THE IMPACT OF CORPORATE SOCIAL RESPONSIBILITY ON FINANCIAL PERFORMANCE OF FIRMS IN NIGERIAN HOTEL INDUSTRY

BY

MBAZULIKE JULIET .U.

(SPS/12/MAC/00018)

DECEMBER, 2015

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**A DISSERTATION SUBMITTEDTO THE SCHOOL OF POSTGRADUATE STUDIES, BAYERO UNIVERSITY KANO,
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IN PARTIAL FULFILMENT OF THE REQUIREMENTS FOR THE AWARD OF THE DEGREE OF MASTERS OF SCIENCE (M.Sc) IN ACCOUNTING

DECEMBER, 2015

DECLARATION

I, Mbazulike, Juliet Uche**,** declare that this thesis titled "The Impact of Corporate Social Responsibility on the Financial Performance of Firms in Nigerian Hotel Industry" was done entirely by me under the supervision of Prof. Dandago, K. I. and Prof. Bashir, T. The thesis has not been presented, either wholly or partly, for any degree elsewhere. All sources of scholarly information used in this thesis were duly acknowledged.

Mbazulike, Juliet Uche …….……

Signature & Date

CERTIFICATION

The undersigned certify that they have read and hereby recommend for acceptance by Bayero University Kano, a thesis entitled: "The Impact of Corporate Social Responsibility on the Financial Performance of Firms in the Nigerian Hotel Industry" in partial fulfillment of the requirements for the degree of Masters of Science (M.Sc) in Accounting of Bayero University Kano, Nigeria.

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DEDICATION

The study is dedicated to the Almighty God, who has given me the strength, grace and wisdom for this achievement and also to the loving memory of my late mum, Mrs Virginia Mbazulike.

ACKNOWLEDGEMENT

My special gratitude goes to the Almighty God who made everything possible in His own time.

I would like to sincerely thank my supervisor Prof. Dandago, K.I.; His guidance, hard work and dedication throughout the period I spent under his supervision are greatly appreciated. This work is better as a result of his inputs and directions. Prof, you are indeed a source of inspiration to me and you remain my mentor and role model!

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ABSTRACT

The study evaluates the Impact of Corporate Social Responsibility (CSR) on the financial performance of firms in Nigerian hotel industry. This is to find out whether or not Corporate Social Responsibility ultimately impact on the financial performance goals of firms in Nigerian Hotel industry towards sustainable economic development. To achieve this, the study used a primary source of data from interview and secondary sources of data from the annual reports of the selected hotels covering a period of five years (2010-2014). Descriptive statistics, correlation and Ordinary Least Square regression technique were employed to analyze the data. The population of the study consists of all the four listed hotels in the Nigerian Stock Exchange out of which three hotels were selected. The findings showed that CSR has a mixed impact on Returns on Assets; CSR insignificantly impacts on Returns on Equity and significantly influences customer's patronage. The study concludes that CSR is good for the success of firms in the Nigerian hotel industry since it helps to improve and increase their financial performance; therefore a noble and worthwhile practice for firm in the hotel industry. The study among others recommends that it would be to the advantage of the hotel firms to invest more on philanthropic cost on donations, community involvement and total assets that have a positive impact on Returns on Assets and Returns on Equity so as to increase the Returns on Assets and Returns on Equity. The mixed impact of CSR on Returns on Assets and Returns on Equity implies that variables like philanthropic cost on donations, community involvement and size of assets have a positive relationship with Returns on Assets and Returns on Equity while ethical concerns and age have a negative relationship with them. This means that the increase in Returns on Assets and Returns on Equity is dependent on these variables with positive relationship and therefore the most important variables to consider.

CHAPTER ONE

INTRODUCTION

1.1Background to the study

The growth of a particular business can be measured in terms of overall contribution to economic, social and political developments. This integration of social and environmental concern is important for sustainable development to restore and protect the environment and conserve it for future generation (Ebiringa, 2013). The attainment of the sustainable development is not dependent on self-sufficiency but continuous efforts towards improving the economic development, social interaction and relationship. In line with the aforementioned, Hashimu & Ango (2012:248) observe that "business does not exist in a vacuum but is simultaneously dependent on a number of stakeholders: employees, customers, investors, interest groups, community and the government".

Presently, the increased interest in the role of businesses in the development of the society in which they operate has been enhanced by increased sensitivity to the awareness of environmental, legal and ethical issues. However, increasing level of governmental regulations, media attention, pressure of non-governmental organizations and fast information spread require companies to look beyond pure profit maximization and a variety of stakeholders in a sustainable and ethical manner (Sandra & Zymantus 2013). This, according to Adeyanju (2012:18), means "that the society has become increasingly concerned that greater influence and progress by firms has not been accompanied by equal effort and desire in addressing important social issues including problems of poverty, drug abuse, crime, improper treatment of workers, faulty production output and environmental pollution by the industries as it has overtime been reported in the media". This is an indication that firms are not living up to expectation and are found

wanting in the discharge of their corporate social responsibility. Therefore, there is need for corporate businesses to be socially responsible.

Corporate Social Responsibility (CSR) as a concept has generated a lot of debate and is still attracting a lot of attention among the academics, government, non-governmental organizations, law-makers, communities, practitioners, companies and other stakeholders. It is a necessity and yet optional for businesses world-over, Nigeria inclusive and as such there is a renewed clamour by communities, government, activists for businesses to be socially responsible for their operations. To this end, the obligation of an organization is to seek actions that protect and improve the welfare of the society along with its interest, which lies on corporate social responsibility.

CSR is the duty a company assumes for the impact of its activities on the society (Olanrewaju, 2014). This depicts that aside profit maximization, businesses are expected to maximize positive effects and minimize negative effects of their activities on the society. They are expected to act in relation to the welfare of the society willingly and knowingly. “Being involved in CSR activities is becoming a must for companies, especially if they are aiming for good public opinion and want to sustain a well-appreciated brand”(Werther & Chandler, 2005:20). It has become a key part in the strategies of companies around the globe to promote sustainable development.

In Nigeria, large number of companies has begun to recognize and appreciate the importance of incorporating CSR strategies into their daily management and operations as against the earlier societal expectations that business did not go beyond efficient resource allocation and its maximization. According to Adeyanju (2012), the earlier perception that business is all about profit maximization has changed and modern businesses must think beyond profit maximization

towards being at least socially responsible to its society. However, it is when businesses survive that they would be expected to execute corporate social responsibility projects/activities (Kurawa, 2013). When firms in Nigerian hotel industry are not performing well, economic demands take precedence over social and environmental responsibility expenditures. This means that the amount of profit to be invested in CSR projects/activities by these firms is dependent on the financial performance. Therefore, to be socially responsible; firms in hotel industry must be strong in their financial performance.

Financial performance refers to the act of performing financial activity. Broadly speaking, it refers to the degree to which financial objectives of a business has been accomplished. It is the process of measuring the results of a firm's policies and operations in monetary terms. CSR is a plus to the financial performance of the company, if engaged in appropriate way. The firm not only fulfill the core business objectives which is profit maximization but in addition to that they contribute to the society including workers, customers and other stakeholders by increasing welfare activities, providing funds and aids to needy persons, special donation to non-trading concerns, establishing free educational institutions and hospitals for the society. This not only brings augmentation to goodwill but also brings favorable results in financial statement like profit and loss statement, balance sheet, cash flow statement, increasing the financial worth of the company. Being socially responsible may contribute positively or negatively in a company's financial performance depending on how it is engaged. CSR activities may increase profits via efficiency improvements and a more sustainable use of resources; but CSR activities require substantial financing that could make costs to exceed the above mentioned benefits and profits may be eroded (Sandra & Zymantus, 2013).

Hotel industry is very important to any nation because through hotels activities, socio-economic development of any nation can be made possible. Therefore, Nigerian hotel industry is not an exception. In Nigeria, the industry has expanded rapidly since the return to democratic rule in 1999; primarily due to government's interest in tourism development (Effiong, Usang, Inyang & Effiong, 2013). This, therefore, makes the industry one of the fastest growing industries in Nigeria which has contributed immensely to the country's economic development. The growth of the firms in the industry, consequently impacts on the communities in which they operate through employment generation, contribution to tourism and economic stimulation for the surrounding areas.

Sequel to the above assertion, there is need to implement strategies aimed at further expansion and generation of competitive advantage that would allow them to survive and be successful in ever changing and demanding industry. The achievement of this depends on the need to focus on customers and community as a tool for hotels that are aiming at meeting their needs and expectations. The relationships they develop with their immediate community and local economy are vital for the long-term health of a particular region in which they are situated. In this context, society has become one of the players and one of the actors that highly influence corporate behavior (Hashimu & Ango, 2012). Some hotels in recognition of this fact have discovered long ago that creating a strong business and building a better world are vital ingredients for good financial performance. Thus they do appreciate the need to be socially responsible to their immediate community.

The empirical studies on the nexus between CSR and financial performance have varied views despite many years of research. This has made the topic to be in a debate as a result of conflicting views and findings arising from these empirical studies, therefore the need for further

research. Although there have been few researches in developed countries on corporate social responsibility and financial performance in the hotel industry, these countries have well laid down CSR traditions and predictable fundamentals than Nigeria. Furthermore, no known attention has been given to the development of hotel industry through active CSR projects by hotel firms in Nigeria. The reason for this might be the little importance perceived to have been placed on the influence of corporate social responsibility on financial performance in the hotel industry in particular and in the Nigerian economy as a whole. Lastly, most firms in the Nigerian hotel industry are not well informed on the impact of CSR on the financial performance and benefits inherent in it; which might inform the lack of concern about incorporating CSR strategies in their operations.

The facts above inform the basis for this research. Therefore, the study is poised to examine the impact of CSR on financial performance of firms in the Nigerian hotel industry, so as to fill the gap created by these stated challenges in the Nigerian economy.

1.2 Statement of Problem

The fact that previous researches on CSR and financial performance relationship in hotel industry have been in a big debate due to conflicting results and findings makes it obvious that there is still room for further research. Major findings from previous researches (Mustaruddin, Norhayahso & Rusnah 2008; Jackson & Hua 2009; Wunchareon 2013; Oba & Musa 2012) show a positive relationship between CSR and financial performance while a study by Yuhei & Lee (2011) found a mixed relationship. However, a study by Aile & Bausys (2013) found out that CSR does not have any impact on financial performance. While most of these researches employed content analysis, questionnaire and annual reports for data collection, the present study

used content analysis, interview and annual reports for data collection. Also, some of these previous studies used longitudinal data analysis, standard deviation, path analysis, while the present study used OLS regression analysis as a tool of data analysis.

Furthermore, most of the previous studies related to the current study (Curran 2005; Mustaruddin, Norhayahso & Rusnah 2008; Ioannis 2011; Heidi 2012; Ghelli 2013; Bidhari & Aisjah, 2013; Aile & Bausys 2013; Marzouq 2015) so far have been conducted in the developed countries which are assumed to have more embedded CSR traditions and predictable fundamentals than Nigeria and other developing economies. These therefore present a gap which the present study tends to bridge; because the objective of this study and the methodological approach (tool of analysis) differ from the previous studies.

Companies in hospitality sector, particularly hotel industry in Nigeria are not enjoying the research attention they deserve in the area of CSR projects and financial performance which forms part of the gap that were bridged by the study. The few researches by Olayinka & Temitope (2012), Oba & Musa (2012), Adeyanju (2012), Joseph, Spencer & Agboluaje (2013), and Raimi, Adeleke, Aljadani & Fadipe (2014) on the nexus between CSR and financial performance which concentrated on other industries are attestations to the fact that much attention has not been given to the impact of CSR on the performance of firms in the hotel industry in Nigeria.

Also, researches on financial performance of hospitality industry with particular reference to hotel industry in other countries are scarce and so the study would be a contribution to the body of literature on the subject of impact of CSR projects on financial performance of firms that are

operating in the hotel industry of the Nigerian economy, in order to add to the existing body of knowledge in the area worldwide.

The fact that to the best knowledge of the researcher, there is no known research presently testing the impact of CSR on financial performance of firms in the hotel industry in Nigeria poses a problem to be solved thus, it is imperative for this study to be carried out.

1.3 Research Questions

To tackle the problems stated above, the following research questions were addressed;

(i) What is the impact of Corporate Social Responsibility on Returns on Assets (ROA) of firms in the Nigerian hotel industry?

(ii) To what extent does Corporate Social Responsibility impact on Returns on Equity (ROE) of firms in the Nigerian hotel industry?

(iii) To what extent does Corporate Social Responsibility influence customer patronage of firms in the Nigerian hotel industry?

1.4 Objectives of the Study

The study seeks to explore the impact of CSR on the financial performance of firms in the hotel industry in Nigeria. This study is set to achieve the following specific objectives derived from the main objectives which are;

(i) To extent does Corporate Social Responsibility affects Returns on Assets (ROA) of firms in the Nigerian hotel industry.

