FIRM SPECIFIC DRIVERS OF CORPORATE SOCIAL RESPONSIBILITY (CSR) DISCLOSURE AMONG OIL AND MULTINATIONALS IN NIGERIA

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Article Received: 02-07-23 Accepted: 21-07-23 Published: 29-07-23

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ABSTRACT

As public awareness on the role of corporations in sustaining both the immediate and future generations grow over time, the need to think beyond profit maximization become more intense. However, the issue as to what determines a firm’s corporate social responsibility disclosure-CSRD remains unresolved. Consequently, this paper examined four firm-specific of CSR disclosure drivers in the Nigerian oil and gas industry over ten (10) years spanning through 2012 to 2021.The regressor employed are Return on Asset-ROA, Leverage-LEV, firm size-FSZ, and, Dividend Per Share-DPS. Meanwhile, the regressed is CSRD. Data collected was sourced from the targeted oil and gas multinationals from 2012-2021. Data set was described using Descriptive and inferential statistics and panel least square method with the help of E-VIEWS version 9.0. The finding shows that all the variables except LEV have direct (linear) and high (considerable) effect on CSRD whereas, LEV has adverse (non-linear) and high (considerable) but significant with CSRD. As such, management of targeted oil and gas multinationals should opt for optimal financing mix since it is a major driver of CSR disclosure. Again, DPS should be given to shareholders. Lastly, the regulatory authorities
should set the quantum amount of at least 2.5% on profit before tax for execution of CSR activities to communities.

**Keywords:** CSR Disclosure, Return on Asset-ROA, Leverage-LEV, Firm Size-FSZ, and, Dividend per Share-DPS.

### INTRODUCTION

Usually, the fundamental premise upon which every commercial endeavour is built is to maximize returns (profit) and minimizing cost (loss). However, the desire for high profit may result to the neglect of the host environment in which enterprises are placed (Al-Dah, Dah, & Jizi, 2018, Abanum & Ebiaghan, 2022). In a similar line, businesses take over natural resources from the environment in order to maximize profits, which can have an impact on the ecosystem where they are found either positively or badly. Consequently, providing social and humanitarian services is one of the most effective and efficient ways for both financial and non-financial corporations to be least socially irresponsible to the communities in which they operate.

Gololo (2019) added that due to increased pressure from various stakeholders on the need for businesses/firms to give back to their host communities, the issue of CSR disclosure has evolved since the late 1970s and has received significant attention in accounting literature. According to Onuorah and Agobgun (2019), a socially responsible approach is predicated on the idea that organizations do not exist in a social vacuum but rather are a component that supports and generates them. This suggests that for businesses to build up their reputation (goodwill) and accomplish their predetermined missions, visions, goals, and objectives—while also benefiting society through the firm's social projects—they need healthy and consistent interaction with the business environment. A healthy and welcoming environment is reportedly crucial to a business's existence, profitability, improved reputation, along with wealth accumulation.

Additionally, the rising sensitivity of environmental and ethical concerns has sparked an increased interest in the role of business in society. Consequently, businesses are constantly under pressure from different stakeholders, including customers, the community, investors, activist groups, and others. (Abdu, 2016, Afam-Mebei & Ebiaghan, 2022). Because of this, it is crucial for everyone to understand that the public's outcry for perceived social responsibility will persist if firms fail to address the difficulties these had presented to society.

