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Corporate Social Responsibility Disclosures and Cost of Capital of Listed Pharmaceutical Firms in Nigeria

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ABSTRACT

Noticeable gap exists when the company focuses on their financial bottom lines at the expense of the environment and society where they operate. This study therefore examined the effect of corporate social responsibility disclosures on cost of capital of pharmaceutical firms listed on the floor of Nigeria Exchange Group from 2013 to 2022. This study specifically examined the effect of environmental responsibility, indigenous venture support and staff welfare disclosures on weighted average cost of capital of seven listed pharmaceutical firms in Nigeria. *Ex post f*acto research design was used, secondary data used were analysed using ordinary least square regression technique and the statistical package employed was SPSS version 20. The findings of this study revealed that environmental responsibility disclosures have an insignificant but positive effect on weighted average cost of capital while indigenous venture supports and staff welfare disclosures have significant negative effect on weighted average cost of capital of listed pharmaceutical firms in Nigeria. Based on these findings, it was concluded that firms that engage and disclose their corporate social responsibility initiatives would have improved financial performance through reduction in cost of capital. Thus, it was recommended that management of pharmaceutical firms should actively support indigenous ventures and staff welfare and ensure that these efforts are clearly communicated to stakeholders as these could reduce the firm's cost of capital while positively impacting on financial performance.

Keywords: *Corporate social responsibility, cost of capital, environmental responsibility, indigenous venture support, and staff welfare.*

I. Introduction

Companies all over the world are trying to pay attention to their corporate social responsibilities (CSR) because of incessant financial crises that has been grounding major companies in the world. The crisis could be as a result of neglect of stakeholders' involvement in the economic activities of the firms. For instance, Ramirez et al., (2022) found that as a result of the 2008 crisis, many firms experienced financial pressures which subsequently impacted their CSR initiatives. A survey by Lacy et al., (2021) revealed that 93% of 766 chief executive officers (CEOs) worldwide believe that issues related to CSR are critical to the future success of their businesses; in particular, the economic downturn has led their corporations to align CSR more closely with core business values. Investors also want their investment and public trust in their company to have a good image in the eyes of the community. Although firms make serious efforts to integrate

CSR into various aspects of their businesses to contribute to sustainable development, the issue of whether CSR is value increasing, decreasing is still debatable.

Companies engage in CSR for a combination of business benefits, ethical considerations, stakeholders' expectations and a desire to make positive impact on the society and the environment. By integrating CSR into their business strategies, companies can create shared values for themselves and the society as a whole. In other words, firms use CSR to indicate that they are not selfish entities only caring about profit but instead are charitable towards society at large. Corporate social responsibility disclosure in this study is considered in three dimensions, environmental responsibility disclosures, indigenous venture support disclosures and staff welfare disclosures. Environmental responsibility is a concept where companies integrate environmental concerns in their business operations and the interaction with stakeholders, without compromising economic performance. While supporting indigenous initiatives is a new and important facet of corporate social responsibility (CSR), it reflects a dedication to supporting community development, cultural preservation, and economic empowerment among local entrepreneurs and indigenous groups (Chen & Zhang, 2021). Staff welfare disclosure entails firms' voluntary disclosure of information about their policies and practices that affect the welfare of their staff (Adu-Gyamfi et al., 2021).

Corporate social responsibility (CSR) disclosure has many implications on the disclosing companies. Embracing CSR can differentiate a company in the market place and give it a competitive edge. Companies that prioritise CSR understand that their long-term success is interconnected with the well-being of the society and the planet. By investing in sustainable practices and social initiatives, companies can contribute to a more sustainable future. Dhaliwal et al., (2011) documented that firms with strong CSR performance can draw in institutional investors and raise analyst forecast accuracy. Cost of capital is the cost that the company pays for the resources it obtains to make investment. The capital employed by firms could be debt, equity or the combination of both and where the combination of debt and equity are used weighted average cost of capital becomes the most reliable measure of cost of capital. A company that is efficient and effective in its financial management should ensure that cost of capital is reduced to the barest minimum. Thus, provision of CSR information reduces information asymmetry between the company and the stock market because of the high level of social transparency. Disclosure of information about companies CSR reduces estimation or information risk. According to Samuel et al., (2022) when firms disclose their CSR initiatives, providers of funds will be aware of the risk and opportunities they are exposed to by investing in the firm and can adjust their cost of investment upward or downward depending on the risk exposure level.

