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SOCIAL DISCLOSURE AND FINANCIAL PERFORMANCE: EVIDENCE FROM NIGERIAN LISTED FIRMS

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Abstract

This study is a statistical examination of the relationships between social and environmental disclosures and market performance of Nigeria Top 100 Listed Firms. It uses a panel data over a 10 year period (2005-2013) and was tested for linear and non-linear relationships. As expected, no direct relationship between share returns and social disclosure was detected but, on further examination, the longitudinal data revealed a relationship between consistently high (or low) returns and a predisposition to high (or low) disclosure. The findings of this study confirmed that social and environmental issues are of limited interest to markets except where they can be identified as relevant in terms of risk or governance. On the market side there was confirmation that financial returns were the main driver behind portfolio selection. The rather depressing conclusion from this study is that the focus remains on short-term performance measures.

Keywords: Social disclosure, financial performance, financial markets, shares returns, Nigeria

1.1 Introduction

Over the last few years, companies in many ways have reassured relevant stakeholders that they are aware of their social responsibilities. One key way is the extensive use of social and environmental disclosures by corporations. These take many forms, sometimes being part of the annual report, but more often, especially in recent times, included in a separate report, variously known as a social and environmental, corporate social responsibility, or sustainability report. Surveys conducted on a three yearly basis since 1993 by KPMG, have

demonstrated without deviation, an upward trend in social disclosures. If social disclosure is a genuine proxy for social performance, then an increase in social disclosure should be an indication of better social performance. If this is the case, and a link can be made to improved performance in the market, it might serve as a massive incentive for companies to adopt a sustainability agenda.

While companies' response to corporate social responsibility agendas has been noted and researched widely by academics from many disciplines, and the form and content of social disclosures has also been subject to scrutiny, particularly within the accounting discipline, the role and association of these social disclosures with the capital markets has not been similarly examined in Nigeria, nor by a longitudinal study. Yet, capital markets provide the context within which corporate activity operates, and markets react to signals that companies emit, and dispense rewards and punishments accordingly. Behaviour of a specific sort is seen as a good signal to the market and other forms of behaviour are seen as transmitting poor signals. The result is a movement in share price which is supposed to reflect the net present value of the future cash flows, discounted at the appropriate cost of capital. Share prices thus move to the receipt of new information, and it is this information, normally collected and released as part of the accounting process, that is of interest in this study.

It has long been acknowledged that there is some doubt about whether good news, in terms of social and environmental information, has any effect on market prices, and, therefore, company valuation. However, it is suspected that certain initiatives, such as spending announcements on longer term projects perhaps necessary in the cause of sustainable development, might potentially convey the wrong message to the market and run the risk of adversely affecting company values. If this is so, then the possibility exists that markets may create obstacles to sustainable development. This possibility, although acknowledged by business leaders at a senior level (Schmidheiny, 1992, Schmidheiny and Zorraquin, 1996), has received less attention from researchers.

This study seeks to address this issue by extending and clarifying aspects of the debate. It will do this by exploring the association between sustainability and capital markets, and examine the role of both mainstream and social and environmental accounting research in this context. Specifically, the key research question is: Do markets place a value on companies' social and environmental activities? In seeking to address this question, the following subsidiary research questions will also be investigated:

- (i) Given the voluntary nature of social and environmental disclosures, what motivates companies to undertake such practice?
- (ii) Do company executives believe there may be a „market effect“ in releasing a social report?
- (iii) Do market participants use the information in social reports in valuing securities?

The study examines these questions by undertaking empirical studies in order to gain new insights into the associations between social disclosure and financial performance. This study examines the association between social disclosures and share returns, using both longitudinal and cross-sectional data. Using statistical analysis, it explores whether a relationship exists between the social and environmental disclosures of NSE 100 companies and their share returns to investors. The remainder of this paper outlines the literature review of the study in more detail, the methodology adopted, results and discussion and conclusions and recommendations.