According to Bruns (2017), every company has an inherent responsibility to account for the effects of its operations on the economic, social, and environmental aspects of its surroundings and to make sure that these effects lead to constant benefits and no harm for all parties involved. According to Yusoff and Adamu (2016), CSR disclosure is responsible for the report on how a company is able to bridge financial gaps, particularly in cases where the government has failed the populace. The more successful a company is, the more likely its manager will participate in CSR activities, according to Onuorah and Imene (2016). They also made the claim that when a company has a good ROA, it may be encouraged to invest in CSR. However, leverage research claimed that it had a mixed impact on CSR disclosure, displaying either good or negative results in some instances or even showing no correlation between LEV and CSR (Yusoff & Adamu, 2016).
Firm size, as shown by a number of prior researches, is a motivating factor for CSR expenditure. The argument and expectation surrounding a company's size and investment in CSR are related to the idea that the bigger a company, the more than the likelihood that it will participate in CSR to uphold its reputation. Meeting the expectations of the firms' stakeholders about CSR participation may be for other reasons. According to Abdu (2016) and Chucks, Felix, and Temile (2021), this study gauges firm size based on total assets. Because companies that perform well economically are may pay dividends more, and because companies that pay dividends have greater incentives to engage in CSR because it will bode well for the company, scholars contend that, there is a correlation between DPS and CSR. The oil and gas sector, which affects both the host environment and the lives of the nation's residents, is one most important economic sector and is predicted to grow significantly in terms of CSR. In an effort to close the gap between public expectations and their duty to serve society well, such sectors are required to contribute back to the local community. Consequently, this paper identified the motivations behind CSR investment in the context of a few selected Nigerian sectors. Furthermore, contemporary society has grown over time, significant scholarly attention has been paid to the subject of CSR and its deciding variables. Is maximizing profits a company's main priority? Does it have the ability to satiate the desires of the activist corporate and society as well as other stakeholders? Do additional social and environmental issues have an impact as well? Does a company's participation in CSR activities, per se, result in greater financial performance? If so, what factors influence a company's decision to participate in CSR activities? Although, considerable researches on the aforementioned issues are evident, existing studies like that of Onuorah and Agbogun (2019); Gololo (2019), Ebiaghan & Esekhile (2018); Niresh and Silva (2018); Elif and Halil (2017); and Dakito (2017). Thuy, Khuong, Canh, and Liem (2021), they are conflicting and unclear. Also, some corporate firms in Nigeria are engaging in practices that indicate a high level of dishonesty, excessive reporting, account falsification, account manipulation, and other behaviors that have become big problems in recent years. There does not appear to be a standard method of disclosing corporate social responsibility, even now. There is a major hole to be filled in this. Furthermore, most of the few CSR studies domiciled in the Nigerian contexts like the studies of Thuy, Khuong, Canh, and Liem (2021); Ebiaghan 2019; Ebiaghan 2020, Onuorah and Agbogun (2019); Gololo (2019); Niresh and Silva (2018); Elif, and Halil (2017); Dakito (2017) focused essentially on CSR and financial performance without focusing more attention on other determinants of CSR disclosures such as at leverage, dividend per share, and firm size. Even studies on the CSR disclosure studies like those of Kukreja, Sharma, Habib, and Bansal (2022); Umoren, Ogbari, and Atolagbe (2017); Mohammed, Saheed, and Oladele (2016); and Bruns (2017), used CSR dichotomous measures, with signifying CSR investment and 0 signifying the absence of CSR. However, they used dummy variables (GRI reporting index) rather than the annual amount of charity contributions and donations revealed by the chosen oil and gas businesses to measure CSR disclosure. Based on the aforementioned contentious subject, this study filled a knowledge vacuum by examining the factors that influence CSR disclosure in the Nigerian oil and gas sector.
REVIEW OF RELATED LITERATURE

Conceptual Review
Simply said, CSR Disclosure (CSRD) is the most direct method for a business to inform the public of its contribution to societal well-being. According to Lyon, 2007, referenced in Gololo (2019), intentional reporting of a company's financial, social, economic, and environmental performance constitutes CSRD. Additionally, it involves disclosing information, firms’ operations concerning the reporting entity's resources and social performance. Additionally, Tilt (1994), which Chucks, Felix, and Temile (2021); Gololo (2019) cites as endorsing, contends that CSRD entails a firm's deliberate choice to inform stakeholders about its corporate actions.

