 UN agenda for the achievement of the sustainable development. This achievement of the UN SDGs through the UNGC principles include SDGs like peace and justice strong institutions (anti-corruption principle), affordable energy (more development and diffusion of environmentally friendly technologies) and clean water and sanitation (responsibility to the environment principle). Hence, this study has contributed by

examining how set companies listed on the NSE are, towards achieving these UN SDGs.

2. The focus of this study was on the relationship between ownership structure and CSRD among sampled NSE listed companies. CSRD is a specific aspect of voluntary disclosures in Nigeria due to its voluntary nature. This is in contrast with the studies carried out, as most of them examined the relationship between ownership structure and voluntary disclosures (Sadiq & Mohammed, 2017) which entails many aspects such as company strategy and corporate features.
3. This study used a fixed effect model for panel regression analysis, which partials out the need for control variables in the panel regression analysis, as many studies on ownership structure and CSRD in Nigeria have not used it, instead, methods like OLS regression analysis (Sadiq & Mohammed, 2017) and probit regression analysis (Yusuf *et al.*, 2018) which usually include the use of control variables like firm size and firm age (Yusuf *et al.*, 2018), have been used.
4. This study used both financial and non-financial companies listed on the NSE as at 31<sup>st</sup> December 2018. This is in contrast with previous studies on ownership structure and CSRD in Nigeria (Yusuf *et al.*, 2018) which have focused on only financial companies listed on the NSE.

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## APPENDIX I

### 1. Year 2000 United Nations Global Compact CSRD Framework

Human Rights	<ol style="list-style-type: none"><li>1. Uphold globally advocated human rights</li><li>2. Avoidance of abuse of human rights</li></ol>
Labour	<ol style="list-style-type: none"><li>1. Promote freedom of association and collective bargaining rights</li><li>2. Fight against forced or compulsory labour</li><li>3. Elimination of all forms of child labour</li><li>4. Non-discrimination in employing and in occupation</li></ol>
Environment	<ol style="list-style-type: none"><li>1. Encourage a precautionary approach to challenges in the environment</li><li>2. Undertake more responsibility to the environment</li><li>3. Ensure more development and diffusion of technologies that are friendly to the environment</li></ol>
Anti-Corruption	<ol style="list-style-type: none"><li>1. Removal of all forms of corruption which include bribes and extortions</li></ol>