2.1 Review of Related Literature

The literature review is divided into 3 parts: conceptual literature review, theoretical literature review and empirical literature review.

Financial reporting is traditionally understood as the reporting of the results of a company's past activities to external stakeholders. The requirement for such reports is now part of Companies and Allied Matters Act 1990. These basic reports are often augmented by the various additional requirements of what are now becoming the International Financial Reporting Standards. However, all these requirements, either by law or quasi-law, relate to financial aspects of performance. Reporting of non-financial aspects of a company's performance is largely voluntary. It is the nature of this form of reporting that has attracted the interest of a growing number of accounting researchers from the genesis of social accounting that can be traced back over 30 years. It has also revealed that the practice is far from a recent phenomenon.

Before looking back at the emergence of social reporting, it might be useful to be clear about what it means. One of the earliest definitions of corporate social reporting, which still stands up today, states that it is the process of communicating the social and environmental effects of the organizations' economic actions to particular interest groups within society, and society at large. As such, it involves extending the accountability of organizations (particularly companies) beyond the traditional role of providing a financial account to the owners of capital, in particular, shareholders. Such an extension is predicated

upon the assumption that companies do have wider responsibilities than to simply make money for their shareholders (Gray et al., 1987). This definition challenges the objectives of financial reporting and, therefore, may be regarded as critical of mainstream accounting practice. Indeed, much of the discussion and debate within social accounting tends to challenge traditional accounting and reporting conventions, and that challenge begins to emerge when we consider further the above definition.

In terms of social accounting, however, this focus on the shareholder is not of such over-arching importance. Accountability in this sense means the accountability the companies have to society, in terms of how they interact with the environment, how they treat their employees, the impact their products have in terms of distribution and use, the consumption of resources, their involvement with foreign or offshore partners, the way they approach corporate governance, etc.

The literature in this field has been analysed by a number of scholars in many different ways, but predominantly the focus is on the sign of the association between the variables under research. The variables, in this context, are Social Disclosure (SD) and Financial Performance (FP). However, depending on the choice of dependent and independent variables and the various proxies available, this does not allow for much meaningful comparison between studies. Also, in addition to each paper reviewing its own relevant material, there have also been at least 19 detailed literature reviews, each focusing on between 7 and 95 studies, plus two meta-analyses of quantitative studies. The sheer volume of research in this area makes concise analysis problematic. In one of the most comprehensive of these reviews, Margolis and Walsh (2001) identified 95 studies and their analysis spread to around 140 pages. They employed a large number of tables to analyse the various proxies, dependent and independent variables, etc, yet the review still lacks an overall coherence, possibly due to the sheer volume. The studies identified for this session include all the published papers which the researcher managed to obtain through electronic or library resources. This, therefore, includes most of the studies referred to in other literature reviews, but does not include unpublished work, conference proceedings, or other papers which proved difficult to source. In all, this amounted to some 150 studies. Taking Ullmann (1985) analysis as a guide, the studies are grouped into a number of categories, where associations between the variables social disclosure and financial performance are examined. However, before looking in details at these categories, it is useful to summarize the research over the years.

The first thing on which to make comment on the 1970s studies is the marked difference in presentation and analysis from academic studies today. That is to say that they were largely discursive, with the statistical element often not fully explained, yet serving to inform the text. Studies such as Bragdon and Marlin (1972), and Fry and Hock (1976) are referred to in more recent literature as authoritative studies, giving weight to the evidence of a positive or negative sign. Yet, whilst they may add something to the discussion, they were clearly written for a general managerial consumption, and the value of the sign of the correlation must be treated with some scepticism. Bragdon and Marlin (1972), for example, acknowledge that analysis of some of the tables do not represent a valid statistical test, and that, if we correlate the pollution control indices for all companies, our results are not very interesting. The Fry and Hock (1976) study is a 4-page discussion of a study in which no tables or results appear. Yet both these studies are still referred to as evidence of the SD-FP link. The same applies to the Moskowitz (1972, 1975) studies which cannot be relied on for any form of statistical evidence. What they do, however, is suggest that it may be possible for companies to make profits while at the same time, doing good. These words, it seems, were meant for managers struggling with the imperative of justifying (at that time) increased expenditure on pollution control. What we then see is that studies soon appeared to criticise the findings of the early studies: Vance (1975) took issue with Moskowitz (1972), and Alexander and Buchholz (1978) took issue with both Vance (1975) and Moskowitz (1972, 1975), on methodological grounds. Whilst not attempting to denigrate the studies, *per se*, the purpose of highlighting them is to suggest caution in attaching weight to the results suggested. By the end of the mid-1970s, however, the rigour of the studies increased as the statistical method was refined within accounting research. The big data sets began to be utilised, and the emphasis moved away from discursive papers for primarily managerial usage, to a form of paper that was to become familiar over the next 30 years.

