

CORPORATE SOCIAL RESPONSIBILITY DISCLOSURE AND FINANCIAL REPORTING QUALITY OF LISTED INDUSTRIAL GOODS COMPANIES IN NIGERIA

¹Mariyatu ISIIYAKU

²Ormin KOHOLGA, PhD

³Abel TARFA, PhD

^{1,2&3}Department of Accounting,
Adamawa State University, Mubi-Nigeria

Abstract

Corporate Social Responsibility Disclosure has become an important issue for Companies in many countries since the increased demand for information and transparency by stakeholders in the past three decades it has become a necessity for companies to communicate to stakeholders by disclosing their Corporate Social Responsibility (CSR) information on their financial statement. In Nigeria some Companies have responded by adopting Corporate Social Responsibility Reporting to provide information on their social performances. This study expands our knowledge by examining the association between Corporate Social Responsibility Disclosure and Financial Reporting Quality. It investigates the extent of relation between CSR and FRQ on value relevance, accrual quality, and earning persistence of listed industrial goods companies in Nigeria. Annual report of 11 listed industrial goods companies in Nigeria formed the sample size and the study covers the period from 2012 to 2021. Data were analysed using descriptive statistics, pearson's correlation statistics, multiple ordinary least square regression and granger causality. The study examines how Corporate Social Responsibility Disclosure (CSR), measured using the GRI framework, affects financial reporting quality. It finds that overall CSR improves value relevance, accrual quality, and earnings persistence. However, disclosures related to human rights and product responsibility do not significantly influence value relevance. As a result, the study advises Nigerian industrial goods companies to strengthen product standards and employee-related human rights practices.

Keywords *Corporate Social Responsibility Disclosure, Value Relevance, Accrual Quality, Earning Persistence, Content Analysis, Global Reporting Initiatives (GRI).*

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Corresponding Author:

Mariyatu ISIIYAKU

Department of Accounting

Adamawa State University Mubi

1.0 INTRODUCTION

Globally, the quality of financial reporting has become a central concern in accounting, finance, and corporate governance discourse. Financial Reporting Quality (FRQ) refers to the extent to which financial statements provide relevant, reliable, neutral, complete, and error-free information that faithfully represents a company's economic performance and position. High-quality financial reports enhance transparency, reduce information asymmetry, and support sound decision-making by investors, creditors, regulators, and other stakeholders. In modern capital markets, the credibility of financial information is critical because stakeholders rely on it to assess risk, evaluate performance, and allocate resources efficiently. Consequently, improving FRQ remains a key objective for regulators and standard-setters worldwide.

However, the quality of financial reporting does not exist in isolation; it is influenced by several corporate practices, one of which is Corporate Social Responsibility Disclosure (CSRD). CSRD refers to the disclosure of financial and non-financial information regarding a company's social, environmental, and ethical activities. From a global perspective, corporations are increasingly expected to go beyond traditional financial reporting and provide information about how their operations affect society and the environment. Such disclosures help stakeholders understand a company's long-term sustainability, ethical orientation, and risk exposure, all of which complement financial data. As public awareness of environmental and social issues continues to grow, stakeholders now demand greater transparency, compelling firms to integrate social and environmental reporting into their corporate communication strategies.

CSRD and Financial Reporting Quality is grounded in the broader concept of corporate transparency and accountability. Companies that are committed to disclosing their social and environmental activities often demonstrate

a culture of openness that extends to financial reporting. CSRD can enhance FRQ by reducing information asymmetry between management and stakeholders, thereby limiting opportunities for earnings manipulation and biased reporting. When firms disclose their social and environmental performance, they signal ethical responsibility and long-term orientation, which may encourage more careful and accurate financial reporting practices. In this way, CSRD serves not only as a tool for stakeholder engagement but also as a mechanism that can strengthen the credibility and reliability of financial information.

Furthermore, CSRD improves stakeholder confidence in financial reports by providing a broader context within which financial performance can be interpreted. Investors and other users of financial statements increasingly consider environmental and social risks when making decisions. By offering insights into how companies manage these risks, CSRD complements traditional accounting numbers and enhances the decision usefulness of financial reports. Studies such as Shahzed et al. (2019) emphasize that superior reporting quality legitimizes decision-making because it reflects the economic reality of a company's operations. Similarly, Vandemore et al. (2017) argue that the true value of financial statements lies in their usefulness to users, while Kartasasmita (2020) notes that CSRD plays a significant role in influencing investors' decisions and shaping corporate relationships with stakeholders.

