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Corporate Goverance and Corporate Social Responsibility of Listed Companies in Nigeria

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Abstract
This study examined corporate governance and corporate social responsibility of companies quoted on the Nigerian Stock Exchange for the period 2010 - 2013. To achieve this objective, agency theory and resource dependency theory is adopted to understand the extent to which corporate governance characteristics such as board independence, board size, public ownership, foreign ownership and CEO duality impacts on corporate social responsibility disclosures of employee welfare and training, donation and community development and environmental and government policies. The data for this study were obtained from the annual reports of sampled companies and econometric tools of diagnostic test and regression analysis were used for the analysis of data. Our results suggest that there is a significant relationship between board independence, public ownership and foreign ownership on corporate social responsibility disclosures in the annual reports. However, the results also suggest no significant relationship between board size and CEO duality on corporate social responsibility disclosures in annual reports of Nigerian companies. Hence, the study concludes that corporate governance plays a major role in the disclosure of organizations social responsibility. The study also made useful recommendations on improving corporate social responsibility disclosure in annual reports.
Keywords: Corporate Governance, Corporate Social Responsibility, Agency Theory

INTRODUCTION

The correlation between corporate governance and corporate social responsibility disclosure by corporations has become a vital aspect of research in accounting and management. This is because we are faced with the reality that corporate social responsibility has evolved within a system towards the spirit of free –market individualism without effective state direction (Dibia, 2015). Hg (2007) assert that corporations have traditionally been conceived as self – centred profit maximizing entities constituting the central tenets of capitalism and free – market philosophies. However, recent corporate scandals and failures have redirected attention to issues of transparency and accountability heightening the discourse on corporate governance and ethics of economic conduct (Marsigha and Falautano, 2005; Jamil, Safieddine and Rabbath, 2008). Hence, recent evidence suggests that corporations are generally more involved today to widen the basis of their performance evaluation from short term focus to include long term social, environmental and economic impact on value added (Hardjono and Van Marrewijk, 2001). This is where corporate governance and corporate social responsibility reporting comes into play.

Corporate governance and corporate social responsibility reporting remains an important issue of discourse for academics and managers of corporations. This is because corporate governance is a system of contracts, rules, norms and institutions aimed assuring the accomplishment of promises that corporate managers implicitly undertake with the investors financial capital into a corporation. Appah (2013) stated that corporate governance is all about the relationship between the owners and managers in directing and controlling companies as separate entities. It is a system of directing and controlling the corporate entities, be they in the private sector, public sector or be they financial institutions to fulfill long – term strategic goals, taking care of the welfare of their employees and the local community, maintaining harmonious relations with their suppliers and customers and work in compliance with the legal framework that exists in the country and use such processes of production that generate minimum externalities of the negative kind of the nation as a whole (Appah and Emeh, 2013). The Commission of the European Communities (2001) in Dibia (2015) defined corporate social responsibility as the integration of social and environmental concerns by corporations in their business operations and in their interaction with their stakeholders on a voluntary basis. Appah (2011) stated that it is related to complex issues such as environmental protection, human resources management, health and safety at work, relations with local communities, relations with suppliers and consumers. Branco and Rodrigues (2006) noted that corporate social responsibility is now seen as a source of competitive advantage and not as an end in itself. Corporate social responsibility is the set of obligations an organisation has to protect and enhance the society in which it functions. CRS demands that corporate entities behave in a manner that preserves and protects our social foundations, values and institutions (Singh, 2006). According to Nwachukwu (2008), social responsibility is seen as the intelligent and objective concern for the welfare of society which restrains individual and corporate beahviour from ultimately destructive activities, no matter how immediately profitable and which leads in the direction of positive contributions to human betterment.