Ullmann (1985) based his observations on 28 studies. Since then more than 120 more papers have been published on the broad research area. As the literature search for this session progressed so the range of journals identified as publishing in the broad area expanded to encompass, in addition to the accounting literature, a much wider management and business and society set of journals where this link has been an equally enduring strand of research over the same period. However, some of the problems with the empirical studies persist: the rationale is often not explained, and the results insufficiently theorised; the choice of variables often appears arbitrary; and the proxies for social performance often stretch credibility to the limit. These specific issues will be discussed below.

The analysis of the various studies follows a pattern of the search for linkages between the variables. The studies look at the relationship between Social Disclosure and Financial Performance. They are sub-divided between those that use market variables and accounting variables. This is relevant to the first study in this thesis, which tests the association between Social Disclosure and Financial Performance, using market based variables, and the rationale for using this approach will be examined more closely in the next session.

Summarizing this aspect of the research, the first issue to note is that few studies are in any way comparable. Different datasets, time periods, and measures of both social disclosure and financial performance combine to offer little chance of consensus. If the object was to prove an association between high disclosure and high returns, the results are disappointing: 11 show a positive association, 5 show a negative association, 9 are inconclusive. As mentioned previously, some of the studies were criticised for the use of particular methods, or data, in subsequent papers (Vance, 1975, Alexander and Buchholz, 1978, Frankle and Anderson, 1978).

If the purpose was to gain some insight into the motivation of the researcher, then it is unsurprising, given the nature of the studies, in which the overwhelming motivation was to test the information content of the disclosures under examination. The finding of the association seems to have been the purpose in itself, typical of the decision-useful approach to accounting research. Few authors theorised other possible outcomes of the study, although Belkaoui (1976) discussed (briefly) the possibility of the existence of the ethical investor. However, Fry and Hock (1976) questions, regarding the responsiveness of corporations to society's concerns, remain not only unanswered but largely ignored in the plethora of research activity in this area.

If theories of conventional accounting disclosures revolve around the need of decision makers for information on which to base their choices, then they seem unlikely to explain this, largely voluntary, activity (Gray et al., 1995b). Although Toms (2002) does suggest that environmental disclosure might serve as a conduit for signalling facts about environmental management and this might explain why a some companies might adopt such a strategy, theories which explain the increase in social disclosures, which include more than just environmental management issues, and the interest in social reporting generally, are likely to rest elsewhere. In their 1995 paper, Gray et al. review theories that might explain the phenomena, and argue that it is more likely that social and political theory studies will shed light on the practice. They go on to discuss in detail three sets of

theories: theories of the stakeholder, theories of legitimacy, and theories of political economy.

Social reporting, at a theoretical level, is concerned with how commercial activity links into other social systems, and presents an alternative ontological approach to how one views the role of corporations. Indeed, understanding systems thinking is important in understanding the meta-theoretical assumptions of social and environmental accounting. In short, as explained by Gray et al. (1996), it is an approach designed to reverse the tendency in scientific thought towards reductionist reasoning.

