A CLASSROOM ASSESSMENT OF CORPORATE SOCIAL RESPONSIBILITIES' IMPACT ON NIGERIA'S AGRO-ALLIED FIRMS' PERFORMANCE

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ABSTRACT

This study set out to investigate the performance of selected impact that corporate social responsibilities have on the profitability of agro-allied firms. Secondary data used was extracted from the financial statements of five agro-allied firms that listed on the Nigerian Stock Exchange (NSE) for 2010–2020 (eleven years). Quantitative research design was used. The data collected were analyzed using simple linear regression method. Profitability was measured using gross profits and profits after tax; while corporate social responsibility was measured using the actual sums of money expended on corporate social responsibility activities of firms under study. Based on the results of the study, profitability proxied by gross profits and profits after tax and corporate social responsibility 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 shareholders' wealth can be maximized through enhanced profitability via efficient expense on corporate social responsibility ventures.

Keywords: Linear, Agric-Business, Firms, Profitability.

INTRODUCTION

Despite the fact that numerous academics have studied the subject of corporate social responsibility, the focus has been on different industries outside the agro-allied sub-sector of the economy. Majority of this research is either conducted on other nations, on the manufacturing sector (Usman et al., 2019) or on Nigeria as a whole (Olayinka & Temitope, 2012). 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.

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Moreover, implementation of corporate social responsibility is fast becoming one of the major objectives of firms; in consonance with sustainable development (Thi Hinh et al., 2015). However, the reasons directors spend hugely on corporate social responsibilities, instead of retaining earnings, are gradually becoming of concern to shareholders. Study set out to investigate the nature and strength of the nexus between corporate social responsibility and business performance in Nigeria. Further, it examines why business entities consistently choose to spend on social responsibilities like environmental preservation and community involvement. 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, corporate social responsibility 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. Bowen (1953) asserts that corporate social responsibility 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 corporate social responsibility expense weights on profitability of firms. Hence, study investigates the weight that corporate social responsibility has on sustaining profitability in Nigeria’s agro-allied industry.

Significance of the Study

The study's findings would aid agro-allied firms’ decisions about funding corporate social responsibility. It will contribute to the corpus of literature on the issue, help develop future study on the subject, and fill some gaps in the body of knowledge that have been identified.

Research Hypotheses

H_1: *Corporate social responsibilities have no impact on gross profit of agro-allied firms in Nigeria.*
H_2: *Corporate social responsibilities do not affect profit after tax of agro-allied firms in Nigeria.*

Material 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 analysed for the study were gathered from these five 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 analyse 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' corporate social responsibility activities serve as the study's independent

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variable; measured by the actuals spent on such activities during the relevant years. Study covers 11 years, from 2010 to 2020. Kindly see the appendix.

Model Specification

$$P = \beta_0 + \beta_1 R + \mathcal{E}_i$$

Where:

	P	=	Gross Profit or Profit after Tax
	β_0	=	an intercept of P
	β_1	=	a coefficient of CSR
	R	=	Corporate Social Responsibility
	$\mathcal{E}$	=	the error term

Priori expectation = β_0, $\beta_1 > 0$

Results of Data Analysis

Kindly see Tables 1, 2, 3, 4 & 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.

Model Summary

Table 1
OLS USING GROSS PROFIT AND CORPORATE SOCIAL RESPONSIBILITY DATA FROM 2010-2020

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	0.310a	0.096	0.077	35889976332

a. Predictors: (Constant), corporate social responsibility

Table 2
ANOVA[a]

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	6.4151E+21	1	6.4151E+21	4.98	0.030b
	Residual	6.05402E+22	47	1.28809E+21		
	Total	6.69554E+22	48			

a. Dependent Variable: Gross Profit
b. Predictors: (Constant), corporate social responsibility

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Table 3
COEFFICIENT

Model		Unstandardized Coefficient		Standardized Coefficient	t	Sig.
		B	Std. Error	Beta		
1	Constant	29144620925	5.74E+09		5.074	0
2	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≠ Median≠Mode. Study investigates as stated in its null hypothesis (HO_1) 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 GP. 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	0.310	0.096	4.980	0.030	Yes

Interpretation of Regression Result 1

The corporate social responsibility variable has a positive sign from the analysis presented in Table 4 above, showing a positive association with a p-value of 0.030.

