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Determinants of Corporate Donations of Non-Financial Quoted Companies in Nigeria

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Abstract

This proposed study is to identify the determinants of corporate donations in Nigeria non-financial quoted companies. For this to be done, variables of interest were selected to text their influence on corporate donations and its value to the firm. Variables pertaining to profitability, firm size, financial leverage and corporate tax variable on donations were selected and secondary data from the 50 listed companies on the Nigerian Stock Exchange were also collected and collated. The study adopted the simple regression analysis framework and findings resulting from analysis revealed positive and significant relationship between corporate tax, profitability and firm size variables with corporate donations. The analysis of the results in this study shows that corporate donations impact significantly on the companies' overall value.

Keywords: Corporate Donations, Non-Financial, Quoted Companies, Nigeria, Determinants.

Introduction

In recent times, adhering to corporate social responsibility has been one of the corporate objectives of many organization because corporation has acquired social movements in maintaining legitimacy among the stakeholders such as employees, communities and the rest of the public. Corporate donations have become the means for organization to pursue these objectives [Ofoegbu and Okoye, 2006]. As a result, charities' managers have to consider the stakeholders' expectations for them to

continue receiving the support from corporate donations. At the same time, the corporations representing the external stakeholders also need some information and have their expectation towards charitable donations. It is important for them, that the charities used the donations wisely [Grace et al, 2016].

Corporate partnership and collaborations build strong and positive relationship between donors and charities hinged on mutual respect and companionship which helps to better meet some of each other's needs and expectations. While charities and non-financial organizations (NFOs) benefit from corporate contributions, donors in turn, would receive benefit as well. For example, corporations could benefit from the deduction of company's tax by giving donations to their desired charities of NFOs. This has become a common practice in many countries including Nigeria. Moreover, a long-term partnership with NFOs allows the corporation to fulfill its obligation as an active and responsible social contributor. Therefore, information sharing and reporting of NFOs performances should the be considered as they are vital to building a truthful and accountable relationship between donors and their respective NFOs. Consequently, the Nigerian government has regulated all registered NFOs and charities and have required them to submit their annual financial report to the relevant body under their supervision. The information has not been made available to the public as well as to the donor. Since information is not readily and easily available, an examination of the organizational performance assessment can not be done and the stakeholders may face the problem of information asymmetry [Parsons, 2007] and also there may be failure to communicate important information to stakeholders in which the accountability is undermined. This study therefore is proposed to provide evidence from the perspective of non-financial companies the factors that determine corporate donations in Nigeria. The findings of this study could be an input to the efforts of improving the quality of NFOs reporting in Nigeria.

PROBLEM STATEMENT

Corporate social donations are subject to debate. Proponents argue that there is strong business case for donation in that, companies benefit in multiple ways by operating with perspective broader and longer than their own immediate, short-term profits. Critics argue that corporate donations distracts from the fundamental economic role of businesses; others argue that is an attempt to pre-empt the role of government as watching over powerful multinational corporations [Owen, 2005],[Peterson and Vredenburg, 2009]. Only a few studies have been carried out relating to corporate donations of non-financial quoted companies and their determinants [Akhtaruddin, 2005]. Given these empirical evidences from different studies there is hardly an indigenous attempt to identify the factors that determine corporate donations in Nigeria.

OBJECTIVE(s) OF THE STUDY

This study is proposed to investigate the determinants of corporate donations of non-financial quoted companies in Nigeria. The underlisted specific objectives shall be achieved.

1. Ascertain the corporate donations and corporate tax of non-financial quoted companies.
2. Establish the relationship between financial leverage and corporate donations and also statistical relationship between corporate donation and films' performance.

LITERATURE REVIEW

Amole et al, (2012) examined the relationship between corporate social responsibility and profitability in the Nigerian banking industry using First Bank of Nigeria (FBN) Plc as the case study. Annual reports formed the secondary source of data collection where the Corporate Social Responsibility (CSR) expenditure and profit after tax for the period of 2001-2010 was used for the computational experiment. The data collected for this study were analysed using correlation and regression analysis. The hypothesis formulated was tested. The results of the regression analysis as presented, showed the impact of corporate social responsibility expenditure on profitability in Nigeria banks which revealed (Beta= 0.945, $p<.01$). This means that for every unit change increment in the CSR expenditure will lead to .945 or 95% increase in the profit after tax of the company. The implications of this study include the need for banks to demonstrate high level of commitment to corporate social responsibility based on stakeholder theory in order to enhance their profitability in the long run.