Systems theory has its origins in the natural sciences and is explained in the following terms: an attempt to study a part without understanding the whole from which the part comes (reductionism) was bound to lead to misunderstandings. The part can only be understood in its context; understanding tends to be directed by and limited to one's own discipline. Natural phenomena are complex and cannot be successfully studied by artificially bounded modes of thought (Gray et al., 1996). The essence of systems thinking therefore demands that we think about all our commercial (and leisure) activities in the context of how they affect other life systems, with what Birkin (2000), calls an ontology of interconnected events, rather than the managerialist approach of thinking of issues as discrete.

Stakeholder theory is examined within the literature from two perspectives: the managerialist perspective, which is the form most usually discussed and adopted by the corporate sector, and also the societal point perspective. The managerialist notion of stakeholder theory is based on the idea that for companies to continue their activities without hindrance, they need the continuing support of all stakeholder groups, and follows the arguments advanced by Freeman (1984). From this viewpoint social disclosure is seen as an issue of management practice; a medium of communication between the company and its various stakeholders. Here, management can identify these disparate groups and undertake strategies to manage them, discretely, if necessary to ensure as little disruption is caused as possible to the corporate plan.

Freeman actively supports the instrumental notion that the greater the power of any stakeholder group to jeopardize the firm's survival, the greater the firm's focus ought to be. He talks in the language of managers using jargon like win-win situations, and suggests that the only time to make concessions to stakeholder groups is if the survival of the firm depends on it. Indeed, it is only at the end of his book that Freeman suggests that shareholders might, at some point, be supplanted by stakeholders. Even putting the book in the context of the period in

which was written, during which time western, and particularly US companies, were feeling threatened by the strength of Japanese competitors, this book was predominantly aimed at managers of companies in a troubled economy. As such, it might be thought of as ironic that, in today's world, stakeholder engagement is often suggested as a means of reducing the power of corporations. Even so, even managerialist stakeholder theory is not without detractors and critics. For example, Sternberg (1996, 1997, 2000) and Jensen (2001) argue that companies, acting in pursuit of maximum profit, serve all stakeholders best, as this is the way to bring greatest benefit to the greatest number.

In a related vein, a more theoretical literature has emerged suggesting that there is an economic efficiency argument for adopting a stakeholder model of the firm, like that suggested by Donaldson and Preston (1995). In their paper looking at the privatisation of the UK water industry, Ogden and Watson (1999) examine the incomplete contracting hypotheses drawn from the corporate governance literature, where it is suggested that, in the interest of economic efficiency managers are sometimes required to consider the interests of multiple stakeholders. The suggestion here is that, if these other stakeholders are not taken into consideration, and the shareholder is seen as the only focus of corporate activity, customers might choose to go elsewhere (Garvey and Swan, 1994, Ezzamel and Watson, 1997). This suggests that senior management will select policies that find a balance among competing stakeholder interests (Ogden and Watson, 1999). Whilst this may well be true, in many ways it is unsurprising and suggests that this strategy is yet more evidence of managerial capture, where this sort of approach is condemned for attempting to do no more than serve corporate managerial imperatives (Ball et al., 2000, Owen et al., 2000).

The other view of stakeholder theory is to make the stakeholder the focus, where companies are accountable to the stakeholder for their actions. This returns the debate to one on the nature of accountability, which was touched on above, and the rights of citizens for information surrounding issues of concern to the citizen, rather than information which companies choose to release for their own ends.

Other reasons for companies choosing to disclose information relate to issues of legitimacy. In the same way that it was suggested that companies require the support of stakeholders to survive, legitimacy theory implies that a corporation's activities must be legitimate in the eyes of society to allow it to continue; in the doomsday scenario, if the company loses its legitimacy, then it will cease to exist. This notion may well have seemed somewhat theoretical, in itself, prior to the Enron scandal, but applied to Arthur Andersen, it can be seen to have some basis. It is not difficult to argue that, as the accounting irregularities became apparent, so

the business world turned its back on Andersen, and its legitimacy was compromised to such an extent that it could not continue, and folded in a spectacularly short time.