In addition, CSRD reflects a company's interaction with key stakeholder groups such as host communities, employees, customers, and creditors. As Sweeney (2006) suggests, socially and environmentally responsible behavior strengthens corporate relationships with these groups, which in turn may encourage more responsible and transparent reporting practices. Firms that prioritize stakeholder welfare are more likely to adopt high ethical standards in financial reporting, thereby improving FRQ. This suggests that

CSRD and FRQ are interconnected elements of a broader corporate governance and accountability framework.

Despite the growing global interest in the relationship between CSRD and FRQ, evidence from developing economies remains limited. In Nigeria, where regulatory frameworks and stakeholder activism around social and environmental reporting are still evolving, the extent to which CSRD influences financial reporting quality is not yet fully understood. Companies in the industrial goods sector, in particular, have significant environmental and social impacts due to the nature of their operations. This makes CSRD especially relevant, as stakeholders are increasingly concerned about environmental sustainability, community relations, and ethical conduct in this sector.

The main objective of this study is to examine the association between corporate social responsibility disclosure and financial reporting quality of listed industrial goods companies in Nigeria. The specific objectives are as follows -

- i. To determine the extent of corporate social responsibility disclosure of listed industrial goods companies in Nigeria.
- ii. To examine the extent of relationship between corporate social responsibility disclosure and value relevance of listed industrial goods companies in Nigeria.

1.1 Statement of the Problem

In the past, corporate activities were primarily evaluated based on financial performance, with limited attention given to environmental and social responsibilities. However, over the last few decades, growing public awareness, stakeholder activism, and regulatory pressures have significantly changed expectations. Companies are now increasingly viewed not only as profit-making entities but also as environmental and social stewards. As a result, firms are expected to operate responsibly and to disclose information about their social and environmental activities, particularly in their annual reports. This shift is driven by both moral obligations and economic incentives, as transparent social and environmental reporting can enhance the information value of financial

statements and attract investors, including those who prioritize ethical and sustainable investments. Currently, Corporate Social Responsibility Disclosure (CSRD) has become an important area of academic and professional interest in both developed and developing economies. Most existing studies have examined CSRD in relation to financial performance, cost of equity (Bihdari, 2018; Hategan et al., 2018), corporate governance (Sahut et al., 2019), and firm value (D'Amato & Falivena, 2020). While these studies provide valuable insights, they focus largely on market-based and governance outcomes rather than on the quality of financial reporting itself. A few studies, such as those by Cui et al. (2018), Likanopa et al. (2019), and Rezaee et al. (2020), have explored the relationship between CSRD and Financial Reporting Quality (FRQ), but their findings remain mixed and inconclusive.

Despite the growing global literature, significant gaps remain, particularly in the context of developing countries like Nigeria. Empirical evidence on the extent and implications of CSRD in Nigeria is still limited, and the commonly held assertion that Nigerian firms exhibit low levels of social and environmental disclosure has not been sufficiently tested. Furthermore, little attention has been given to how CSRD influences the quality of financial reporting in this environment. With the adoption of International Financial Reporting Standards (IFRS), which aim to improve transparency and disclosure practices, it becomes important to reassess voluntary social responsibility disclosures and their impact on FRQ. Therefore, investigating the relationship between CSRD and financial reporting quality among publicly listed industrial goods companies in Nigeria helps to address these gaps and contributes to the broader literature on sustainability reporting in developing economies.

2.0 Literature Review

Concept of Corporate Social Responsibility Disclosure

Before addressing the specific concept of CSRD, it is essential to explain the broader definition of social responsibility which Centros and International Reporting (2018) postulates is the origin of CSRD lessons. According to Govekar

and Hoffman (2007), the concept of social responsibility emerged in 1923 when Sheldon forcefully argued in favor of the principle that reasonable societies are for four schools of thought where companies should give strong. This concept is based on the premise that for companies to exist and thrive, they need to make and maintain commitments to the society through their activities. As is often the case with social science and the broader social science umbrella, a universal definition of social responsibility remains hard to come by Dahlsrud (2008) Mihalache (2013). Dahlsrud (2008) further observations are that the terms corporate social responsibility, corporate citizenship, business ethics, or simply CSR have been used almost interchangeably. Ruggie (2012) considered CSR as a means by which companies prove their intentions, legitimacy socially. As Hopkins (2004) notes, Corporate Social Responsibility Disclosure (CSR) is an idea that addresses the interaction of companies with their stakeholders, engagement that is responsible and ethical and in accordance with the norms of society in whose best interest these stakeholders are. In the words of the International Business Leaders Forum (2005), CSR is a propriety of business enterprises to abide by legally condoned practices which respect employees, communities and the ecosystems enabling a greater good to be created from both the shareholders and society (Nelson, 2006).

