EFFECT OF CORPORATE SOCIAL DISCLOSURE ON MARKET PERFORMANCE OF QUOTED INDUSTRIAL GOODS COMPANIES IN NIGERIA

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ABSTRACT

In recent years, stakeholders have consistently advocated for increased disclosure of information in the financial statements essential for economic and social decisions. This demand is based on the growing uneasiness about a firm's wealth valuation as a result of not valuing information on non-physical assets, as well as on other non-financial information. Hence, this study examines the effect of corporate social disclosure on market performance of quoted industrial goods companies in Nigeria. This study adopted ex post facto research design and. the population of this study consisted of 13 industrial goods companies quoted on the Nigeria Exchange Group (NEG) as at 2020. In view of the nature of the model used in the study, filters were employed to arrive at an adjusted population of 11 companies in Nigeria. Data for the study was extracted from the published annual financial statements of industrial goods companies, covering a period of ten (10) years from 2011 to 2020 Market performance was measured using Tobin's Q The study found statistical evidence that social disclosures have significant and positive effect on market performance. From the findings, the study concluded that corporate social disclosure is a viable reporting strategy for increasing the value and information content of annual reports of industrial goods companies in Nigeria. the study recommended that the Financial Reporting Council of Nigeria should make the disclosure of corporate social information mandatory in the industrial goods sector because it leads to improvement in the information content of financial statement and increase the market value of the companies.

Background to the Study

Over the past years, corporate social disclosures performance has captured the attention of increasing number of investment professionals, policy makers, scholars, as they realize that profitability alone is not sufficient for a firm's long-term growth. Therefore, engaging in corporate social responsibility activities and their disclosures are common in the recent business setting around the globe, corporate social

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reporting helps boost corporate transparency, increase accountability, strengthen risk management, promote stakeholder engagement and improve communications with stakeholders (GRI, 2011). Tuli, 2015). several studies (like Barnea & Rubin, 2010; Tan & Wilson, 2013; Yossi, 2018; Eka, Nurika&Ika, 2019 etc.) have investigated the causality between corporate social reporting and firm valuation with findings either inconclusive or contradictory, with some reporting positive or sometimes negative results.

Furthermore, these studies derive their conclusions from developed economies and given the differences in economic, legal, governance and reporting system between these countries, findings of these studies cannot be used for effective decision making in the context of a developing countries. In Nigeria, there is scant literature on the issue of sustainability reporting and firm market performance. Studies like Olayinka and Temitope (2011); Nze, Okoh and Ojeogwu (2016); Ahmad (2017); Amaechi and Nwankwe (2017); Asoquo, Dada and Onyeogaziri (2018); Uwueigbe(2018) have also, reported inconsistencies but have omitted variables by not using the GRI disclosure index, tobins Q, as opposes to ROA or ROE as market performance variables. Hence the need for this study.

Conceptual Framework

Market Performance

A stock market is defined as the market in which equity shares of publicly-traded businesses are bought and sold, the stock market measures the aggregate value of all publicly-traded companies. Also, market performance depicts increases or decreases in aggregate stock and economic values of companies in the market. Stock Market Performance is the indicator of the stock market as a whole or of a specific stock. It gives signal to the investors about their future moves. The movement in the price of a stock and the indexes gives the idea of the near future trend of the stock, sector or the economy as a whole. As financial domain is the most important one of an economy, so the stock market performance works as an indicator of the overall health of the economy. Stock Market Indexes typically gives the overall performance of the market or of a specific sector. Indexes reflect the performance of the economy or a sector in entirety. For example, stock prices are an indicator of the performance of the stock. If the price of a particular stock is rising then it is perceived that it has certain positive news or signals. But, if it decreases then there must be some news regarding its performance, which is generating negative signals to the market. Hence, the stock price movement and index movements show the general economic trend of a country

Market value is the perception of the investor to the success of a company. It is reflected in the share price of the company. The increase of the share price shows the trust of the investors to the company. They are willing to pay more with aiming for a higher return. The firm value is the total assets owned. It consists of the market value of share and liabilities (Damodaran, 2002). The high stock price can provide a good signal to attract investors to determine investment decisions.