This theory suggests that company disclosures may be a reaction to the perception that companies have of how they are viewed by different stakeholder groups within society. The theory itself is based on the notion that companies have an implicit approval from society to allow them to operate, in return for performing actions beneficial to society. The position this theory takes in relation to company disclosures is outlined by Lindblom (1993), who suggests that companies might adopt one of four strategies in an effort to keep society informed and sympathetic to the companies aims. She outlines these approaches in what might be seen as strategies of escalating manipulative persuasion, i.e. that company activity might not alter, but that the message it wishes to convey is designed to fulfil one or more of these strategies. She suggests that, while the information disclosed may be the same, the purpose behind the disclosure may have four distinctly different purposes.

The first, to educate and inform, may be seen as somewhat innocuous, in that the constituency being addressed, what Lindblom refers to as the relevant public, is being kept appraised of the company activity, in a way designed not only to increase awareness, but to improve the level of understanding of the purpose behind that various activities that might be subject of the report. Secondly, she suggests that disclosure might be used as a strategy of changing perceptions. This strategy is subtly different from educating and informing, in that it is the intention that is different, here being to influence the reader of the report in such a way that they no longer perceive behaviour to be one thing, but another. One step up this scale is where disclosures might be used to explicitly manipulate perceptions, to alter in the mind of the reader the notions the reader might have about the subject of the disclosure. Lastly, a strategy to change the external expectation of its performance represents the most overtly deliberate strategy that a company might adopt. Of course, the idea that companies can successfully achieve their ends by adopting these strategies is a moot point. It is predicated on the notion that readers would, gullibly,

Broadly speaking, political economy theories of accounting, within which stakeholder and legitimacy theories also lie, consist of theories which derive from the social, political and organisational context within which accounting operates. However, political economy theories have two strands. Firstly, those that are constructed through the utilitarian lens of J.S Mill and which tend to focus on the interaction of competing groups within society, which itself is viewed as

pluralistic. This is regarded as the bourgeois viewpoint, where the issues under examination are not regarded by Marxists as of significant importance where the important issues (for them) are largely ignored.

Fundamentally, this view ignores the very focus of the classical Marxian analysis, which sees inherent conflict within society and which challenges the inbuilt structural inequalities of power and influence (Cooper and Sherer, 1984, Gray et al., 1996). These issues of structural inequality are also the focus of critical accounting researchers who see accounting as an essential part of the structure of capitalism which serves to maintain the unjust and structurally divisive status quo (Tinker, 1984, 1985, Hines, 1988a, Hines, 1991, Tinker, 1991).

Critical accounting researchers are interested in a different ideology surrounding the possibilities and responsibilities accounting has in a societal context, which Marxian and critical theorists believe go far beyond those which inhabit the domain of the mainstream researcher. Indeed, insofar as the rudiments of ideology for Marx were founded firstly, on idealism (where it is contrasted with materialism), and secondly on the structural inequality of power and resources within society, so common ground is explored by critical researchers in accounting. It should also be acknowledged that social and environmental accounting researchers stand accused by those on the critical left of being part of a project which is, itself, bourgeois (Puxty, 1986, Tinker et al., 1991), despite their own criticisms of mainstream accounting research.

3.1 Methodology

In this study, the variables chosen for statistical analysis are as follows: the dependent variable is the share return and the independent variables examined are: total corporate social reporting (CSRTOT), and two of its constituent parts; total voluntary disclosure (VOLTOT), and total environmental disclosure (ENVTOT). It is acknowledged that the CSRTOT variable includes not only all voluntary disclosures but also social disclosures which are mandatory by law or quasi-law. However, by including this variable it is hoped that it offers a greater opportunity to identify statistically significant associations. Five different tests are conducted to determine whether a link exists between corporate social and environmental disclosures and share returns; these tests help to investigate the questions outlined earlier in the study. First, Pearson Correlation coefficients are calculated which examine the degree of linear association between the variables being studied.