It is a technique by which management can engage with the larger society to affect how people see their organization, according to Gololo (2019). Additionally, according to Carroll (1991, referenced in Gololo, 2019), it refers to a company's dedication to operating in a way that is both economically and environmentally sustainable while taking into account the interests of all its stakeholders. CSRD is also one of the most practical ways to inform key interest groups both inside and outside of society about a company's performance.

Various CSRD determinants include: firm’s Profitability (ROA), leverage-LEV; Firm Size-FSZ; & DPS. First, indicators such as firm size, ROA, return on equity, earnings before interest and taxes (EBIT), asset age, and return on sales are frequently used in CSR research to gauge a company's profitability. However, ROA is frequently cited as an accurate indicator of a company's profitability. In contrast to other accounting metrics like ROE or return on sales, ROA is unaffected by the various levels of leverage existing in different sectors. Since ROA and stock price are strongly correlated, a higher ROA indicates greater value creation for shareholders.

Another factor which affects a company's CSR investment is its level of leverage. Soyinka, Sunday, and Adedeji (2017), a company with higher leverage will have fewer resources to handle some other goals, and vice versa. It is noteworthy that businesses frequently experience resource constraints and logic boundaries. Consequently, it is asserted, the most significant stakeholder group will be satisfied first with the usage of these few resources. Debt holders are a crucial category of stakeholders since they provide the company with capital.

Again, the firm’s asset base also determines such firm’s decision to disclose its involvement in CSR or not. According to Abdu (2016), Lin-Hi, and Blumberg (2018), this study measures firm size based on the firm's aggregate asset using the log form so as to lessen the positive skewness of the data. According to a number of earlier studies, the size of the firm drives it to make CSR investments.

Lastly, the decision to or not to pay dividend also influences a firm’s CSRD. Justifiably, dividend is division of a company's earnings (past or current) among its shareholders in proportion to their ownership, as decided by the management in the form of cash payments, shares of stock, or other property. According to (Soyinka, Sunday, & Adedeji, 2017), this study calculates dividends based on dividends paid per share (DPS). DPS is the proportion of all the declared dividends by a firm in relation to number of common shares outstanding.

Theoretical Underpinning
The study anchors on the Legitimacy Theory (1975). This theory is a response to a variety of environmental factors, including as social, political, and economic influences. In these
circumstances, "legitimacy" occurs when firms live up to societal expectations. It comes from the idea of organizational legitimacy, which was first described by Dowling and Pfeffer (1975) as a state or situation that emerges when an entity's values are in line with the values of the wider social system of which it is a part. To maintain congruence between society and the organization, legitimacy theory contends that organizations continuously endeavor to make sure they function within the boundaries and norms of their particular societies. The legitimacy of the entity is at danger when there is a discrepancy between 2 value systems, whether it is existing or potential.

Furthermore, in order to maintain survival, expansion, and a sustainable competitive edge, businesses must perform effectively and engage in a variety of socially yet responsible endeavours. In order to prevent popular condemnation and to secure the survival of the bank, banks therefore need social legitimacy.

**Empirical Studies**

From 2016 down towards 2020, Kukreja, Sharma, Habib, and Bansal (2022) looked into the factors that affected the CSRD of insurance from in the GCC. The yearly reports and database of Thomson Reuter were used to compile the data. The correlation matrix and regression analysis were used. They disclosed that, CSRD and firm size are favorably associated.

Thuy, Khuong, Canh, and Liem's (2021) conducted CSRD and ROA of 225 firms quoted in Vietnam stock exchange between 2014 and 2018. The GMM techniques and the Sobel tests were considered. Various proxies for the mediator variable were all used. They reaffirmed that, the ROA improved drastically due to higher CSRD.

Gololo (2019) studied CSRD's from 2008–2017 financial results of Nigeria's listed cement companies. Method adopted was the random effect panel estimation were used. They disclosed that CSRD significantly and favorably affected ROE/ROCE.