The nexus between corporate governance and corporate social responsibility is complex and its complexity is confirmed by the number of empirical literature in area which does not provide clear cut results. Various lines of research provide an understating of corporate social responsibility on corporate governance (Sacconi, 2007, 2010, 2011; Freeman, Harrison, Wicks, Parmar and De Colle, 2010; Stout, 2011 and Donaldson, 2012). According to these views, corporate social responsibility is not only a form of corporate strategic management but also a model for governing transactions among the firm's stakeholders. Here governance is no longer the set of rules simply allocating property rights and defining the owners' control over the company's management. Therefore, the objective of this study is to examine the relationship between corporate governance and corporate social responsibility disclosures in annual reports of companies quoted in Nigeria. To achieve this objective, the paper is divided into five interconnected parts. The next section presents the literature review. Section three presents the materials and methods; section four the results and discussions and the final section presents the conclusion and recommendations.

LITERATURE REVIEW

Theoretical Framework

The relationship between corporate governance and corporate social responsibility are examined by two theories; the agency theory and resource dependence. **Agency theory** is based on the relationship between the principal and the agent. The separation of ownership from management in modern corporations provides the context for the functioning of the agency theory (Appah and Emeh, 2013). The theory of agency relationship mirror the basic structure of a principal and an agent who are engaged in cooperative behaviour, but have differing goals and attitudes towards risk. The theory further assumes that principals because of information asymmetry cannot adequately observe actions that agents are taking in their benefit (Barac and Klepo, 2006). The agency theory provides a basis for the governance of firms through various internal and external frameworks (Weir, Laing and McKnight, 2002; Roberts, McNulty and Skiles, 2005). The most important basis of agency theory is that the managers are usually motivated by their own personal gains and work to exploit their own personal interests rather than considering shareholders interests and maximizing shareholder value. **Resource dependence theory** views organisations as being dependent on their external environment and suggests that organizational effectiveness results not only from the firm ability to manage resources but more importantly from its capacity to secure basic resources from the environment. Ruigrok, Peck and Tacher (2007) document that board member networks and contracts are fundamental for their ability to perform the role boundary spanners securing contract for their companies. This theory is used to underpin the relationship between the boards of directors as provider of resources and financial reporting quality.

Conceptual Framework

The conceptual framework of this study examines the concept of corporate governance and corporate social responsibility. The study further examines the link between corporate governance on corporate social responsibility in the annual reports of Nigerian quoted companies.

Corporate Governance

According to Oyejide and Soyibo (2001), the concept of corporate governance can be viewed from two perspectives: a narrow view in which it is viewed merely as being concerned with the structures within which a corporate organization receives its basic orientation and direction; and a broad view in which it is regarded as being the heart of both market economy and democratic society. Saravanamuthu (2004), stated that the narrow view portrays it as an enforced system of laws and of financial accounting, where socio – environmental considerations are accorded a low prority. This view examines issues relating to shareholder protection, management control and the popular principal-agent relationship (Li, Pike and Hanniffa, 2008; Ojo, 2009). While proponents of the broader view uses the resultant problems of the privatization crusade, the transition economies, the issues of institutional, legal and capacity building as well as rule of law. According to MacMillan, Money, Downings and Hillenbard (2004), corporate governance ensures that businesses work towards the different stakeholders that provide it with the necessary resources for its survival, competitiveness and success.

Ayininuola (2009) says "corporate governance is about ensuring that a mechanism is in place to guarantee that goals pursued by managers do not diverge from those of owners". It deals with the ways in which suppliers of funds to corporations assure themselves of getting a fair return on their investment. O'Donovan (2003) defines corporate governance as "an internal system encompassing policies, processes and people, which serve the needs of shareholders and other stakeholders, by directing and controlling management activities with good business savvy, objectivity, accountability and integrity". Its reliance on external marketplace commitment and legislation, plus a healthy board culture which safeguards policies and processes. Maier (2005) defines corporate governance as a set of relationships between a company's management, its board, its shareholders and its stakeholders. It is the process by which directors and auditors manage their responsibilities towards shareholders and wider

company stakeholders. For shareholders, it can provide increased confidence of an equitable return on their investment. For company stakeholders, it can provide an assurance that the company manages its impact on society and the environment in a responsible manner"

Macey (2008) argues that the purpose of corporate governance is to persuade, induce, compel, and otherwise motivate corporate managers to keep the promise they make to investors. Another way to say this is that, corporate governance is about reducing deviance by corporation where deviance is defined as any actions by management or directors that are at odds with the legitimate, investment-backed expectations of investors. Good corporate governance, then, is simply about keeping promises. Bad governance (corporate deviance) is defined as promise breaking behavior.

