



Corporate Social Responsibility Disclosure: Perception of Stakeholders in Manufacturing Sector of Nigeria

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Abstract

The major push for this research work is to investigate stakeholders' perception on corporate social responsibility disclosure in annual reports in Nigeria and to tackle the research questions of whether there is a significant difference between the stakeholders that look for social and environmental information. Also if there is significance difference in the type of corporate social disclosure that is sought by potential investors' and whether customers' decisions are independent of social and environmental information disclosed in annual report. This paper under theoretical review explores the relationship between two major concepts in business ethics - stakeholder theory and corporate social responsibility (CSR). It states the fact that CSR is a part of company responsibilities to all stakeholders, and show that there is a need for both concepts in business ethics, and their applicability is dependent on a particular problem we want to solve. The study is empirical and survey method was applied. The results of the investigation established that stakeholders do not consider the annual report as the most important source of social and environmental information. The study exposed the fact that there is no variation in the type of corporate social disclosure that is sought by stakeholders and what is generally seen in corporate annual reports, and that potential investors' and customers' decisions are independent of social and environmental information. It thus recommended that Government should enact a law that makes corporate social responsibility disclosure an obligation with heavy penalty on failure to comply.

Keywords: Annual Reports, Corporate Social Responsibility Disclosure, Stakeholders

I. INTRODUCTION

Background to the Study

Corporate Social Responsibility Reporting (CSR) is well pronounced in accounting literature with varied definitions by different scholars. Essentially, corporate social reporting can be described as the financial effects function of the corporate social responsibility activities of business entity. In the literature, the concept encompasses social and environmental reporting, corporate social responsibility accounting, and corporate social disclosure among others.

The main motive of setting up a business is profit making. This motive has usually misconstrued as a lack of concern for all other objectives of a business enterprise. However in recent time businesses are waking up to the fact that for a business to remain lucrative in rapidly changing environment, they are expected to be socially responsible. Hence, the conviction that business enterprises need to look beyond making profit but extended to serving the interest of other stakeholders give rise to the adoption of the concept of Corporate Social Responsibility (CSR). Presently, businesses receive continuous pressures from different stakeholders, which include employee pressures to identify certain employee rights in the place of work, pressures from the consumers of business' products or services to hold back on price increase and to ensure products are safe, community and environmental pressures that the business operation does not threaten the safety of the local community (McWilliams and Siegel, 2001). Consequently, all of these pressures have contributed to adoption of the concept of CSR and insistence on disclosure of



social and environmental information (i.e. Corporate Social Disclosure) in company's annual report.

It is important to note that idea of CSR has been in existence for more than five decades, yet there is no agreement on uniform definition. The practice of CSR in businesses is based on ethical values, compliance with legal regulations, and respect for people and the environment (Dahlsrud 2006). The World Bank in its definition refers to CSR as the obligation of businesses to contribute to sustainable economic development by working with employees, the local community and the society at large to improve their lives in ways that are good for business and for development (Lantos, 2001). CSR is a concept that sees companies as citizens, which essentially means that a company should be a good neighbour within its host community (Freeman et al 2010). Carroll (2000) proposed a popular four part definition of CSR, suggesting that corporations have four responsibilities (economic, legal, ethical and philanthropic responsibilities) to fulfill before being considered as good corporate citizens. CSR can sometimes be referred to as sustainability development and at such requires an organisation to pay attention to the economic, environmental and social impacts of its activities (Gray, Owen, and Adams, 1996). Sustainability development can be regarded as the practice of being accountable to stakeholders towards the aims of saving the planet and the people, whilst making profits from doing so (GRI, 2010). The planet (environmental), the people (social), and the profit (economic) goals of CSR (Sustainability development) is often referred to as the triple bottom line, which is a term that was coined by John Elkington of Sustainability UK (Elkington, 2010).

