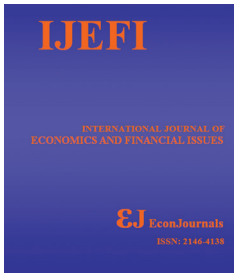

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The Impact of Corporate Social Responsibility Disclosure on Financial Performance of Firms in Africa

Amidu P. Mansaray[1]*, Liu Yuanyuan[2], Sesay Brima[3]

[1]School of Accounting, Dongbei University of Finance and Economics, Dalian, P.R. China, [2]School of Accounting, Dongbei University of Finance and Economics, Dalian, P.R. China, [3]School of Economics, Wuhan University of Technology, Wuhan 430070, P.R. China. *Email: amidup182@gmail.com

ABSTRACT

In recent years, firms have been pressured by community stake holders to engage in corporate social responsibility (CSR). Many firms have responded to these pressures by implementing CSR activities in their operations, while others have opposed. Firms that opposed to CSR have appealed for a compromise between CSR and profitability. Consequently, this study evaluates the impact of CSR disclosure (CSRdisc) on the financial performance of firms in Africa for both short and long terms. 158 listed companies were selected from six African countries (South Africa, Kenya, Nigeria, Morocco, Egypt and Mauritius) and grouped into six industry. We measured CSR in terms of keywords count (content analysis) referred to this as CSRdisc. We employed accounting based to measure financial performance of firms (return on assets [ROA] for short-term, and return on equity [ROE] for long-term). Multiple linear regression analysis was done with a sample of panel data for a period of 11 years (2005-2015). Our empirical results showed that unlike for the sales and manufacturing, health and pharmacy and others industries, CSRdisc affects the financial performance of firms in the short-run (ROA) negatively for the mining, investment and transport industries. We propose that this negative impact is an extra cost burden to the firms. Thus, CSR does not generate economic benefits for the firms in the short-run in those industries. With respect to long-term (ROE) financial performance, majority of our results suggest positive but no significant economic benefits for the firms. Although there is positive relationship between CSRdisc and financial performance of some firms in the long-run, the financial performance of firms in Africa does not depend significantly on their CSR practices but rather on other factors, such as their previous performance, leverage, volume of capital, and size. Nevertheless, given the numerous benefits of CSR, it is recommended that firms continue to give priority to this practice.

Keywords: Corporate Social Responsibility Disclosure, Financial Performance, Firms, Return on Assets, Return on Equity, Africa
JEL Classifications: G3, M1

1. INTRODUCTION

Economists have explained the economic benefits of having a sound and long term financial success; researchers have explored its effect on real sector outcomes which includes national economic growth and economic distribution. Firms with good and sound operating strategies can reduce operating and monitoring cost, diversify risk across, and overcome liquidity risk which in turn provides higher return and leads to long-term financial success that attract investors. The role of business in developing countries have changed from a classical approach "profit maximization" to a socially responsible approach, businesses are not only responsible to their stockholders but also to their communities, companies create wealth, job and other opportunities for society but in contrary they pollute and destroy environmental ecology which has a devastating effect on human health. Scientist have proven that about 70% of air pollution causes cancer, asthma, emphysema, premature death and much more terrifying disease in the world at large, It also destroy economic growth, as most labor force will be ill and government will spend a lot on its health care.

Globalization has spurred growth and prominence and corporate social responsibility (CSR) becomes important in the area of race, religion, and regional equality, non-employment of child labor, human rights, environmental pollution, social marketing, employees, community, stakeholders, social activities, all of these issues have been taken seriously by developed countries, However, in Africa, these issues are of less concern, either lack

of strong institutions, lack of stronger government policies and other stakeholders group, lack the strategy in addressing CSR or minimizing existing effect. Wilson (2007) stated that developing economies are unable to withstand the high standards of CSR used in their developed counterparts. Heese (2005) and Jamali and Mirshak (2007) supported this statement, purporting that sustainability practices are not fully evolved in African economies. Due to the inability of emerging African economies to relate to the CSR standards of the rest of the world, Mohan (2001) argued the main idea of CSR is for businesses to see society as part of them and not a separate body and that businesses have a societal contract which they should be committed in executing.

There have been extensive investigations on the relationship between CSR activities of a firms' financial performance (Lin et al., 2009). Even though there have been hundreds of research on this topic (Garcia-Castro et al., 2010) people still have a limited understanding of whether CSR affects the financial performance of firms (Luo and Bhattacharya, 2006; Waddock and Graves, 1997) some research suggested positive, negative and neutral relationship between CSR and financial performance (Simpson and Kohers, 2002). Garcia-Castro et al. (2010) the findings of their studies on the relationship between CSR and financial performance have a mixed and conflicting result (Lee and Park, 2009; Ruf et al., 2001; Simpson and Kohers, 2002; McGuire et al., 1988).

There are many empirical studies that have been conducted on CSR and financial performance of firms but, most focused on developed countries with CSR index. This present study focuses on Africa considering six countries (South Africa, Kenya, Nigeria, Mauritius, Morocco and Egypt) that represent; East, west, North, south and central Africa making it very important with a cross sectional analysis on the impact of CSR disclosure (CSRdisc) on financial performance of firms in different industries to the extent on how it affect each sector in Africa market. The broader objective of this research is therefore to examine the impact of CSRdisc on financial performance of firms in Africa which was guided by the following specific objectives:

- To examine how and to what extent does CSR activities impact firms' financial performance in the short run in Africa.
- To examine how and to what extent does CSR activities impact firms' financial performance in the long run in Africa.
- To examine how and to what extent does CSR activities varies on different industries financial performance in the short run in Africa.
- To examine how and to what extent does CSR activities varies on different county's industry financial performance in the long run in Africa.