(ii) To evaluate the extent to which CSR impacts on Returns on Equity (ROE) of firms in the Nigerian hotel industry.

(iii) To determine whether or not CSR influences customer patronage of firms in the Nigerian hotel industry.

1.5 Research Hypotheses

To proffer useful answers to the research questions and realize the study objectives, the following hypotheses stated were tested;

$H0_1$: CSR significantly impact on returns on asset (ROA) of firms in the Nigerian hotel industr

$H0_2$: CSR significantly impacts on returns on equity (ROE) of firms in the Nigerian hotel industry.

$H0_3$: CSR significantly influences customer patronage of firms in the Nigerian hotel industry.

1.6 Significance of the Study

On the views of stakeholders' theory, the emphasis is on serving the interests of its various stakeholders who include but not restricted to investors, creditors, employees, suppliers, customers and the host community. Serving the interests of the various stakeholders has its effect on the financial performance of an organization generally and the Nigerian hotel industry in particular which necessitated this study.

The study, therefore, would be beneficial to hoteliers in Nigeria because it would furnish them with the additional information and broaden their knowledge on how best to engage on CSR activities for their impact on financial performance. It would also serve as a wake-up call to hoteliers who are yet to engage in CSR activities. The study would enlighten them on the concept of CSR, its benefits to their business and how to engage in it.

Secondly, the study would be helpful to the general public by contributing to a few existing literature on CSR and financial performance relationship. This would go a long way to create awareness and increase their level of sensitivity on how best to relate and negotiate with the hoteliers on issues bothering on CSR.

Thirdly, it would help the government to take adequate measures on the best way to encourage hotels industry in particular and other industries that engage in CSR activities. The encouragement could be in the form of provision of adequate infrastructural facilities and tax incentives.

Also, the study would go a long way to consolidate the previous findings on the nexus between CSR and financial performance, thereby minimizing the long-time debate on this topic which is often associated with conflicting results and findings.

Finally, the study would be helpful to future researchers who would want to carry out a research on the same or similar topic. This is so because it would serve as a guide on the methodological discourse and equally provide them with the necessary literature that would aid their work.

1.7 Scope of the Study

The study is limited in scope to the hospitality sector in the Nigerian economy, with a particular reference to all the listed hotels in the Nigerian Stock Exchange. The study is also limited to a time frame of five (5) years i.e. the period from 2010 to 2014.

Relevant profitability ratios which include ROA and ROE were computed from the annual reports to serve as proxies to financial performance. Also proxies to CSR which include

philanthropic cost on donations, community involvement and ethical concerns were extracted from the annual reports.

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

The chapter two deals on literature review in which the conceptual framework examines the concept of corporate social responsibility as given by different authors. Also corporate social responsibility as it relates to financial performance was extensively discussed. Similarly, the concept of hotel industry was also looked into in which diverse opinions and views by different authors were discussed as well as different categories of hotels in Nigeria. Furthermore, the theoretical framework which gives a good insight on different theories relevant to corporate social responsibility was examined from which the stakeholder theory and legitimacy theory which best explains the concept of corporate social responsibility were adopted as the basis for the study. Lastly, the review of the empirical studies related to the impact of corporate social responsibility on financial performance of firms in Nigerian hotel industry was analyzed.

2.2 Conceptual Framework

2.2.1 Corporate Social Responsibility (CSR)

CSR was derived from business ethics, the attention was at the beginning internally; by avoiding all kinds of discrimination, stressing on workers' rights in justice, fairness and good working conditions (Tengblad & Ohlsson, 2009). CSR extended, externally, to participation in value creation and society welfare, donations and environmental protection (Sotorrıo & Sa´nchez, 2008). This implies that the concept is multi-faceted and as such has no universally accepted definition. It could be seen to have different perceptions to different people, depending on the

organization or group that uses it. To buttress this point, Kurawa (2013) observes that it could be defined in the context of the societal, environmental, ethical, safety, educational or human rights issues/problems that business organization are expected to address or contribute towards solving.

Corporate social responsibility (CSR) may be defined as the commitment of business to contribute to sustainable economic development, working with employees as well as the local community and society at large to improve their quality of life (World Business Council for Sustainable Development, 2004). According to Kottler and Lee (2005), CSR is an organization's commitment to improve community well-being through discretionary or voluntary business practices and contributions of corporate resources. From this scholar's point of view, CSR is the continuous commitment taken by business organizations to strengthen their social involvement in their immediate community's philanthropic activities. Also, the Business for Social Responsibility cited in Dandago (2011), observes that CSR is about operating in a manner that meets or exceeds the ethical, legal, commercial and public expectations that society has of a business. However, this definition is more encompassing because it integrates ethical, legal as well as economic aspects of CSR.

In the Nigerian context, Dandago & Liman (2011) describe CSR as companies' contributions to the immediate community and the economy as a whole for the development and progress, even as they are extraneous to their regular business activities. These contributions may include some youth programmes, gender parity programmes, support for people living with disabilities, support on basic health care, educational development, training initiatives on entrepreneurship, sports development, road construction, bore holes drilling, etc. From the foregoing, the focus dwells more on philanthropic and ethical activities than on economic and legal activities. Similarly, the European Commission (2013) conceptualizes CSR as a concept whereby

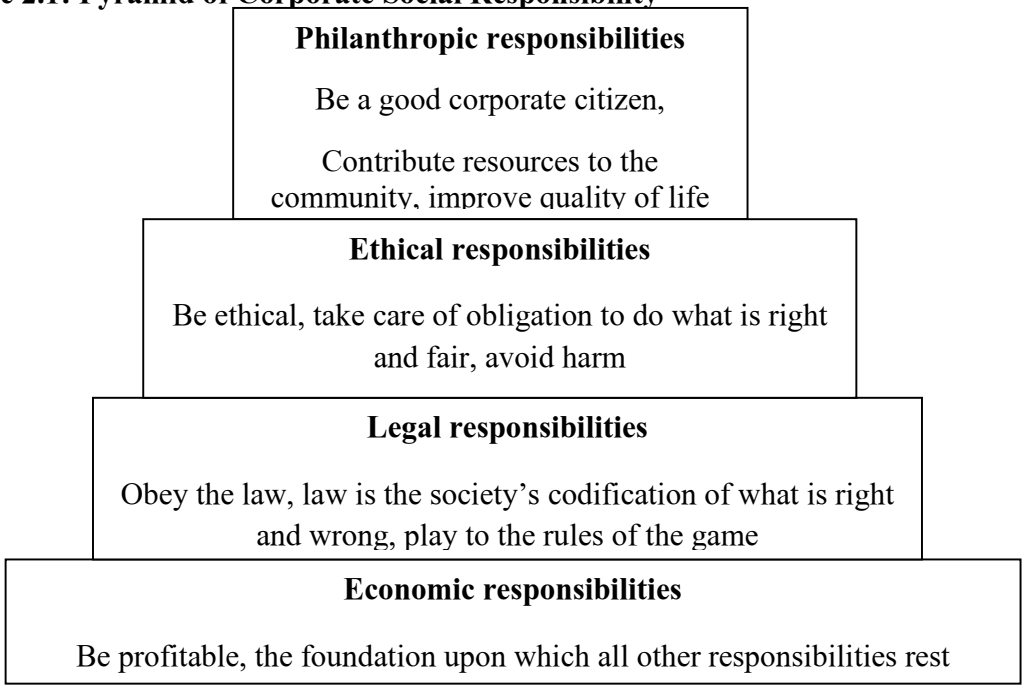
companies integrate social and environmental concerns in their business operations and in their interaction with their stakeholders on a voluntary basis. The emphasis here is on activities of the business firms towards social, environment and stakeholders as well as voluntary action, which excludes legal responsibilities. Furthermore, Ajide & Aderemi (2014) opine that CSR is the organization's activity to make sustainable impact in society, and which in turn has the potential to create positive effect on the business organizations that engage in it. The emphasis here is on economic dimension of CSR. This is so because both the improvement of community and profitability of the business are the focus.

A critical analysis of the definitions and views above depicts that CSR is the voluntary commitments taken by business organizations to integrate the philanthropic, ethical, legal and economic issues in their operations so as to strengthen the social involvement in the immediate community in particular and the national economy in general.

2.2.2 Corporate Social Responsibility Dimension and Focus

During the past four decades the notion and the content of CSR was formulated and developed from fragmented activities related to organizations' citizenship and sustainability (Gavin & Maynard, 1975), to be classified into four dimensions taking a pyramid shape; ranging from compliance to legislations, up to voluntary environmental and charitable actions (Thompson & Martin, 2010). Similarly, Carroll (1991) has also tried to identify those areas that characterize CSR. In a model called the Pyramid of Corporate Social Responsibility, he suggests that CSR consists of four different types of responsibility: philanthropic, ethical, legal and economic which can be represented with the acronym PELE. These four components are then a pyramid that is designed to show which parts contribute to the overall CSR as presented in figure 1 below;

Figure 2.1: Pyramid of Corporate Social Responsibility



.

Source: Carroll (1991)

The diagram above shows that economic dimension forms the basis of Carroll's CSR pyramid. Economic dimension entails that the businesses are under obligation to: (a) produce goods and services which society requires, (b) which are sold to them at a fair price,(c) which would provide profits adequate enough to ensure the perpetration and growth of business and (d) which would adequately reward investors for their risk (Danadago & Liman, 2011). Simply put, economic dimension is concerned with being efficient and making enough profits for survival and future continuity (David, 2011). It also entails distributing resources to all stakeholders in the most equitable manner (Olarewaju, 2014).

The legal dimension is the second which means that the goal of profit maximization is to be approached within the confines of written law (Carroll, 1991). Organizations are compelled to obey rules and regulations, without any kind of invasion (Kinicki & Williams, 2011). The legal component suggests that companies must ensure that their business practices are legal and they

are performing in a manner that is consistent with the rules and regulations set by the government and other related bodies for the benefit of the society (Carroll, 1991; Ismail, 2009; Mullerat & Brennan, 2005). The emphasis here is on obeying environmental laws and regulations. The law should thus be seen as a reflection of what society considers as the minimal standards of acceptable conduct (Dandago & Liman, 2011).

The third is the ethical dimension which is tied up with stakeholders' goodwill and virtuous expectations (Kinicki & Williams, 2011). It means obeying the code of ethics of organizational members (Olarenwaju, 2011). Hiseh (2009) and Tsoi (2010) also stated that as businesses are making profits from the public, they need to act ethically and comprehend the welfare of the society. Thus, this becomes a competitive advantage (Mahmood & Humphrey, 2013) for them to further progress by creating a positive image among the society and gain more profit (Bondy, Moon & Matten, 2012).

The last, which lied at the top of the pyramid, is the philanthropic dimension. It involves being a good corporate citizen and includes participation in initiatives or programmes that promote human welfare or goodwill (Dandago & Liman, 2011). Examples include contributions to charities, social infrastructure development initiatives as well as education and health care programmes. It also means coping with what is called good citizenship towards the society with convenience levels of sponsorship (Kinicki & Williams, 2011). Simply put, it involves contributing to the welfare of the society.

Pedersen & Huniche cited in Kurawa (2013), observes that revisiting Carroll's CSR pyramid from an African perspective specify that CSR pyramid has been in an American context and not in African's perspective. In Africa, Nigeria inclusive, economic responsibilities still get the highest emphasis while philanthropic is given second highest priority, followed by legal and then

ethical responsibilities. Irrespective of the variation in Carroll's pyramid in both the American and African perspective, Gample & Thompson (2011) argues that the balance between the inconsistencies of the four dimensions is the main issue, to satisfy shareholders anticipation of revenue and profits, without any law violation, and being at the same time adjusted to society moral and ethical system and to satisfy part of the citizen's urgent needs.

Several strategies are used to make these dimensions come true; they are ranging from the minimum efforts strategy; the reactive to the defensive, the accommodative, and finally the proactive (Jones & George, 2009). The reactive strategy can be attained by working in line with the right internal processes and procedures to work in harmony with stakeholders requirements. If the organization is intended to be socially responsible then it can first workout within the defensive approach in making decisions without law breach. Through the accommodative strategy; organizations tried in their decisions to handle the diversion of all legally and ethically stakeholders' needs. Finally which includes the maximum endeavor; by being proactive and devoted part of resources, time and efforts to consolidate the benefit of all stakeholders (Fang , 2010;Ganescu, 2012) and for exceptional movements in pollution reduction, recycling, promoting green products, and environmental safeguard (David, 2011).

All the above strategies are geared towards being socially responsible and the attainment of this hinges on adequate financial performance of an organization.