The correlations are estimated between returns and each of CSRTOT, VOLTOT and ENVTOT across the whole sample, for different groupings and for every year

from 2005 to 2013. Because of the relatively small numbers in several of the industries, three new sectoral categories were constructed for the statistical analysis of the paper. Category A includes Mechanical engineering, Food and Drink, General, Retail and Leisure, and Electrical and Telecoms companies; Category B includes Pharmaceutical, General Manufacturing, and Oil and Gas companies; and Category C includes all the other firms. These categories attempted to combine companies from similar industries together while facilitating a policy of differentiating between Groups to the largest extent possible.

Second, regression analysis is employed to determine whether there is a linear relationship between company disclosures and share returns. In particular, the following equation was estimated:

$$R_{ijt} = \alpha_0 + \alpha_1 DIS_{ijt} + e_{ijt}$$

where R_{ijt} is the annual return for company i in sector j over the year t in which the social and environmental information is disclosed, DIS_{ijt} is the disclosure and e_{ijt} is the error term. The regression is estimated separately; namely for CSRTOT, VOLTOT and ENVTOT across the 14 different sectors spanned by the data. The co-efficient α is then examined and tested against the null hypothesis that no relationship exists between the variables being examined.

Finally, a General Linear Model was fitted to the share return data to investigate whether interactions between different types of disclosures (CSRTOT, VOLTOT and ENVTOT) either as main effects or as interactions with years in conjunction with size and other selected variables can explain returns. The output from this equation in terms of F-statistics and associated p-values should provide a comprehensive picture of whether investors appear to respond to certain social and environmental disclosures for different sized companies in several sectors across various time periods by changing their valuation of a company's share price and altering the return earned.

4.1 Results and Discussions

The Pearson Correlation coefficients for the association between annual returns and the amount of corporate social reporting in total and under two sub-categories are reported in Table 1. All the analysis was performed with lagged disclosures as well as with the actual disclosures in the year of study.

Table 1: Pearson Correlation Coefficients between Annual Share Returns and the Amount of Corporate Social Disclosure

Ind Var	CSRTOT	VOLTOT	ENVOT
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	corr	p-value	Corr	p-value	corr	p-value
Total sample	0.021	0.588	0.032	0.418	0.043	0.266
Group A	-0.005	0.922	0.029	0.587	-0.005	0.930
Group B	-0.054	0.608	-0.026	0.806	0.116	0.272
Group C	0.058	0.412	0.031	0.662	0.041	0.560
2005	-0.185	0.122	-0.115	-0.341	0.058	0.629
2006	0.121	0.306	0.103	0.388	0.091	0.442
2007	0.041	0.722	0.158	0.171	0.050	0.664
2008	0.175	0.137	0.105	0.375	0.085	0.471
2009	-0.032	0.780	0.031	0.789	0.029	0.799
2010	-0.034	0.771	-0.037	0.750	0.033	0.775
2011	0.070	0.549	-0.105	0.366	0.040	0.734
2012	-0.019	0.873	-0.038	0.750	-0.089	0.453
2013	-0.166	0.198	-0.046	0.724	-0.171	0.185

Source: Field Research Data

Table 1 shows the Pearson Correlation Co-efficients between share returns and corporate social and environmental disclosure and two of its components (CSRTOT, VOLTOT and ENVTOT). These correlations are estimated (i) for the whole sample, (ii) for three sectoral groupings and (iii) for each of nine years. Across the whole dataset, these correlations are positive but very small ranging from a low of 0.021 for CSRTOT to a high of 0.043 for ENVTOT. The test of the null hypothesis that these correlations are equal to zero cannot be rejected at conventional significance levels as the p-values are all greater than 0.05. The clear picture which emerges from this scrutiny of the whole dataset therefore is that no linear association exists between share returns and the different social and environmental disclosures being examined. This picture is confirmed when the correlations are calculated for the three sectoral categories studied. Indeed, four of these nine correlations are negative suggesting an inverse relationship between share price performance and the volume of disclosure.

