

An Assessment of Corporate Social Responsibilities' Impact on Nigeria's Agro-Allied Firms' Performance

by

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Abstract

This study sets out to investigate the performance of selected impact that corporate social responsibility (CSR) initiatives have on the profitability of agro-allied firms. Secondary data used was extracted from the financial statements of five agro-allied firms listed on the Nigerian Stock Exchange (NSE) for 2010–2020 (eleven years). A quantitative research design was used. The data collected were analyzed using the simple linear regression method. Profitability was measured using gross profits and profits after tax, while CSR was measured using the actual sums of money expended on CSR activities of firms under study. Based on the results of the study, profitability proxied by gross profits and profits after tax and CSR activities of the firms are positively related. The result shows that corporate social responsibilities constitute an essential factor in business and consequently add to business profitability. Hence proper expenses on corporate social responsibilities help solve the agency theory problem of

agency costs that arise when control of companies is separated from the ownership, whereby managers employ the firm's resources for personal gains instead of maximizing the value of the firm or owners' equity. The value of the firm and the wealth of the shareholders can be maximized through enhanced profitability through efficient expenses on CSR ventures.

Keywords: linear, agric-business, firms, profitability

Introduction

Given the spate of enlightenment that is probably occasioned by globalization, today's corporate stakeholders increasingly anticipate ethical practices from corporations such that could engender improved revenues, minimize costs of production, and curtail increasing corporate risks. Therefore, persistent assessment of the impact that CSR initiatives has on performance cannot be undermined; given the fact that positive perception of same could boost stakeholders' trust and curry

customers loyalty. The fact is that not all corporate stakeholders see reasons for CSR initiatives. Some see it as a waste of resources deviant from the profit maximization goal of corporate existence. Truly, CSR initiatives could prove costly to implement. Yet, its ideology focuses on long term corporate gains that are seemingly contrary to many shareholders focus on short term dividend benefits. Besides, the returns generated by CSR initiatives may not be measurable by conventional accounting fundamentals; hence, it becomes expedient to measure same via statistics and econometric models.

However, in spite of the fact that numerous academics have studied the subject of CSR, the focus has been on different industries outside the agro-allied sub-sector of the economy. Majority of these researches is either conducted on other nations, on the manufacturing sector [13], or on Nigeria as a whole [10]. Study seeks to fill the vacuum in the existing literature via studying the impact that corporate social responsibilities' weighs on the performance of agro-allied firms in Nigeria.

Moreover, implementing CSR initiatives is fast becoming one of the major focus of firms in consonance with sustainable development [11]. Yet, the reasons directors spend hugely on corporate social responsibilities, instead of retaining earnings, are gradually becoming of concern to many corporate shareholders. Study set out to investigate the nature and strength of the nexus between CSR and business performance in Nigeria. Further, it examines why business entities consistently choose to spend on social responsibilities like environmental preservation and community involvement despite mandatory tax paid to government. Nigeria as a huge

market gradually increases over time, resulting in more demands that must be met. In same vein, agriculture sector increasingly attracts attention due to increasing demand for food and the high rate of returns it offers; hence, Nigeria daily increases in numbers of functioning multilateral agro-allied firms.

As these firms become financially stabilized, the public expects specific obligations from them, which they must meet with to peacefully remain in business. Conventionally, it is now a norm for corporations that operate in a place prosperously to give back to the society towards increasing the people's quality of life. Thus, CSR is now perceived as corporate governance moral technique of achieving set goals. It implies voluntary incorporation of social and environmental factors into business' decision-making process. [3] asserts that CSR constitutes beneficial pursuit of executives to societal ideals. It constitutes an expense too; hence, managers are expected to be very meticulous in choosing when to actually execute corporate social responsibilities. In line with this thought, it is expedient to measure the degree of impact that CSR expense weights on profitability of firms. Hence, study investigates the weight that CSR has on sustaining profitability in Nigeria's agro-allied industry.