2.2.3 Corporate Social Responsibility and Financial Performance

Financial performance refers to the act of performing financial activity. Generally, speaking, it refers to the degree to which financial objectives of a business has been accomplished. It is also, the process of measuring the results of a firm's policies and operations in monetary terms. Financial performance is one factor that shows effectiveness and efficiency of an organization in

order to achieve its objectives. Effectiveness is achieved when management has ability to choose right destination or an appropriate tool to achieve those objectives. Efficiency is defined as the ratio between input and output was with certain inputs to obtain the optimal output (Pertiwi, Dan & Pratama, 2012). CSR activities may increase profits via efficiency improvements and a more sustainable use of resources and, on the other hand, CSR activities require substantial financing, so costs may exceed the above-mentioned benefits and profits may be eroded (Sandra & Zymanatas, 2013). CSR, if engaged in appropriate way will not only help firm to only fulfill its core business objectives but in addition focus on society including workers, customers and other stakeholders by increasing welfare activities, providing funds and aids to needy persons, special donation to non-trading concerns, establishing free educational institutions and hospitals for the society. This not only brings augmentation to goodwill but also brings favorable results in financial statement like profit and loss statement, balance sheet, cash flow statement, increasing the financial worth of the company.

To lay credence to the above fact, some researchers have argued that CSR can improve the competitiveness of a company in the long run, implying a positive relationship between the CSR involvement of a company and its financial success (Weber, 2008). The relationship between CSR and financial performance represents the least understood area of CSR (Angelidis, Massetti & Magee–Egan, 2008). While studies suggest a mild positive relationship (Orlizky, 2003), this connection has not been fully established and the mechanisms through which firm's financial performance can be enhanced through CSR is not well understood (Jawahar & McLoughlin, 2001). Most researchers argue that good corporate reputations have strategic value for firms that possess them (Rumelt, 1987). Firms with assets that are valuable and possess a competitive advantage may expect to earn superior returns (Neville, Bell & Menguc, 2005). Those whose

assets are difficult to imitate may also achieve sustained superior financial performance (Barney, 1991).

The viewpoint for positive correlation between CSR and financial performance suggests that a company's explicit costs are opposite of the hidden costs of stakeholders (Briloff, 1972). Therefore, this viewpoint is proposed from the perspective of avoiding cost to major stakeholders and considering their satisfaction (Cornell & Shapiro, 1987). Commitment to CSR would result to increased costs to competitiveness and decrease the hidden cost of stakeholders. Bowman & Haire (1975) pointed out that some stakeholders regard CSR as a symbol of reputation and the company reputation was improved by actions to support the community resulting in positive influence on revenue. Jensen & Meckling (1976) had an opinion that businesses can turn a social problem into long term economic opportunity and economic benefits, productive capacity, human competence, well paid jobs and wealth. Theoretically, CSR is expected to improve a firm's financial performance in the long run. A firm is expected to gain entry into new but volatile markets, stay competitive, maintain its customers apart from increased revenue, and maintain a better brand image in the eyes of its customers, better understanding of customers' wants and how to turn those wants into needs.

2.2.4 Concept of Hotel Industry

Hotel industry is an important service industry in most countries of the world, especially those attracting a large tourist trade. Therefore, in a search for a better definition and understanding of hotel industry, so many views, ideas and opinions have been given by different authors, researchers to the concept of hotel industry. World Tourism organization cited in Ibru (2004) defines hotel industry as enterprises which provide accommodation with or without ancillary services. According to Pearson (2011), hotel industry is all forms of business relating to the

provision of accommodation in lodging, food, drinks and various types of other services that are interconnected and form intended for the public service, both of which use the lodging facilities or who simply use the services of certain hotel. Gray and Liguori (2004), in an attempt to provide a definition of hotel opined that the word hotel is derived from the French word meaning host, which referred to a French version of a town house or any other building seeing frequent visitors, rather than a place offering accommodation. Also, Omogunleye & Ayeni (2012) describe a hotel as an establishment that provides paid lodging on a short term basis. Similarly, Ofobruku (2013) defines hotel as a house or hall of residence for group who has specific needs, typically students, young workers, tourist and organized parties. This may include food and entertainment in exchange for payment by client. Furthermore, Baum (2003) views hotel as an establishment that provides paid lodging, usually on a short term basis. He further stresses that the provision of basic accommodation, in time past consisting only of room with a bed, a cupboard, a small table and a washstand.

A closer examination of the above views shows that hotel industry is a group of businesses that provides lodging and other related services for a fee.

2.2.5 Corporate Social Responsibility and the Hotel Industry in Nigeria

Hotel industry is an important service industry in most countries of the world, Nigeria inclusive, especially those attracting a large tourist trade and as such, its emphasis cannot be over emphasized. The industry is making heavy investment in new facilities for already existing hotels, including more parking areas, swimming pools, and more new buildings with larger guest rooms being constructed (Eja, Otu, Agbor & Inyan, 2013). Gray and Liquori, (2004), in an attempt to provide a definition of hotel opined that the word, hotel, is derived from the French word meaning host, which referred to a French version of a town house or any other building

seeing frequent visitors, rather than a place offering accommodation. Hotels in Nigeria like other business organizations engage in CSR activities, although their level of activities is relatively low and yet to be embraced by majority of the hotels irrespective of the benefits inherent in it. In agreement with this assertion, Porter & Kramer cited in Maria & Ramon (2011) observed that CSR can be attached to hotel strategy and thus communicating CSR policies both to customers or stakeholders can generate competitive advantages.

In an attempt to boost the hotel industry in Nigeria, the government and private sector have strengthened this sector by providing basic facilities and amenities such as roads, electricity and water (Agu, 2002). This attempt has led to the development of the hotel industry in Nigeria and has been rapid and wide spread in the last few years. Hotel industry is very important to any nation because through hotels activities, socio-economic development of any nation can be made possible and Nigerian hotel industry is not an exception to this fact. In Nigeria, the Industry has expanded rapidly since the return to democratic rule in 1999, primarily due to government's interest in tourism development (Effiong, Usang, Inyang & Effiong, 2013). This, therefore, makes the industry one of the fastest growing industries in Nigeria which has contributed immensely to the economic development. The growth of the industry, thereby impacts on the communities in which they operate through employment generation, contribution to tourism and economic stimulation for the surrounding areas.

2.2.6 Categorization of Hotels in Nigeria

According to Hotel Star Rating (2014), hotels are mostly classified according to their quality, therefore the higher the number of stars, the greater the luxury ranging from food service, entertainment, view, room size, spa, fitness centre, ease of access and location. In Nigeria, hotels

are basically categorized into five star hotels, four star hotels, three star hotels (mid class), two star value properties and one star economy hotels and motels.

Five star hotels in Nigeria are aimed at travellers who want luxury, world class service and facilities. The common features of five star hotels apart from high room rates include the presence of indoor or outdoor pool, Jacuzzi, amazing views from the balconies, 24 hour room service, provision of a PC with free internet access and other features worth the money paid.

Four star hotels in Nigeria are those hotels which are often owned and run by indigenous hotel owners. They offer significantly lower prices than five star hotels but with a similar standard of luxury. These hotels are usually in prime locations and its advantages include closeness to desirable shopping areas and restaurants, valet parking, concierge service, room service, well equipped gymnasiums, fitness centers and state-of-the-art business centers.

Three star hotels are mid-scale hotels. This category of hotel in Nigeria offers suitable rooms for extraordinary low prices and often the most common type of hotel in Nigeria's hospitality industry. They are often located in the cities, suburbs, near highways and office complexes. Most three star hotels in Nigeria have rooms equipped with air conditioning, refrigerators and television. Other amenities like swimming pools, fitness centers, room service and parking space may be available. Rooms and lobbies are nicely furnished and restaurants are usually located at the property. These forms of hotel are specifically designed for guests who want to experience comfort without putting a dent on their wallets or bank accounts.

Two star-value properties offer affordable prices. These properties are often located near office parks, airports, shopping and retail areas. Rooms are comfortably decorated but not overly elegant. Usually, these properties do not have restaurants or room service, but offer free parking and sometimes, swimming pools. Transportation is occasionally offered to nearby airports.

One star - economy hotels and motel are the forms of hotel that offer simple accommodations that typically are located near major highways. Amenities include free parking, local calls and cable television. Restaurants are often located nearby, and room service is usually not available. Some economy hotels and motels have swimming pools located on the property.

2.3 Theoretical Framework

All fields of studies have theories relevant to their study and accounting is not an exception to this fact. In view of this, the theories relevant to CSR activities in the summary below are stakeholder theory, legitimacy theory, agency theory, shareholder theory, positive accounting theory and normative accounting theory.

2.3.1 Stakeholder theory: The stakeholder theory was introduced in 1984 by Edward Freeman. The theory has a contrary view with Friedman's neo-classical view. It gives a new interpretation of business, incorporating in it those facts and ideologies that were deemed not to be important with the economic activity. The stakeholder theory gives an analysis of those parties or groups to whom the firm should be responsible (Moir, 2011). The theory attempts to identify numerous different factions within the society to whom an organization may have some responsibility. By way of definition, Freeman (1984) sees a stakeholder as any group or individual who can affect or is affected by the achievement of the organization's objectives. Thompson et al, (1995) explained that stakeholders are groups in relationship with an organization. According to Clarkson (1995) stakeholders are persons or groups that have, or claim ownership, rights, or interest in a company and its activities. Stakeholder groups are: employees, local community, suppliers, customers, society, finance providers, governments, and NGO's. Furthermore, Clarkson (1995) classified two groups of stakeholders. The first group is the primary stakeholders and the second group is the secondary stakeholders. The primary stakeholders are

defined as one without whose continuing participation the corporation cannot survive as a going concern (Clarkson, 1995). According to this definition we can say primary stakeholder group are the public stakeholder group, which is needful for the company to survive. Examples are shareholders, investors, suppliers, and customers. Secondary stakeholders are defined as those who influence or affect, or are influenced or affected by, the corporation, but they are not engaged in transactions with the corporation and are not essential for its survival (Clarkson, 1995). Some examples are the media and special interest groups.

The central idea of the stakeholder theory is that the success of an organization depends on the extent to which the organization is capable of managing its relationship with key groups such as financiers and shareholders and also customers, employees and even communities or societies (Van Beurden & Gossling, 2008). The major breakthrough in Freeman's theory is the ability to link CSR activities to firm's strategic management. The actualization of this depends on elimination of wrong perception of seeing CSR as window-dressing operation and fully integrates CSR activities into firm's CSR.

2.3.2 Legitimacy theory: The concept, legitimate, from which legitimacy theory emanates is defined as a generalized perception or assumption that the actions of an entity are desirable, proper or appropriate within some socially constructed system of norms, values, beliefs and definitions (Van darLaan, 2009). The Legitimacy theory discusses a social contract among the company and the community (Dai, 2010). As observed by Deegan & Unerman (2008) legitimacy theory posits that companies should continually manage their operations and activities within the bounds and the norms of the society. Additionally, the earlier mentioned bounds and norms are not static, but change over time and the company must response quickly to adapt these changes (Deegan & Unerman, 2008). The implication of this is that legitimacy theory is of the view that

companies are bound by the social contract. In case in which the company fails to accomplish their social contract it will damage its own legitimacy. The result of this failure could be sanctions from the society (Deegan et al, 2008). Differently put, the legitimacy theory focuses on accomplishing the task in accordance with the values and beliefs of the society in which the business operates. In this case, businesses agree to perform various socially desired actions so as to achieve their aim. This is in line with argument by Campbell (2000) that business organizations are by necessity, indebted to the society in the form of a social contract. The theory shows that organizations seek to operate within what is considered accepted in the society which is the essence of CSR (Nasieku, 2014).

2.3.3 Agency theory: Agency theory dates back to Jensen and Meckling and it hinges on agency relationship. Agency relationship exists when one or more persons, the principal(s), hire another person, the agent, to perform some tasks on his behalf through delegation of some decision making authority to the agent (Omolehinwa, 2006). The theory presumes fundamental tension between shareholders and corporate manager (Jensen & Meckling, 1976). The tension arises due to conflict of interest between the principal and the agent. Smith (1976:700) in recognition of the tension argued that: “the directors of such (joint-stock) companies, however, being the managers of other people’s money than their own, it will be expected that they should watch over it with the same anxious vigilance with which the partners in a private copartnery frequency watch over their own. Like the stewards of a rich man, they are apt to give attention to small matters as not for their master’s honour, and very easily give themselves a dispensation from having it. Negligence and profusion therefore, must always prevail, more or less in the management of affairs of such company”.

In affirmation of the above, Crowther & Aras (2008) recognize that people are unlikely to ignore their own self-interest in making decisions, in other words, people do not behave altruistically. Agency theory has brought to the fore, the fact, that both the principal and agent are often motivated by self-interest although they possess different preferences, beliefs and information. This shows that the involved parties know what they are doing and they act consistently and rationally. Both wish to maximize their own utility; the value or benefit they place on any economic good they receive (Crowther & Aras, 2008).