Firms with better CSR should have lower cost of capital owing to stakeholder theory's assertion that firms with greater focus on stakeholders should be able to maintain a competitive advantage over those firms that are not focused on stakeholder relationships (Salvi et al., 2019). The competitive advantage can be in the form of financial resources, which come as a reduced capital cost to the firm. Disclosure of corporate social responsibility is strategic to the sustainability of any firm especially pharmaceutical firms that have contributed to the economic development of Nigeria. But some of these companies do not show commitment to the impact of their business activities on the society by giving back to them through environmental sustainability strategies, venture support to local entrepreneur, and welfare support to staff of the entities. This according to them may not add up to their financial bottom lines. Yet prior studies have established that disclosure of corporate social responsibility by firms could improve the reputation of such firms, enhance competitive advantage and thus reduce information asymmetry by signally to investors that they are not exposed to dangers (risk) of hostility from both the society and the environment. From the literature reviewed, it has been observed that some of these studies focused on the effect of corporate social responsibility disclosure on financial performance proxies such as return on assets (ROA), return on equity (ROE) and return on capital employed (ROCE), earnings per share (EPS) , net profit margin; or on stock market measures, such as Tobin's Q and stock returns (Coelho et al., 2023; Chen et al., 2023; Akpan & Uford, 2023) while neglecting the impact of CSR disclosure on the cost of capital. In addition to this, most of the studies on this aspect considered either cost of debt (Prasad et al., 2022) or cost of equity (Ramirez et al., 2022). It was also found out that the pharmaceutical firms seemed to be neglected as most of the studies focused on non-financial firms (Fandella et al., 2023); consumer goods firms (Akpan &James, 2024); Banks (Chen & Zhang,

2021). It was thus based on these identified gaps that this study was undertaken to ascertain the effect of CSR disclosure on the cost of capital of pharmaceutical companies in Nigeria.

II. Literature review and hypotheses development

2.1 Corporate social responsibility (CSR) disclosure

Corporate social responsibility (CSR) is the collection of business practices that companies use to prevent, identify, manage, and mitigate any potential harm they may cause to society (human rights, health, environment, and so forth), including harm caused along their global supply chain (European Parliament, 2020). CSR according to Chen et al., (2023) requires a company to accept accountability for its acts that have an influence on the environment, communities, and society at large beyond what is required by law. In line with Chava (2022), CSR addresses a new model of business management from the standpoint of long-term investment, with an emphasis on transparency and ongoing communication to forge connections with sustainable development. CSR reporting refers to a company's systematic disclosure of information on its social performance. The term social performance is understood in a broad sense and refers to social, environmental and governance issues that are typically not covered by financial performance metrics. Corporate social responsibility (CSR) disclosure has many implications on the disclosing companies. Dhaliwal et al., (2011) documented that firms with strong CSR performance can draw in institutional investors and raise analyst forecast accuracy. These results demonstrate how CSR performance can improve company governance, lower other investors' monitoring costs, and ultimately lower the required return rate that investors want.

2.2 Cost of capital

According to Campa & Kern (2020), a company's "cost of capital" is the total of all of its financing-related expenses and this include finance cost on debts and dividend on equity shares. However, since a typical company uses both equity and debt financing, the weighted average cost of capital (WACC) becomes the most appropriate measure of cost of capital. The WACC is the average of the sources of financing (equity and debt), each of which is weighted by its respective use. Dogan and Acar (2018) described WACC as the weighted average rate of return a firm theoretically pays to its debt and equity providers to compensate for the risk, they undertake by investing their capital. According to Samuel et al., (2022) when firms disclose their CSR initiatives, providers of funds will be aware of the risk and opportunities they are exposed to by investing in the firm and can adjust their cost of investment upward or downward depending on the risk exposure level.

The formula is shown below:

$$WACC = (E/V * Re) + (D/V * Rd * (1 – Tc))$$

Where:

E = Market value of the company's equity
V = Total value of the company (equity + debt)
Re = Cost of equity
D = Market value of the company's debt
Rd = Cost of debt
Tc = Corporate tax rate

Environmental responsibility disclosure and cost of capital

Environmental responsibility is a critical component of (CSR) and strives to mitigate the negative environmental impact of company processes on the environment. Suratno (2006) defines environmental responsibility as the firm's ability to create a green environment and usher in green innovation. Green innovation is defined as innovation that emphasizes environmental waste reduction, pollution prevention, and environmental management implementation in order to ensure ecological wellbeing (Eiadat et al., 2008). This part of CSR recognizes the interdependence between company's operations and the health of the planet.