While there is no single model of good corporate governance, there are some fundamental principles that are recognized internationally as capable of producing sound corporate governance which include the rights of shareholders, the equitable treatment of shareholders, the role of shareholders, disclosure and transparency, and the responsibility of the Board of Directors (Ige, 2008; Ayininuola, 2009; Appah and Appiah, 2011). **Rights and equitable treatment of shareholders:** Organizations should respect the rights of shareholders to exercise those rights. They should help shareholders exercise their rights by effectively communicating information that is understandable and accessible and encouraging shareholders to participate in general meetings. **Interests of other stakeholders:** Organisations should recognize that they have legal and other obligations to all legitimate stakeholders. **Disclosure and transparency:** Organizations should timely and accurately disclose information on all matters relating to the organization. **Role and responsibility of the board:** The board needs a range of skills and understanding to be able to deal with various business issues and have the ability to review and challenge management performance (Appah and Appiah, 2010).

Corporate Social Responsibility

Corporate social responsibility is a concept that has attracted worldwide attention and acquired a new resonance in the global economy (Jamali, 2006). Sacconi (2010) defines corporate social responsibility as a model of extended corporate governance whereby those who run firms, such as entrepreneurs, directors, managers, have responsibilities that range from fulfillment of their fiduciary duties towards the owners to fulfillment of analogous fiduciary duties towards all the firm's stakeholders. The World Business Council for Sustainable Development (WBCSD) defines corporate social responsibility as the commitment of business to contribute to sustainable economic development, working with employees, their families and the local communities (WBCSD, 2001). More generally, corporate social responsibility is a set of policies, practices, and programs that are integrated throughout business operations and decision-making processes, and intended to ensure that the company maximizes the positive impacts of its operations on society (Business for Social Responsibility, 2006). Several authors also conceive of corporate social responsibility as encompassing two dimensions: internal and external. The internal corporate social responsibility ensures that companies revise their in-house priorities and accord due diligence to their responsibility to internal stakeholders, addressing issues relating to skills and education, workplace safety, working conditions, human rights, equity considerations, equal opportunity, health and safety, and labor rights (Jones, Comfort and Hillier, 2005). While the external corporate social responsibility examines the external dimension of corporations which accord due diligence to external – economic and social – stakeholders and the natural environment (Munilla and Miles, 2005). The environmental component addresses primarily the impacts of processes, products, and service on the environment, biodiversity, and human health, while the social bottom line incorporates community issues, social justice, public problems, and public controversies.

Link between Corporate Governance and Corporate Social Responsibility

There is a clear relationship between corporate governance and corporate social responsibility which considers business as responsible vis-à-vis a complex web of interrelated stakeholders that sustain and add value to the firm (Jamdi, Safieddine and Rabbath, 2008). Several authors in corporate social responsibility emphasize the need to uphold the highest standards of governance internally, particularly in discussions of the internal dimension of corporate social responsibility (Perrini, Pogutz and Tencati, 2006). Both corporate governance and corporate social responsibility call on companies to assume their fiduciary and moral responsibilities toward stakeholders. This act of accountability is crucial for a business to gain and retain the trust of its financial investors and other stakeholders (Jamdi, Safieddine and Rabbath, 2008). Both concepts thus draw vigor from the same sources, namely transparency, accountability, and honesty (Van den Berghe and Louche, 2005). Marsiglia and Falautano (2005) similarly suggest that good corporate governance and corporate social responsibility initiatives are gradually advancing from a philanthropic variant of corporate capitalism to authentic strategies intended to regain the trust of clients and society at large. While corporate governance implies "being held accountable for," corporate social responsbility means "taking account of" and both mechanisms are increasingly used by firms to regulate their operations (Marsiglia and Falautano, 2005). Jamdi, Safieddine and Rabbath, (2008)

argue that, within the framework of legitimacy theory, corporate governance and corporate social responsibility are intricately related notions defining the interaction between an organization and its internal and external sociopolitical environment, with both increasingly considered as complementary fundamental prerequisites for sustainable growth within a globalizing business environment.