2.3.4 Shareholder theory: The shareholder theory proposed by Milton Friedman is of the view that the company's aim of existence is profit maximization. In this light, a company has no business being socially responsible to the society rather its concern is to increase profit for itself and its shareholders. Henderson (2001) argued that resources are not used effectively when companies engage in different CSR activities. The actualization of profit maximization will depend on the effective use of resources. This could be linked to the fact that companies, most times, lack the knowledge for different kinds of social and environmental projects. The shareholder theory emanates from the fact that most companies spring from an owner initiative associated with risk. The owner invests his resources in an idea, without guaranteed returns on investment whereas; the return to other stakeholders such as lenders, employees, suppliers is often regulated in contracts (Gotherstrom, 2012). This assertion means that owners of a company are special stakeholders and as such their interest should be accorded the priority they deserve. The owner should therefore be prioritized over other stakeholders (Borglund et al, 2012).

2.3.5 Positive Accounting theory (PAT): PAT is credited to the debate by Watts & Zimmerman. The objective of theory whether in accounting or other fields is to explain and predict accounting practice (Watts & Zimmerman, 1986). Similarly, Williams (1989) observes

that PAT is free of value and the objective of PAT is to provide useful explanation and prediction for maximization of wealth by interested parties in accounting information. The attainment of these objectives in the views of Williams (1989) depends on accounting empirical. Deegan (1997) observes that there are assumptions that individual actions are based on the attempt to maximize their welfare. This assumption has been undermined because PAT does not explain how to maximize the welfare but only describes "what is" rather than "what should be". This means that PAT cannot influence the society because it is limited to explanation and prediction. This limitation makes it impossible for managers to decide on which method to use to maximize their wealth thereby limiting the social benefit. Accounting practice must not represent economic reality in a purely scientific way but should be based on norms and playing a role in achieving the maximization of individuals and social welfare, unfortunately, PAT is contrary to this view.

2.3.6 Normative Accounting Theory: Before the emergence of PAT, normative accounting research has been the dominant research tradition in accounting. Normative accounting theorists have been preoccupied with developing accounting principles. The theory focuses on "what should be done" by accounting practices to avoid the collapse of business. The theory came into existence as a result of the great depression in 1930's. According to Deegan (2003) the theory was developed in the 1950's and 1960's to provide guidance to individuals to enable them select the most appropriate accounting policies for a given circumstance. It provides explanation on the optimal accounting approach to use and why it should be used. The primary concern of these researchers had been recognition and measurement issues in accounting. Typical accounting questions asked and answered by normative accounting theorists include whether to recognize changes in market prices if the entity is not a party to the transaction, what basis (e.g., historical

cost, market value.) to use in preparing financial statements, etc. (MacNeal, 1939; Paton & Littleton, 1940; Littleton, 1953; Chambers, 1966; Ijiri, 1975). Normative accounting theory deals with "should" type questions in contrast with PAT which deals with "is" type questions. Instead of asking which measurement basis to use in accounting, PAT asked, for example, whether accounting information is useful to the stock market, which accounting measurement basis management actually uses, and why. This means that normative accounting theory gives an insight and proffers better ways of engaging in accounting practice to avoid failures in business associated with lack of or improper engagement of accounting practices.

2.3.7 Summary of Theoretical Review

The theories examined above are varied in terms of names, meanings, tenets and authors, their relevance to CSR cannot be questioned because they explain some understanding of CSR concept and its activities. The stakeholder theory identifies the group of people that the organization should be responsible to while legitimacy theory dwells on fulfilling a social contract in line with the norm so as to achieve a set objective. Agency theory deals with agency relationship which is characterized with self-interest while shareholder theory believes in profit maximization and as such a company has no business being socially responsible. PAT focuses on the explanation and prediction of accounting practices, while normative accounting theory dwells on what should be done by accounting practices.

All the theories are in harmony in the sense that they try to integrate the social requirements and contribute to society as well, in spite of the different approaches. Also, the CSR pyramid is not left out as it integrate the theories on which CSR are founded. However, the two theories that explain some good aspects of CSR activities as it relates to this study are stakeholder theory and legitimacy theory. Therefore, stakeholder theory and legitimacy theory are used as bases for this

research. This is so because stakeholder theory identifies group of people that a company should be responsible to while legitimacy theory focuses on the expectations of society in general.

2.4.1 Review of Empirical Studies

Despite the world-wide discussions and research on the relationship between CSR and financial performance, there are contrary views and opinions to the practice and engagement of CSR activities by organizations as shown by the previous studies reviewed on this study.

According to a study by Jackson & Hua (2009) on "CSR and financial performance: A snapshot from the lodging and gaming industries", which used data collected from 17 public traded lodging firms from CRSP and Mergent databases and adopted regression analysis, it was found that CSR have a strong positive relationship with financial performance in gaming industry.

Also, Mishra & Suar (2010) studied the relationship between CSR and financial performance on whether CSR influence firm performance of Indian companies. Data were collected from 150 senior-level managers through questionnaires and the findings showed that stock-listed firms show responsible business practice and better financial performance than non-listed firms.

Similarly, Karagiorgos (2010) made an empirical analysis of CSR and financial performance of Greek companies using secondary data obtained from firm's CSR report and stock returns from Athens stock exchange for a period from 2007-2009. Adopting content analysis, the result indicates a positive and significant relationship among stock returns and CSR.

Yuhei & Lee (2011) found that each of 5 CSR dimensions differently affects the financial performance and such financial impacts vary across the 4 tourism-related industries, that is, a mixed relationship. Furthermore, Oba & Musa (2012) show a positive impact of available financial slack and firm size on philanthropy. Research on impact of CSR and organizational performance was carried out by Mehrab, Gharakhani & Farahmandian (2012) using a survey of

star rated hotel in Iran with a total of 100 valid responses. The hypothesis was tested by employing structural equation modeling and it was found out that CSR could enhance performance.

Khanifar, Nazari, Emami & Soltani (2012) studied the impact of CSR activities on company financial performance. The study was done theoretically based on positivity and negativity effective and findings shows a mixed result across different industries. In the same vein, the study by Akanbi & Ofoegbu (2012) on the impact of CSR on bank performance in Nigeria indicates that dimensions of CSR have positive effect on organizational performance. The study administered 250 copies of questionnaires on the employees of UBA as research instrument and data collected were analyzed using survey research.

Again, Mustafa, Othman & Perumal (2012), studied CSR and company performance in the Malaysian context with data obtained from questionnaire survey. Responses were obtained from top management in Malaysian public listed companies and data collected analyzed using SPSS software version17.0 and Structural Equation Modeling (SEM). The finding shows a significant relationship between CSR and company performance.

In an effort to contribute to the existing researches, Ehsan, Kaleem & Jabeen (2012), conducted a study on "exploring the interaction between financial performance and CSR in Pakistani firms", using a panel data set of 100 non-financial firms from 4 manufacturing sector listed at Karachi Stock Exchange for the period from 2006 – 2009. Hausmen test is applied on panel data in order to identify the fixed and random effect and it was found that positive interaction exists between CSR and financial performance.

"CSR, environmental leadership and financial performance" is a study conducted by Disegni, Huly & Akron (2012), using data collected from the REUTERS financial markets database, Dow

Jones and SAM database that make up US DJSI. Indexes of 99 firms for a period of 2008-2010 were analyzed by statistically comparing the mean of financial performance and risk measures and the result showed a strong relationship exists between CSR, environmental sustainability and financial performance.

On the study on CSR and financial performance in the airport industry by Rapti & Medda (2012), the result shows a negative or non-existent relationship exists between CSR and financial performance. The study employed a secondary data obtained from airports financial and traffic statistics, annual reports as well as Eurostat's database and multiple valuation method was adopted to analyze the data.

In addition, Effiong & Usang (2013) conducted a research on CSR in small and medium scale enterprises in Nigeria: An example from the hotel industry using a quantitative data obtained through questionnaire administered on the management of the selected hotels in Calabar. It was found that CSR practices are minimal at an informal level.

Aile & Bausys (2013) conducted a study on the topic, "CSR and financial performance: the examples of Estonia, Latvia & Lithuania" applying content analysis to measure CSR and regression run to determine the relationship between CSR and financial performance. The finding showed that CSR activities do not have any effect on firm's financial performance in Baltic States of Estonia, Latvia and Lithuania.

According to Wuncharoen (2013), on the relationship between CSR and financial performance from hotel industry of Kho Samui Island, Thailand, 2011 annual reports and content analysis were adopted to examine the CSR activities of each hotel through observation. The study also applies simple regression statistics to determine the relationship between CSR and Return on Equity (ROE)/Return on Assets (ROA). The finding shows that 3star hotels are not concerned

with CSR activities while 4star and 5star hotels are clearly concerned with CSR activities. The result shows a positive correlation between CSR and ROE/ROA.

Fasanya & Onakoya (2013), empirically conducted research on "does CSR improve financial performance of Nigeria firms?" Evidence from triangulation analysis" using both primary and secondary data. The study employs both descriptive and qualitative techniques in which chi-square and content analysis were used. The study reveals that proper and effective CSR goes a long way in improving the trend of firm's financial performance in Nigeria using Cadbury Nigeria Plc. Also, the study found that CSR could be a key instrument to the financial development of any organization.

Al-mamum, Sohog & Akhter (2013), conducted research on:"A dynamic panel analysis of the financial determinants of CSR in Bangladeshi banking industry" using a panel data analysis to analyze data from annual reports IPO prospectus and Dhaka of 30 banks in Bangladesh from 2001 t0 2010. The findings show that banks with larger size will be more CSR-minded compared to the firms with smaller size, no existence of impact of banks net income on CSR and cross sectional difference in CSR expenditure is significant compared to the time period impact in the industry as well.

In the research conducted by Mwangi & Oyende (2013) using secondary data obtained from the audited reports of the listed companies for the period of 2007 to 2011, multiple regression models were established to determine the relationship between CSR and financial performance and the result shows that there is an insignificant relationship between CSR and financial performance.

Bidhari, Salim & Aisjah (2013) conducted a study on the effects of CSR information disclosure on financial performance using secondary data from annual reports and financial statements of

15 banking companies listed at Indonesian stock exchange from period 2008-2011. Path analysis was adopted to analyze the data and the finding show that CSR information disclosure affects all financial performance.

Segun, Olamide & Ranti (2013) found that there is a positive relationship between CSR and firm performance and firm value.

The study conducted by Kaur (2013) found that CSR practices do have effect on customer behavior in restaurant industry. Both qualitative and quantitative research methods were employed. The quantitative method employs 90 questionnaires to get responses from customers at local restaurants and the analysis was made through SPSS program. The relationship between social responses and organizational citizenship behavior in 5star hotels operating in Petra city was carried out by Futa (2013) using questionnaire to collect data from two 5star hotels in Petra city. Cronbach's Alpha was adopted to analyze the data and the result shows that there is a statistically positive association at 0.01 significant levels between the four dimensions of social responsibility and citizen behaviour.

Duke & Kankpang (2013) on a study found a mixed result, i.e. there is a varying positive and negative relationship with corporate performance. Inferential research design involving cross-sectional study was adopted. Data were collected from secondary source from firm's annual reports and financial statements of 257 for a period of 10 years.

Cherapanukorn & Focken (2014) in a study revealed that CSR is a blurry subject and there is a lack of an overall accepted definition and guidelines. Data were collected from a survey of websites of 10 Asian hotel companies and content analysis was used to review the online content.

Monsuru & Abdulazeez (2014) on a study show that banks' size and CSR disclosure score have a positive relationship with bank profitability while owner's equity has a negative association with bank profitability. Data was sourced from the annual report and accounts of 12 sampled commercial banks in Nigeria for the year 2012 and analyzed with multiple regressions of OLS.

In a similar study by Yeganeh & Ghodratollah (2014) show a significant relationship between the level of disclosing CSR and financial performance criteria of corporations based on accounting and market data. Secondary data from the financial statement of the listed companies in Tehran stock exchange was used and content analysis and multiple linear regression tests were adopted to analyze the data.

Iqbal, Ahmad, Hamad, Bashir &Sattar (2014) also examined CSR and its impact on firm's financial performance in banking sector of Pakistan. The study used data from literature review and analysis done with descriptive technique shows that there is a positive relationship between CSR and financial performance of firms.

"Effects of CSR performance on stock prices: empirical study of listed manufacturing companies in Nigeria" conducted by Zaccheaus, Oluwagbemiga, & Olugbenga (2014) show that there is no relationship between firm's CSR activity and stock prices of listed manufacturing companies in Nigeria. The study employs secondary data from annual financial statement of the listed manufacturing companies from 2008-2012. Data was analyzed with OLS regression model.

"Investigating the link between CSR and financial performance was conducted by Trang & Yekini (2014) using content analysis. Data was collected from the annual reports of 20 Vietnamese companies for 3 years which gives a total of 60 observations. The finding shows a modest relationship between CSR and corporate financial performance among companies in

Vietnam. The study also shows a relationship between the level of debt and CSR but no relationship between CSR and firm size.