According to Mamun et al., (2017), environmental responsibility begins with sustainable operations; which implies adopting sustainable business practices that minimize resource consumption, waste generation, and emissions. This involves incorporating eco-friendly technologies and processes into day-to-day operations. As global awareness of environmental issues grows, investors are placing greater emphasis on the sustainability and eco-friendliness of businesses. Companies that proactively disclose and implement robust environmental responsibility initiatives may experience a positive impact on their cost of capital. Investors are more likely to view these companies as environmentally responsible and, consequently, as less exposed to risks associated with environmental degradation and climate change. This positive perception can lead to a lower cost of capital, as investors may be willing to accept lower returns for companies deemed to be contributing to a more sustainable future.

On the other hand, businesses with weak or no environmental responsibility policies may find it more difficult and expensive to raise capital than those with robust environmental responsibility disclosures, reflecting a growing trend in the financial markets where environmental considerations play an increasingly important role in investment decisions. Capital providers may demand a higher expected return for investing in the company due to the perceived uncertainties and potential future costs related to environmental challenges. This higher expected return, in turn, results in a higher cost of capital for the company.

The studies of Akpan and Nkanta (2023); Palea and Drogo (2020) and Pedersen et al. (2021) suggest that high environmental responsibility disclosure is associated with high cost of capital. Hence, a positive relationship. The study of Bolton and Kacperczyk (2023) found that environmental disclosure is associated with low cost of capital. It is thus based on the above varying outcome that this study hypothesized that;

H_{o1}: Environmental responsibility disclosures have no significant effect on weighted average cost of capital listed pharmaceutical firms in Nigeria.

Indigenous venture support disclosure and cost of capital

Indigenous venture support entails offering both monetary and non-monetary support to native company owners and entrepreneurs. This assistance can come in a number of forms, such as loans, grants, training, mentorship, and access to markets and networks (Haalboom, 2012). While supporting indigenous initiatives is a new and important facet of corporate social responsibility (CSR), it also reflects a dedication to supporting community development, cultural preservation, and economic empowerment among indigenous groups (Chen & Zhang, 2021). In order for corporate social responsibility (CSR) to be effective, companies must work in partnership with indigenous organizations, communities, and leaders in order to understand local needs, co-design initiatives, and ensure that support aligns with the aspirations and priorities of the indigenous population (Chava, 2022). Indigenous venture support disclosure, in a nutshell, refers to a company's open communication of its initiatives and support for indigenous ventures or firms, which may involve partnerships, investments, or other collaborative efforts. However, Racine (2023) found that indigenous CSR influences financial performance positively. Good financial performance can in turn send good signal to providers of capital and could result in low cost of capital. Thus, based on the above argument, this study hypothesized that;

H_{o2}: Indigenous venture support disclosures do not have any significant effect on weighted average cost of capital of listed pharmaceutical firms in Nigeria.

Staff welfare disclosure and cost of capital

Staff welfare disclosure also known as internal CSR is a component of Corporate Social Responsibility (CSR) that entails corporations voluntarily disclosing information about their policies and practices that affect the welfare of their staff (Adu-Gyamfi et al., 2021). Details about employee compensation, benefits, working conditions, training and development opportunities, and other aspects of employment may be included. Organizations demonstrate a commitment to promoting a healthy work environment and ensuring the general welfare of their personnel by openly communicating these characteristics (Verma & Kumar, 2014). It demonstrates the fact that humans are important contributors to the success of the company as well as the most relevant and critical resources (Akpan & James, 2024). Hence, companies that demonstrate a clear commitment to the wellbeing of their workforce through extensive staff welfare programs may see an improvement in their cost of capital. These disclosures demonstrate to investors that the company is committed to providing a safe and effective work environment, which raises expectations for increased productivity and performance. Strong staff welfare procedures lead to lower turnover rates and lower recruitment expenses, which in turn improve the company's perceived long-term stability and may even lower its cost of capital (Inseng & Uford, 2019). In contrast, companies that disregard or underreport their employee welfare programs could have to pay a higher cost of capital. Providers of capital might view these companies as being more vulnerable to human capital risks.