The practical significance of this research is worth of academic interest and can be identified through different aspects.

1.1. Towards Investors

It gives a thorough understanding on the relationship between CSRdisc and firms' financial performance that is of essence to investors in such a way that it help them foresee upcoming market movement in accordance to their investment activities. It also helps investors to identify companies that are sustainable in their long-term financial performance.

1.2. Towards Managers

It serves as a guide in formulating good and sound operating strategies that reduces production, operating, wastages and monitoring cost, diversify risk across and overcome liquidity risk, increase firms efficiency which in turn provides higher returns and leads to long-term financial success that attracts investors. It also helps managers to create wealth for their existing stockholders, secure additional capital at reduced interest rate, increase long term profit, motivates customers, attract, recruit, motivates and retain competent employees.

1.3. Towards Government

The study provides an in-depth analysis that enables government to develop an appropriate drive for implementation of CSR policies and integrate them with community development. It will also be useful to government in order to develop strategies needed to guide citizens towards an efficient functioning of firms within their communities. It also benefits both the government and private sectors greatly as the empirical facts would serve as valuable guidance and remainder for them to scrutinize the effectiveness of each policy they implement.

1.4. Towards Researchers

It is amongst the first that practically contributes to the limited empirical literature that exist on CSRdisc in Africa that uses cross-sectional data from six different country which can serve as reference material for students and researchers who might want to conduct similar research.

Following the introduction section, the rest of the paper is structure as follows: Section two focused on a snapshot of CSR activities in Africa, section three provides review of the literatures that focus on the relationship between CSR and financial performance while section four presents the methodology that focuses on the empirical model specification and estimation procedure. Section five provides analysis of empirical results and discussion and section six offers policy recommendation and conclusion.

2. CORPORATE SOCIAL RESPONSIBILITY (CSR) IN AFRICA

In Africa, CSR is still in its infancy stage due to socioeconomic realities such as poverty, ineffective public administration and service delivery which have had a significant impact on the drivers, role and function of CSR for companies operating in Africa (Klins et al., 2010). Thus, CSR activities and projects aspire to resolve challenges faced by communities, which governments cannot fully address. Therefore, issues such as the environment, workplace, product quality, health and safety get much lower priority. CSR in Africa is most often associated with religious beliefs and charitable organizations. Therefore, CSR is seldom related to the companies' core business but rather tends to be "positive payback" philanthropy, with public relations benefits (Klins et al., 2010). Some priority issues covered by CSR activities in Africa

are poverty reduction, health, skills development and education, youth development and socioeconomic development.

3. LITERATURE REVIEW

CSR practice has witnessed a substantial rise in due course of time, which has led to the aggressive research on the relationship between CSR and financial performance. However, Jiao (2010) argued that to this date, the research on the relationship has produced mixed findings (Ghoul et al., 2011). Many researchers have tried to find a relationship between the firm's CSR initiatives and their financial performance. As Cochran and Wood (1984) argued, if certain actions that are classified as socially responsible are negatively associated with the firm's financial performance, then the managers are advised to be cautious. On the contrary, if the relationship exhibits a positive association, the managers are encouraged to pursue such activities with enthusiasm (Cochran and Wood, 1984). According to Ullman (1985), even if CSR is viewed as a significant cost, the firms with profitable performance might be more willing to absorb these costs in the future. However, less profitable firms are reluctant in undertaking socially responsible activities (McGuire et al., 1988). The existing literature has confirmed three assertions on the subject.

The first group of scholars favors a negative relationship between CSR and the financial performance. This group supported Friedman's viewpoint that the only obligation of business is to utilize its resources in a way which helps to increase the profit and share of the owners of firm (Kang et al., 2010). It is believed that indulging in CSR is an extra cost to the firm, thus the net financial performance goes low. Results of studies of Vance (1975), Wright and Ferris (1997) indicated a negative relationship (Barnett and Salomon, 2012). In contrast, the second group of scholars confirms a positive impact of a firm's CSR activities on its financial performance. This group's assertions is based on stakeholder theory as proposed by Pirsch et al. (2007), suggesting that an organization's survival and success is attributed to the achievement of its economic (profit maximization) and non-economic (corporate social performance) objectives in the interest of their stakeholders (Kang et al., 2010). Scholars argued that an increase in the expenditure on social activities improves the stakeholder relationships which reduces firm's transaction costs and increases the market opportunities and pricing premiums, which further leads to higher net financial performance. The study of Orlitzky et al. (2003) has been in support of this view (Barnett and Salomon, 2012). The third group of scholars partially argues for the existence of too many confusing parameters, advising no precise relationship between CSR activities and the financial performance (Kang et al., 2010). McWilliams and Siegel (2000) concluded with no relationship (Barnett and Salomon, 2012).