In their 2018 study, Niresh and Silva looked at the CSRD and financial results of listed banks and insurance firms in Sri Lanka. Multivariate models were employed as the analysis method. A substantial correlation between CSRD and ROA was discovered by the study.

Similarly, Soyinka, Sunday, and Adedeji (2017) studied the determinants of CSRD in Nigeria. Data was gathered from mentioned banks' annual reports on the Nigerian exchange market. The panel data was used. The findings indicated a favorable relationship between FSZ and ROE and CSRD.

Bruns (2017) analyses the determinants of CSR. The OLS analysis was conducted. The study affirmed that, OWCON is a significant determinant of CSR. However, LEV ROA, BDIV and R&D are found not to be significant determinants of CSR.

Again, Umoren, Ogbari, and Atolagbe (2017) explore the determinants of CSRD practices in Nigeria. Multiple regression analysis was applied. CSRD Score, ROE, TA, Audit Type, Industry Type has been used as the variables. Positive-linear and high/significant result between CSRD and dependents variables were found using Panel Data.

Moreover, Elif, and Halil (2017) studied the firm performance (ROE) and CSR nexus with particular reference to listed firms on Borsa Istanbul from 2009-2011. They found that, the target firm for higher ROE reduced their investments in CSR significantly.

Conversely, Oscar (2016) studied the effect of CSR reporting and executive compensation in Nigeria for 2014. T-test OLS technique was used. GRI index, salary of executive and firm
size was the variables. They reported that, CSR reporting reduced bank performance significantly.

**METHODOLOGY**

The study employs expos facto research design with a view to addressing the research problem. The paper covered 10 oil and gas multinationals as at 31st December, 2021 (The Nigerian Exchange group Fact-book, 2021). Meanwhile, the sample size also covered the ten (10) quoted oil and gas companies in Nigeria as at 31st December, 2022. This suggests that, both the sample size and population are equal.

The study extracted data from the annual (financial) reports of the 10 oil and gas multinationals from 2012 to 2021. The Panel Least Squares-PLS model captures CSRD in relation to Return on Asset-ROA, Leverage-LEV, firm size-FSZ, and, Dividend Per Share-DPS as adopted from Abdu (2016); Onuorah and Agbogun (2021)’s model. The adopted model is specified as:

\[ \text{ROA} = \alpha + \beta_1 \text{ROA} + \beta_2 \text{LEV} + \beta_3 \text{FSZ} + \beta_4 \text{DPS} + \varepsilon \]  

Where  
\[ \alpha = \text{Constant Term} \]  
\[ \beta = \text{Beta coefficients} \]  
\[ \varepsilon = \text{Error Term} \]

**Note:** Table 1 specify the denotations of each variables

<table>
<thead>
<tr>
<th>Variable</th>
<th>Denotation</th>
<th>Measurement</th>
<th>Nature</th>
<th>Expected Sign</th>
</tr>
</thead>
<tbody>
<tr>
<td>Corporate Social Responsibility disclosure</td>
<td>CSRD</td>
<td>The lump sum of the amount disclosed for charitable contributions and donations by the oil and gas companies in Nigeria</td>
<td>Monetary Terms/Annual Basis</td>
<td>Nil</td>
</tr>
<tr>
<td>Return on Asset</td>
<td>ROA</td>
<td>Net profit after tax divided by total asset</td>
<td>Percentage (%)</td>
<td>Positive</td>
</tr>
<tr>
<td>Leverage</td>
<td>LEV</td>
<td>Debt/Equity</td>
<td>Ratio Analysis</td>
<td>Negative</td>
</tr>
<tr>
<td>Firm Size</td>
<td>FSZ</td>
<td>Natural Logarithm of total asset</td>
<td>Logged Form</td>
<td>Positive</td>
</tr>
<tr>
<td>Dividend per Share</td>
<td>DPS</td>
<td>Dividend/Numbers of outstanding Share</td>
<td>Naira/Kobo</td>
<td>Positive</td>
</tr>
</tbody>
</table>

Source: Researcher’s Compilation (2022)