Roberts and Dowling (2002) established that socially responsible firms with an emphasis on improving employees' welfare can better attract and retain talent and motivate employees, leading to greater productivity and better financial performance. However, according to Videras and Owen (2006) CSR expenditures in areas such employee relations represent a wealth transfer in favour of insiders at the expense of shareholders and this can mean higher cost of capital (Sprinkle & Maines, 2010). Thus based on the above outcome, it was hypothesized that;

H_{o3}: *Staff welfare disclosures do not have any significant effect on weighted average cost of capital of listed pharmaceutical firms in Nigeria.*

2.3 Theoretical framework

Though there are many theories supporting CSR and other sustainability reporting issues; the major theory supporting this study is stakeholders' theory propounded by Edward Freeman in 1984. The main tenet of this theory is that a company has the responsibility to consider and balance the interest of all its stakeholders which include employees, local communities, the customers and the society at large including the shareholders. Proponents of this theory argue that companies should take into account the impact of their actions on all stakeholders as they strive to create value for the network of individuals and groups affected by their operations. Stakeholder theory suggests that companies should consider the needs and concerns of all stakeholders in their decision making processes, recognizing that the success of the business is intertwined with the wellbeing of these various groups. Jones (1995) explained that CSR activities are essential for firms in obtaining necessary resources and stakeholder support. Financial resources from capital markets come at a cost, and stakeholder theory suggest that stronger CSR should be associated with a lower cost of capital. Looking at environmental stakeholders, Jo and Na (2012) argue that environmental externalities impose peculiar risks on corporations such as reputational, financial, or litigation risks. They propose that firms that engage in environmental misconduct can incur costly penalties and evoke strong negative reactions from both financial and non- financial stakeholders, each of which affects their default risk. This theory supports this study because CSR activities are essential for firms in obtaining necessary resources and stakeholder support.

2.4 Empirical framework

Akpan and James (2024) empirically analysed the nexus between CSR disclosure and weighted average cost of capital of consumer goods firms in Nigeria. They found out that philanthropic responsibility disclosure has a significant negative effect on weighted average cost of capital; Community responsibility disclosures has no significant effect on weighted average cost of capital and environmental responsibility disclosure has a non-statistically significant effect on the weighted average cost of capital of listed consumer goods firms in Nigeria. Bonetti et al., (2023) investigated the relationship between environmental disclosure and the cost of capital, utilizing the Fukushima nuclear disaster as a natural experiment to gauge the relevance of environmental information for investors. The findings indicated that firms disclosing carbon emissions experienced a less significant increase in the cost of capital compared to non-disclosing firms.

Akpan and Nkanta (2023) investigated the effect of green accounting practices on shareholders' value in Nigeria by drawing samples from listed consumer goods firms on the floor of the Nigerian Exchange Group from 2012 to 2021. The results showed that biodiversity disclosure and compliance to environmental laws disclosures have a positive significant effect on shareholders' value added; water & effluents disclosures have a positive significant effect on shareholders' value added of listed consumer goods. Prasad et al. (2022) investigated the interplay between corporate social responsibility (CSR) and the cost of capital (COC) and found that CSR affects firms' cost of capital. Ramirez et al., (2022) studied the association between ESG scores and the cost of capital for firms headquartered in LatAm. The findings revealed an inverse relationship between ESG scores and the cost of capital. Chen and Zhang (2021) studied the impact of corporate social responsibility (CSR) performance by listed companies on the cost of equity capital, considering the perspectives of enterprise risk management and capital market risk pricing. They found that CSR performance demonstrated a significant negative correlation with the cost of equity capital.