Just like assessing CSR impact on firms in so many other industries has been beneficial, there is the need to assess CSR initiatives' impact on agro-allied firms to boost the confidence and trust of concerned stakeholders. Equally, conducting the assessment could truly establish how the results obtained compares with CSR impacts in the other industries. The study's findings would aid agro-allied firms' decisions about funding CSR. It will contribute to

the body of literature on the issue, help develop future study on the subject, and fill some gaps that have been identified in the body of knowledge.

Five listed firms were selected from those whose shares are traded on the stock exchange to assess the how CSR initiatives impact corporate financial performance. We would advise all corporate stakeholders to motivationally imbue their corporations in responsible corporate existence in whichever location or industry they are.

Materials and Methods

In Nigeria, there are 335 registered agro-allied businesses, out of which five listed on the stock exchange make up the study's sample. The samples were chosen simply at random. The data analyzed for the study were gathered from these five agro-allied firms audited annual reports; obtained from their official websites. The African Financials' website authenticates the data collected. With SPSS, we used simple linear regression to analyze data in order to understand the relation between the independent and dependent variables. The audited end of year profits of sample firms constitutes the study's dependent variable; using both the gross profits and profits after tax. The sample firms' CSR activities serve as the study's independent variable;

Results of data analysis

Kindly see Tables 1, 2, 3, 4 and 5 in the appendix for data computed from the financial statements of sample firms. Meanwhile, the table below displays the results of regression, which highlights the nature of the link between the selected firm's gross profit and corporate social responsibilities over 11-year period.

Table 1: OLS using gross profit and CSR data from 2010-2020

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.310a	0.096	0.077	35889976332

a. Predictors: (Constant), CORPORATE SOCIAL RESPONSIBILITY

The remainder of the paper is arranged as follows. The next session introduces what the agro-allied firms selected for the study are and their relevance to the present-day Nigerian economy. Regression model is the focus of section 3 where issues like estimation and inference within the model are discussed in certain detail. In section 4, we discuss the method utilized in collection of data used in conducting the regression analysis. An empirical application of basic regression models to evaluate the influence of CSR on profits of the selected agro-allied firms in Nigeria is provided in section 5.

measured by the actuals spent on such activities during the relevant years. Study covers 11 years, from 2010 to 2020. Kindly see the appendix. The null hypotheses considered in the study are that CSR initiatives have no impact on gross profit of agro-allied firms in Nigeria, and that these initiatives do not affect profit after tax of agro-allied firms in Nigeria.

Model Specification

$$P = \beta_0 + \beta_1 R + \epsilon_i$$

Where:

- P = Gross Profit or Profit After Tax
- β_0 = an intercept of P
- β_1 = a coefficient of CSR
- R = Corporate Social Responsibility
- ϵ = the error term

Priori expectation = $\beta_0, \beta_1 > 0$

Table 2: ANOVA^a

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	6.4151E+21	1	6.4151E+21	4.98	.030b
	Residual	6.05402E+22	47	1.28809E+21		
	Total	6.69554E+22	48			

a. Dependent Variable: GROSS PROFIT

b. Predictors: (Constant), corporate social responsibility

Table 3:

Coefficients						
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	29144620925	5.74E+09		5.074	0
	Corporate social responsibility	48.176	21.587	0.31	2.232	0.03

a. Dependent Variable: GROSS PROFIT

We subject the collected non-parametric data to linear regression analysis. Mean \neq Median \neq Mode. Study investigates as stated in its null hypothesis (H_{01}) if corporate social responsibilities have no impact on gross profit of agro-allied firms in Nigeria. The alternative hypothesis is that corporate social responsibilities have significant impact on profit. Hence, gross profit (GP) was regressed on corporate social responsibilities (CSR) to test the alternative hypothesis. Pearson correlation of estimate, $R = 0.310$, indicates a positive

relationship that exists between the two variables of study. Results indicate that CSR can play a significant role in shaping GP. $F(1, 47) = 4.980, p < 0.05$ ($b = 48.176, p < 0.05$). These results clearly direct the positive effect of corporate social responsibilities on gross profits of the firms under study. Moreover, the $R^2 = 0.096$ depicts that the model explains 9.6% of the variance in gross profits. Table 4 below shows the summary of the findings.