Concept of Financial Reporting Quality

Financial reporting quality describes whether the information contained in the statements and the additional information provided are accurate and reliable. It assesses the extent to which the financial statements are meaningful in accurately disclosing all necessary information. Under high quality of financial reports and disclosure, the information is relevant, and decision usefulness. You can also interpret this concept as the accuracy of the financial statements in reference to the activities and procedures of the companies. Financial statements, in regards to reporting quality, contain highly relevant input and information that can be depended upon and are accurate. As noted by CFA Institute (2019)- financial disclosure quality is best described as companies financial reporting

attributes. Also, while meeting the requirements of GAAP is necessary, this alone cannot result in high-quality reporting as GAAP allows for numerous types of accounting shots. In order for the set of financial statements to be of high quality, they need to assist the target audience in reaching a more informed conclusion or decision.

Relationship between Corporate Social Responsibility (CSR) Disclosure and Financial Reporting Quality

Corporate Social Responsibility (CSR) disclosure in Nigerian firms has been shown to have significant connections with aspects of financial reporting quality, particularly in how sustainability and social information is integrated into annual reports. Research on listed non-financial firms on the Nigerian Stock Exchange found that sustainability information disclosure, which includes CSR components, positively influences the quality of financial reporting. Specifically, disclosures on socio-environmental policies and environmental research and development were associated with higher financial reporting quality, suggesting that comprehensive CSR reporting can enhance transparency and accountability in financial disclosures by reducing information asymmetry and reinforcing stakeholders' confidence in reported results. This underscores that when Nigerian firms commit to robust CSR disclosure practices, they can improve the clarity, relevance, and reliability of financial information, aligning with global financial reporting expectations (Ololade, 2020).

However, the impact of CSR disclosure on financial reporting quality is not uniform across all CSR dimensions in Nigeria. A study examining CSR and environmental disclosure among Nigerian listed firms found that environmental disclosure significantly related to financial reporting quality, while social disclosure alone did not show a statistically significant relationship with financial reporting quality. This suggests that not all CSR disclosures equally influence financial reporting quality; the content and focus of disclosures matter. Thus, while CSR disclosure

can be an important driver of enhanced financial reporting practices, its effectiveness depends on how it is integrated into reporting frameworks and the extent to which it encompasses both social and environmental components that stakeholders find material for assessing firm performance (Amenaghawon, et al., 2021).

Empirical Review

Khuong, Rahman, Meero, Anh, Liem, Thuy and Ly (2022) examined the impact of CSRD on accounting comparability on earnings persistence of 76 Vietnamese companies during the period 2014 to 2017. The study used the Generalized Method of Moments (GMM) regression method to analyze the data. The study found that CSRD affects accounting comparability which impacts earnings persistence. The study recommended that the management of the companies should ensure transparency of information disclosure so as to increase accounting comparability and CSRD so as to maintain earnings persistence. Khuong et al. (2022) provide valuable insights into the relationship between corporate social responsibility disclosure (CSRD), accounting comparability, and earnings persistence in Vietnamese firms. However, several gaps remain. The study was limited to 76 companies in Vietnam, which restricts the generalizability of the findings to other emerging markets or developed economies with different institutional and regulatory frameworks. Additionally, the study focused solely on accounting comparability as the mechanism through which CSRD influences earnings persistence, neglecting other potential mediating factors such as governance quality, audit practices, or investor perceptions. The analysis period of 2014–2017 was also relatively short, which may not capture long-term trends in disclosure practices and earnings persistence. Future research could address these gaps by expanding the sample across multiple sectors and countries, examining additional mediating or moderating variables, and using longer time horizons to assess the sustained impact of CSRD on earnings

reliability and comparability. Moreover, comparative studies using alternative econometric methods beyond GMM could strengthen causal inferences.