Social Disclosure

Social disclosure includes a content of social activities undertaken by the company, what have been done and how they are carried out. Corporate Social Responsibility (CSR) is defined as the moral responsibility of a company to stakeholders, especially communities or communities around the work area and its operations, a company can be said to be socially responsible if it has a vision of operational performance that not only realizes profit, but also take a role in improving the welfare of the community or its social environment (Barnea, Heinkel & Kraus, 2013). Social reporting emphasis workplace health and safety, employee retention, labour rights, human rights, wages and working conditions at outsources operation. Rodriguez and Fernandez (2015) stated that the company’s concern increased in the focus of social issues, while maximizing the economy performance to satisfy shareholders and undertake social responsibility for the benefit of society. By revealing the social aspects of the sustainability report mean the company will also support many issues of the international organization concern. Social responsibility is not only for external but also internal stakeholders.

Empirical Review

Social Disclosure and Market Performance

Emeka-Nwokeji and Osisioma {2019} investigates how overall sustainability disclosures and its disaggregated dimensions of environment, social and governance affect market value of firms in Nigeria as an emerging economy using company’s specific disclosures. Tobins Q were used to proxy firm market value. The study selected 93 out of 120 non-financial firms listed on the Nigerian Stock Exchange as at 2015. Ex Post Facto research design was adopted and the secondary data was collected from annual reports of sampled firms from 2006 to 2015 through content analysis.

Erhirhie and Ekwueme {2019} assessed the effect of corporate social sustainability reporting on Return on Assets, Return on Equity, and Return on Capital Employed of oil and gas companies listed on the Nigeria Stock Exchange. The study adopts ex-post facto research design. The population of this study consisted of the entire oil and gas firms listed on the Nigerian Stock Exchange (NSE) as at 31st December, 2016. The study period covered ten (10) financial years (2007-2016). Swarnapali and Le {2019} aims to ascertain whether corporate sustainability disclosure has a potential impact on the market value in a developing country. The independent variable SR was measured as a binary variable, which was scored “0” if a particular company did not publish a sustainability report and as “1” if the company issued a sustainability report while Firm value was measured by Tobin’s Q. The data was collected from 220 companies listed in the Colombo Stock Exchange (CSE) in Sri Lanka over a period of four years. Regression analysis was executed on the panel data to achieve the study objective. The result reveals a positive relationship between sustainability reporting (SR) and firm market value.

Endri {2019} analyzes the effects of managerial ownership, audit committees, investment opportunities, profitability, and corporate social responsibility (CSR) on the value of manufacturing companies. Analysis of the factors affecting the value of manufacturing companies using the application of panel data regression model. This research uses data obtained from a manufacturing account of the manufacturing company registered in the Indonesia Sharia Stocks Index (ISSI) period of 2011-2017. The study shows that the most appropriate selection of models for the data panel's regression is a fixed effect model. Whetman {2018} examines how corporate sustainability reporting affects the financial performance of firms using a hand-collected representative sample of 95 publicly traded American firms from various sectors in 2015-2016. Corporate sustainability reporting (independent variable) was measured as a dummy variable. Firms were assigned a value; one if it reported in 2015 and zero otherwise. Control variables reflecting capital structure (total debt to equity and revenue) and firm ownership (percent held by insiders and percent held by institutions) were also included as additional determinants of corporate profitability.

Asuquo, Dada and Onyeogaziri {2018},examines the effect of sustainability reporting on corporate performance of selected quoted brewery firms in Nigeria. This study employs the ex-post facto design. In line with performance measure of past studies this study made use of measure of corporate performance (Return on Asset) as dependent variables while economic performance disclosure (ECN), environmental performance disclosure (EVN) and Social Performance disclosure (SON) form our independent variables. To determine the association between sustainability reporting and corporate performance, data was obtained from the audited financial statements of the three brewery firms under study for a period of five years (2012-2016)..

Ratanacharoenchai, Rachapradit and Nettayanun {2018}, aims to verify whether firms with higher SR disclosure enjoy significantly higher firm value. The results reveal negative relationship between the full disclosure and the firm value. The former study was done in Thailand while this current study is conducted in the Nigerian context which fill the gap in respect to problem of external validity of knowledge.