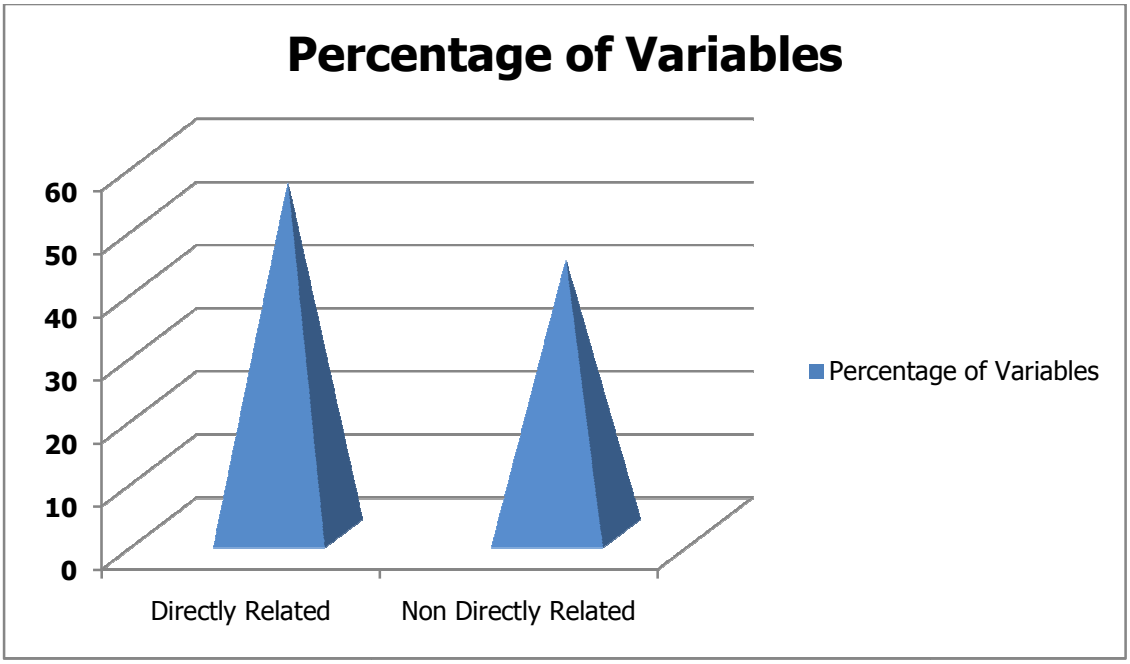
The relationship between CSR towards the employees and hotel industry performance in Jordan carried out by Al-Qeed (2015) shows a significant relationship between CSR and hotels performance. The study used 100 copies of questionnaires distributed among 100 employees in some hotels in Jordan using descriptive analysis; mean and standard deviation to analyze the data.

2.4.2 Summary of the Empirical Studies

Some studies found out that CSR activity have positive relationship on the financial performance of various industries players while some believed that there is a negative relationship between CSR activities and financial performance. Others yet argued that CSR activities have mixed relationship on financial performance.

However, out of the thirty empirical studies reviewed, seventeen combined CSR and financial performance (directly related), which constitute 55.67% while the remaining thirteen researches (non-directly related) do not combine the two variables of this paper, and these constitute 43.33%. This can be illustrated with the graph in figure 2 below:

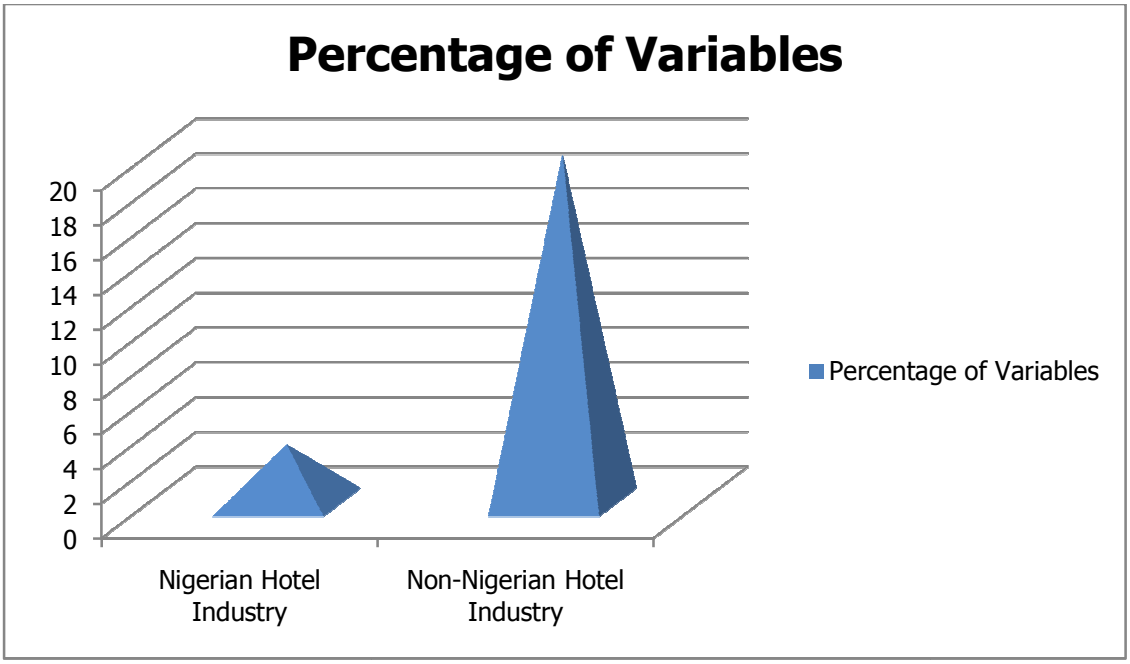
Figure 2.2: Percentage of Variables



Source: Generated by the researcher from the review of the related empirical literature to the study using Microsoft Excel.

Furthermore, out of the thirty empirical studies reviewed, only seven researches were conducted in the hotel industry, which represents 23.33%. However, out of the seven researches (23.33%) conducted in the hotel industry, only one which constitutes 3.33% of researches in the hotel industry was carried out in Nigeria while the other six researches which constitute 20% were carried out outside Nigeria. Only three research (Jackson & Hua, 2009; Wuncharoen, 2013; Al-Qeed 2015) out of the seven researches combined CSR and financial performance (directly related) while the remaining four researches (Mehrab, Gharakhani & Farahmandian, 2012; Effiong & Usang, 2013; Futa, 2013; Cherapanukorn & Focken, 2014) did not combine CSR and financial performance (non-directly related). This can be illustrated in the graph in figure 3 below:

Figure 2.3: Percentage of Variables



Source: Generated by the researcher from the review of the related empirical literature to the study using Microsoft Excel.

2.4.3 Critiques and Gap

The above analysis which shows that only 14.29% of the research (Effiong & Usang, 2013) in the hotel industry was carried out in Nigeria confirms the earlier claim in chapter one of this study that companies in hospitality sector, particularly hotel industry in Nigeria, have not received the required attention they deserve in the aspect of CSR and financial performance which forms part of the gap to be filled by the study. Also the fact that this percentage is not directly related to the study buttresses the fact that there is scarce or no known research testing the impact of CSR on financial performance of hotel industry in Nigeria. This forms a gap and, therefore, makes it indispensable for this study to be carried out.

Furthermore, the notion that researches on CSR and financial performance of hospitality industry with particular reference to hotel industry in other countries is scarce judging by the negligible

23.33% of the research (Jackson & Hua 2009; Mehrab, Gharakhani & Farahmandian 2012; Wuncharoen 2013; Futa 2013; Cherapanukorn & Focken 2014; Al-Qeed 2015) is an indication that this study will add to few existing body of knowledge worldwide and therefore pose a problem to be solved. Finally, the findings from the reviewed literature, with contrary results on the relationship between CSR and financial performance, show that there is no generally accepted result on the relationship between CSR and financial performance. Therefore, there is urgent need for further research on this theme in the Nigerian hotel industry which this study is set achieve.

CHAPTER THREE

METHODOLOGY

3.1 Introduction

This chapter explains the methodology used to answer the research questions. It introduces the research design which is normally the nature of the research itself or the type of research being conducted. Also, an insight was given on the population of the study, sample size and the sampling technique. Furthermore, method of data collection and technique of analyzing such data was specified. Finally, the measurement of variables used in the study was stated.

3.2 Research Design

Research design is aimed at obtaining data to enable the researcher to test the hypotheses or answer the research questions. The research design for this study is the survey method. The study which is evaluative in nature is aimed at determining the impact of corporate social responsibility projects on the financial performance of hotel industries in Nigeria. To attain this, the study focused on a combination of quantitative and qualitative methods. The quantitative part of the study used regression analysis based on the annual reports of the selected hotels. The qualitative part of the study consists of 12 interviews with the following respondents: 2 General Managers, 1 Human Resource Manager, 1 Accountant, and 2 customers from each hotel totaling 6 customers from the selected hotels which were analyzed and summarized.

The reason for this methodological combination is to broaden the empirical data and its relative importance to the actualization of the research objectives; in order to have a stronger backing for the conclusions. Perhaps it would have been more natural and convenient to only work with a

qualitative study because the subject of this study is abstract and difficult to measure. A qualitative study, in this case is important so as to express the complexity of the topic and thus a condition for the reader to understand. However, it is often the case that quantitative studies have a tendency to give more reliable results (Denscombe, 2010). There are many benefits that abound in a combined study. One of the biggest benefits is that if different approaches are adopted and the same result is achieved, it is an indication that the information collected is valid, especially in this case where the subject of study is difficult to measure using only one approach.

3.3 Population of the Study

The population in the study includes all the four listed hotels in the Nigerian Stock Exchange and they are presented in the table below;

Table 3.1

HOTELS	DATE OF INCORPORATION	DATE OF LISTING
Capital Hotels Pc	1981	2008
Ikeja Hotels Plc	1972	2007
Tourist Company of Nigeria Plc	1972	2004
Transcorp Hotels Plc	2004	2006

Source: Generated by the Researcher from the NSE 2013 Fact Book

3.4 Sample size and Sampling Technique

The sample size of this study consists of three hotels out of the four listed hotels on the Nigerian Stock Exchange. The study used filter to select the hotels. The criteria for choosing the sample

size include hotels with features of hotel industry all over the country, registration with the ministry of Tourism and Culture as well as Corporate Affairs Commission (CAC). Other factors considered include availability of up-to-date data (annual reports). From the foregoing, the hotels that meet these criteria are Capital Hotels Plc, Tourist Company of Nigeria Plc and Transcorp Hotels Plc.

3.5 Method of Data Collection

The study used a combination of primary and secondary sources of data collection. This is in line with the advocacy by Saunders & Thornhill (2009), that triangulation which is the use of different data collection technique within one study is better so as to ensure that a more accurate research is achieved. In a bid to avoid the impact of perception bias, this study employed both primary and secondary data collection techniques. The primary source of data was used because it represents the best method to attain the third objective of the study and also gives answer to the third research question which bothers on CSR influence on customer patronage of firms in Nigerian hotel industry. Based on this, the interview questions which are unstructured in nature were formed from the research questions which were based on research objectives. The interview was one to one interview without the use of digital recording. The interviewer asks the respondents questions based on the interview schedule and complete same as the respondents answer the questions.

The respondents include some of the management staff (human resource manager, accountant, marketing manager) and some customers of the selected hotels. The responses from the respondents were analyzed by critically examining all the responses, summarizing them by looking at them one after the other, after which findings and conclusions were drawn from them. The views expressed by the respondents, its importance and acceptance were based on the

educational qualifications, years of experience as well as the ages of the respondents. Similarly, secondary source via data from the annual reports of the selected hotels from the period 2010 to 2014 was employed. The reason for this choice of method is that, it affords the best option for the attainment of the first and second objectives, as well as, provision of answers to the first and second research questions as stated in chapter one of this study.

Content analysis as suggested by extant literature (Guthrie, Petty, Yongvanich & Ricceri, 2004; Schneider & Konz, 2006) was used. This approach was used because of its adequacy in the extraction of CSR information that was not quantified in monetary term in the annual reports of the three selected hotels as well as its capability in examining the nexus between CSR practices and corporate financial performance. The use of this approach is consistent with those of Schneider & Konz (2006); Hughes, Anderson & Golden (2001). They argue that since the study makes use of annual reports of companies, the approach is very useful in extracting information that is not explicit in a quantified and structured format just as the approach helps in gathering a large amount of qualitative and quantitative data which can be easily codified into categorical indices as suggested by Krippendorff (1980) and Guthrie et al (2004). Besides, it provides insight into human thought and is devoid of the researcher reactivity influences because of its unobtrusive nature compared to surveys (Maphosa, 1997).

3.6 Techniques of Data Analysis

In analyzing the impact of corporate social responsibility projects on the financial performance of hotel industries in Nigeria, Ordinary Least Square (OLS) regression techniques was used to analyze the data. This tool of analysis describes the independent and dependent variables and also establishes the level of relationship and impact between these variables.