Abed, Hussin, Haddad, Al-Ramahi and Ali (2022) carried out a study on the moderating effects of corporate social responsibility on the relationship between creative accounting determinants and financial reporting quality. The study sampled 364 employees of Iraqi commercial banks. The data were analyzed using the SPSS v.25 and AMOS v.24 software. The results showed that corporate social responsibility significantly moderates the relationship between the determinants of creative accounting and financial reporting quality of the sampled banks. Abed et al. (2022) shed light on the moderating role of corporate social responsibility (CSR) in the relationship between creative accounting determinants and financial reporting quality in Iraqi commercial banks. Despite these contributions, the study presents certain limitations. First, the study relied on perceptions of 364 bank employees, which may introduce subjectivity and limit the objectivity of findings; actual financial statement analyses were not conducted to corroborate the results. Second, the focus on commercial banks in Iraq restricts the applicability of the findings to other industries or regional contexts with different regulatory environments. Furthermore, while the study highlighted CSR as a moderator, it did not explore how different CSR dimensions (environmental, social, governance) might differentially influence financial reporting quality. Future research could address these gaps by combining survey data with empirical financial statement analysis, expanding the study to other sectors and countries, and disaggregating CSR into multiple dimensions to understand their distinct moderating effects. Longitudinal designs could also help capture the evolving influence of CSR over time.

Istaningsih and Daniel (2020) assessed the relationship between CSRD and future earnings response coefficients of 280 banks on five Asian countries from 2014 to 2018. The researchers collected information from the Global Reporting Initiative (GRI) standard version 4 (G4) of the

selected companies' sustainability reports. Employing multiple regression analysis, they concluded that the companies they investigated showed a positive linear CSRD relationship with the strong correlation of the income response coefficient. Despite the contribution of Istianingsih and Daniel (2020) in establishing a positive relationship between corporate social responsibility disclosure (CSRD) and future earnings response coefficients among banks in selected Asian countries, the study presents some notable gaps. First, the research was limited to the banking sector, which is highly regulated and disclosure-intensive; hence, the findings may not be generalizable to less regulated sectors such as manufacturing or extractive industries. In addition, the study focused only on five Asian countries, thereby limiting its applicability to other developing and emerging economies with different institutional and regulatory frameworks. The use of GRI G4 standards, while comprehensive, did not fully account for the qualitative depth and credibility of disclosures. Future studies could therefore extend the analysis to multiple sectors and regions, particularly in developing economies, while also incorporating qualitative assessments of CSRD. Furthermore, adopting longitudinal data over longer periods and applying advanced panel data techniques could help establish stronger causal inferences between CSRD and earnings response behavior.

Mawih and Al (2020) professionally interpreted 1,845 observations from the fiscal years of different companies spanning across six Gulf cooperation council countries during the period of 2008 to 2016 to determine the relationship between CSRD and the quality of a company's financial reporting. The earnings assessment in their research had three indicators which were outlook relevance, accrual assessments and how long the companies-maintained profits. While doing so, the researchers defined CSRD as a dummy variable. The countries under analysis were using CSRD constructs and it turned out to have a great correlation with earnings quality based on the measurements used, this was especially peculiar and remarkable in Kuwait and Bahrain. Changes were also noticed and were general on the affect CSRD had on earning

persistence in the United Arab Emirates. With all the parameters set and the necessary changes in analysis made the study ended up suggesting a few guidelines for regulators who oversee the function of a capital market. Although Mawih and Al (2020) provided valuable insights into the relationship between CSRD and earnings quality across Gulf Cooperation Council (GCC) countries, their study also exhibits certain limitations. The measurement of CSRD as a dummy variable oversimplifies disclosure practices by ignoring variations in the quality, scope, and intensity of CSR reporting. Additionally, the study's findings were largely influenced by country-specific effects, particularly in Kuwait, Bahrain, and the UAE, which raises concerns about cross-country comparability. The study also emphasized quantitative financial indicators while paying limited attention to governance structures and institutional enforcement mechanisms that may moderate the CSRD-earnings quality relationship. Future research could address these gaps by employing more detailed CSRD indices, examining the moderating role of corporate governance attributes, and extending the analysis to non-GCC and African economies. Such studies would enhance the robustness and generalizability of the findings and provide deeper regulatory and policy implications.