Stakeholder Theory

Stakeholder theory was derived from a combination of the sociological and organizational disciplines (Wheeler, Colbert & Freeman, {2003}. Stakeholder theory asserts that companies have a social responsibility that requires them to consider the interests of all parties affected by their actions. This confers more responsibility on the managers in terms of ensuring that no stakeholder is dissatisfied either in the short run or long run. Stakeholder theory is the doctrine that businesses should be run not for the financial benefit of their owners, but for the benefit of all stakeholders (Branco & Lucia, 2007). The traditional definition of a stakeholder is any group or individual who can affect or is affected by the achievement of the organization’s objectives (Fontaine, Harman & Schmid, 2006). The general idea of the stakeholder concept is a redefinition of the organization. In general, the concept is about what the organization should be and how it should be conceptualized. Popa, Blidisel and Bogdan (2009) maintains that stakeholder theory is based on the premise that the stronger the companies‟ relationships are with other interest parties, the easier it will be to meet its business objectives. Stakeholder theory contributes to the corporate sustainability concept by bringing supplementary business arguments as to why companies should work toward sustainable development.

Research Design

This study adopts descriptive ex-post facto research design and also align with deductive research paradigm for the purpose of addressing the problem. This technique is appropriate for this study because it is impossible to manipulate or control the independent variable.

Population, Sample and Sampling Techniques

The population of this study comprised of all the 13 Industrial Goods Companies listed on the Nigeria Exchange Group (NEG) as at 1st January, 2020. Going by records extracted from the Nigeria exchange Group website, the number of listed industrial goods companies as at 1st January, 2020 were thirteen (13). In view of the nature of the model used in the study, the following filters

were employed to arrive at an adjusted population in line with the studies of Cassey and Anderson (1999), Adelegan {2003}and Yusuf (2017). The total purported sample therefore constitutes 11 industrial goods companies which yielded 110 accounting financial year observations on the dependent variable for the period of ten years. This population and sample size is presented.

Population of the study

Company	Ticker	Date Listed
1.AUSTIN LAZ & COMPANY PLC	AUSTINLAZ	Invalid date
2.BERGER PAINTS PLC	BERGER	Invalid date
3.BETA GLASS PLC.	BETAGLAS	July 2nd 1986
4.BUA CEMENT PLC	BUACEMENT	January 9th 2020
5.CAP PLC	CAP	May 24th 1978
6.CUTIX PLC.	CUTIX	August 12th 1987
7.DANGOTE CEMENT PLC	DANGCEM	October 26th 2010
8.GREIF NIGERIA PLC	VANLEER	Invalid date
9’LAFARGE AFRICA PLC.	WAPCO	February 17th 1979
10.MEYER PLC.	MEYER	Invalid date
NOTORE 11.CHEMICAC	NOTORE	August 2nd 2018
12. ORTLAND PAINTS & PRODUCTS NIGERIA PLC	PORTPAINT	July 9th 2009
13.PREMIER PAINTS PLC.	PREMPAINTS	March 7th 1995

Source: Fact Book,

Methods of Data Collection

The study employed secondary sources for the purpose of data collection. The data was collected from the annual reports of the sampled companies for a period of ten (10) years (2011 to 2020). The firms are public limited companies listed on the Nigerian Exchange Group. By virtue of being public limited companies and as a requirement of being listed, annual financial report has to be made available to the Nigerian Exchange Group. Published financial statements of companies are preferred because they are easily, assessable and provides unbiased platform for results comparability.

Techniques of Data Analysis and Model Specification

The study employed regression as the procedure of analysis with the aid of Eview as a tool of analysis. The data for the study is panel in Nature, so as to check for the fitness of model and reliability of findings.

Model Specification and Variable Measurement

To study the effect of (social disclosure) on market performance of listed industrial goods firms in Nigeria. The study regressed Tobin's Q, in addition, the model has been used in previous studies by Swarnapali {2018} Whetman (2018), Loh, Thomas and Wang (2017) and Bartlett (2012).

Market Performance (dependent variables).

Market performance was measured by Tobin's Q, which is defined as the ratio of the firm's market value to its accounting (book) value (Crisóstomo, Freire & Vasconcellos, 2011). To explain the firm value for sustainability information purpose, market performance was measured using Tobin's Q. Notably, accounting, economic, and finance literature recognize that Tobin's Q is the widely used proxy for market performance (Crisóstomo, Freire & Vasconcellos, 2011; Jo &Harjoto, 2011), which is a market-based indicator. The measure of firm market performance using Tobin's Q is preferred more, since it is least affected by managerial manipulation, (Omar &Zallom, 2016).