Ahmed S.U, Islam M.Z and Hasan I. (2012) examine the nature of relationship between corporate social responsibility (CSR) and corporate financial performance (CFP). In doing so, the authors summarized the findings of the empirical studies, drawn the conceptual framework, measured CSR by developing a measure of corporate social performance (CSP) and finally made an investigation on the banking sector of Bangladesh. The results of the study revealed that the average return on asset ratios of the banks having high CSP is higher compared to that of the banks having low CSP, though this could not be proved statistically. However, the possibility of this linkage is not written off. In this respect, the CSR status measured in this study would serve as an important benchmark for further studies.

Xiaodan Chen (2018) carried out an examination study of the relationship among corporate social responsibility disclosure, political connection and tax aggressiveness. The results show that corporate social responsibility disclosure significantly strengthens the possibility of tax aggressiveness; firms with no or less close political connections can make use of the disclosure of corporate social responsibility to do tax aggressiveness. Furthermore, the change of political connection can significantly weaken the positive association between corporate social responsibility disclosure and tax aggressiveness. However, some data were collected by hands and that may cause some deviations.

Luper I. (2024) investigated the moderating effect of board composition on the relationship between environmental disclosure and corporate performance. Secondary data collected from the published annual reports and accounts of the selected listed manufacturing companies in Nigeria. The study made use of forty-five (45) manufacturing quoted on the Nigerian Exchange Group (NGX) and Agency theory was used as the foundational theory. Descriptive

statistics, correlation and regression techniques were used to analyze the data. The study revealed that board composition significantly moderates the relationship between environmental disclosure and financial performance of the sampled manufacturing companies listed on the NGX.

Lanis and Richardson (2013) carried out a study to empirically test the legitimacy theory by comparing the corporate social responsibility (CSR) disclosures of tax aggressive corporations with those of non-tax aggressive corporations in Australia. A unique sample of 20 Australian corporations accused by the Australian Taxation Office of engaging in tax aggressive activities during the 2001-2006 period was hand-collected. These 20 tax aggressive corporations were then matched with 20 non-tax aggressive corporations (based on industry classification, corporation size and time period). This process generated a choice-based sample of 40 corporations for empirical analysis. Using content analysis techniques, financial accounting data were gathered from the Aspect-Huntley database and CSR disclosures were individually measured for each corporation in the sample. Various statistical techniques were then used (e.g. paired sample statistics, Pearson correlation analysis and ordinary least squares regression analysis) to test legitimacy theory. the study provides empirical evidence in support of legitimacy theory as an explanation for why specific corporations disclose more CSR-related information than others.

METHODOLOGY

A cross-sectional research design was adopted in this study. The research design employed secondary data in the form of Company Annual Report and this was used to construct both dependent and independent variables. Stratified sampling with convenience sampling techniques was employed. Firstly, identification of relevant sectors and their representation was carried out and subjects for each sector were selected using convenience sampling techniques. Data collected were analyzed by running a regression to verify in quantitative terms how the various variables had impact in each other. The ordinary Least Squared technique of model estimation was deployed to describe statically the behavior of the variables that satisfy some long-run equilibrium situations. The nonparametric statistical test (Chi-square) was used to test the formulated hypothesis in statistical package for social sciences software package (SPSS).

Population and Sample Selection

All the quoted companies on the Nigerian Stock Exchange as at 31st December, 2014 which are about 196 companies were considered as the study population and from this, a sample of 50 quoted companies were drawn on which the empirical study for this work was based. The choice for the selected 50 companies is based on the need for cross sectional consideration of different companies to ascertain the extent of CSR practices by these firms.

Model Specification

A panel data multiple regression model is proposed for use in this work. By definition, a panel data multiple regression model is one that seeks to explain change or variation in the value of one variable (share price) on the basis of changes in other variables known as the independent variable or explanatory variables using pooled data (combination of cross sectional and time series data). The assumption of panel of data regression is that, the dependent variable is a linear function of the independent variables with consideration to heterogeneity in the pooled firms. This means that, the pooled regression assumes that there is no difference in the pooled firms while panel regression assumed cross section heterogeneity (cross section fixed effect) and period heterogeneity (time fixed effect).