Table 4: Summary of the findings

Hypothesis	Regression weights	Beta coefficient	R^2	F	P-Value	Hypothesis supported
H_1	CSR — GP	.310	.096	4.980	.030	Yes

Interpretation of Regression Result 1

The CSR variable has a positive sign from the analysis presented in Table 4 above, showing a positive association with a p-value of .030. Additionally, the output's coefficient of correlation (R^2) value of 0.96 implies that 9.6% of the variables affecting gross profit is attributed to CSR. Interpreting the results, the firms' gross

profits and expenditures on corporate social responsibilities are positively correlated. The result indicates a value that provides sufficient support for the null hypothesis to be rejected. The p-value of 0.030 implies that CSR initiatives have significant impact on the gross profit of agro-allied businesses in Nigeria.

Research hypothesis 2:

H₀₂: Organizational CSR actions do not affect The profit after tax of agro-allied firms in Nigeria.

Table 5: Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.314a	0.098	0.079	11584127670

a. Predictors: (Constant), CORPORATE SOCIAL RESPONSIBILITY

Table 6: ANOVA

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	6.88496E+20	1	6.88496E+20	5.131	.028 ^b
	Residual	6.30702E+21	47	1.34192E+20		
	Total	6.99552E+21	48			

Table 7: Coefficients^a

Model		Unstandardized Coefficients		Standardized Coefficients	T	Sig.
		B	Std. Error	Beta		
1	(Constant)	10691849298	1853768458		5.768	0
	Corporate social responsibility	15.783	6.968	0.314	2.265	0.028

a. Dependent Variable: PROFIT

Study investigates as stated in its null hypothesis (H₀₂) if corporate social responsibilities have no impact on profit after tax of agro-allied firms in Nigeria. The alternative hypothesis is that corporate social responsibilities have significant impact on profit after tax. Hence, profit after tax (PAT) was regressed on corporate social responsibilities (CSR) to test the alternative hypothesis. Pearson correlation of estimate, R = 0.314, indicates a positive relationship that

exists between the two variables of study. Results indicate that CSR can play a significant role in shaping PAT. F (1, 47) = 5.131, p < 0.05 (b = 15.783, p < 0.05). These results clearly direct the positive effect of corporate social responsibilities on the after-tax profits of the agro-allied firms under study. Moreover, the R² = 0.098 depicts that the model explains 9.8% of the variance in PAT. Table 8 below shows the summary of the findings.

Table 8: Summary of the findings

Hypothesis	Regression weights	Beta coefficient	R ²	F	P-Value	Hypothesis supported
H ₁	CSR — PAT	.314	.098	5.131	.028	Yes

Decision:

The probability displayed above provides sufficient proof that the null hypothesis should be rejected. The P-value of 0.028 indicates there is

evidence against the null hypothesis H₀₂. This shows that changes in CSR initiatives have significant impact on the after-tax profitability of agro-allied businesses in Nigeria. Results show

strong correlation between earnings and firms' expenditures on CSR. Hence, we reject the two null hypotheses.

Discussion of findings

The degree to which variations in dependent variable are influenced by the independent variable is indicated by the coefficient of determination, and it is clear from this that while the model is effective for strategic predictions, it is not appropriate for making short-term predictions. This indicates that every firm should embrace long-term perspectives in their considerations. Study result is consistent with Friedman's assertion of 1970 (as mentioned in [8]) that CSR is effective as long as it engenders wealth. Some other previous studies that found CSR effectiveness on profitability statistically significant include [7], [5],

[10], [2], [6], [1], and [13]. Notwithstanding, we still find some that found no significant correlation between the two variables. These include [12] cited in [2] and [9]. In fact, [4] declare that CSR performance is inversely correlated with profitability.

Policy implication

All agro-allied firms, whether listed or not on the Nigeria Stock Exchange, should be encouraged to incorporate CSR into their operations, since it has positive long-term effects that may not be seen in immediate.

Recommendation

Considering the fact that they assist in nation building, agro-allied firms are advised to embrace CSR, but should understand their limits to prevent on-toward results.

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