The expectations of consumers, employees, investors, partners of business and local communities to the role of companies in the society have increased. Thus, guidelines, principles and codes are recommended for the proper conduct of business. Governments, nongovernmental organizations (NGOs) and local communities are demanding to increase transparency and accountability, not only in the daily operation of enterprises, but also in terms of how its operations affect the Society. Certainly, in this study we will examine the explanatory theories of the activity of social responsibility of company and the corporate social disclosure, the relationship between these different theories and the evolution of communication accounting of social information by companies over time.

Many research have been conducted on social and environmental practices, seemingly most

of the "accepted wisdom" of social accounting is basically the "unsubstantiated claims of individual authors" (Tilt 1994). It appears that reporting about the financial effects of environmental and social activities within a company's annual report remains predominantly voluntary. This appears to be so because there are no comprehensive regulations that require businesses to adhere to in disclosing such information. Nonetheless most firms, both local and multinational, are actively engaged in CSR and are dutifully reporting the financial effect of such activities. In evaluating the practice of corporate social reporting it is of essence to consider the usefulness of such reports. Research conducted elsewhere shows that corporate social reports are of some usefulness to stakeholders (Belkaoui, 1980; Cooper and Sherer, 1984). How essential is corporate social reporting to investment decision making and product- buying decisions? One wonders whether interested parties are satisfied as regards the amount of corporate social information produced by firms in Nigeria and whether they are of some importance to these users in their decision making. There is therefore the need to gather empirical evidence regarding the value of social information to users of financial reports.

Apart from the financial statements of a firm and other price sensitive information (such as mergers and acquisitions, issue of seasoned shares etc.), can we say that investors, customers among others take corporate social information into account when making decisions.

Conversely, it is in line with the above account that this paper intends to carry out an in-depth study on Corporate Social Disclosure in the Annual Report of companies in Nigeria as well as determine the type of social and environmental information sought by categories of stakeholders including materiality and sufficiency of such information(s).

Objectives of the Study

The purpose of this study is to investigate stakeholders' perception of corporate social disclosure in annual reports of companies in Nigeria. The specific objectives of the study are:

To determine if there is significant relationship between stakeholders that look for corporate social disclosure in companies' annual report and those who do not;

To ascertain if there is difference in the type of social and environmental information sought across category of stakeholders and what is generally seen in corporate annual reports.



As well as ascertain if the corporate social disclosure in annual reports is material and sufficient in the decision making of stakeholders.

Hypotheses of the Study

The following hypothesis will be tested in this research study;

H₁: There is significant relationship between stakeholders that look for corporate social disclosure in annual reports and those who do not

H₂: There is difference in the type of social and environmental information sought across category of stakeholders and what is generally seen in corporate annual reports.

H₃: The corporate social disclosure in annual reports is material and sufficient in the decision making of the stakeholders.

II. LITERATURE REVIEW

Corporate Social Responsibility Disclosure

According to Deegan and Rankin (2016:51), described it as disclosures relating to the relationship between an organization and its physical and social environment which include disclosures relating to human resources, community participation, the natural surroundings, energy, and product safety. Corporate social and environmental reporting (CSER) or Corporate Social Disclosure generally refers to any financial or non-financial disclosure made by firms on the social and environmental effects of their business, and remains mostly a voluntary activity (KPMG, 2013; Adams, 2002; Parker, 2005).

Minga, 2010, Ahmad, Sulaiman, and Siswanto, 2008, are of opinion that the focus of much academic research since the middle of 1970's is the corporate social disclosure. The attraction to strings of study on corporate social disclosure can be credited to the increasing recognition within the business community can be found in the substance major attached to socially and environmentally responsible corporate behavior by the stakeholders (Zadek, 1998). There various definition coined by quite good number of researchers for corporate environmental disclosures.

However, many empirical studies have been carried out to scrutinize the content of annual reports for social and environmental information, several of these research studies have examined the issue of corporate social disclosure in the developed world, by all indications these countries include U.S, Canada, U.K, Australia and Western Europe (Ernst and Ernst, 1978; Guthrie and Parker, 2010). Whereas, there are very limited research studies on corporate environmental disclosure practices in the

developing countries, such as Bangladesh, Jordan, Malaysia and Singapore (Belal, 2001; Abu-Baker and Naser, 2000; and Tsang, 2018); and even relevance of such studies to current situations is doubtful.