The panel multiple regression with an error ε_1 is stated as

DON =ɣ0 + ɣ1CSR + ɣ2FAMILY * ɣ3CSR X FAMILY + ɣ4ROA + ɣ5MKBK + ɣ6SIZE + ɣ7LEV + ɣ8CAP-INT + ɣ9R&D-INT + ɣ10D-NOL + Year Dummies + Industries Dummies + ε

This model is an adaptation of the Hanlon & heitzman model (2010)

Consequently, the model of this study is as follows

CDON = β0 + β1 FMS + β2 PROF +β3 TAX + β4 LEV

Where the function relationship between the variables are

CDON = F (FMS, PROF, LEV and TAX)

Where,

CDON = Corporate Donations

TAX = Corporate Tax paid

FMS = Firm size (proxied by natural logarithm of total assests)

LEV = Financial leverage

β0, β1, β2, β3 = coefficients

A prior expectation = β0, β1, β2 and β3 > 0

Measurement of Variables

The variables for this study are; Tax paid, Firm size, Profitability and Financial. The dependent variable is corporate donation (CDON) while others are classified in this study as independent variables. The operation definition and description of the variables are given below.

Table 1: Description of variables

S/N	Variables	Description	Measurement
1	Tax	Tax paid	Ratio of cash tax to operating cash flow
2	FMS	Firm size	Proxied by natural logarithm of total assets of firm
3	PROF	Profitability	Proxied by return on assets (ROA) on firms
4	LEV	Financial Leaverage	Debt to equity ratio
5	CDON	Corporate Social Responsibility Disclosure	Corporate Donations

Data Presentation and Analysis

Table 2: Descriptive Statistics

	FMS	LEV	PROF	CDON	TAX
Mean	6.458602	19.23167	5.933229	4.886132	0.671402
Median	6.488897	1.544500	1.401350	5.013191	0.109000
Maximum	8.901040	34.49000	28.41957	45.00000	44.95000
Minimum	3.550840	15.12000	-55.33330	1.000000	0.001000
Std. Dev.	0.872310	174.2435	17.75797	2.873416	3.747941
Skewness kurtosis	-0.070498	18.90093	7.568823	9.135436	10.24662
Jarquee-Bera	1.929080	2323413	109421.3	238720.6	208465.0
Probability	0.381159	0.000000	0.000000	0.000000	0.000000
Sum	2622.193	7808.059	2408.891	1983.770	272.5891
Sum Sq. Dev	308.1746	12296120	127714.9	3343.891	5689.060
Observation	406	406	406	406	406

Source: Researchers' Output (2025)

The above results showed that, the average percentage for firm size (FMS) for the sampled data as extracted from the annual financial report of the companies is approximately 6.45%. But, the maximum and minimum percentages for FMS are respectively 8.90% and 3.55%. The maximum statistics is expected, since on the average the highest total cost of assets was 8.90 based on the fact that the log of total assets was used. The percentage values for tax paid on the average amount to (TAX) are 0.67%, 44% and 0.000% for average, maximum and minimum respectively. Statistical implication of this information is that the character of tax from the selected samples is fair as it influences corporate donations. The financial leverage registers a mean value of 19.23% while its maximum and minimum values are 34% and 15% respectively. If we go down the table, we see that, corporate donations (CDON) records a mean value of 4.89%, but its maximum and minimum values are respectively 45% and 1%

respectively. Apart from the values of the jerques-Bera statistics, we see that all other probabilities indicated that the distribution of variables assume a normal shape.

Correlation Matrix

The correlation analysis results using Pearson product moment correlation method is given in table 3.

Table 3: Correlation matrix.

Covariance Analysis: Ordinary

Date: 12/21/25 Time: 06:55

Sample: 1409

Included Observation: 406

Balanced Sample (listwise missing value deletion)

Covariance t-statistic probability	FMS	LEV	PROF	CDON	TAX
FMS	0.759051				

LEV		30286.01			
	5.49051	----			
	0.728270	----			
	0.4669				
PROF	1,746467	288.7874	314.5687		
	2.286387	1.888858	----		
	0.0227	0.0596	----		
CDON	0.226024	-10.4943	1.126563	8.236184	
	1.824439	-0.42243	0.444971	----	
	0.0688	0.6729	0.6566	----	
TAX	0.221167	7.116948	0.576470	0.414423	14.01246
	1,366219	0.219600	0.174530	0.775957	----
	0.1726	0.8263	0’8615	0.4382	----