3.7 Model Specification

A model (CORPERF = X_1WASTMGTCOS+ X_2POLLABATCOS+ X_3SOCICOS + X_4FINESPENCOS +e^r) on prior study carried out by Duke and Kankpang (2013) was adopted and modified. The dependent and the independent variables in the model were modified to suit the present study. Thus, the general model for this study as is mostly found in existing literature is represented thus;

$Y= \beta_o+\beta_1D_1+\beta_2Z_2+E$…… (1)

Where Y is the dependent variable.

β is the coefficient of the independent variables(explanatory variables).

Z_2 is the control variable.

The above model when adopted can be used in establishing the relationship between the study variables as specified, therefore, the two models explaining the relationship between returns on Assets (ROA) and Return on Equity (ROE) can be expressed as follows;

For the relationship between ROA and CSR;

$ROA=\beta_o+\beta_1PHLCOSDON+\beta_2COMMINVOLV+\beta_3ETHICON+\beta_4SIZE+\beta_5AGE+E$……...(2)

For the relationship between ROE and CSR;

$ROE=\beta_o+\beta_1PHLCOSDON+\beta_2COMMINVOLV+\beta_3ETHICON+\beta_4SIZE+\beta_5AGE+E$……(3)

ROA represents returns on assets.

ROE represents returns on equity.

β represents the coefficient of the independent variables (explanatory variables).

PHLCOSDON represents the annual philanthropic cost on donations.

COMMINVOLV represents the community involvement.

ETHICON represents the ethical concern.

E represents the error term.

The above CSR performance model measures the effect of the different social responsibility-related costs on the overall financial performance of firms in the hotel industry.

3.8 Measurement of Variables

3.8.1 Dependent Variables and their Measurement

Financial Performance: This refers to the degree to which the monetary objectives of a business have been accomplished. There are two different financial performance measures which are used for this study;

Return on Assets (ROA): It is the financial ratio used to measure the relationship of profits or earnings and total assets. (ROA) measure assesses the profitability performance of total assets which could be treated as measure of financial performance. This measure contains two elements; efficiency (total assets turnover), and effectiveness (profit margin). ROA reflects a firm's management ability to generate profits by using the available financial and real assets **(**Ahmed, 2011). This measurement has been used in prior studies (McGuire et al. 1988; Pava & Krausz, 1996; Nelling and Webb 2008; Aras et al. 2010) and as such the results in this study can be comparable to these prior studies. ROA is calculated as follows:

ROA = Profit after Tax/Total Assets.

Return on Equity (ROE): ROE along with return on assets (ROA) is one of the all-time favorites and perhaps most widely used overall measure of corporate financial performance (Rappaport, 1986). This was confirmed by Monteiro (2006) who stated that ROE is perhaps the most important ratio an investor should consider. ROE is calculated by dividing the profit after tax by the total equity. ROE is calculated as follows:

ROE = Profit after Tax/ Total Equity.

3.8.2 The Independent Variables and their Measurements

Corporate Social Responsibility (CSR): CSR is any duty or activity discharged by the hotel industry in an accounting period that amounts to spending money e.g. sensitization programmes on health issues bothering on HIV and AIDS, drug abuse, keeping fit, construction of boreholes and culverts, donations to schools, donations to charity. The proxies for measurement of CSR are;

PHLCOSDON represents the annual philanthropic cost on donations.

COMMINVOLV is the hotel's involvement in the community in the areas of sensitization programmes on health issues bothering on HIV and drug abuse, empowerment programmes, courtesy call and visitations to Hope for Survival Orphanage and Kubwa Divine Orphanage Home.

ETHICON represents the ethical concern observed by the hotels in the course of their operations like maintaining adequate security for customers, maintaining business premises and work environment that guarantee the safety and health of its customers, employees and other stakeholders which is reviewed and tested regularly.

*COMMINVOLV and ETHICON are the CSR indicators in the annual reports which are not quantified and as such they are coded by 0, 1, 2, and 3. When a hotel does not take into account the specific indicator at all, 0 is coded. 1 is coded if the hotel only names the indicator. Code 2 is used if it is named but with poor description and 3 is coded if it takes the indicator into account with a detailed and satisfying description.

3.9 Control Variables: The research includes the following control variables: First, the large disparity in hotel size can distort the results of this study because it is a general perception that smaller hotels usually do not exhibit socially responsible behavior. To exclude this bias, size

represented by total assets and measured by the log of total asset is taken as control variable. Past studies suggest that size affect both firm financial performance and CSR (Ullman, 1985; McWilliams & Siegel, 2000), therefore, each of the variables are controlled in this study. Size is an important control variable because as firms grow, they have more resources to dedicate to CSR programs than smaller firms. In addition to better access to resources, larger firms have more visibility with the public because they have larger advertising and marketing budgets.

Second, the age which is the number of years, right from the year the hotel was listed at the Nigerian Stock Exchange to the observation date. For the purpose of this study, the age is pegged at a minimum of five years from the time of listing at the Nigerian Stock Exchange. This is based on the fact that hotel firms that have been in existence for long would have experienced a better growth in their assets and equity base. Therefore, they would be in a better financial position to invest more in CSR activities than the newly established hotels. . For the purpose of this study, the age is pegged at a minimum of five years from the time of listing at the Nigerian Stock Exchange. This is so because the study covers a period of five years and any hotel below this age is qualified.

CHAPTER FOUR

DATA PRESENTATION AND ANALYSIS

4.1 Introduction

This chapter provides the most sufficient examination of the results gathered. By employing the two different research methods, it was decided to separate the presentation of the results and combine them in the analysis of the hypotheses, to answer the research questions adequately. In this section, the data collected via the framework for analysis presented in chapter three are presented. This chapter also provides an overview of the most important results obtained for the entire framework for analysis and a detailed representation of what each hotel included in their respective CSR strategy.

4.2 Quantitative Results

4.2.1 Descriptive Statistics of Variables

Table 4.1 is a descriptive statistics of variables which describes the dependent and independent variables using the Mean, Standard deviation, Min and Max. It contains the ROA and ROE which are the dependent variables. The independent variables include the PHLCOSDON, COMMINVOLV and ETHICON. The table also describes the control variables which include the size (represented by log of total assets; LTA) and AGE.

Table 4.1

Variable	Obs	Mean	Std. Dev.	Min	Max
ROA	15	0.036	0.083	-0.120	0.200
ROE	15	0.093	0.414	-0.590	1.220
PHLCOSDON	15	0.185	0.494	0.000	1.914
COMMINVOL	15	1.533	1.246	0.000	3.000
ETHICON	15	1.800	1.082	0.000	3.000
LTA	15	7.153	0.361	6.750	7.840
AGE	15	6.000	2.236	2.000	10.000

Source: Generated by the researcher from the Annual Reports and Accounts of the sampled Hotels, using Stata (Version 11).

Table 4.1 presents the descriptive statistics of dependent and independent variables of this study consisting of the mean, standard deviation, minimum and maximum. The average of the dependent variable is 0.036 for ROA and 0.093 for ROE with a standard deviation of 0.083 and 0.414 for ROA and ROE respectively indicating a great variation between the two variables. This indicates that CSR activities yield 83% of returns on assets and 41% returns on the equity. The remaining variables in the table which are all independent also show some level of variation. PHLCOSDON with a mean of 0.185 is an indication that the hotels spent about 18% of their returns on donation which is very commendable. COMMINVOLV and ETHICON with a mean of 1.533 and 1.800 respectively implies that the two variables were mentioned in the annual report but have poor descriptions. Generally speaking, the highest average value and standard deviation is the AGE with 6.000 and 2.236 respectively which means that AGE contributes more to ROA and ROE even though the size represented with LTA has the highest average of 7.153 and least standard deviation of 0.361. This means that 36% of increase in size is as a result of CSR activities while the remaining 64% is a result of other factors not related to CSR activities.

4.2.2 Correlation Matrix of ROA as a Dependent Variable

Table 4.2a is a correlation matrix of ROA which shows the relationship between the dependent variables (ROA) and the independent variables (PHLCOSDON, COMMINVOLV, ETHICON, LTA, AGE).

Table 4.2a

	ROA	PHLCOSDON	COMMINVOL	ETHICON	LTA	AGE
ROA	1.0000					
PHLCOSDON	0.4162	1.0000				
COMMINVOL	0.6263	-0.0815	1.0000			

ETHICON	-0.7922	-0.4411	-0.5509	1.0000		
LTA	0.0398	0.3417	-0.3247	0.1424	1.0000	
AGE	-0.6811	-0.1843	-0.5384	0.8559	0.3492	1.0000

Source: Generated by the researcher from the Annual Reports and Accounts of the sampled Hotels, using Stata (Version 11).

The correlation matrix, as shown in table 4.2a, depicts the relationship between all pairs of independent variables used in the regression model. It reveals that all independent variables have a positive relationship with the dependent variable with the exception of ethical concern and age variables which have a negative relationship. This is an indication of mixed relationship with ROA of the hotels and in line with the study by Yuhei & Lee (2011); Khnifar, Nazari, Emami & Soltani (2012); Duke & Kankpang (2013), Monsuru & Abdulazeez (2014); Trang & Yekini (2014). Despite the fact that LTA though positive, contributes insignificantly, other variables like PHLCOSDON and COMMINVOLV positively and significantly contribute to the ROA of the hotels whereas ETHICON and AGE have a negative and significant effect on ROA of the hotels. The result shows that ROA of firms in the Nigerian hotel industry is positively influenced by most of the CSR variables. It is clearly shown that community involvement by hotels contributes greatly to ROA while LTA contributes least to ROA on firms in the Nigerian hotel industry. Generally speaking, there is a mixed correlation between all pairs of independent variables.

4.2.3 Correlation Matrix of ROE as a Dependent Variable

Table 4.2b is a correlation matrix of ROE which shows the relationship between the dependent variables (ROE) and the independent variables (PHLCOSDON, COMMINVOL, ETHICON, LTA, AGE).

Table 4.2b

	ROE	PHLCOSDON	COMMINVOL	ETHICON	LTA	AGE
ROE	1.0000					
PHLCOSDON	0.0897	1.0000				
COMMINVOL	0.1440	-0.0815	1.0000			
ETHICON	-0.2109	-0.4411	-0.5509	1.0000		
LTA	0.0200	0.3417	-0.3247	0.1424	1.0000	
AGE	-0.4332	-0.1843	-0.5384	0.8559	0.3492	1.0000

Source: Generated by the researcher from the Annual Reports and Accounts of the sampled Hotels, using Stata (Version 11).

The correlation matrix, as shown in table 4.2b, depicts the relationship between all pairs of independent variables used in the regression model. It reveals that 75% of the independent variables have a positive relationship with the ROE even though the relationship is not significant while the remaining 25% of the independent variables have a negative relationship with the ROE. PHLCOSDON, COMMINVOLV and LTA have a positive relationship with ROE though insignificant while ETHICON and AGE have a negative relationship with ROE. This is an indication of varied (mixed) effects on ROE of the hotels as found out by Duke & Kankpang (2013). In the same vein, there is a mixed relationship between all pairs of the independent variables.

4.2.4 Random Effect OLS Regression (ROA)

Table 4.3a is the Ordinary Least Square (OLS) of ROA showing the effect of independent variables on dependent variables. The table contains the dependent variable (ROA), COEFIC, STD ERR, t, P>t and the independent variables.

Table 4.3a

ROA	COEFIC	STD. ERR.	t	P>t
PHLCOSDON	0.0325	0.0385	0.84	0.420
COMMINVOLV	0.0284	0.0148	1.92	0.087
ETHICON	-0.0227	0.0326	-0.70	0.503
LTA	0.0556	0.0457	1.22	0.255
AGE	-0.0093	0.0137	-0.68	0.516
CONS	0.3142	0.3172	-0.99	0.348
R-squared = 0.7583				
Adj R-squared = 0.6240				
Prob > F = 0.0125				
Significance level at 5%				

Source: Generated by the researcher from the Annual Reports and Accounts of the sampled Hotels, using Stata (Version 11).

In evaluating the model based on the regression result in table 4.3a, the results show that as the ROA increases, PHLCOSDON, COMMINVOL and LTA increase which means that they supported the hotel's involvement in CSR; this can be justified with their positive "t" value. On the other hand, ETHICON and AGE decrease as the ROA increases, an implication that they discourage the involvement of the hotels in CSR. Simply put, PHLCOSDON, COMMINVOL and LTA have a positive and insignificant impact on ROA and is in line with Oba & Musa (2012) while ETHICON and AGE have a negative and insignificant impact on ROA (Rapti & Medda, 2012; Aile & Bausys 2013; Zaccheaus, Oluwagbemiga, & Olugbenga 2014). Generally speaking, this implies a varied (mixed) insignificant impact of CSR on ROA. The coefficient of determinations, "R-squared", shows the relationship with a value of 75.8% and an adjusted "R-squared" of 62.4% which are good. This is an indication that the variables considered in the

model accounts for only 75.8% change in the dependent variable (ROA), while the remaining 24.2% of the change is as a result of other variables not addressed by the model.