The validity of the already existing empirical findings has been regarded as controversial. With inconsistent results of the previous studies indicating unclear direction of the relationship between the CSR and financial performance of the firm, most studies have found a positive association between the two variables. McWilliams and Siegel (2001) argued that CSR impact is influenced by factors such as firm's size, diversification, R&D and market conditions. They proposed that all these factors when considered must neither promote nor obstruct the financial performance of the firm. Hillman and Keim (2001) in their study proposed that CSR can be decomposed into stakeholder management and social issue participation. Their study revealed a positive impact on the financial performance of the firm from the perspective of stakeholder management, while a negative impact for being a participant in the social issue. Hull and Rothenberg (2008) showed that the impact of CSR on the financial performance is relatively stronger in low-innovation firms and in industries with little differentiation. Majority of studies abide by the idea that a high level of social indulgence helps to build good relationships with its stakeholders, thus enhancing the firm's financial performance. Studies of Dutton et al. (1994) showed that a high level of social indulgence of the firm is perceived as quality of virtue and moral worth among the employees. This results into a greater satisfaction of the employees, and they tend to identify more strongly with the firm. Strong identification indicates greater loyalty towards the firm, thus contributing more to the firm's success. CSR activities also build good relationships with the firm's external stakeholders such as customers, community, and prospective employees. They weigh the firm's CSR involvement positively, thereby increasing their demand or paying premium prices for the products of CSR active firms. CSR involved firms attract better quality of workforce as these firms are perceived as attractive by job-seekers (Wang and Choi, 2013).

With an intention to establish a relationship between the CSR and financial performance of the firm, Margolis and Walsh (2003) reviewed a total of 127 empirical studies from 1972 to 2002. Among those reviewed, 54 studies indicated a positive relationship, 38 showed no significant relationship and only 7 studies exhibited a negative relationship. A total of 28 studies proposed a mixed relationship. Further, the meta-analysis conducted by Margolis et al. (2007) over a period of 35 years displayed an overall positive relationship among the variables, viz. CSR and financial performance of the firm. However, they argue that the magnitude is small (Wu and Shen, 2013). Kim et al. (2012) studied the link between quality of earnings and CSR. On similar lines, Petrovits (2006) investigated the strategic use of corporate philanthropy programs to achieve earnings targets and found that firms that report small increase in their earnings tend to incline towards charitable funding choices. Prior et al. (2008) in their study found a positive relationship between earnings management and CSR for regulated firms. However, the results do not apply to the unregulated firms. Further, Kim and Venkatachalam (2011) reported a superior financial reporting quality for "sin firms" (gaming, tobacco, alcohol industries) in comparison to the controlled groups (Kim et al., 2012).

Empirical literature reviewed on existing relationship between CSR and firm financial performance, were categorized into two groups based on study methodology. One group of studies have used the event study methodology with a view to assess the short-run financial impact (abnormal returns) when firms engage in CSR. The other set of studies examines the relationship from the perspective of long-term firm performance. However, both the groups of studies have given inconsistent results (McWilliams

and Siegel, 2000). Ruf et al. (2001) suggested various reasons for the inconsistent results on the link between CSR and the financial performance of the firm. These reasons included a lack of theoretical foundation, a lack of systematic measurement of CSR, a lack of proper methodology, limitations on the sample size and composition, and a mismatch between social and financial variables (Beurden and Gössling, 2008). Wu and Shen (2013) attributed the conflicting conclusions to the varying motives of different corporations. The previous research suggests that the motivations of firms engaging in CSR can be altruism, strategic choices, or green washing. Corporation engaging in CSR only for their own sake has an altruistic motive, which negatively affects their financial performance. Strategic choices are supposed to improve the financial performance of the firm when engaged into CSR activities. Firms that do not exhibit a cost difference between responsible and irresponsible behaviors are considered to be as merely green washing (Wu and Shen, 2013).

4. METHODOLOGY

This section uses annual panel data set for 158 firms in six African countries over the period 2005-2015. Generally, we have divided the firms under study with respect to their characteristics. These firms were divided into six groups: The first group consists of Energy, Mining and Construction; the second group consists of investment, leasing and finance; the third group consists of transport and communication; the forth consist of sales and manufacturing; the fifth group consist of health and pharmacy and the sixth group consist of others. The advantage of using panel data is that it controls for individual heterogeneity, less collinearity variables and tracks trends in the data something which simple time-series and cross-sectional data cannot provide (Baltagi, 2005).

4.1. Empirical Model Specification

Prior to specifying the model, we calculated CSRdisc using keywords count on various annual reports for a selected year looking at the frequencies of CSR keyword, we computed the disclosure using the formula stated below;

$$CSRDisc = (\sum_{i=1}^{N} T_i) / K \quad (1)$$

Notes;
N=Number of different CSR keywords that appeared in the firms' annual report,
T=The frequency appearance of the keyword.

i and K total number of words in the annual report of the firms. Larger firms include more keyword as contrary to smaller firms. To arrive at the final answer on CSRdisc made by these firms, we divided the summation of total number of keywords by the total number of words in the annual report.

Following the works of McWilliams and Siegel (2000) and Ruf et al. (2001), we control for other factors considered as control variables that influence firms' financial performance and generalize the specification of a performance equation that accounts for the effects of CSRdisc on financial performance of firms in Africa. Thus, in deriving our empirical model for estimating this relationship for Africa, we posit that:

$$FP=f(CSR, LEV, VOC, SIZE, AT, INT) \quad (2)$$

The mathematical form of the above function can be written as:

$$FP=\beta_0+\beta_1 CSR+\beta_2 LEV+\beta_3 VOC+\beta_4 SIZE+\beta_5 ASST+\beta_6 INT \quad (3)$$

Following an econometric panel estimation technique equation nine can be rewritten as:

$$FP_{it}=\beta_0+\beta_1 CSR_{it}+\lambda_i[\beta_2 LEV_{it}+\beta_3 VOC_{it}+\beta_4 SIZE_{it}+\beta_5 AT_{it}+\beta_6 INT_{it}]+\eta_i,+\varepsilon_{it} \quad (4)$$