Empirical Studies

There are plethora of studies on corporate governance and corporate social responsibility. Rashima, Yuserrie and Hasnah (2009) studied the relationship between corporate social responsibility disclosures and corporate governance characteristics in Malaysian public companies. Their study revealed that only government ownership and audit committee were related to corporate social responsibility disclosure while board size, board independence, ten largest shareholders, managerial ownership and foreign ownership showed no relationship with corporate social responsibility disclosure. Haniffa and Cooke (2005) study of culture and governance on social reporting find a positive significant relationship between foreign ownership and corporate social reporting disclosures in Malaysia indicating that Malaysian companies use corporate social reporting disclosure as a proactive legitimating strategy to obtain continued inflows of capital and to please ethical investors. Harjoto and Jo (2011) investigated corporate governance and corporate social responsibility nexus and reported that corporate social responsibility disclosures were significantly correlated with board independence, measured in terms of the percentage of independent directors in the board. Consistent with this, it can, therefore, be argued that the presence of independent directors in the board will enhance corporate social responsibility disclosure. Khan, Muttakin and Siddiqui (2012) investigated corporate governance and corporate social responsibility disclosures: evidence from an emerging market. The result showed a negative relationship between managerial ownership and CRS disclosure. Also a positive and significant association between public ownership, board independence, audit committee on CRS disclosure existed but no significant association between CEO Duality and CRS disclosures. Therefore, this study hypothesized that there is no significant relationship between selected corporate governance characteristics and corporate social responsibility disclosures in Nigerian annual reports.

MATERIALS AND METHODS

This study adopted the cross – sectional research design. The population of this study is made up of all companies quoted on the Nigerian Stock Exchange for the period 2010 – 2013. The study adopted simple random sampling considering the impracticability of observing the total population of the study. A sample size of thirty five (35) companies was selected and secondary data was retrieved from the annual reports of the sampled companies. Prior studies of Thompson and Zakaria (2004), Appah (2011), Dibia (2015) argue that annual reports are viewed as the main official and legal document, which are produced on regular basis and act as a vital place for the presentation of an organization's communication users of financial statements. Hence, this study examines corporate governance and corporate social responsibilities disclosures in annual reports. The measures of corporate governance and corporate social responsibility to be used for the analysis will be extracted using content analysis. It is a research technique for the objective, systematic and qualitative description of the manifest content of communication (Appah, 2011). It is a method of coding the text or the content of a piece of writing into various groups or categories based on selected criteria (Jamil, Alwi and Mohammed, 2003). This method was chosen due to its ability to analyse different types of communication tools including those in written code. Content analysis was used to examine written materials contained in the annual reports. This type of analysis was used due to the fact that this study only focuses on one document, which is the annual report. Content analysis has been used in numerous studies on social accounting disclosures (see Jamil, Alwi and Mohammed, 2003; Kuasirikun and Sheen, 2004). The linear model for this study specifies corporate social responsibility (CRS) as a dependent function of corporate governance (CG). Thus the model specification is:

$CSR = F(CG)$ ………………………………………………………………………………… (1)

$CSR = \beta_0 + \beta_1 CG_1 + \varepsilon$ …………………………………………………………………………… (2)

However, the model is re-specified to examine the effect of corporate governance proxies and corporate social responsibilities proxies consistent with prior studies:

$EWT = \beta_0 + \beta_1 BOI_1 + \beta_2 BOZ_2 + \beta_3 PUBO_3 + \beta_4 FORO_4 + \beta_5 CEOD_5 + \varepsilon$ …………………… (3)

$DCD = \beta_0 + \beta_1 BOI_1 + \beta_2 BOZ_2 + \beta_3 PUBO_3 + \beta_4 FORO_4 + \beta_5 CEOD_5 + \varepsilon$ ……………………… (4)

$EGP = \beta_0 + \beta_1 BOI_1 + \beta_2 BOZ_2 + \beta_3 PUBO_3 + \beta_4 FORO_4 + \beta_5 CEOD_5 + \varepsilon$ ……………………… (5)