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 corporate social responsibility. 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 corporate social responsibility initiatives have significant impact on the gross profit of agro-allied businesses in Nigeria (Table 6).

Research hypothesis 2

H_2: *Organizational Corporate Social responsibility actions do not affect the profit after tax of agro-allied firms in Nigeria.*

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Table 5
MODEL SUMMARY

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	0.314a	0.098	0.079	11584127670

a. Predictors: (Constant), corporate social responsibility

Table 6
ANOVA

Model	Sum of Squares		df	Mean Squares	F	Sig.
1	Regression	6.88496E+20	1	6.88496E+20	5.131	0.028[b]
2	Residual	6.30702E+21	47	1.34192E+20		
3	Total	6.99552E+21	48			

Table 7
COEFFICIENTS[a]

Model		Unstandardized Coefficients		Standardized Coefficients	T	Sig.
		B	Std. Error	Beta		
1	Constant	1069184928	1853768458		5.768	0
2	Corporate Responsibility	15.738	6.968	0.314	2.265	0.028

a. Dependent Variable: Profit

Study investigates as stated in its null hypothesis (HO_2) 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 $R^2=0.098$ depicts that the model explains 9.8% of the variance in PAT (Table 7).

Table 8
BELOW SHOWS THE SUMMARY OF THE FINDINGS

Hypothesis	Regression weights	Beta coefficient	R^2	F	P-Value	Hypothesis supported
H_1	CSR-PAT	0.314	0.098	5.131	0.028	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 $H0_2$. This shows that changes in corporate social responsibility initiatives have significant impact on the after tax profitability of agro-allied businesses in Nigeria (Table 8).

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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 (McWilliams & Siegel, 2000) that corporate social responsibility is effective as long as it engenders wealth. Some other previous studies that found corporate social responsibility effectiveness on profitability statistically significant include Margarita (2004), Choi et al. (2010), Olayinka & Temitope (2012), Amole et al. (2012), Emezi (2015), Adriana and Simon (2017), and Usman et al. (2019). Notwithstanding, we still find some that found no significant correlation between the two variables. These include Ullmann (1985) cited in Amole et al. (2012) and Mulyadi & Anwar (2012). In fact, Cho et al. (2019) declare that corporate social responsibility performance is inversely correlated with profitability.

Policy Implication

All agro-allied firms listed on the Nigeria Stock Exchange should be encouraged to incorporate corporate social responsibility into their operations, since it has positive long-term effects that may not be seen in immediate (Table 9, 10, 11, 12 &13).

Recommendation

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

Appendix

Table 9
DATA COMPUTED FROM ANNUAL REPORTS OF DANGOTE SUGAR NIGERIA PLC

YEAR	GROSS PROFIT ₦	PROFIT AFTER TAX ₦	CORPORATE SOCIAL RESPONSIBILITY ₦
2010	18,098,323,000	11,282,240,000	N/A
2011	13,733,316,000	7,111,318,000	N/A
2012	23,228,510,000	10,796,416,000	3,780,000
2013	26,969,898,000	13,537,612,000	230,500,000
2014	21,734,602,000	11,908,690,000	16,090,000
2015	22,835,147,000	12,659,855,000	N/A
2016	25,484,274,000	14,198,693,000	48,440,000
2017	52,651,356,000	37,822,608,000	344,643,000
2018	41,959,198,000	25,830,941,000	302,660,543
2019	40,334,175,000	24,102,818,000	84,140,235
2020	53,207,132,000	31,370,659,000	910,179,700

Source: Annual reports gotten from African Financials

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Table 10
DATA OBTAINED FROM THE ANNUAL REPORTS OF HONEYWELL FLOUR MILLS PLC