**RESULTS AND DISCUSSIONS**

**Data Analysis**

Table 2  
**Descriptive Statistics**

<table>
<thead>
<tr>
<th>Variables</th>
<th>Mean</th>
<th>Median</th>
<th>Max.</th>
<th>Min.</th>
<th>Std. Dev.</th>
<th>Observations</th>
</tr>
</thead>
<tbody>
<tr>
<td>CSRD</td>
<td>8691103.3</td>
<td>28322500</td>
<td>5.69E+08</td>
<td>1456000.</td>
<td>55290523</td>
<td>200</td>
</tr>
<tr>
<td>ROA</td>
<td>0.468056</td>
<td>0.347100</td>
<td>0.697000</td>
<td>-0.260400</td>
<td>0.158224</td>
<td>200</td>
</tr>
<tr>
<td>FSZ</td>
<td>1.527272</td>
<td>1.563100</td>
<td>2.918100</td>
<td>0.116900</td>
<td>0.756562</td>
<td>200</td>
</tr>
<tr>
<td>LEV</td>
<td>8.166491</td>
<td>8.609800</td>
<td>11.83370</td>
<td>0.400000</td>
<td>3.172801</td>
<td>200</td>
</tr>
<tr>
<td>DPS</td>
<td>0.285400</td>
<td>0.165000</td>
<td>0.950000</td>
<td>0.010000</td>
<td>0.271451</td>
<td>200</td>
</tr>
</tbody>
</table>

Source: Author's Computation Using E-views 9

As reported, CSRD, ROA, FSZ, LEV and DPS disclosed a mean value = 8691103, 0.468056, 1.527272, 8.166491 and 0.285400 respectively, and S.D = ₦55, 290,523, 0.158224,
0.756562, 3.172801 and 0.271451 respectively. By, volatility from the mean on all variables are low.

Table 3

**Correlation Matrix.**

<table>
<thead>
<tr>
<th></th>
<th>CSRD</th>
<th>ROA</th>
<th>LEV</th>
<th>FSZ</th>
<th>DPS</th>
</tr>
</thead>
<tbody>
<tr>
<td>CSRD</td>
<td>1.000000</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>ROA</td>
<td>0.775000</td>
<td>1.000000</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>LEV</td>
<td>-0.419568</td>
<td>0.094413</td>
<td>1.000000</td>
<td></td>
<td></td>
</tr>
<tr>
<td>FSZ</td>
<td>0.406069</td>
<td>0.106391</td>
<td>0.188824</td>
<td>1.000000</td>
<td></td>
</tr>
<tr>
<td>DPS</td>
<td>0.655759</td>
<td>0.084905</td>
<td>0.176147</td>
<td>0.148493</td>
<td>1.000000</td>
</tr>
</tbody>
</table>

Source: Author's Computation Using E-views 9

For ease of reference, table 4 to 6 reported the various robustness tests considered before the main result was presented:

**Robustness Checks**

For ease of reference, table 4 to 6 reported the various robustness tests considered before the main result was presented:

Table 4

**Multicollinearity Test**

<table>
<thead>
<tr>
<th>Variable</th>
<th>Centered VIF</th>
</tr>
</thead>
<tbody>
<tr>
<td>ROA</td>
<td>2.269020</td>
</tr>
<tr>
<td>LEV</td>
<td>2.377435</td>
</tr>
<tr>
<td>FSZ</td>
<td>2.709131</td>
</tr>
<tr>
<td>DPS</td>
<td>2.334083</td>
</tr>
</tbody>
</table>

Source: Author's Computation Using E-views 9

From Table 4, the VIF falls between from 1 and 3 for all variables. Although, FSZ was the highest VIF value, followed by LEV, DPS, and ROA.