III. Methodology

The research design adopted for this study was *ex post facto* and this design was suitable for this study because secondary data source was used as the event had already taken place (Charles & Uford, 2023). The population of this study comprised seven pharmaceutical firms listed on the floor of the Nigerian Exchange Group. The data used in this study were secondary and were obtained from the Nigerian Exchange Group Fact book and the annual reports of the companies under the study. Furthermore, Content analysis was used as an instrument of secondary data to collect the necessary information for the proxies of corporate social responsibility disclosure based on the researchers' developed checklist. Ordinary least square regression technique was used to analyze the data of this study and the statistical software

package employed was SPSS version 20. The model used in this study is as presented below;

Cost of capital = f(corporate social responsibilities disclosures) (1)

$WACC_{it} = \mathbf{ENRD_{it}} + \mathbf{VESD_{it}} + \mathbf{SWED_{it}}$ (2)

Where:

WACC = weighted average cost of capital
ENRD = environmental responsibility disclosure
VESD = Venture support disclosure
SWED = Staff well disclosure
β_0 = Constant
β_1- β_3 = Slope Coefficient
= Stochastic disturbance
i = i^{th} pharmaceutical firms
t = time period

WACC = (E/V * Re) + (D/V * Rd * (1 – Tc))

Where:

E = Market value of the company's equity
V = Total value of the company (equity + debt)
Re = Cost of equity
D = Market value of the company's debt
Rd = Cost of debt
Tc = Corporate tax rate

4.0 Analysis and discussions

The result of the analysis of the data generated from the study are analysed in this section

4.1 Descriptive statistics

The descriptive statistics of the data deployed for the study is as stated in table 4.1 below;

Table 4.1 Descriptive statistics of the effect of corporate social responsibility disclosure on cost of capital of listed pharmaceutical firms in Nigeria

	WACC	ENRD	VESD	SWED
Mean	0.173654	0.197143	0.432714	0.541857
Median	0.165655	0.170000	0.500000	0.570000
Maximum	0.671289	0.640000	0.750000	0.890000
Minimum	0.106174	0.000000	0.130000	0.220000
Std. Dev.	0.076862	0.148452	0.196557	0.484393
Skewness	4.153656	0.635284	-0.143338	-0.019172
Kurtosis	26.52804	2.811762	1.853915	2.253539
Jarque-Bera	1815.859	4.811854	4.070773	1.629465
Probability	0.000000	0.090182	0.130630	0.442758
Sum	12.15575	13.80000	30.29000	37.93000
Sum Sq. Dev.	0.407637	1.520629	2.665784	2.346059
Observations	70	70	70	70

Source: Author's Computation (2023).

From the descriptive statistics result in table 4.1 above,

weighed average cost of capital (WACC) shows a minimum of approximately 11%, a maximum of 67% and an average of 17%. This implies that the pooled pharmaceutical firms have an average weighted cost of capital of 17%. The statistics, through the standard deviation (8%) tells us that the weighted average cost of capital (WACC) is relatively low in the pharmaceutical subsector.

Environmental responsibility disclosure (ENRD) had the lowest disclosure level with average and standard deviation of 0.197143 (almost 3 out of 14 items) and 0.148452 (2 out of 14) respectively. The highest number of items checked in this aspect was about 9 items out of 14 (0.64) and at minimum, it was 0. In the indigenous venture support (VESD) aspect, the highest score was 0.75, that's about 6 out of 8 items; the lowest score was 0.13 (1 item). The average score was 0.43 (between 3 to 4 items). The standard deviation showed a score 0.20 (almost 2 items) which means the level of indigenous venture support disclosure is relatively low too. Finally, for staff welfare disclosure, the minimum score was 0.22 (2 items), maximum score was 8 items out of 9 (0.89), average was 0.54 (about 5 items) and standard deviation score of 0.48 shows the mid-level of staff welfare disclosure in the pharmaceutical sub-sector (not high, not low).

Test of hypotheses and discussion of findings

The ordinary least square regression analysis presented in table 4.2 was used in testing the hypotheses of this study.

Table 4.2 Regression analysis for the relationship between corporate social responsibility disclosures and cost of capital

Variable	Coef.	Std. Error	t-Statistic	Prob.
C	0.735288	0.365223	2.813259	0.0044
ENRD	0.087239	0.077764	1.121855	0.2662
VESD	-0.311201	0.064520	-2.173604	0.0187
SWED	-0.214367	0.060449	-1.998971	0.0431

R-squared	0.587197	Mean dependent var	0.173654
Adjusted R-squared	0.452118	S.D. dependent var	0.076862
S.E. of regression	0.072520	Akaike info criterion	-2.315263
Sum squared resid	0.331328	Schwarz criterion	-2.090414
Log likelihood	88.03422	Hannan-Quinn criter.	-2.225951
F-statistic	9.418257	Durbin-Watson stat	2.018175
Prob(F-statistic)	0.016273		

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Source: Author's computation (2024)

The OLS regression outcome above shows an F-statistic of 9.418257 with p-value of 0.016273 indicating that overall, corporate social responsibility disclosures in this study have significant effect on cost of capital of the firms under study. The model gave an R-squared value of 0.587197 which means that 59% of the changes in the dependent variable can be explained by the independent variables of this study. However, the unexplained part is captured in the error term.