Nevertheless, earlier researchers from developed economies that have examined the effect of the corporate size - as indicated by firm's assets and paid-up share capital on CSR disclosure - have suggested a positive correlation between size and social disclosure. Spicer (2008) suggests firm size as a factor influencing pollution control, as bigger companies have a better record of performance in this regard than smaller firms. Watts and Zimmerman (2010) argued that companies attempt to reduce costs by such devices as social disclosure campaigns because political costs reduce management wealth.

Similar studies with the same results include: Trotman and Bradley (2011); Ullmann, 2001; Hackston and Milne (2006) and Sarumpaet, 2005; arrived at a conclusion that size is an explanatory variable, in so much as their results indicated that firms supplying information on social responsibility are of a larger size, are more concerned with longer-term events, and have a positive systematic risk.

However, the findings of the above studies are contradicted by environmental disclosure. Halme and Huse (2007) conducted a study on annual report for the year 1992 from Scandinavian countries (for example Sweden, Finland, Spain and Norway) found no significant relationship between environmental reporting and companies' size. Research in the developing countries has generally observed that the extent of corporate environmental disclosures in annual reports is lower than in the developed countries. Savage (2004) examined the corporate social responsibility disclosure practices of 115 companies in South Africa. He found that as many as 50 percent of the companies had shown some CSR disclosures, with human resource disclosures being the most popular. This is closely followed by disclosures on community involvement and environmental performance. Despite the findings, Savage opined that the extent of CSR disclosure have remained predominantly low. In the Nigerian content, the conclusions derived from existing prior studies are contradicting. Amaeshi et.al, (2006) looked at corporate social responsibility in Nigeria a western mimicry of indigenous practices.

They explored four key sectors of the Nigerian economy and came up with the conclusion that firms are socially constructed and their



behaviour must reflect on the society in which they are embedded and thus must have to be socially responsible to the environment in which it operates. Also, Ngwakwe (2009) in his study titled environmental responsibility and firms' performance in Nigeria; investigated the relationship between firms social responsibility practices and their performance.

The study while focusing only on the manufacturing industry concluded that a positive relationship exist between the social responsibility practice of firms and their performance. In addition, prior studies by Guobadia, 2000; Worgu, 2000; Minga, 2010 also reported a similar finding on the state of corporate social responsibility in Nigeria. Consequently, due to the difference in methodology and the scope, it is difficult to compare the findings of these studies. Also, in addition to the increasing pressure from stakeholders arising from the increasing levels of education and heightened awareness on issues related to the social and environmental responsibility; neither of these studies attempted to address the issue of size as it impact on the level of corporate social responsibility.

Stakeholders Theory

Stakeholder Theory is a view of capitalism that stresses the interconnected relationships between a business and its customers, suppliers, employees, investors, communities and others who have a stake in the organization. The theory argues that a firm should create value for all stakeholders, not just shareholders.

In 1984, R. Edward Freeman originally detailed the Stakeholder Theory of organizational management and business ethics that addresses morals and values in managing an organization. His award-winning book *Strategic Management: A Stakeholder Approach* identifies and models the groups which are stakeholders of a corporation, and both describes and recommends methods by which management can give due regard to the interests of those groups.

The theory has become a key consideration in the study of business ethics and has served as a platform for further study and development in the research and published work of many scholars. Since the 1980s, there has been a substantial rise in the theory's prominence, with scholars around the world continuing to question the sustainability of focusing on shareholders' wealth as the most fundamental objective of business.

Whenever one talks about business ethics – either in terms of scholarship, or the discipline

taught in business schools, or organizational norms applied in companies – both CSR and stakeholder theory come as two major concepts. However, there has been little clarity so far in what relation CSR and stakeholder theory stand to each other. Some scholars assumed that one concept is a subset of the other (Garriga & Mele, 2004; Wood, 1991), others saw these concepts as somewhat competing views in the field (Brown & Forster, 2013; Schwartz & Carroll, 2008), and others built their arguments on the similarity of CSR and stakeholder theory (Russo & Perrini, 2010; Jamali, 2008; Kurucz, Colbert, & Wheeler, 2008; Roberts, 1992).