Social disclosure (Independent Variables)

The independent variable was measured by scoring index based on performance indicators selected from Global Reporting Initiative (2018) guidelines as applied in previous studies such as Swarnapali (2018), Whetman (2018), Loh, Thomas and Wang (2017) and Bartlett (2012). social disclosure index were calculated based on the number of indicators that were disclosed (occurrence) and the level of disclosure (quantitative and qualitative). If a company disclosed any indicator, that is the occurrence of an indicator in the company's financial statement, the researcher assigned 1 if the company failed to disclose any indicator, the researcher assigned 0. On the other hand, if the level of the indicator disclosed is quantitative the researcher assigned 3 and for a qualitative disclosure the researcher assigned 2. Social disclosure index = Total Level of Disclosure divided by Total Occurrence.

Control Variables

The control variables includes firm size (FSZ), which proxies as total assets, leverage (LEV) which is the indicator of a firm's financial structure (Cheung, 2010; Crisóstomo, 2011; Jo &Harjoto,2011,

ANALYSIS AND DISCUSSIONS OF DATA.

	TQ	SOD	FMZ	LEV
Mean	0.489703	0.267615	8.430129	0.548883
Median	0.459817	0.253118	8.515485	0.556850
Maximum	1.230000	0.705882	14.87830	0.889188
Minimum	0.013030	0.058824	2.831810	0.054824
Std. Dev.	0.281462	0.131224	2.033957	0.119671
Skewness	0.261098	0.565246	0.718047	-0.440072
Kurtosis	2.170034	3.149011	4.359963	5.217923
Jarque-Bera	4.407020	5.959320	17.92938	26.09674
Probability	0.110415	0.050810	0.000128	0.000002
Sum	53.86734	29.43768	927.3142	60.37712
Sum Sq. Dev.	8.635080	1.876940	450.9307	1.651014
Observations	110	110	110	110

shows the summary of data for all selected variables for the 11 quoted industrial goods companies within the time frame of 10 years. The result from table shows that the average market performance which is proxies by Tobin's Q is .489703 with a standard deviation of .2815. This figure indicates an average ratio of the industrial goods companies' market value to their accounting (book) value. The values of the minimum and maximum stands at .013030 and 1.230000 respectively indicating a high level of variability in the data. This variability serves as a useful indicator for further analysis of the data.

Regarding the independent variables, the descriptive statistics in table shows values of corporate social disclosure level of sampled industrial goods companies in Nigeria. The result shows a range of 0.058824 and .705882 which is considered a wide variation in the extent of corporate social disclosure by sampled companies in the area covered by the study. This could be a result of differences in the company policies or decisions on corporate social responsibility activities. This study presents a mean of 267615 and a standard deviation of .131224 which is far from the mean and signals differences in the level of voluntary social disclosure by sampled companies.Table also shows that the logged average firm size of the sampled industrial goods companies during the period of the study is 8.430129with a standard deviation of 2.033957. This implies that the sizes of the individual industrial goods firms in Nigeria significantly differ. The standard deviation suggests that the data is not distributed around the mean. The minimum and maximum values are 14.87830 and 2.831810 respectively which is an indication of a reasonably wide dispersion.

Finally, the descriptive statistics from Table indicates that the mean of leverage is .548883 which signifies that on the average 54% of the companies' capital is debt. Meanwhile, the value of the standard deviation which is .119671 (11%) is dispersed from the mean and shows a high level of disagreement in the capital formation of the companies. The leverage shows a minimum and maximum value of 0.054824 and .889188 respectively.

FINDINGS AND CONCLUTION

It was discovered that, social disclosure is a determinant of market performance of quoted industrial goods companies in Nigeria. It means that disclosure of social responsibility activities is a good predictor of firm market value in the financial and non-services sectors. This result supports the argument that signal effectiveness can be improved by disclosing information that is relevant and needed by the receivers, hence the receivers are able to obtain a comprehensive picture of the company and make accurate decisions including investment decisions.

RECOMMENDATIONS

Management of industrial goods companies in Nigeria take substantial sufficient investment in social responsibility activities and also make voluntary disclosures in all the aspects of social investments, as it is believed that these disclosure paves the way for gaining a competitive advantage and plays a major role in projecting a clean image of the firms. Also, given the importance of social disclosures to a diversity of stakeholders, the study recommends that the Securities and Exchange Commission should make the disclosure social responsibility information mandatory for all companies.

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