The aprori expectation: B_1-β_5>0

Where: CSR = Corporate Social Responsibility

CG = Corporate Governance

EWT = Disclosure on Employee Welfare and Training

DCD = Disclosure on donations and community development activities

EGP = Disclosure on Environmental and other Governmental Policies

BOI = Board Independence

BOZ = Board Size
PUBO = Public Ownership
FORO = Foreign Ownership
CEOD = CEO duality
β1, β2, β3, β4, β5 are the coefficients of the regression, while ε is the error term capturing other explanatory variables not explicitly included in the model. However, the model was tested using the diagnostic tests of heteroskedasitcity, serial correlation, normality and misspecification tests (Gujarati and Porter, 2009; Asterious and Hall, 2007). Augmented Dickey-Fuller was also used in the study for stationarity of data.

Table 1: Operationalisation of Variables

Variables	Measurement	Source
Corporate Social Responsibility	EWT = Disclosure on Employee Welfare and Training DCD = Disclosure on donations and community development activities EGP = Disclosure on Environmental and other Governmental Policies	Owolabi (2010), Dibia (2015)
Corporate Governance	BOI = Board Independence BOS = Board Size PUBO = Public Ownership FORO = Foreign ownership CEOD = CEO Duality	Abdelsalam and Street (2007), Coles, Daniels and Naveen (2008), Sarkar, Sarkar and Sen (2008), Khan, Muttakin and Siddiqui (2012) Appah and Emeh (2013)

RESULTS AND DISCUSSIONS

This section of the paper presents the results and discussion obtained from the annual reports of sampled companies for corporate governance characteristics and corporate social responsibility disclosures in Nigeria.

Table 2: Variance Inflation Factor Values

	Model 3	Model 4	Model 5
BOI	3.841	2.140	2.465
BOS	4.345	1.703	3.947
PUBO	4.746	2.347	1.263
FORO	6.847	5.283	5.384
CEOD	2.953	3.284	4.384

Source: Researchers computation (2015)

Table 2 shows the variance inflation factor of how much of the variance of a coefficient estimate of a regressor has been inflated due to collinearity with the other regressors. Basically, VIFs values that exceed 10 are generally viewed as evidence of the existence of problematic multicollinearity (Asterious and Hall, 2009). As shown in the table, none of the variables appear to have VIFs values exceeding 10 and hence none is dropped from the regression model.

Table 3: Ramsey RESET Test:

F-statistic	0.067894	Probability	0.794795
Log likelihood ratio	0.071133	Probability	0.789695

Source: e-view output

Table 3 shows the Ramsey RESET test for misspecification. The econometric result suggests that the probability values of 0.794 (79%) and 0.789 (79%) are in excess of the critical value of 0.05 (5%). Therefore, it can be seen that there is no apparent non-linearity in the regression equation and so it would be concluded that there is no significant evidence of misspecification.

Table 4: White Heteroskedasticity Test:

F-statistic	0.942165	Probability	0.496821
Obs*R-squared	9.519861	Probability	0.483577

Source: e-view output

Table 4 shows the White Heteroskedasticity test for the presence of heteroskedasticity. The econometric result reveals that the probability values of 0.496 (50%) and 0.483 (48%) are considerably in excess of 0.05 (5%). Therefore, there is no evidence for the presence of heteroskedasticity in the model.

Table 5: Breusch-Godfrey Serial Correlation LM Test:

F-statistic	6.929189	Probability	0.121336
Obs*R-squared	13.34731	Probability	0.101264

Source: e-view output

Table 5 shows the Breusch – Godfrey Serial Correlation LM test for the presence of auto correlation. The result reveals that the probability values of 0.12 (12%) and 0.10 (10%) is greater than the critical value of 0.05 (5%). This implies that there is no evidence for the presence of serial correlation.