As discussed earlier, both return on assets (ROA) and return on equity (ROE) have been used as measures of the firm's financial performance. We therefore disaggregated equation (4) into the following sets of equations:

$$ROA_{it}=\beta_0+\beta_1 CSR_{it}+\lambda_i[\beta_2 LEV_{it}+\beta_3 VOC_{it}+\beta_4 SIZE_{it}+\beta_5 AT_{it}+\beta_6 INT_{it}]+\eta_i,+\varepsilon_{it} \quad (5)$$

$$ROE_{it}=\beta_0+\beta_1 CSR_{it}+\lambda_i[\beta_2 LEV_{it}+\beta_3 VOC_{it}+\beta_4 SIZE_{it}+\beta_5 AT_{it}+\beta_6 INT_{it}]+\eta_i,+\varepsilon_{it} \quad (6)$$

Where, FP=Financial performance for industry i, CSR=Corporate social responsibility disclosure, LEV=Leverage, VOC=Volume of capital, SIZE=Company size, AT=Asset, turnover, INT=Interest rate, β_0=Intercept, β_i=Measures the relative effect of CSR on financial performance, λ_i=Denotes set of parameters measuring the relative effect of the control variables, t=Time, ε_t=Stochastic error term

Equation (5) and (6) are the basis of estimating the relationship between CSRdisc and measures of firms' financial performance. The application of the pooled ordinary least squares (OLS) estimation will be appropriate if the unobserved industry-specific effects, η_i, are uncorrelated with the independent variables. On the other hand, the pooled OLS estimation will be unbiased and inefficient in a situation where a strong correlation exists between the unobserved individual effects, ηi, and the independent variables. In such a scenario, the fixed effect model will be more appropriate in estimating the parameters of the model. In a situation where the assumptions of the standard random effect holds given that the model does not in actual fact contain unobserved effects, in that case the pooled OLS will not only be efficient but the associated statistics will also be asymptotically valid. The study employs an AR (2) test for serial correlation in verifying for the absence of unobserved effect. This test's appropriateness is built on the assertion that the idiosyncratic errors are serially uncorrelated under the null H_0:$\delta^2\eta$=0, when the independent variables are exogenous. Using this approach in detecting serial correlation amongst the idiosyncratic errors implies the existence of unobserved effect. The point in using panel data in a good number of research applications is to allow for the unobserved

effect, η_i, to be randomly correlated with the set of independent variables, thereby necessitating the application of a fixed effect estimation procedure. The choice for employing either the fixed or random effect model estimation in the present study will be based on the outcome of the Hausman test result. The value of the Hausman test statistics will lead to either the acceptance or rejection of the null hypothesis. The null hypothesis will be rejected with a significant probability value of the Hausman test statistic and leads to the conclusion of the presence of fixed effects.

Following the works of Yusoff and Adamu, 2016; Kiran et al., 2015; Iqbal et al., 2012; Wang and Choi, 2013, the study in addendum uses a panel technique in addressing potential problems of endogeneity in the data adopting the procedures by Arrelano and Bover (1995) and Blundell and Bond (1998). This kind of panel framework is developed by the application of first difference transformation depicted by the following equation:

$$y_{i,t}-y_{i,t-1}=(\alpha-1)y_{i,t-1}+\beta'X_{i,t}+\eta_i+\varepsilon_{i,t} \quad (6)$$

Where $y_{i,t}-y_{i,t-1}$ is firms financial performance, $X_{i,t}$ denotes the set of independent variables including our measure of CSR, η_i denotes the unobserved industry-specific effect and $\varepsilon_{i,t}$ denotes the error term. We continue by rewriting equation (6) as:

$$y_{i,t}=\alpha'y_{i,t-1}+\beta'X_{i,t}+\eta_i+\varepsilon_{i,t} \quad (7)$$

Transforming equation (7) into first difference yields:

$$y_{i,t}-y_{i,t-1}=\alpha'[y_{i,t-1}-y_{i,t-2}]+\beta'[X_{i,t}-X_{i,t-1}]+[\varepsilon_{i,t}-\varepsilon_{i,t-1}] \quad (8)$$

It is clearly seen in equation (8) that the lagged difference in firm financial performance is correlated with the error term, which by implication of the potential endogeneity of the independent variables X, triggers the use of instrumental variables. In addressing this problem, the system difference estimator uses the lagged level of the independent variables as instruments in the assumption that the lagged level of the independent variables are weakly exogenous and that the error term is serially uncorrelated.

5. RESULTS AND DISCUSSION

This section provides an explanation and analysis of the results attained for the observations collected for each publicly listed industry from the six countries in Africa. We first provide an analysis of unit root test because the assumption of stationarity in the data used is necessary in the analysis of panel data. The importance of the stationarity of data in panel data analysis lies in the fact that conditions of constant covariance, variance and mean need to be fulfilled to endorse the perfection of the proposed parameters and models. Therefore, it is significant to consider whether or not the data are stationary prior to estimating the relationship between the financial performance and CSR. Phillips and Perron (1986) showed that conducting regressions which employ non-stationary variables may lead to misleading results, showing apparently significant relationships, even where the variables are generated independently. A unit root test can be applied to determine whether or not the variables of interest are stationary and this test is also necessary here, as the fixed and random effect test is based on the assumption that the panel data are free from unit root. Levin et al. (2002) and Im et al. (2003) panel unit root tests were applied in this study and a summary of the results obtained can be found in Tables 1 and 2. The tests were conducted using the econometric software E-views 7.2.