Hypothesis 1

Ho$_1$: Environmental responsibility disclosures do not have any significant effect on weighted average cost of capital of listed pharmaceutical firms in Nigeria.

The results obtained from OLS regression in table 4.2 shows that environmental responsibility disclosure (coef. 0.087239; p- value 0.2662) has an insignificant effect on weighted average cost of capital of listed pharmaceutical firms in Nigeria leading to the acceptance of the null hypothesis. Therefore, environmental responsibility disclosures (ENVD) do not have any significant effect on cost of capital of listed pharmaceutical firms in Nigeria. This implies that the there is no strong evidence on the relationship (positive) between environmental responsibility disclosures and cost of capital. This is contrary to the findings of Palea and Drogo (2020), Bonetti et al., (2023), and Cheng and Zhang (2021) who found significant positive relationship between environmental responsibility disclosure and cost of capital, suggesting that high environmental responsibility disclosure is associated with high cost of capital and also Palea and Drogo (2020) who provided evidence that environmental disclosure is associated with low cost of capital.

Hypothesis 2

Ho$_2$: Venture support disclosures have no significant effect on the weighted average cost of capital of listed pharmaceutical firms in Nigeria

The statistics result for the effect of ventures support disclosures (VESD) on cost of capital showed a negative and significant effect (Coef.-0.311201; p-value 0.0187] leading to the rejection of the null hypothesis. This finding suggests that high level of venture support disclosure could reduce cost of capital, or that low level of this disclosure could increase cost of capital. This implies that investors may view companies that support indigenous ventures as lower risk investment, leading to increased investors interest and reduction in perception and estimation risk. This can also attract socially responsible investors who prioritize supporting initiatives that benefit indigenous communities.

Hypothesis 3

Ho$_3$: Staff welfare disclosures do not have any significant effect on weighted average cost of capital of listed pharmaceutical firms in Nigeria

The results from table 4.2 shows that staff welfare disclosures with (coef.-0.214367; p-value 0.0431) have a significant negative effect on weighted average cost of capital of listed pharmaceutical firms in Nigeria leading to the rejection of the null hypothesis. This means that firms who do and disclose their policies and programs for the staffs tend to incur low cost in acquiring funds. This could be because effective staff welfare disclosure can mitigate operational and reputational risks associated with labour disputes, turnover or negative workplace issues. By reducing these risks, the firms overall risk profile is improved, potentially leading to a decreased cost of capital. Also, disclosing staff welfare initiatives and positive employees' relations can instil confidence among stakeholders by demonstrating the firms' commitment to manage human capital effectively. This confidence can lead to a more favourable risk profile and contribute to reduction in cost of capital. This is supported by Ramirez et al., (2022) who noted that CSR disclosures improve firms' cost of capital.

IV. Conclusion and recommendations

Embracing CSR and disclosing related initiatives can drive innovation and efficiency within a company. By actively seeking solutions to societal and environmental challenges, firms can develop new business processes and cost cutting strategies that contribute to their long-term successes. A company's cost of capital can be impacted by Corporate Social Responsibility (CSR) programs as proven in this study. Businesses that demonstrate a strong commitment to corporate social responsibility (CSR) may be able to access a larger pool of resources, such as green finance and socially responsible investment funds. From the findings of this study, it was concluded that high level of indigenous venture support and staff welfare disclosures could reduce the cost of capital of listed pharmaceutical firms in Nigeria, and that environmental responsibility disclosures have no significant effect on the cost of capital of the firms

under study. Based on these findings, it was recommended that management of pharmaceutical firms should actively support indigenous ventures and ensure that these efforts are clearly communicated to stakeholders. This could help improve the firm's cost of capital and positively impact its financial performance. Also, that management of pharmaceutical firms in Nigeria should enhance staff welfare and transparently disclose them to the stakeholders as this could potentially enable them to secure funds or finance at a lower cost.

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