However, the correlations are small and none are statistically significant. Interestingly though, the largest correlation is achieved by the second group (Chemicals, Pharmaceuticals and General Manufacturing firms) for the ENVTOT variable. These sectors in environmentally-sensitive industries have a positive correlation between the volume of their environmental disclosures and share returns of 0.116 which is nearly twice the size of the next highest correlation of 0.058 reported for CSRTOT. Again though, the p-value of 0.272 is still above the critical value of 0.05 thereby not allowing the null to be rejected.

The final nine rows of Table 1 display the correlations and p-values for each year from 2005 to 2013. Again, the overwhelming impression to emerge from a visual scan of these data is that the correlations vary from year to year and across each type of disclosure; for example, they are all positive in 2006, 2007 and 2008, all negative in 2012 and 2013 but both positive and negative in the other four years. The co-efficients are slightly bigger than in the other rows of the Table ranging from -0.171 to 0.175 but still fairly close to zero. Also, a sizeable number of the correlations are negative especially for the CSRTOT and VOLTOT variables, which suggests that an inverse relationship exists between share returns and these variables but none of the negative values are statistically significant however.

Table 2 reports the results from estimating the regression equation for the 14 sectors included in the study; the beta co-efficient is shown as well as its p-value.

Table 2: Regression Analysis of Annual Share Returns on the Amount of Corporate Social Disclosure

Ind Var	CSRTOT		VOLTOT		ENVTOT	
Sector	corr	p-value	Corr	p-value	corr	p-value
1	-0.041	0.110	-0.009	0.479	-0.016	0.588
2	-0.072	0.580	-0.082	0.487	-0.015	0.907
3	0.042	0.599	0.029	0.492	0.072	0.409
4	0.018	0.621	-0.001	0.948	-0.005	0.895
5	0.026	0.588	0.004	0.890	0.021	0.541
6	-0.001	0.984	-0.002	0.899	0.003	0.918
7	0.063	0.210	0.045	0.104	0.004	0.925
8	0.011	0.761	0.013	0.502	-0.020	0.564
9	0.025	0.791	-0.013	0.650	0.016	0.354
10	-0.059	0.332	0.035	0.249	0.043	0.396
11	0.011	0.906	-0.033	0.564	0.025	0.798
12	0.141	0.153	0.024	0.456	0.035	0.423
13	0.080	0.566	0.084	0.473	0.146	0.532
14	0.052	0.540	0.041	0.554	0.064	0.359

Source: Field Research Data

Table 2 presents the results from a linear regression of share returns on each of (i) total corporate social reporting, (ii) voluntary disclosure, and (iii) environmental disclosure. The beta co-efficient and its p-value are shown. A number of findings emerge from an analysis of table 2. First, the results of this table are consistent with the findings of Table 1 and suggest that modelling a specific linear association between share returns and corporate disclosures on social and environmental issues while allowing for constant term in the relationship does not

improve the results which are achieved to any significant extent. The p-values, in some instances, fall to just above 0.10 but are still outside the conventional significance level employed in statistical analyses of financial data (0.05). Second, the reported beta co-efficients are negative in one third of cases and positive in the other two thirds of cases. Thus, no clear-cut conclusion can be reached about the relationship between the social and environmental disclosures and share returns. Third, the sizes of these co-efficients also vary across the sectors and over the three different variables examined – CSRTOT, VOLTOT, ENVTOT.

The largest co-efficient for the CSRTOT variable is estimated for the Pharmaceuticals sector (0.141) while for the VOLTOT and ENVTOT variables the largest values are achieved by the oil and gas industry (0.084 and 0.146 respectively). One conclusion which does emerge is that any analysis of the relationship between share price performance and these three variables possibly needs to consider the importance of (i) sector and (ii) category of disclosure; the variability among the co-efficients reported in Table 2 would tend to recommend such an analysis.