4.2.5 Random Effect OLS Regression (ROE)

Table 4.3b is the Ordinary Least Square (OLS) of ROE showing the effect of independent variables on dependent variables. The table contains the dependent variable (ROE), COEFIC, STD ERR, t, P>t and the independent variables.

Table 4.3b

ROE	COEF	STD. ERR.	t	P>t
PHLCOSDON	0.1749	0.3013	0.58	0.576
COMMINVOLV	0.0387	0.1156	0.33	0.745
ETHICON	0.3954	0.2552	1.55	0.156
LTA	0.3442	0.3580	0.96	0.361
AGE	-0.2446	0.1076	-2.27	0.049
CONS	-1.7051	2.4844	-0.69	0.510
R-squared = 0.3962				
Adj R-squared = 0.0608				
Prob > F = 0.3891				
Significance level at 5%				

Source: Generated by the researcher from the Annual Reports and Accounts of the sampled Hotels, using Stata (Version 11).

In evaluating the model based on the regression result in table 4.3b, the results show that as the ROE increases, PHLCOSDON, COMMINVOL, ETHICON and LTA increase which means that they supported the hotel's involvement in CSR; this can be justified with their positive "t" value. On the other hand, AGE decreases as the ROE increases, an implication that it discourages the involvement of the hotels in CSR. This means that PHLCOSDON, COMMINVOL, ETHICON

and LTA positively impact ROE as observed by Oba & Musa (2012); even though they are not significant judging by their p-value of 0.576, 0.745, 0.156 and 0.361 respectively while AGE negatively and significantly impact on ROE based on the p-value of 0.049. This is consistent with the previous findings (Rapti & Medda, 2012; Aile & Bausys, 2013; Zacheaus, Oluwagbemiga & Olugbenga, 2014). Generally speaking, CSR insignificantly impacts on ROE as can be seen from the results above. The coefficient of determinations, "R-squared", shows the relationship with a value of 39.6% and an adjusted "R-squared" of 6%. This is an indication that the variables considered in the model accounts for only 39.6% change in the dependent variable (ROE), while the remaining 61.4% of the change is as a result of other variables not addressed by this model.

4.3 Qualitative Results

To buttress the results presented in the sections above, the following section aims at providing insight into the qualitative data obtained through the interview. As previously mentioned, interviews were conducted on the three selected hotels listed in the Nigerian Stock Exchange by questioning staff and the customers of the selected hotels. Their background information is clearly presented as shown in the tables below;

4.3.1 Background Information of the Respondents (Staff)

Table 4.4 provides background information of the staff of the selected hotels. The table contains the names of the hotels, staff's position/rank, sex, age, educational qualification and years of experience. Generally speaking, the information on the table shows that most of the staff are the management staff; an indication that most of them are key decision makers in their respective hotels. Also, it shows that all of them are graduates with over 5 years of experience which is

above the period under study. The importance of this is that apart from providing reliable responses, it also gives a detailed view of each respondent which makes it possible for one-to-one analysis, summary and transcription of the responses.

Table 4.4

Hotels	Position/Rank	Sex	Age	Educational Qualification	Years of Experience
Capital Hotels Plc	General Manager	Male	45	MBA	15
Tourist Company of Nigeria Plc	General Manager Accountant	Male Male	42 37	MBA B.Sc	13 7
Transcorp Hotels Plc	Human Resource	Female	40	B.Sc	12

Source: Generated by the researcher from the interview conducted on the respondents

4.3.2 Background Information of the Respondents (Customers)

Table 4.5 provides information on the customers of the selected hotels. The table contains the names of the hotels, customer's sex, age and educational qualification. The information show that majority of the respondents are graduates which means that their views can be relied upon.

Table 4.5

Hotels	Sex	Age	Educational Qualification
Capital Hotels Plc	Female Female	28 35	B.Sc H. N. D
Tourist Company of Nigeria Plc	Male Female	37 45	B.Sc M.Sc
Transcorp Hotels Plc	Male Male	50 32	Phd O.N.D

Source: Generated by the researcher from the interview conducted on the respondents.

Interview was conducted on the management staff and customers of the selected hotels. The main aim was to gain a deeper understanding of the impact of CSR on the financial performance of the selected hotels. The interview furthermore seeks to determine the extent to which CSR influences customer's patronage. However, it was mentioned by all hotel representatives that they were involved in CSR activities and in most cases, it has a positive impact on their financial performance and in some cases have a negative impact on financial performance. It is however worthy of note that all the selected hotels engage their CSR activities mostly in the areas listed below;

4.3.3 Donations: All the selected hotels in the course of the interview disclosed that they make donations on annual basis as part of their CSR and these donations cut across different areas. For example, Capital hotels Plc annually makes donations worth millions of naira and this donation is on a defined focused area. This currently includes education and vulnerable children in order to make FCT a better place to live in. Donations on items like bags of rice, provisions, diapers, toiletries, television sets, DVD players, power generating sets, trophies to schools for inter-house sports and several educational materials were made on different occasions. Tourist Company of Nigeria Plc has on different occasions made donations worth millions of naira on a patrol vehicle to the Bar Beach station of the Nigerian Police and also donated food items to a Lagos-based regiment of the Nigerian Army. They equally donated food items, clothing, beddings, and mattresses to motherless baby's homes. Transcorp Hotels Plc on their own part have made donations to the Internally Displaced Persons Fund as part of their CSR to support relief measures to the victims of the security crises in the Northern part of Nigeria, the National Committee on flood relief and rehabilitation, Nigeria Heart Foundation, Kanu Heart Foundation and other groups like Rehime Peace Ministry etc.

4.3.4 Community Involvement: All the hotels admit that at one time or the other, they have been involved in some activities in the community in which they operate. The Community activity undertaken by Capital Hotels Plc include regular annual "Children Walk for Life" programme aimed at raising funds for charity while keeping fit and it is done in partnership with UNICEF and FCT in which over three hundred participated, hosting several schools to familiarize them with the hotel and also visitations to several orphanage homes in FCT. Tourist Company Nigerian Plc on their own part trains SIWES students on monthly basis at no cost and supply street light with their own generating set whenever there is public power failure. Transcorp Hotels Plc organizes school hygiene programmes which positively impacted on the lives of over 500 pupils of local primary schools in the suburb of Abuja. In addition, there is Hilton Kitchen Apprentices Program and Youth in Hospitality Month activities which provide quality training and prepare youths for careers in hospitality industry. Also, culverts, street lights and construction of drainages have been undertaken by the hotel.

4.3.5 Ethical Concern: All the hotels interviewed claim that they maintain some level of ethics in the course of their business. Capital Hotels Plc disclosed that issues bothering on ethics include relating well the guests, punctuality to work by staff, strict compliance with the code of dressing etc which is strictly adhered to by all staff. Tourist Company observed that in line with ethics, the hotel ensures that all staff joins the approved medical aid scheme and they are also very conscious of the safety requirements both to its guests and employees. The management takes stringent measures to ensure compliance in these areas. The hotel also keeps surveillance within and around the premises so as to ensure maximum security. The interviewee also discloses that in line with ethics, there is a board in place that ensures that foods prepared and rooms are up to standard and staff live up to expectation in order to maintain the good image of

the hotel. He equally observes that in line with the ethics, at least four chartered accountants are employed in the accounts department who work along-side other staff. Transcorp Hotels observe that in line with ethics they maintain adequate security to ensure that staff and guests are adequately protected.

4.3.6 Customer Patronage: It is worthy of note that all the hotels interviewed admitted that CSR influences customers patronage and has a significant positive impact on their financial performance. The interviewee (staff of the selected hotels) disclosed that by giving out to the society, the society in return gives back to the hotel by way of patronage to the hotels. Also, they observe that CSR activities engaged by the hotels create some level of awareness thereby making people to know more about their hotels, its environment and services and the end result of this is increased patronage.

To add credence to the assertion above, few customers interviewed at the hotel premises disclosed that apart from factors like fees charged by hotels and their quality of their services, another factor that influences their choice of patronage is CSR. They observed that CSR influences their choice of patronage because of the roles these hotels play in the development of the society in which they operate via CSR activities.

4.4 Hypotheses Testing

In chapter one, three principal testable hypotheses on the relationship between CSR and financial performance were formulated, against which this study is anchored. In this section, the study subjects these propositions to empirical testing drawing from the results of the descriptive and inferential statistical analyses as well as responses from the interviewee. The decision rule is

based on the significances of the t-statistics which are represented by the p- values flagged by the statistical packages used.

4.4.1 Hypothesis 1

CSR significantly impacts on returns on asset (ROA) of firms in the Nigerian hotel industry.

In this first hypothesis, the research assumed that CSR have a positive impact on ROA of firms in the Nigerian hotel industry. From the analysis in table 2a, the correlation between CSR and ROA has a coefficient of 0.4162, 0.6263, -0.0227, 0.0556 and -0.0093 for PHLCOSDON, COMMINVOLV, ETHICON, SIZE and AGE respectively, indicating a mixed (positive and negative) correlation between the two variables and in line with Yuhei & Lee (2011); Khanifar, Nazari, Emami & Soltani (2012); Duke & Kankpang (2013); Monsuru & Abdulazeez (2014); Trang & Yekini (2014). Also, the regression coefficient of the model is varied (0.0325, 0284, 0.0227, 0.0556 and -0093 for independent variables), with a p- value of 0.420, 0.087, 0.503, 0.255 and 0.516 insignificant at 5%. This indicates an insignificant varied (mixed) impact of CSR on the financial performance of the firms in the Nigerian hotel industry.

On the premise of these results, the hypothesis which states that CSR significantly impact on ROA is therefore rejected, even though an increase in ROA leads to an increase in most of the independent variables (PHLCOSDON, COMMINVOLV and SIZE). Also as ETHICON and AGE decrease ROA increases. This means that PHLCOSDON and COMMINVOLV must be considered while taking decisions that bother on financial performance. Also the increase in ROA as ETHICON decreases is an indication that the hotels are not doing enough in the area of ETHICON. The result therefore supports the stakeholders' theory because community being one of the stakeholders can affect or is affected by the achievement of the firm's objectives.

The varied impact found between CSR and ROA is consistent with the conclusion drawn by Yuhei & Lee (2011); Khanifar, Nazari, Emami & Soltani (2012); Duke & Kankpang (2013); Monsuru & Abdulazeez (2014); Trang & Yekini (2014). They have reported a mixed impact ROA. The researcher therefore argues that the hotel firm's involvement in philanthropic donations and community activities are crucial factors to consider for these firms to achieve their objectives.

4.4.2 Hypothesis 2

CSR significantly impact on returns on Equity (ROE) of firms in the Nigerian hotel industry.

In the second hypothesis, the researcher assumed that CSR significantly impacts on ROE of firms in the Nigerian hotel industry. From the analysis in table 2b, the correlation between CSR and ROE has a coefficient of 0.0897, 0.1440, -0.2109, 0.0200 and -0.4332 for PHLCOSDON, COMMINVOL, ETHICON, SIZE and AGE respectively, indicating a mixed (positive and negative) correlation between the two variables and in line with Yuhei & Lee (2011); Khanifar, Nazari, Emami & Soltani (2012); Duke & Kankpang (2013); Monsuru & Abdulazeez (2014); Trang&Yekini (2014). Also, the regression coefficient of the model is mixed (0.1749, 0.0387, 0.3954, 0.3442 and -0.2446 for independent variables), with a p- value of 0.576, 0.745, 0.156, 0.361 and 0.049 insignificant at 5% with the exception of AGE which is significant at 5% even though it is a negative impact. This indicates an insignificant varied (mixed) impact of CSR on the ROE of the firms in the Nigerian hotel industry, excluding AGE which has a significant but negative impact.

Going by these results, the hypothesis which states that CSR significantly impact on ROE of firms in the Nigerian hotel industry is rejected. Despite the fact that AGE has a significant impact on ROE, this significant impact has a negative relationship with ROE. On the overall,

over 90% of the CSR have an insignificant impact on ROE. The implication of this is that PHLCOSDON, COMMINVOL and ETHICON with positive impact though insignificant can be considered while taking financial decisions. The result of hypothesis 2 which found that majority of the CSR variables insignificantly impact on ROE of firms in the Nigerian hotel industry is in agreement with the conclusion drawn by Mwangi & Oyende (2013). However, it is worthy of note, that a significant negative relationship and an insignificant positive impact noticed between the CSR and ROE unlike in ROA, is an indication that ROA is a better performance proxy than ROE.

4.4.3 Hypothesis 3

CSR significantly influences customer patronage of firms in the Nigerian hotel industry.

In this hypothesis, the researcher assumes that CSR significantly influences customer patronage of firms in the Nigerian hotel industry. The summary of the responses from the respondents, (staff and customers) mostly the customers of the selected hotels clearly show that CSR significantly influences customer patronage. The interviewee disclosed that by giving out to the society, the society in return gives back to the hotel by way of patronage to the hotels. Also, they observed that CSR activities engaged by the hotels create some level of awareness thereby making people to know more about their hotels, its environment and services and the end result of this is increased patronage.