According to an expo-facto analysis conducted by Ramiz, Zahid, Charles, Junrui, and Fanghua in 2020, the market value of Chinese companies' CSRD is valued comparatively higher between 2008 to 2009. They also assert that the market value of a company's increases as the level of disclosure lowers. Fanghua states the type of ownership investors possess has impact on the level of CSRD extension, however, other factors remain unaffected. They state that the institutional ownership and the decision to disclose or include CSRD are highly interlinked when viewed in a mutually exclusive manner. The expo-facto study by Ramiz et al. (2020) contributed to the understanding of CSRD and market valuation in Chinese firms; however, several gaps remain evident. The counterintuitive finding that market value increases as the level of disclosure decreases contradicts conventional signalling and

stakeholder theories, yet the study did not sufficiently explore the underlying reasons for this relationship. Additionally, while ownership structure was considered, the analysis focused mainly on institutional ownership and did not account for other ownership forms such as state, family, or foreign ownership, which are prominent in emerging markets. The study was also confined to a short time frame, limiting its ability to capture long-term market reactions to CSRD practices. Future studies should further investigate the paradoxical disclosure–value relationship using alternative valuation models and behavioral finance perspectives. Expanding ownership variables and conducting cross-country comparative analyses would also provide richer insights into how institutional contexts shape CSRD practices and market outcomes.

Theoretical Framework

In this study, the legitimacy and stakeholder theories were connected together in order to achieve the best results. The stakeholder theory was formulated by Freeman (2010) whereby he asserted that stakeholders are entities that can impact the organization. For instance, the employees of a companies, the employees of competing companies, the employee unions, and government agencies are all part of the stakeholders of the organization. In accordance with the Freeman's (1984) stakeholder concept, Ullmann (1985) proposed a three-dimensional model that focuses on explaining and evaluating the links that exist between social disclosure and economic and social performance within one model. Stakeholder power as the first dimension of the model captures the conceptual basis of the model. Therefore, where the resources of the stakeholders are important to the companies, it is likely to satisfy their demands hence a positive relation between stakeholders' power and social performance exists (Ullmann, 1985). The third-dimension deals with the companies' interpretation of the society's expectations on how its decision makers should behave in relation to its market. Ullmann (1985) finds that managers of active-posture organizations attempt to control the interdependence between the organization and its critical party so they can function optimally. On the

other hand, as an aspect of corporate social responsibility, the third dimension, companies past and current economic performance of the organization is important because it determines the organization's ability or capacity to engage in CSRD programs and disclosure and this is consistent with Carroll's (1991) theory on economic responsibility. Ullmann (1985) posits that a companies would seek to change its stakeholders through social disclosure and social activities.

Taking into consideration the quality of financial reporting, there exist multiple stakeholders with varied information requirements. Some of those requirements can be fulfilled through financial information disclosures, whilst some can be fulfilled through non-financial information disclosures. Because CSRD is a non-financial disclosure, then the quality of financial reporting will improve. On the whole, these theories are relevant to the current study because CSRD provides additional information beyond the mandatory disclosure requirement therefore enhance the quality of financial reports made available to stakeholders.

Methodology

The ex-post facto approach that was adopted in this study. The data was extracted from the annual financial records of the given companies and was analyzed using appropriate statistical methods. Such results were presented, the appropriate decisions I were developed and justified. The focus of the study is on 13 companies listed in the Nigerian Exchange Group as industrial goods and related companies as of December 31, 2021.

The sampling technique adapted to select the 11 industrial goods companies for the study corresponds with the purposive sampling technique which reflects the filtering technique that was used to draw the sample. This study relied heavily on secondary sources. This comprised of printed documents such as annual accounts and financial statements. Data for other variables of the study were extracted, however, from the NSE fact book.

The sample of the study consisted of eleven (11) industrial goods companies listed on the Nigerian Exchange Group as at 31st December 2021. The

researcher selected only industrial goods companies that satisfy specific criteria. The criteria were that a companies must be listed before 2012. The sample size of eleven (11) industrial goods companies was determined based on purposive sampling, where only companies that met specific criteria were included. The researcher focused on industrial goods companies listed on the Nigerian Exchange Group as of 31st December 2021 and further restricted the sample to those listed before 2012 to ensure the availability of sufficient historical data for analysis. As a result, the eleven companies represent all industrial goods firms that satisfy these criteria, making the sample both relevant and manageable. This approach ensures the study captures a representative and meaningful subset of the sector, aligning the sample with the research objectives while maintaining feasibility and accuracy.