As can be seen from Tables 1 and 2, all the variables used in the models were found to be stationary at their levels. The LLC and IPS probability values are in parenthesis which shows that the variables are integrated of the same order.

5.1. Panel Regression for Industry Level

The estimation and test results of the panel data model with fixed effects and random effects for the industry level perspective are presented in Tables 3 and 4. As mentioned earlier in the methodology section, the study made use of the Hausman specification test in choosing between the fixed effect and random effect model. By comparing the significant difference between fixed-effects and random-effects models, the Hausman test suggests that the fixed-effects regression seems appropriate. Denying the null hypothesis of the coefficients estimated by the random effects established the appropriateness of the fixed effect. The fixed-effects models are jointly significant by Wald test at the conventional levels. To check whether or not an industry's level of performance can change the impacts of CSR on the financial performance, we separately estimate effects for the groups of industries in Africa. The results are reported in Tables 3 and 4. Various differences in findings are observed while analyzing different industry groups separately.

Table 3 shows panel OLS regression result conducted using E-views 7.2. In column one of model one (ROE) The R^2 coefficient of determination was 0.9670, which indicates that the model explains about 96.7% of the systematic variations in the dependent variable. The Adjusted R^2, which controls for the effect of inclusion of successive explanatory variables on the degrees of freedom, was 0.9662. The F-stat. value of 1079.0 and the associated P value of 1% indicate that the hypothesis of a joint statistical significance of the model cannot be rejected as 1% and the linearized specification of the model is appropriate. ROE result is not significantly related to CSRdisc by mining and investment companies as indicated by their slope coefficient value of −0.0007, and 0.0004 respectively and their associated P value are more than the critical P < 5%, thereby leading to the rejection of the alternative hypothesis. However, for the transport and communication industry, CSRdisc has a positive and statistically significant impact on financial firms' performance in the long run (ROE). A very interesting finding about this model is that, all the lagged values of the dependent variables for the different companies in Table 3 have positive significant impact on the dependent variable in both the short and long run models.

In Table 4, column one, two and three of model one (ROA) The R^2 coefficient of determinations are 0.2883, 0.5460, and 0.8330 which indicates that the model explains about 28.8%, 54.6% and 83.3% of the systematic variations in the dependent variables for sales and manufacturing, health and pharmacy and others respectively.

Table 1: Unit root test result for mining, investment and transport

Variable	Mining		Investment		Transport	
	LLC	IPS	LLC	IPS	LLC	IPS
ROE	−6.90 (0.00)	−2.07 (0.01)	−9.50 (0.00)	−2.65 (0.00)	−8.89 (0.00)	−2.84 (0.00)
ROA	−9.68 (0.00)	−4.18 (0.00)	−6.27 (0.00)	−2.99 (0.00)	−4.39 (0.00)	−1.88 (0.02)
CSRdisc	−13.25 (0.00)	−7.76 (0.00	−6.83 (0.00)	−4.21 (0.00)	−8.67 (0.00)	−4.95 (0.00)
LEV	−6.93 (0.00)	−2.07 (0.01)	−8.59 (0.00)	−2.62 (0.00)	−9.05 (0.00)	−2.88 (0.00)
VOC	−6.79 (0.00)	−2.34 (0.00)	−8.35 (0.00)	−4.79 (0.00)	−11.99 (0.00)	−4.15 (0.00)
SIZE	−19.76 (0.00)	−5.62 (0.00)	−7.61 (0.00)	−3.35 (0.00)	−30.76 (0.00)	−9.69 (0.00)
Asset	−29.34 (0.00)	−6.55 (0.00)	−3.85 (0.00)	−1.69 (0.04)	−12.83 (0.00)	−3.75 (0.00)
Interest	−6.29 (0.00)	−2.16 (0.01)	−6.34 (0.00)	−2.57 (0.00)	−10.85 (0.00)	3.01 (0.00)

Source: Computed by authors from E-Views 7.2 software, ROA: Return on assets, ROE: Return on equity, CSRdisc: Corporate social responsibility disclosure, LEV: Leverage, VOC: Volume of capital

Table 2: Unit root test result for sales, health and others

Variable	Sales and manufacturing		Health and pharmacy		Others	
	LLC	IPS	LLC	IPS	LLC	IPS
ROE	−11.83 (0.00)	−4.31 (0.00)	−13.58 (0.00)	−3.82 (0.00)	−2.76 (0.00)	−1.74 (0.04)
ROA	−12.11 (0.00)	−5.83 (0.00)	−8.84 (0.00)	−4.14 (0.00)	−3.49 (0.00)	−2.06 (0.01)
CSRdisc	−13.15 (0.00)	−4.04 (0.00)	−6.93 (0.00)	−2.07 (0.01)	−8.59 (0.00)	−7.22 (0.00)
LEV	−13.09 (0.00)	−4.74 (0.00)	−13.58 (0.00)	−3.82 (0.00)	−5.57 (0.00)	−2.40 (0.00)
VOC	−13.12 (0.00)	−4.24 (0.00)	−6.53 (0.00)	−3.71 (0.00)	−16.75 (0.00)	−8.02 (0.00)
SIZE	−20.64 (0.00)	−3.90 (0.00)	−10.36 (0.00)	−3.92 (0.00)	−11.82 (0.00)	−4.30 (0.00)
Asset	−2.24 (0.01)	−2.23 (0.01)	−4.72 (0.00)	−2.08 (0.01)	−2.11 (0.01)	−2.30 (0.01)
Interest	17.89 (0.05)	39.69 (0.00)	−4.64 (0.00)	−2.05 (0.02)	−3.13 (0.00)	−1.51 (0.06)