Table 6: Disclosure of Employee Welfare and Training and Corporate Governance

Variable	Panel OLS (Fixed Effects)		Panel OLS (Random)		Pooled OLS	
	Coefficient	Prob	Coefficient	Prob	Coefficient	Prob
C	15.437	0.024	20.275	0.000	22.741	0.004
BOI	0.286	0.023	1.564	0.032	0.864	0.053
BOZ	0.274	0.324	5.286	0.584	2.453	0.247
PUBO	0.235	0.040	3.623	0.045	1.345	0.072
FORO	0.346	0.064	1.424	0.065	1.472	0.082
CEOD	0.347	0.473	2.345	0.465	2.375	0.657
R^2	0.617		0.42		0.31	
ADJ R^2	0.564		0.34		0.26	
F –Stat	10.567		5.321		5.567	
P(f-stat)	0.001		0.021		0.023	
D.W.	2.16		1.92		2.05	
Hausman test	0.02					

Source: Eviews 7.0 *Significant at 5% **Significant at 10%

Table 6 shows the result for model three (3) which examines the impact of corporate governance characteristics on disclosure of employee welfare and training. As observed, the Panel OLS fixed effects estimation shows an R2 of 0.617 which suggests a 61.7% of the explanatory ability of the model for the systematic variations in the dependent variable with an adjusted value of 56.4%. The F – stat of 10.567 and p-value (0.001) indicates that the hypothesis of a significant linear relationship between dependent and independent variables cannot be rejected at 5% level. For the evaluation of the effects of the independent variables on disclosure of employee welfare and training, we examine their slope coefficients. The p-value of 0.023 for board independence is significant at 5% and 10% level of significance; p-value of 0.324 for board size is not significant at 5% and 10% level of significance; p-value of 0.040 for public ownership is significant at 5% and 10% level of significance; p-value of 0.064 for foreign ownership is significant at 10% level of significance and p-value of 0.473 for CEO duality is not significant at 5% and 10% level of significance.

Table 7: Disclosure of Donation and Community Development and Corporate Governance

Variable	Panel OLS (Fixed Effects)		Panel OLS (Random)		Pooled OLS	
	Coefficient	Prob	Coefficient	Prob	Coefficient	Prob
C	20.754	0.045	18.532	0.005	22.741	0.004
BOI	0.347	0.043	2.465	0.032	0.864	0.053
BOZ	0.274	0.412	3.876	0.584	2.453	0.247
PUBO	0.356	0.062	2.237	0.045	1.345	0.072
FORO	1.476	0.072	0.274	0.065	1.472	0.082
CEOD	1.437	0.537	1.345	0.465	2.375	0.657
R^2	0.773		0.65		0.62	
ADJ R^2	0.642		0.46		0.52	
F –Stat	12.73		6.158		7.567	
P(f-stat)	0.011		0.003		0.030	
D.W.	2.23		1.78		1.86	
Hausman test	0.00					

Source: Eviews 7.0 *Significant at 5% **Significant at 10%

Table 7 shows the result for model four (4) which examines the impact of corporate governance characteristics on disclosure of donation and community development. As observed, the Panel OLS fixed effects estimation shows an R^2 of 0.773 which suggests a 77.3% of the explanatory ability of the model for the systematic variations in the dependent variable with an adjusted value of 64.2%. The F – stat of 12.73 and p-value (0.011) indicates that the hypothesis of a significant linear relationship between dependent and independent variables cannot be rejected at 5% level. For the evaluation of the effects of the independent variables on disclosure of donation and community development, we examine their slope coefficients. The p-value of 0.043 for board independence is significant at 5% and 10% level of significance; p-value of 0.412 for board size is not significant

at 5% and 10% level of significance; p-value of 0.062 for public ownership is significant at 10% level of significance; p-value of 0.072 for foreign ownership is significant at 10% level of significance and p-value of 0.537 for CEO duality is not significant at 10% level of significance.

Table 8: Disclosure of Environmental & Govt Policies and Corporate Governance

Variable	Panel OLS (Fixed Effects)		Panel OLS (Random)		Pooled OLS	
	Coefficient	Prob	Coefficient	Prob	Coefficient	Prob
C	18.742	0.043	14.549	0.036	21.41	0.032
BOI	0.836	0.037	1.486	0.053	0.847	0.062
BOZ	1.734	0.524	5.626	0.532	2.431	0.407
PUBO	0.375	0.047	2.354	0.073	1.458	0.063
FORO	0.643	0.087	2.413	0.038	1.726	0.052
CEOD	2.347	0.563	4.216	0.571	2.547	0.507
R^2	0.673		0.52		0.42	
ADJ R^2	0.521		0.46		0.34	
F –Stat	13.723		6.123		5.732	
P(f-stat)	0.004		0.004		0.034	
D.W.	2.05		1.86		1.94	
Hausman test	0.02					