Source: Field Survey, 2025

The table above shows the relationship of how the variable relate to one another in the sampled data gathered through the research instrument. We see from the table that, the coefficient of

correlation of a variable with respect to itself is 1.000. This indicates that there exist a perfect correlation between a variable with respect to its self. The result also showed that there exists a high positive relationship between firm size (FMS), return on quality (PROF) and Tax paid (TAX) with corporate donations (CDON). This means that, the strength ofrelationship between FMS, PROF and TAX with CDON are quite strong. The statistical implication of this is that FMS, PROF and TAX had significant relationships with CDON since it had p-values >0.05 with them. But income financial leverage (LEV) had insignificant and negative correlation with CDON since its p-value is less than the 5% level of significance.

Regression Results

Table 4: Estimation of Variables

Variable	Coefficient	Std Errror	t-Statistics	Prob
C	3.003488	1.070243	2.806461	0.0053
Tax	0.025348	0.038188	0.663777	0.0072
FMS	0.287908	0.165171	1.743087	0.0221
PROF	0.002422	0.008126	0.298061	0.0558
LEV	=0.000428	0.000823	-0.519559	0.6037
R-Squared	0.610053	Mean dependent var		4.886132
Adjusted R-Squared	0.500178	S.D. dependent var		2.873416
S.E of Regression	2.873160	Akaike info criterion		4.960941
Sum Squared Resid	3310.275	Schwarz criterion		5.010280
Log likelihood	-1002.071	Hannan Quinn criter.		4.980469
F-Statistics	1.018023	Durbin Watson Stat		1.919586
Prob (F-statistics)	0.007728			

Source: Researcher's Compilation (2025)

Findings and Discussions

It can be seen from the pooled ordinary least square (OLS) regression results shown in table 4 that, firm size (FMS), profitability (PROF), tax paid (TAX) and financial leverage (LEV) were able to explain about 61% of the total variation in corporate donations (CDON) and after adjustment the variables explains about 50% of the systematic variation in corporate donations (CDON) while about 39% of the systematic variations in corporate donations were left unexplained by the model by other variables not specified. This means that, our explanatory variables accounted largely for the changes in corporate donations (CDON) of our sampled companies given the percentage of the adjusted R-square. The estimation revealed that there are other variables that explain the behavior of the market price share.

However, on the basis of the overall statistical significance of the model as can be seen from the F-statistics result, it was observed that the model was statistically significant since the calculated F-value of 2,53 is greater than the critical F-value at 5%level of significance. This means that, the overall model is statistically significant.

The result revealed that firm size (FMS), profitability (Prof), tac paid (TAX) had significant positive relationships with corporate donations (CDON) since their probability values of

0.0072%, 0.02211%, and 0.05580% respectively were less than the absolute critical t-value at 5% level of significance. The result also revealed that, financial leverage (LEV) had insignificant negative relationship with corporate donations on the basis of its probability value of 60%. Also, the result show that, FMS, TAX and PROF agree with the a priori expectation in our model. But LEV fails to agree with the a priori expectation of our model.

Conclusion

This study has attempted to identify the influence of key determinants of corporate donations variables on the market prices of donations of selected companies in the Nigeria market. The panel data pertaining to the companies quoted in the Nigerian stock exchange market over the period 2010 – 2024 were used to determine the behavior of our sampled companies. The study had chosen firm size (FMS), financial leverage (LEV), profitability (PROF) and corporate taxation (TAX) as possible determinants of the market value of corporate donation variations and employs panel data analysis framework to identify the market value of corporate donation movement. The results indicate that, the variables firm size (FMS), profitability (PROF) and corporate taxation (TAX) are significant determinants of corporate donations for all the companies under consideration. Financial leverage (LEV) was found to be insignificant and negatively associated with market movement of corporate donations.

Recommendation

1. Investors in Nigerian Stock Market should make their investment in shares by watching the accounting data of firms, especially the profitability measures of return on equity to increase dividend yield of companies as they are critical factors in predicting hares prices behavior.
2. Efficiency in the management of assets of a firm is used by investors in making their investment decisions. Management generally are advised to manage the assets of their firms efficiently well such as would guarantee return on investors' investment.
3. Since corporate donation has an overall significant impact on share prices, companies' policy makers should be interested in making [policies that would improve their corporate social commitment since such engagement is set to cause increase in the share price movement of the firm.

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