Source: Computed by authors from E-Views 7.2 software. ROA: Return on assets, ROE: Return on equity, CSRdisc: Corporate social responsibility disclosure, LEV: Leverage, VOC: Volume of capital

Table 3: Panel regression output for industry level perspective

Variables	Mining	Investment	Transport
ROE			
ROE_{t-1}	0.1115***	0.0986***	0.3007***
CSRdisc	−0.0007	0.0004	0.0014***
LEV	−0.5399***	−0.0757**	−0.3896***
VOC	0.2818***	0.8020***	0.2043***
Size	−0.3081***	−0.8158***	−0.2202***
Asset turnover	−0.0141***	0.0064	−0.0190***
Interest	0.0009***	0.0010	0.0002
C	0.9954***	0.8299***	0.7007***
R^2	0.9670	0.9435	0.9305
Adj. R^2	0.9662	0.9411	0.9283
F-stat	1079.0***	391.90***	406.08***
Hausman test	2.6241	3.4753	4.2974
Chi^2 probability	0.9175	0.8378	0.7449
ROA			
ROA_{t-1}	0.6226***	0.7778***	0.3352***
CSRdisc	−0.0004	−0.0001	−9.44E-05
LEV	0.0311	−0.0031	0.0099
VOC	0.0930*	0.0532	0.1385***
Size	−0.0812*	−0.0561	−0.1285***
Asset Turnover	0.0160**	0.0176**	0.0083
Interest	0.0013	0.0007	−0.0020
C	−0.0675	0.0157	0.0460
R^2	0.4946	0.6253	0.3264
Adj. R^2	0.4620	0.6093	0.3042
F-stat	15.173***	39.106***	14.679***
Hausman test	16.790	13.061	6.6773
Chi^2 probability	0.0188	0.0706	0.4632

***.** and * represent the variable is significant at the 1%, 5% and 10% respectively. ROA: Return on assets, ROE: Return on equity, CSRdisc: Corporate social responsibility disclosure, LEV: Leverage, VOC: Volume of capital

The adjusted R^2 values, which control for the effect of inclusion of successive explanatory variables on the degrees of freedom, were 0.2695, 0.5193 and 0.7502. The F-stat values of 15.344, 20.447 and 10.290 and their associated P values are less than 1% which indicates that the hypothesis of a joint statistical significance of the model cannot be rejected at 1% and the linearized specification of the model is appropriate.

There is a significant relationship between ROA and the extent of CSRdisc by quoted public shareholding companies in the selected countries in Africa. While ROA is positive and statistically significantly related to CSRdisc by sales and manufacturing, health and pharmacy and other companies as indicated by their slope coefficient values of 0.0023, 0.0024, and 0.0010 respectively and their associated P values are less than their critical P values of 0.05, 0.01, and 0.05 at 5%, 1% and 5% levels ($P < 0.05$, $P < 0.01$, $P < 0.05$), thereby leading to the acceptance of the alternative hypotheses. Effect of company ROA was related to CSRdisc by public shareholding companies in Africa. Unlike for other companies, the evaluation of the slope coefficients of the lagged value of ROA as an explanatory variable reveals the existence of positive relationship between the previous year's financial performance and the current for both sales and manufacturing and health and pharmacy industries as depicted by their slope coefficients of 0.0970 and 0.4448 respectively in the short run. The result is however negative and insignificant for health and pharmacy industry in the long run as the P value exceeds the critical P value of 5%, thereby leading to the rejection of the alternative hypothesis "there is a significant relationship between company

Table 4: Panel regression output for industry level perspective

Variables	Sales and manufacturing	Health and pharmacy	Others
ROE			
ROE_{t-1}	0.3959***	−6.09E-1	−0.0729
CSRdisc	8.82E-05	−5.88E-1***	0.0014
LEV	−0.2153***	−1.0000***	−0.9619***
VOC	0.3359***	−6.83E-1***	0.0725
Size	−0.3482***	6.90E-1***	−0.0664
Asset turnover	−0.0009	1.46E-1	−0.0003
Interest	0.0004	−3.98E-1	2.24E-0
C	0.5974***	1.0000***	0.9898***
R^2	0.8718	1.0000	0.9946
ADJ. R^2	0.8703	1.0000	0.9921
F-stat	597.72***	5.23E+2***	386.5***
Hausman test	11.4812	609220	0.0000
Chi^2 probability	0.1190	0.0000	1.0000
ROA			
ROA_{t-1}	0.0970***	0.4448***	−0.1953***
CSRdisc	0.0023**	0.0024***	0.0010**
LEV	−0.0435	0.0187	0.0273
VOC	0.0590	0.0925**	0.1356**
Size	−0.0793**	−0.1040**	−0.1026**
Asset turnover	−0.0836***	0.0270***	0.0168***
Interest	−0.0026	−0.0001	−0.0146
C	0.3087***	0.0877	0.1315
R^2	0.2883	0.5460	0.8330
Adj. R^2	0.2695	0.5193	0.7502
F-stat	15.344***	20.447***	10.290***
Hausman test	18.773	15.662	0.0000
Chi^2 probability	0.0089	0.0284	1.0000