Source: Eviews 7.0 *Significant at 5% **Significant at 10%

Table 8 shows the result for model five (5) which examines the impact of corporate governance characteristics on disclosure of environmental and government policies. As observed, the Panel OLS fixed effects estimation shows an R^2 of 0.673 which suggests a 67.3% of the explanatory ability of the model for the systematic variations in the dependent variable with an adjusted value of 52.1%. The F – stat of 13.723 and p-value (0.004) indicates that the hypothesis of a significant linear relationship between dependent and independent variables cannot be rejected at 5% level. For the evaluation of the effects of the independent variables on disclosure of environmental and government policies, we examine their slope coefficients. The p-value of 0.037 for board independence is significant at 5% and 10% level of significance; p-value of 0.524 for board size is not significant at 5% and 10% level of significance; p-value of 0.047 for public ownership is significant at 5% and 10% level of significance; p-value of 0.087 for foreign ownership is significant at 10% level of significance and p-value of 0.563 for CEO duality is not significant at 5% and 10% level of significance.

The estimation result shows that there is no significant relationship between board size and disclosure of corporate social responsibility. This result is consistent with the findings of Rashima, Yuserrie and Hasnah (2009), which indicates that there is no significant relationship between board size and corporate social responsibility disclosures. There is also a significant relationship between board independence and corporate social responsibility disclosure. This result is supported by those of Petra (2005); Jo and Harjoto (2011) Khan, Muttakin and Siddiqui (2012). This result also supports the notion that independent directors can put pressure on companies to engage in corporate social responsibility to ensure congruence between organisational actions and societal values or organizational legitimacy (Khan, Muttakin and Siddiqui, 2012). The result also shows that there is a significant relationship between public ownership and foreign ownership on disclosure of corporate social responsibility. Our result indicates that when a company is publicly held, the issue of public accountability may become very important. These companies are expected to have more pressures to get involve in social or community activities. Therefore, publicly owned companies tend to get more involved in social activities to ensure organisational legitimacy and disclose more of these activities. This result supports the study of Rashima, Yuserrie and Hasnah (2009); Khan, Muttakin and Siddiqui, (2012). The result also shows that there is no significant relationship between CEO duality and corporate governance in Nigeria. The result supports the findings of Rashima, Yuserrie and Hasnah (2009); Khan, Muttakin and Siddiqui, (2012) that CEO duality does not significantly affect corporate social responsibility reporting and disclosure in the annual reports of Nigerian companies.

CONCLUSION AND RECOMMENDATIONS

The study examined the impact of corporate governance characteristics on corporate social responsibility disclosures in Nigeria. Review of relevant literature provides mixed evidence of the correlation between corporate governance on corporate social responsibility disclosures. Our research empirically substantiated the results of prior studies of the relationship between some elements of corporate governance and corporate social responsibility. The study examines the various variables in the corporate governance (board independence, board size, public ownership, foreign ownership and CEO duality) and various corporate social responsibility disclosures (employee welfare and training; donations and community development; and environmental and government policies). The empirical analysis provided a significant relationship between board independence, public ownership and foreign ownership on corporate social responsibility disclosures in the annual reports.

However, the study found no significant relationship between board size and CEO duality on corporate social responsibility disclosures. On the basis of the empirical result, the paper concludes that corporate governance affects the corporate social responsibility disclosures (that is board independence, public ownership and foreign ownership affects employee welfare and training; donations and community development; and environmental and government policies). Therefore, we recommend amongst others that managers of corporate entities should develop strategic decision making process that deal with competing preferences with respect to corporate social responsibility issues; regulators and policy makers should adopt an appropriate balance of legislation, regulatory reforms and their enforcement to improve corporate governance and corporate social responsibility disclosures in annual reports; the government should provide some incentives like differentials in tax treatment, subsidies, rebates etc. so that companies can take social programmes.

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