Model Specification

The theoretical model for the study is expressed as;

Model One

The model one examined the relationship between CSR and VR as a measure of FRQ. The model is expressed as follows

$$FRQ = (CSR) \dots\dots\dots (1)$$

Restated as

$$VR_{it} = f(EC, EN, HR, LP, PR, SO) \dots\dots\dots (2)$$

Econometric model

$$VR_{it} = \beta_0 + \beta_1 EC_{it} + \beta_2 EN_{it} + \beta_3 HR_{it} + \beta_4 LP_{it} + \beta_5 PR_{it} + \beta_6 SO_{it} e_{it} \dots\dots\dots (3)$$

Where

- FRQ = Financial Reporting Quality
- CSR = Corporate Social Responsibility Disclosure
- VR = Value Relevance
- EC = Economic Performance indicator
- EN = Environment performance indicator
- HR = Human right performance indicator
- LP = Labour practice and decent work performance indicator

- PR = Product responsibility performance indicator
- SO = Society performance indicator
- β_0 = Constant
- $\beta_1 - \beta_6$ = Parameters/sensitive coefficient of the independence variables
- e = Error term
- it = Companies *i* in year *t*

Model Two

The model two examined the relationship between CSR and AQ as a measure of FRQ. The relevant model developed for the research objective is stated thus

$$FRQ = (CSR) \dots\dots\dots (4)$$

Restated as

$$AQ = f(EC, EN, HR, LP, PR, SO) \dots\dots\dots (5)$$

Econometric model

$$AQ_{it} = \beta_0 + \beta_1 EC_{it} + \beta_2 EN_{it} + \beta_3 HR_{it} + \beta_4 LP_{it} + \beta_5 PR_{it} + \beta_6 SO_{it} e_{it} \dots\dots\dots (6)$$

Where:

- FRQ = Financial Reporting Quality
- CSR = Corporate Social Responsibility Disclosure
- AQ = Accrual Quality
- EC = Economic Performance indicator
- EN = Environmental performance indicator
- HR = Human right performance indicator
- LP = Labour practice and decent work performance indicator
- PR = Product responsibility performance indicator
- SO = Society performance indicator
- β_0 = Constant
- $\beta_1 - \beta_6$ = Parameters/sensitive coefficient of the independence variables
- e = Error term
- it = Companies *i* in year *t*

DATA ANALYSIS AND RESULTS

Test of Hypotheses

Corporate Social Responsibility Disclosure and Value Relevance Measure of Financial Reporting Quality

The model one of this study sought to examine the relationship between corporate social responsibility disclosure and value relevance of

listed industrial goods companies in Nigeria. Table 1 presents the results.

Table 1: Summary Regression Results for Value Relevance Model

Variables	Coefficients	t-statistics	p-value
EC	0.467638	0.897654	0.0432
EN	0.276750	2.650364	0.0093
R-squared	0.689848		
F-statistic	3.805431		
Prob(F-statistic)	0.021663		
Durbin-Watson Stats	2.041389		

Source Authors computation using e-views 10, 2023.

Table 1 presents the summary of regression results for the Value Relevance Model. The results indicate that Environmental Cost (EC) has a positive and statistically significant effect on value relevance with a coefficient of 0.4676 and a p-value of 0.0432, which is below the 0.05 significance level. Similarly, Environmental Narratives (EN) also show a positive and significant relationship with value relevance, having a coefficient of 0.2768 and a p-value of 0.0093. The model explains about 68.98% of the variation in value relevance as indicated by the R-squared value of 0.6898. The F-statistic value of 3.8054 with a corresponding probability of 0.0217 confirms that the overall model is statistically significant. Additionally, the Durbin-Watson statistic of 2.0414 suggests that there is no evidence of autocorrelation in the residuals, implying that the model estimates are reliable.

Corporate Social Responsibility Disclosure and Accrual Quality Measure of Financial Reporting Quality

The model 2 of this study was designed to examine the relationship between corporate social responsibility disclosure and financial reporting quality proxy by accrual quality of listed industrial goods companies in Nigeria. Table 2 presents the results.

Table 2: Summary Regression Results for Accrual Quality Model

Variables	Coefficients	t-statistics	Probability
EC	1.321679	0.876543	0.4503
EN	-0.41034	-4.064215	0.0001
R-squared	0.670228		
F-statistic	8.351178		
Prob(F-statistic)	0.000003		
Durbin-Watson Stats	0.197938		

Source Authors computation using e-views 10, 2023.