***.** and * represent the variable is significant at the 1%, 5% and 10% respectively. ROA: Return on assets, ROE: Return on equity, CSRdisc: Corporate social responsibility disclosure, LEV: Leverage, VOC: Volume of capital

Table 5: Panel regression output for country level perspective

Variables	South Africa	Nigeria	Egypt
ROE			
ROE_{t-1}	3.99E-12	0.1065***	0.1650***
CSRdisc	8.44E-14	0.0006	3.13E-05
LEV	−1.0000***	−0.1127***	−0.6173***
VOC	8.67E-12	0.4558***	0.1453***
Size	−8.71E-12	−0.4545***	−0.1760***
Asset turnover	−5.24E-13	−0.0062	−0.0260***
C	1.0000***	0.6391***	0.9818***
R^2	1.0000	0.8214	0.9546
Adj. R^2	1.0000	0.8136	0.9539
F-stat	1.35E+22***	104.30***	1433.9***
Hausman test	5.6749	2.9612	3.6604
Chi^2 probability	0.4606	0.8137	0.7225
ROA			
ROA_{t-1}	0.3895***	0.1167***	0.4772***
CSRdisc	−0.0002	0.0013	−0.0004
LEV	−0.1296	−0.1617***	−0.0547
VOC	0.0450	−0.0083	0.0242
Size	−0.0523	−0.0708*	−0.0098
Asset turnover	0.0198***	−0.1232***	0.0329***
C	0.1635**	0.7560***	−0.0409
R^2	0.3451	0.3821	0.4892
Adj. R^2	0.3155	0.3715	0.4701
F-stat	11.666***	35.980***	25.54***
Hausman test	14.739	6.7623	24.962
Chi^2 probability	0.0224	0.3434	0.0003

***.** and * represent the variable is significant at the 1%, 5% and 10% respectively. ROA: Return on assets, ROE: Return on equity, CSRdisc: Corporate social responsibility disclosure, LEV: Leverage, VOC: Volume of capital

size, asset turnover and financial performance by listed companies in Africa in the short run. The results also show significant impact of volume of capital on financial performance for some of the companies. Finally, the appropriate model was chosen based on the Hausman specification test results in the tables.

5.2. Panel Regression for Country Level

In Table 5, the values for specification (1) of the fixed effect model which has been selected against the random effect model for the analysis for South Africa, Nigeria and Egypt in the short run (ROA) are 0.3155, 0.3715, and 0.4701 which explain approximately 31.5%, 37.1% and 47% respectively percent variation in financial performance of the companies in south Africa, Nigeria and Egypt (Table 5). The values of the F-stat are 11.666, 35.980 and 25.54 respectively, and their associated probability values are all below the 5% significant level which illustrates the results are jointly statistically significant and the null hypothesis of the explanatory variables to have no effect on financial performance in the three set of countries is rejected.

In terms of individual significance, the lagged values of ROA have statistically significant positive impact on the current financial performance in the short run as shown by the coefficient values of 0.3895, 0.1167 and 0.4772 for South Africa, Nigeria and Egypt respectively. This by implication would mean a one percentage increase in the previous year's financial performance of the firms in the short run, would lead to approximately 38.9%, 11.6% and 47.7% increase in the current year's financial performance for South Africa, Nigeria and Egypt respectively. In the long run (ROE), leverage (LEV), firm size and asset turnover were statistically significant with a negative impact on firms financial performance for Egypt while volume of capital and the lagged value of ROE were statistically significant with a positive impact. This outcome is not surprising as the relationship between volume of capital and firms' financial performance are expected to be positive. With regards LEV, the strong negative relationship it has on financial performance is not surprising, as reveals financial LEV negatively correlate with financial performance of the sample countries this finding is in conformity with findings by (Perinpanathan, 2014). Unlike for South Africa, the same positive and statistically significant effect of volume of capital (0.4558) on financial performance holds for Nigeria. Since the variables are moving in the same direction, it would mean a one percentage increase in firms volume of capital would lead to approximately 45.58% increase in the financial performance of firms in Nigeria. However, CSRdisc does not show any significant impact on firms' financial performance in both the short and long run for all the selected countries except for Morocco in the long run (Table 6). Similar result was also found by Yoon et al. (2006). This outcome can be attributed to the fact that African economies are weak, either due to lack of strong institutions, lack of stronger government policies and other stakeholders group, managers lack the strategy in addressing CSR or minimizing negative effect while most managers are going with Friedman school of thought "the only CSR of a business is to maximize profit for its

Table 6: Panel regression output for country level perspective

Variables	Kenya	Morocco	Mauritius
ROE			
ROE_{t-1}	0.4571***	−1.33E-1	−0.0335**
CSRdisc	0.0007	4.83E-1***	−2.96E-0
LEV	−0.2856***	−1.0000***	−0.9951***
VOC	0.2414***	6.77E-1***	0.0375
Size	−0.2565***	−6.48E-1***	−0.0369
Asset turnover	−0.0132***	7.44E-1	−0.0012***
C	0.5834***	1.0000***	1.0249***
R^2	0.9101	1.0000	0.9952
Adj. R^2	0.9072	1.0000	0.9948
F-stat	312.1143***	3.33E+2***	2808.0***
Hausman test	19.519	72478	2.7939
Chi^2 probability	0.0067	0.0000	0.8342
ROA			
ROA_{t-1}	0.5637***	0.4725***	0.2457**
CSRdisc	−0.0004	−0.0001	0.0031
LEV	−0.0231	0.0700	0.1317
VOC	0.0535*	0.0970	0.2945***
Size	−0.0591***	−0.1054	−0.2959***
Asset turnover	0.0085**	0.0105	0.01362***
C	0.1188***	0.0666	0.0301
R^2	0.4333	0.2622	0.7267
Adj. R^2	0.4254	0.2375	0.7064
F-stat	54.838***	10.606***	35.903***
Hausman test	26.904	7.9946	3.9318
Chi^2 probability	0.0003	0.2385	0.6859