Managerial Theory

Secchi's (2007) analysis further stresses the logic of managerial theory that emphasizes corporate management in which CSR are approached by the corporation internally. This makes the difference between utilitarian and managerial perspective of CSR. This suggests that everything external to the corporation is taken into account for organizational decision making. Managerial theories have been divided into three sub-groups: 1) Corporate social performance (CSP); 2) Social accountability, auditing and reporting (SAAR), and 3) Social responsibility for multinationals.

CSP aims to measure the contribution the social variable makes to economic performance. Thus, the problem is that of managing the firm considering social and economic factors together. It is based on the assumption that business depends on society for its growth and sustainability. CSP of a corporation is further sub-divided into five dimensions in order to keep detailed information about its existence in the corporate chains: 1) Centrality measures the way CSR is compatible with mission of the core goals; 2) specificity gauges the advantages CSR brings to the corporation; 3) pro-activity that measures the degree of reaction to external demands; 4) voluntarism that accounts for the discretion the firm in implementing CSR; and 5) visibility refers to the way the responsible behavior is perceived by community of stakeholders. As conclusion, the managerial theory generates interests in the sense that CSR considers socio-economic variables to measure firms' socio-economic performance, as well as to link social responsibility ideology to business strategy. Secchi (2005) further elaborates that SAAR are strictly related to social performance contributions through accounting, auditing and reporting procedures. SAAR means a firm accounts for its action. By doing so, firms are controlled and regulated in their



actions towards performing their core business while responsible to the relevant community.

The three activities are separate managerial activities but they are interrelated to each other. All these contribute to the socially responsible behavior of a firm, which finally measures the corporations' activities that have social impact. Firms are involved in SAAR activities for communication needs, to have better stakeholder involvement and for disclose concerns

CSR for multinationals (MNCs) grows as a result of global competitions and challenges they faced. This aspect of managerial theory comes into being as a result of the responsibility the managers have to shoulder by defining useful tools about the CSR for the MNCs to survive in foreign countries.

Donaldson (1989, cited in Secchi, 2007: 359) refers to the MNCs as 'moral agents', analyzed on the basis of the moral values when managers make decision in the firms, going beyond profit maximization. The logic of CSR for MNCs is also derived from the fact that when cultural clashes become relevant due to events such as protests, demonstrations, boycotts, strikes and other negative actions against the employers.

III. METHODOLOGY

Descriptive Research Design was adopted in the research study. The cases are described almost in depth with data collected, analysed prepare and presented in an understandable manner and generalised. The relationship of variables was examined with proper observation of independent variables on dependent variables. In this case the independent variables are the elements of corporate social responsibility disclosure, which the perceptions of each category of stakeholders as dependent variables relied upon.

The population of this study includes all the stakeholders of all listed companies in the manufacturing sector of Nigeria. The volume of this population cannot be ascertained with precision, the population of stakeholders in the sector (which include Shareholders, Customers, Regulators and Stockbrokers) is indeed numerous.

A non-random sampled number of selected stakeholders were interviewed. Invariably, a Purposive Sampling was used to choose respondents

among categories of stakeholders which include; shareholders, regulators, customers and stock brokers.

Eighty (80) shareholders, seventy (70) customers, eight (8) stock brokers, and one officer of regulatory institutions such as the Environmental Protection Authority; the Chambers of Commerce and Industries, Security Exchange Commission, Nigeria Stock Exchange Market.

Non Probability Sampling was adopted, precisely Purposive Sampling Method. In a non-probability sample, individuals are selected based on non-random criteria, and not every individual has a chance of being included.

The source of data collected is through both primary sources and secondary sources. The questionnaires were administered to collect data with follow up interview. However, the study also relies on previous empirical evidences. A questionnaire will serve as the instrument used to collect relevant information from the subjects. The questionnaire will have three sections i.e. Section A, B and C. Section A will tap all relevant demographic information of subjects such as age, sex, education, religion, socio-economic status, marital status, years of experience and status.