Table 5

**Ramsey Reset Test**

<table>
<thead>
<tr>
<th>Value</th>
<th>Df</th>
<th>Probability</th>
</tr>
</thead>
<tbody>
<tr>
<td>F-statistic</td>
<td>2.418078</td>
<td>(1, 194)</td>
</tr>
</tbody>
</table>

Source: Author's Computation Using E-views 9

From table 5, the P-value of the F-statistics stood at 0.1949. This implies, no variables are omitted since it is not significant at 5%.

Table 6

**Heteroskedasticity Test: Breusch-Pagan-Godfrey**

<table>
<thead>
<tr>
<th>F-statistic</th>
<th>Prob. F(194.5)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.766470</td>
<td>0.2724</td>
</tr>
</tbody>
</table>

Source: Author's Computation (2023)

From table 6, the Prob. Chi-Square stood at 0.2724. This gives us prove that the residual of the model/regression is Homoskedastic since its Prob. Chi-Square estimated at 0.2724 is > 5% level of significance. On this note, the study boldly states the model/regression is reliable and fit for prediction.

**Presentation of Main Result and Discussions**

Table 7 gives a clear presentation of the main regression result:
From table 7, the R-squared value of 0.835030 suggests that, the regression is highly predictive while the Durbin-Watson stat. value of 2.141494 suggesting that, the regression is serial-auto correlation free. Meanwhile, Prob(F-statistic) value of 0.000000 suggesting that, the regression is significant. Again, ROA positively and significantly affects CSRD of targeted companies in Nigeria. By implication, the more oil and gas multinationals in Nigeria reports high ROA, the higher they disclose the amount which they give out for charitable donations. This is in line with the Kukreja, et'al (2022); Thuy, et'al (2021); Gololo (2019); Niresh and Silva (2018); Soyinka, et'al (2017); Umoren et'al (2017) but deviated sharply from Elif, and Halil (2017); Dakito (2017); Osca r (2016) findings.

Also, LEV was found to have negative and statistically significant. This connotes that 1% increase in CSRD will reduce LEV by 58.97% significantly. This supports our Aprioiri expectations. More so, it supports Soyinka et’al (2017); Bruns (2017), Ebiaghan,Jeroh & Ideh (2021) findings but deviated greatly from Abdu (2016); Mohammed et’al (2016) findings.

Additionally, FSZ has positive significant effect towards CSRD. By implication, a unit rise in FSZ will increase CSRD by a significant value of 38.49%. This supports our Aprioiri expectations. More so, it is in tandem with Bruns (2017) findings but deviated sharply from Abdu (2016); Mohammed, et’al (2016); Abdu (2016) findings.

Lastly, 1kobo increase in CSRD will increase DPS by about 49kobo. The finding supports the second view and is robust. This result supports the findings of Abdu (2016) but deviated from the findings of Saheed and Oladele (2016).

CONCLUSION AND RECOMMENDATIONS

This paper reiterate that, as public awareness on the role of corporations in sustaining both the immediate and future generations grow over time, the need to think beyond profit maximization become more intense. However, the issue as to what determines a firm’s CSRD remains unresolved. Again, results from this research, however, are still confusing and conflicting. Consequently, the study looked at how four factors—Return on Asset, Leverage,
Firm Size, and Dividend Per Share—affect the CSR D of the studied mentioned oil and gas businesses from 2012 to 2021. To achieve the study's goal, data from the oil and gas industries were collected in order to build an econometric model that could be used to identify and quantify the factors that influence CSR in Nigeria. Justifiably, the paper comes to the conclusion that, CSR D is improved by larger ROA, lower LEV, large FSZ, and higher DPS. Therefore the following are recommended:
1. The regulatory bodies overseeing target firms should put aside at least 2.5% of profit before tax for the adopting CSR initiatives in local communities.
2. Given that optimal finance mix has been identified as a key factor in CSR D, management in the Nigerian oil and gas sector should choose this option.
3. The administration of the target firms should preserve dependable assets. This is necessary because the company that owns those assets has the opportunity to devote more money to CSR.
4. Shareholders of the target firms should receive more dividend payments.

References