***.** and * represent the variable is significant at the 1%, 5% and 10% respectively. ROA: Return on assets, ROE: Return on equity, CSRdisc: Corporate social responsibility disclosure, LEV: Leverage, VOC: Volume of capital

stockholders" Wilson (2007) stated that developing economies are unable to withstand the high standards of CSR used in their developed counterparts. Heese (2005) and Jamali and Mirshak (2007) supported this statement, purporting that sustainability practices are not fully evolved in African economies and CSR is still in its infancy stage in Africa.

5.3. Summary

In summary, this section presented the data analysis and discusses the results. It started off with unit root test for verifying the stationarity properties of the variables used in the study. Following the unit root test analysis, was the regression outputs for both industry and country level perspectives. The main finding of the research is that unlike for morocco in the long run, CSRdisc does not show any significant impact on firms' financial performance. This can be due to the fact that CSRdiscs in Africa are less developed. Similar results were found by Yoon et al. (2006), Bhattacharya and Sen (2004).

According to Yoon et al. (2006), CSR may hurt the company image when motives behind the CSR engagement are perceived to be insincere, i.e. that the consumers suspect that the companies engage in CSR only in order to improve their images. Consequently, a single mistake leading to bad publicity will affect a company's reputation more negatively than for a company that does not engage in CSR at all, causing costs that are CSR risk-related (Yoon et al., 2006, Bhattacharya and Sen, 2004). In fact, Bhattacharya et al. (2011) point to the risk of CSR activities, even though well meaning, harm the competitiveness of the company. They further suggest that a few basic principles can reduce this risk significantly. Firstly, they highlight the market motives, and state that by being genuine and open with those, together with pursuing genuine CSR objectives, will minimize the risk. Moreover, trying to satisfy the specific needs of the customers will increase the likelihood of them approving the CSR engagement, and accordingly minimize the risk. Finally, constantly trying to align the company goals and stakeholder goals will also increase the likelihood of the CSR activities actually creating value, and for all parties involved. It is therefore seen that if the above issues are addressed, CSRdisc would bring about significant positive impact on firms performance in Africa.

6. CONCLUSION AND RECOMMENDATIONS

Our study evaluates the impact of CSRdisc on the financial performance of firms in Africa, both in short-term scenario and long-term scenario. We measures CSR in terms of keyword count and referred to this as CSRDisc. We measure financial performance of firms as ROA for short term, and ROE for long-term. For this purpose we used linear regression analysis on a sample of panel data over a time period of 2005 to 2015. In order to validate the impact of CSRdisc only, we employ a few control variables such as LEV, volume of capital, age, size, asset turnover and interest. Also, we used the lagged value of the dependent variable as instrument to control for the problem of endogeniety in the model (Wu and Shen, 2013).

Unlike for the sales and manufacturing, health and pharmacy and others industries, our empirical results suggest that CSRdisc affects the financial performance of firms in the short-run (ROA) negatively for the mining, investment and transport industries. We propose that this negative impact is an extra cost burden to the firms. Thus, CSR does not generate economic benefits for the firms in the short-run in those industries. This is in accordance to the study of Barnett and Salomon (2012) which suggests that firms with weak social performance produce a negative relationship between corporate social performance and corporate financial performance (Barnett and Salomon, 2012). The results are consistent with prior studies suggesting no immediate economic benefits for CSR applications. With respect to long-term (ROE) financial performance, majority of our results suggest no significant economic benefits for the firms. The data for individual firms under an industry confirmed the low-performance of firms. Keeping a control on other factors, it can be concluded that whether CSR earns a positive return on the financial performance of firms in long-term scenario is dependent on many other factors such as performance of industry during the sample of observation particularly the previous financial performance of the industries, individual performance of firms within the industry (Kim et al., 2012). Also our results confirmed that CSR affects each industry differently. Similar explanation holds for the country level perspective. Conclusively, based on our overall result, there has not been much contribution of CSR on firms' performance in Africa. Consequently, we proffer the following recommendations:

- In improving the African economy, Government should establish standard CSR policies and encourage institutions on it implementation.
- Though CSR is in its infancy stage but effective and efficient sensitization on its benefits should be made available at all levels and government should give technical support to institutions that practices CSR.
- Policy makers, investors, managers and other bodies should be encouraged in promoting the concept of CSR.
- Government should enforce laws on institutions that fail to adhere to CSR implementations.
- Government should have shares in most of these listed companies as it will give them the absolute right to monitor and enforce the implementation of CSR and it disclosure.

This study has certain limitations just like any other research. First, the research is made up of 6 countries in Africa, and 11 year period from 2005 to 2015 was considered as sample. This limits the generalization of our results to countries in particular and industries in general (Murray and Vogel, 1997). The study believes that as the size of the sample increases, some of the insignificant results in the regression analysis would become significant (Kim et al., 2012). Second, the research disaggregated the measurement of financial performance into two major groups i.e. ROA and ROE. The incorporation of other financial performance measures may yield appealing result as the magnitude of each of them will be measured. Future research should consider the above limitations and apply different research approach addressing them.

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