Section B will assess corporate social responsibility indices like examples of corporate social responsibility and level of corporate social disclosure utilizing a self-report instrument developed by the researcher. The researcher will derive psychometric properties for the scale with regards to its validity and reliability.

Section C will assess whether the social and environmental information sought by the stakeholders are the one disclosed and whether the such information are material and sufficient, a self-report instrument developed by the researcher. It will consist of elements of corporate social responsibility and will have a rating scale. The researcher will derive psychometric properties for the scale with regards to its validity and reliability.

The Chi Square Test will be used to examine the differences between categorical variables in the same population. Chi-square was used to determine if there was a significance difference between the total number of respondents who responded yes or no to some questions.

$$X^2 = \frac{(O_i - E_i)^2}{E_i} + \frac{(O_j - E_j)^2}{E_j}$$



IV. DATA PRESENTATION AND ANALYSIS

Data Presentation

The category and number of users surveyed in this study is shown in table 1. A total of 160 users

were contacted out of which 134 responses were received. The interviews were conducted on the respondents directly to ensure quality response and enhance the response rate.

Table 1 Response by User Category

User Category	Number Surveyed	Response	% of total in category
Shareholders	80	66	82.5%
Customers	70	60	85.71%
Regulators	4	2	50%
Stock Brokers	8	6	75%
Total	160	134	83.75%

Source: Field Survey (2021)

Data Analysis

Readership of Corporate Annual Reports by Users: Respondents were asked whether they usually read the corporate annual reports of companies. The result as shown in table 2 reveals that 65.2% of all respondents always read the corporate annual reports with 16.7% reading sometimes and 18.2%

not reading at all. All the stockbrokers and regulators surveyed always read the corporate disclosure in annual reports. Those customers who does not read at all or do read sometimes indicated that information in the corporate annual report was not necessary for their buying decisions.

Table 2: Readership of Corporate Annual Reports by Users

User Category	Not at all	Sometimes	Always	Total Respondents
Shareholders	6.1%	15.2%	78.8%	66
Customers	33.3%	20%	46.7%	60
Regulators	-	-	100%	2
Stockbrokers	-	-	100%	6
Total	18.2%	16.7%	65.2%	134

Source: Field Survey (2021)

The Search for Social and Environmental Information by Users:

Respondents were asked whether they look for the look for the disclosure of social and environmental information in the corporate annual reports of companies. The results are shown in table 3. The percentage of users in all who look for the

disclosure of social and environmental information in the corporate annual report was 54.48%. Looking at each category, 65.15% of shareholders; 43.33% of customers; 100% of regulators and 33.33% of stockbrokers look for the disclosure of social and environmental information.

Table 3: Users looking for social and environmental information

User Category	No of responding to this question	No. responding Yes	Percentage Yes	No. responding No	Percentage No
Shareholders	66	43	65.15%	23	34.85%
Customers	60	26	43.33%	34	56.67%
Regulators	2	2	100%	-	-
Stockbrokers	6	2	33.33%	4	66.67%
Total	134	73	54.48%	61	45.52%

Source: Field Survey (2021)

Respondent who indicated that they look for S & E information in the annual reports were asked whether there was any difference between the

type of S & E information they look for and what is generally seen (see table 4). 58.9% of respondents felt there was a difference between what they look



and what is seen in the annual report as regards S & E information. 55.81% of shareholders and 57.69%

of customers felt that there was a difference.

Table 4: Difference between what is reported and what is sought by users

User Category	Responding Yes	Percentage Yes	Responding No	Percentage No	Total
Shareholders	24	55.81%	19	44.19%	43
Customers	15	57.69%	11	42.31%	26
Regulators	2	100%	-	-	2
Stockbrokers	2	100%	-	-	2
Total	43	58.9%	30	41.1%	73

Source: Field Survey (2021)

Test of Hypothesis

A chi-square test was run (see appendix) to point out whether there was a significant difference between the total number of respondents who look for the disclosure of social and environmental information in the corporate annual reports of companies and those who do not. It turned out that the proportion of all respondents who look for social and environmental information (54.48%) was not significantly greater than those who do not look for such information (chi-square 1.07).