Table 3 contains the statistical output from estimating the General Linear Model. The F-ratios for the main individual effects are shown as well as the two factor interactions with a dummy variable for the year (YEAR). Specifically, the first column of Table 3 shows the source of any variation in the returns that is examined, the second column highlights the sum of squares that is explained by each source, and the third column supplies the F-ratio statistic for the test of the null hypothesis that the source variable has significant explanatory power in the General Linear Model. The final column in the table contains the p-value for each F-ratio and indicates whether the ratio is above the critical level at the 95 per cent confidence level (when $p < 0.05$).

--Table 3: Output from Fitting a General Linear Model to Explain the Annual Share Return Data

Source	Sum of squares	df	F-ratio	p-value
Intercept	0.134	1	1.651	0.199
Year	1.526	8	2.347	0.017
CSRTOT	0.042	1	0.522	0.470
VOLTOT	0.001	1	0.012	0.912
ENVTOT	0.028	1	0.343	0.558
SIZE	0.188	1	2.308	0.129
YEAR *	1.127	8	1.733	0.088
CSRTOT				
YEAR *	0.951	8	1.463	0.168
VOLTOT				
YEAR *	0.648	8	0.996	0.438
ENVTOT				
YEAR * SIZE	1.595	8	2.454	0.013
Error	49.889			
	614			
Total	61.342			
	659			

Source: Field Research Data

The main conclusion to be drawn from this table is that the returns earned by our sample firms vary over time; the F-ratio for the year variable has a value of 2.347 and a p-value of 0.017. None of the other main effects are significant since the F-ratios are small and the p-values greater than 0.05. Once the interaction terms are studied the year of disclosure for voluntary corporate social reporting information is marginally significant (at the 10 per cent level) but it seems as if the main influence on returns is time. By adding the other disclosure variables and size the adjusted R^2 for the model only reaches 10.4 per cent indicating that some 89.6 per cent of the cross-sectional variation in the returns of the firms being studied remains unexplained by the model.

5.1 Conclusions and Recommendations

The study examined previous research into the connection between social disclosure and financial performance. Ullmann (1985), reviewed the literature to that point, including the literature that looked at the link between social disclosure and social performance, and entitled his study, Data in search of a theory. Successive statistical examinations since have added little to this field of enquiry,

prompting Griffin and Mahon (1997) to remark that the debate marked, twenty five years of incomparable research. A number of reasons were posited for this, and by virtue of the mix of data sources, dependent and independent variables, statistical methods employed, etc, any notion of a consensus would be unlikely. Of similar importance was the diversity in the purpose of the studies. Many were typical finance studies, designed to examine investor behaviour and to test investment preferences. Only a few attempted to link capital market activity with ethical research questions. However, following a lengthy review of the literature, and taking account of the inconclusive and conflicting nature of the results, the question remained, and formed the central research question of this study: do markets place a value on companies' social and environmental activities?

Following the review of the literature, most of which used cross-sectional foreign based data, this study looked at longitudinal data over a ten year period, plus cross sectional data, based on the financial statements of Nigeria top 100 companies listed on the floor of the Nigerian Stock Exchange as at 31st December, 2014. Because of the focus on importance of markets in the CSR debate, share returns were used as the dependent variable. It was hoped that by examining relationships over time, some more tangible results might be revealed. The data was tested for linear and non-linear relationships. What was hoped was that the use of annual data might at least suggest an association between share returns and a predisposition on the part of some companies to make social disclosures. This was not evident. Indeed it was only in a further study (Murray et al., 2006) where coded data were tested and significant results revealing such an association were found. However, the process of data collection, proxy selection, coding and examination led to a re-evaluation of the direction and methodological focus of this study. It was clear that the practice of preparing reports on social and environmental policies had grown over the period of the study, and continued to do so after this period. A conviction grew that a further statistical examination would be unlikely to explain why this was the case or address further the research question, and a new approach was undertaken.

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