Table 2 presents the summary of regression results for the Accrual Quality Model. The results show that Environmental Cost (EC) has a positive but statistically insignificant effect on accrual quality, with a coefficient of 1.3217 and a p-value of 0.4503, which is greater than the 0.05 significance level. In contrast, Environmental Narratives (EN) have a negative and statistically significant effect on accrual quality, indicated by a coefficient of -0.4103 and a highly significant p-value of 0.0001. The model's R-squared value of 0.6702 implies that approximately 67.02% of the variation in accrual quality is explained by the independent variables. The F-statistic of 8.3512 and its corresponding probability value of 0.000003 indicate that the overall model is statistically significant. However, the Durbin-Watson statistic of 0.1979 suggests the presence of positive autocorrelation in the residuals, which may affect the reliability of the model's estimates.

Causality between Corporate Social Responsibility Disclosure and Financial Reporting Quality

The hypothesis five of the study aim to establish whether there is causality between CSR and FRQ of listed industrial goods companies in Nigeria.

Table 3: Pairwise Granger Causality Tests

Lags 2			
Null Hypothesis	Does not	F-Statistic	Prob.
Granger Cause			
CSR does not Granger Cause VR	1.1394		0.3269
CSR does not Granger Cause AQ	1.7453		0.2564
CSR does not Granger Cause EP	1.8231		0.3107

Source Authors computation using e-views 10.

Table 3 presents the results of the Pairwise Granger Causality Tests with a lag length of two. The findings show that Corporate Social Responsibility Disclosure (CSR) does not Granger cause Value Relevance (VR), Accrual Quality (AQ), or Earnings Performance (EP), as indicated by their respective F-statistics of 1.1394, 1.7453, and 1.8231, with corresponding probability values of 0.3269, 0.2564, and 0.3107 all of which exceed the 0.05 significance level. This implies that past values of CSR do not significantly predict changes in VR, AQ, or EP, suggesting the absence of a causal relationship from CSR to these financial performance indicators within the model's two-period lag structure.

Study Findings

Based on the results of the study, the following findings emerged:

- i. Nigerian listed manufacturers of industrial goods companies exhibit a high level of openness with regard to their corporate social responsibility (CSR) initiatives. This means that industrial goods companies listed on the Nigerian Exchange Group (NGX) actively communicate information about their CSR activities to the public. These companies tend to be transparent about their efforts to address economic, environmental, social, and labor-related responsibilities. The openness is reflected in annual reports, sustainability reports, and other public disclosures, which detail their initiatives in areas such as environmental protection, employee welfare, community development, and ethical business practices.
- ii. In addition, CSR disclosure and the value relevance of Nigerian listed industrial goods companies are significantly correlated. This indicates that the extent and quality of CSR disclosures by these companies have a measurable relationship with how the market values their stocks or overall financial performance. In other words, when industrial goods companies provide comprehensive and credible information about their CSR activities, it can positively influence investors'

perceptions, potentially affecting stock prices, market valuation, and other financial metrics. The significant correlation suggests that CSR disclosure is not just a moral or social obligation but also a factor that investors consider when assessing the economic value and future prospects of the company.

Conclusion

Based on the findings of the study, it can be concluded that Nigerian listed manufacturers of industrial goods demonstrate a commendable degree of transparency in disclosing their Corporate Social Responsibility (CSR) activities. This openness reflects their growing commitment to ethical business practices, accountability, and responsiveness to stakeholder expectations. Furthermore, the study establishes that CSR disclosure is significantly correlated with the value relevance of these companies, indicating that transparent CSR reporting enhances investor confidence and positively influences firm valuation. Hence, CSR practices not only serve as a tool for corporate accountability but also contribute meaningfully to the financial and market performance of listed industrial goods companies in Nigeria.

Recommendations

The findings of the study and the conclusions drawn from them have brought about the following recommendations.

- i. The level of corporate social responsibility disclosure in Nigeria, as reported by listed companies in the industrial goods sector, should be maintained or increased by the board of directors.
- ii. There is an area that requires improvement, and that is the corporate social responsibility disclosure by the management of listed companies in Nigeria. They were found to be negatively and weakly associated with FRQ. Corporate social responsibility is defined as the ethical relationship that exists between an organization and its stakeholders.

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