Further testing was done (see appendix) to find out if this observation for all respondent was consistent across all categories of users surveyed. The proportion of shareholders who look for social and environmental information was significantly greater than those who do not (chi-square 6.06). The statistical significant did not exist for the other users surveyed. Thus the proportion of customers and stockbrokers who do not look for S & E information were not significantly greater than those who do (chi-square 1.07 and 0.67 respectively).

An intensified test of significance (see appendix) reveal that the number of total respondents who felt there was a difference was not significant (chi-square 2.32). This implies that there is no difference between the type of S & E information that is sought and what is generally seen in the corporate annual reports. This result was consistent for shareholders and customers (chi-square 0.58 and 0.62 respectively).

V. CONCLUSION AND RECOMMENDATION

Conclusion

It may suggest that corporate annual report is seen as a comprehensive source of information concerning a company. Out of the number of users who look for S & E information, very few were always satisfied with what is reported. There seem to be a gap between the level of disclosure desired

by users and what is provided by companies. The results from the study suggest that users' decisions are independent of S & E information and that there is no difference between the type of corporate social disclosure that is sought and what is generally seen in corporate annual reports.

Recommendations

The following recommendations are suggested after in depth research study and analysis of the data collected and presented:

1. The Government of Nigeria should enact law with a legal framework for companies on Corporate Social Responsibility and make the disclosure obligatory in company's annual report and enacted law that will imposes heavy penalty for failure to comply and damage to the ecosystem.
2. The government agencies charged with the responsibility of enforcement of company's disclosure of CSR should continue to embark on oversight function and standardised the corporate social responsibility reporting to meet the expectation of the stakeholders.
3. Finally, Government should ensure smooth process in the passage of the Nigerian Environmental Bill and proper implementation of the Petroleum Industry Act by the government agencies which without a doubt will stimulate the materiality and sufficiency of CSR in stakeholders' decision making by far standard in Nigeria.

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APPENDIX

Table1: The search for Corporate Social Disclosure by Users

All Respondent	Yes	No	Customers	Yes	No	Share/H	Yes	No	Brokers	Yes	No
O _i	73	61	O _i	26	34	O _i	43	23	O _i	2	4
E _i	67	67	E _i	30	30	E _i	33	33	E _i	3	3

$$X^2 = \frac{(O_i - E_i)^2}{E_i} + \frac{(O_i - E_i)^2}{E_i}$$

All Respondents



$$X^2 = \frac{(73 - 67)^2}{67} + \frac{(61 - 67)^2}{67} = 1.075$$

Critical Value = 3.84

Customers

$$X^2 = \frac{(26 - 30)^2}{30} + \frac{(34 - 30)^2}{30} = 1.067$$

Shareholders

$$X^2 = \frac{(43 - 33)^2}{33} + \frac{(23 - 33)^2}{33} = 6.061$$

Brokers

$$X^2 = \frac{(2 - 3)^2}{3} + \frac{(4 - 3)^2}{3} = 0.667$$

Table 2: Difference between S & E reported and what is sought by users

All Respondent	Yes	No	Customers	Yes	No	Shareholders	Yes	No
O_i	43	30	O_i	15	11	O_i	24	19
E_i	36.5	36.5	E_i	13	13	E_i	21.5	21.5

$$X^2 = \frac{(O_i - E_i)^2}{E_i} + \frac{(O_i - E_i)^2}{E_i}$$

All Respondents

$$X^2 = \frac{(43 - 36.5)^2}{36.5} + \frac{(30 - 36.5)^2}{36.5} = 2.315$$

Customers

$$X^2 = \frac{(15 - 13)^2}{13} + \frac{(11 - 13)^2}{13} = 0.615$$

Shareholders

$$X^2 = \frac{(24 - 21.5)^2}{21.5} + \frac{(19 - 21.5)^2}{21.5} = 0.582$$