YEAR	GROSS PROFIT ₦	PROFIT AFTER TAX ₦	CORPORATE SOCIAL RESPONSIBILITY ₦
2010	5,834,171,000.00	1,948,396,000.00	700,000.00
2011	1,228,626,000.00	2,412,769,000.00	3,150,000.00
2012	4,794,745,000.00	2,600,712,000.00	3,891,000.00
2013	7,921,060,000.00	2,843,520,000.00	5,227,000.00
2014	10,457,631,000.00	3,351,564,000.00	7,681,658.00
2015	7,503,534,000.00	1,120,267,000.00	N/A
2016	4,361,394,000.00	3,023,852,000.00	11,707,774.00
2017	12,712,622,000.00	4,304,955,000.00	20,901,974.00
2018	16,052,649,000.00	4,426,978,000.00	15,263,699.00
2019	11,509,174,000.00	68,368,000.00	10,299,254.00
2020	13,861,838,000.00	650,492,000.00	9,531,869.00

Source: Annual reports gotten from African Financials

Table 11
PRESENTATION OF DATA GOTTEN FROM THE ANNUAL REPORTS OF FLOUR MILLS OF NIGERIA

YEAR	GROSS PROFIT	PROFIT AFTER TAX	CORPORATE SOCIAL RESPONSIBILITY
	₦	₦	₦
2010	N/A	N/A	N/A
2011	19,936,161,000	10,095,752,000	N/A
2012	26,686,363,000	8,896,718,000	15,170,000
2013	23,183,983,000	8,745,447,000	30,200,000
2014	29,279,322,000	10,437,522,000	41,500,000
2015	24,943,523,000	2,419,544,000	27,725,000
2016	24,211,587,000	10,425,786,000	7,620,000
2017	50,306,466,000	9,829,046,000	16,000,000
2018	51,576,994,000	9,244,729,000	20,700,000
2019	33,131,655,000	17,549,507,000	10,850,000
2020	39,931,476,000	12,582,571,000	1,202,953,148

Source: Annual reports gotten from African Financials

Table 12
DATA COMPUTED FROM THE ANNUAL REPORTS OF NESTLE NIGERIA PLC

YEAR	GROSS PROFIT ₦	PROFIT AFTER TAX ₦	CORPORATE SOCIAL RESPONSIBILITY ₦
2010	36,230,842,000	9,783,578,000	3,000,000
2011	40,792,889,000	16,808,764,000	12,802,000
2012	50,168,632,000	21,137,275,000	37,018,000
2013	56,785,929,000	22,258,279,000	35,826,000
2014	61,229,931,000	22,235,640,000	45,547,000
2015	67,345,569,000	23,736,777,000	47,191,259
2016	75,327,592,000	7,924,968,000	8,778,000

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2017	100,871,151,000	33,723,730,000	2,088,000
2018	113,920,176,000	43,008,026,000	33,965,000
2019	128,146,782,000	45,683,113,000	42,905,415
2020	199,211,471,000	39,212,025,000	787,709,898

Source: Annual reports gotten from African Financials

Table 13
DATA COMPUTED FROM THE ANNUAL REPORTS OF OKOMU OIL PALM COMPANY PLC

YEAR	GROSS PROFIT ₦	PROFIT AFTER TAX ₦	CORPORATE SOCIAL RESPONSIBILITY ₦
2010	3,892,252,000	1,629,456,000	20,000
2011	6,853,655,000	3,923,760,000	20,200,000
2012	6,305,299,000	3,590,763,000	55,975,000
2013	4,986,877,000	2,092,174,000	282,473,000
2014	4,764,956,000	1,553,455,000	59,437,000
2015	6,312,798,000	2,631,145,000	94,734,000
2016	10,775,246,000	4,910,273,000	124,964,000
2017	16,035,465,000	9,147,850,000	82,343,000
2018	14,898,612,000	8,510,849,000	257,204,000
2019	12,981,165,000	5,049,637	183,632,000
2020	15,712,735,000	7,780,519,000	255,352,000

Source: Annual reports gotten from African Financials

CONCLUSION

Results show strong correlation between earnings and firms' expenditures on corporate social responsibility. Hence, we reject the two null hypotheses.

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