Most of the customers interviewed at the hotel premises disclosed that apart from factors like fees charged by hotels and their quality of their services, another important factor that influences their choice of patronage is CSR. They observed that CSR influences their choice of patronage because of the roles these hotels play in the development of the society in which they operate via CSR activities. In view of these responses in addition to the age and educational qualification of

the respondents, the hypothesis which states that CSR significantly influence customer patronage of firms in the Nigerian hotel industry is accepted and this is consistent with the findings of Kaur (2013).

CHAPTER FIVE

SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.1 Summary

Chapter one focuses on the introduction of the study in which the background information of the study was given. The problems which necessitated the study were clearly spelt out; and it formed the basis for the research objectives and questions. The research objectives stated the reason for this study while the research questions stated the questions from which the research hypotheses which were tested in chapter four of the study were formed. Also the significance of the study was discussed extensively where those who would benefit from the study and how they would benefit from it were stated. Finally, the scope of the study was also highlighted. Chapter two lays emphasis on the literature review. In this chapter, the concepts of CSR, financial performance and hotel which provide brief definition of these concepts were addressed under the conceptual framework. Also theoretical frame work which takes a look at the different theories relevant to the study were examined and the theories include stakeholder theory, legitimacy theory, agency theory, shareholder theory, positive accounting theory and normative accounting theory. Also, related empirical to the study were reviewed.

Chapter three dwells on the methodology in which the research design for the study was stated. The population which consists of all the listed hotels in the Nigerian Stock Exchange was stated from which the sample emanates and the technique used for the sampling was also discussed. The chapter also highlights the method of data collection which includes primary and secondary sources. Furthermore, the proxies and the measurements that were used for CSR which are philanthropic cost on donations, community involvement and ethical concern were stated.

Accounting measures for financial performance include return on assets and return on equity. Correlation and OLS regression analysis were used to find out whether there is a relationship between the variables measured (i.e. CSR and financial performance) and also to find out if the relationship is significant or not. However, the t-statistics was used to establish if there is any significant impact of CSR on financial performance.

Chapter four provides the results obtained from the analysis. The descriptive statistics shows that CSR activities yields 83% of returns on assets and 41% returns on the equity while the remaining variables which include PHLCOSDON, COMMINVOL AND ETHICON also show some level of variation. The result shows that the hotels spent about 18% of their profits on donations which is commendable while LTA with the highest mean of 7.153 contributes more to ROA and ROE. The result also shows that 36% of increase in size is as a result of CSR activities while the remaining 64% is a result of other factors not related to CSR activities. The result of correlation matrix of ROA shows that all the independent variables have a positive relationship with the dependent variable with the exception of ETHICON and AGE variables which have a negative relationship. This is an indication of mixed impact. Similarly, the correlation matrix of ROE depicts that PHLCOSDON, COMMINVOL and LTA have a positive relationship with ROE though insignificant. On the other hand, ETHICON and AGE have a negative relationship with ROE, an indication of mixed effects on ROE of the hotels.

Furthermore, ordinary least square of ROA reveals that as the ROA increases, PHLCOSDON, COMMINVOL and LTA increase which implies that they support the hotel's involvement in CSR while a decrease in ETHICON as the ROA increases is an indication that the hotels are not doing enough in the area of ETHICON. Also, ordinary least square of ROE shows that an increase in ROE leads to an increase in PHLCOSDON, COMMINVOL, ETHICON and LTA

which means that these variables positively impact on ROE even though they are not significant. Also, different views from the respondents show that CSR significantly influences customer's patronage of firms in the Nigerian hotel industry and this is in consistent with the findings of Kaur (2013).

5.2 Conclusion

The study determined the impact of CSR on financial performance of firms in the Nigerian hotel industry. Also, the research used a combination of primary and secondary sources of data collection. The responses from the interview on the staff of the selected hotels show that CSR has a mixed impact on the financial performance of firms in the Nigerian hotel industry. On the views of the customers interviewed, they disclosed that apart from the fees charged and services rendered by the selected hotels, another factor that determine their choice of patronage hinges on CSR activities by these hotel and it goes a long way to influence their level of patronage.

Regression analysis was used to analyze the data from the annual reports and the results showed that PHLCOSDON, COMMINVOL and LTA have a positive relationship with ROA. Similarly, as the ROA increases, PHLCOSDON, COMMINVOL and LTA increase which means that they supported the hotel's involvement in CSR. On the other hand, ETHICON decreases as the ROA increases, an implication that firms in the Nigerian hotel industry are not doing enough in the area of ETHICON.

Also as PHLCOSDON, COMMINVOL and LTA have a positive relationship with ROE. Also as PHLCOSDON, COMMINVOL, ETHICON and LTA and increase, ROE increases. This means that the hotel's involvement in these CSR activities positively impact on the ROE which can be justified with their positive "t" value. On the other hand, AGE decreases as the ROE increases,

an implication that it discourages the involvement of the hotels in CSR. Sequel to the above relationships on the basis of the result, the study therefore concludes that:

(i) PHLCOSDON, COMMINVOL and LTA play a positive role on ROA because the hotel's involvement in these activities increases the ROA. Therefore these variables remain a force to be reckoned with if these hotels want to expand their assets base.

(ii) The hotel's increase on ROE is dependent on PHLCOSDON, COMMINVOL, ETHICON and LTA, as such, these variables must be considered for the success of firms in the Nigerian hotel industry in the area of equity growth.

(iii) It is a noble and worthwhile practice for firms in the hotel industry to increase their CSR activities by setting aside, more funds annually towards a social course so as to increase their customer patronage.

5.3 Recommendations

The study concludes that CSR is good for the success of firms in the Nigerian hotel industry since it helps to improve and increase their financial performance. This is in agreement with the argument of Friedman (1970) that the social responsibility of business is to grow its profits; it is in the interest of shareholders, for hotel firms to engage in CSR activities as doing so improves their financial performance. Based on the conclusions drawn above, the study recommends that:

(i) Since ROA increases as PHLCOSDON, COMMINVOL, LTA increase, it would be to the advantage of the hotels firms to pay more attention on these CSR activities with positive impact on ROA so as to improve their ROA. In line with this, the hotel firms in Nigeria should invest more on PHLCOSDON and COMMINVOL as well as expand their asset base so as to increase their ROA. Also the increase in ROA and a decrease in

ETHICON is an implication that the Nigerian hotel industry is not living up to expectation in this aspect of CSR, as such, it is not fair on the part of firms in Nigerian hotel industry since the social responsibility of business is to grow its profit for the interest of shareholders going by the shareholder's theory.

(ii) Since the hotel's increase in ROE is dependent on PHLCOSDON, COMMINVOL, ETHICON and LTA, firms in this industry must consider and pay adequate attention to these variables when taking financial related decisions, and pay no attention to AGE if they must increase their ROE. This is so because AGE has a significant negative impact on ROE. This means that AGE apparently does not pay off in improved ROE, rather it is engaging more in PHLCOSDON, COMMINVOLV, ETHICON and LTA that will add value to ROE because they have a positive impact on ROE.

(iii) CSR significantly influences customer patronage. Therefore, hotel firms in Nigeria should increase their CSR activities by setting aside more funds so as to improve on the existing CSR activities and discover new ones that would add value to the people so as to increase customer patronage.

5.4 Limitations of the study

a. In this study, CSR was measured by considering monetary spending on philanthropic cost on donations and other non-monetary measures. Non-monetary activities like toiletries donated to orphanage homes, food items donated internally displaced persons, and SIWES training given to students free of charge, empowerment trainings to youths as indicated in the annual report are all difficult to measure and therefore pose a limitation to this study.

b. Lack of up-to-date annual reports of some listed hotels in the Nigerian Stock Exchange which covers only 5-star and 4-star hotels thereby leaving out other categories of hotels. Also, lack of access to audited financial reports of hotel firms that are not listed in the Nigerian stock Exchange constitute a limitation to the scope of the study.

Suggestions for Further Study

The limitations of the study have prompted suggestions for further research as listed below;

a. This study sought to determine the impact of CSR on financial performance of firms in the Nigerian hotel industry. The study among others found that CSR has a positive relationship on ROA; CSR insignificantly impacts on ROE and CSR influences the customer patronage. The researcher suggests that the impact of CSR on financial performance can be extended to hotel firms in Nigeria that are not listed in the Nigerian Stock Exchange.
b. Since the non-monetary CSR activities are difficult to measure, the researcher suggests the need to carry out a further research on the impact of CSR on financial performance using only the monetary measure like philanthropic cost on donations to determine if the findings would be different from the current study.
c. A study can be carried out to determine if CSR has any impact on the financial performance of other industries like telecommunication, aviation, insurance companies, construction companies, SMEs among others.
d. Since most of the hotels under study are 5-star and 4-star hotels, there is need for further studies on the nexus between CSR and financial performance on other categories of hotels to determine the impact of CSR on their financial performance.

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Bayero University Kano,
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Kano State.
16th April, 2015.

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LETTER OF INTRODUCTION

I am a Masters' student of the above named institution presently carrying out a research on the topic "Impact of Corporate Social Responsibility (CSR) on the Financial Performance of firms in the Nigerian Hotel Industry" and have chosen your hotel as one of the hotels for the research. Sequel to this, I wish to request for data/information from your hotel to help me complete the research work which is already in progress.

The research work is purely an academic exercise and any data/information given by your hotel would be treated with utmost confidentiality. Thank you for your anticipated co-operation.

Yours faithfully,

Mbazulike, Juliet.

SECTION ONE: BACKGROUND INFORMATION

AGE: ☐

SEX: ☐

EDUCATIONAL QUALIFICATION: ☐

YEARS OF EXPERIENCE: ☐

SECTION TWO: INTERVIEW QUESTIONS

1. How long has your hotel been in existence? ----------

2. CSR is company's contributions to the immediate community and the economy as a whole for the development and progress, even as they are extraneous to their regular business activities. How does your hotel engage in CSR? ----------
---

---

3. CSR as practiced by firms in hotel industry in Nigeria; mostly involve philanthropic cost on donations, involvement in community activities, ethical concerns and employment concerns.

4a. Philanthropic cost on donations entails the annual cost that hotels incur on donations. How does your hotel engage in this?----------
---

4b. What impact (positive impact or negative impact) does it make on your financial performance?----------

---

5a. Community Involvement means hotel's participation in the community activities in the areas of sensitization programmes, empowerment programmes, courtesy call and visitations which improve the welfare of the community. How does your hotel engage in this?----------

---

5b. What impact (positive impact or negative Impact) does it make on your financial performance?----------

---

6a.Ethical Concerns means obeying the code of ethics of organizational members. How does your hotel engage in this?----------

---

6b. What impact does it make on your financial performance?----------

---

7a. Do CSR activities generally have any impact on your financial performance? ----------

7b. If the answer to question (8a) above is in the affirmative, how does it impact your financial performance? ----------
---

8a. Does your engagement in CSR activities influence your customer's patronage? ----------

8b. If the answer to question (9a) above is "YES", to what extent does it influence your customer's patronage? ----------
---

RESEARCH DATA

HOTEL NAME	HOTEL N0	YEARS	ROA	ROE	PHLCOSDON	COMMINVOL	ETHICON	LTA	AGE
TRANSCORP HOTELS PLC	1.00	2010.00	0.15	0.22	1.9142	1.00	0.00	7.33	4.00
	1.00	2011.00	0.03	0.05	0.00325	0.00	1.00	7.37	5.00
	1.00	2012.00	0.07	0.14	0.1	1.00	2.00	7.59	6.00
	1.00	2013.00	0.07	0.14	0.4	2.00	2.00	7.82	7.00
	1.00	2014.00	0.05	0.06	0.316	2.00	2.00	7.84	8.00
CAPITAL HOTELS PLC	2.00	2010.00	0.11	0.20	0.005	3.00	0.00	6.75	2.00
	2.00	2011.00	0.20	0.43	0.0052	3.00	1.00	6.83	3.00
	2.00	2012.00	0.06	0.13	0.00755	3.00	1.00	6.81	4.00
	2.00	2013.00	0.03	0.05	0.008752	3.00	1.00	6.81	5.00
	2.00	2014.00	0.04	0.07	0.00512	3.00	2.00	6.85	6.00
TOURIST COY OF NIG PLC	3.00	2010.00	-0.05	1.22	0	0.00	3.00	7.12	6.00
	3.00	2011.00	-0.12	-0.59	0.002035	0.00	3.00	7.06	7.00
	3.00	2012.00	-0.05	-0.30	0.002199	1.00	3.00	7.05	8.00
	3.00	2013.00	0.01	0.07	0.0002	1.00	3.00	7.04	9.00
	3.00	2014.00	-0.06	-0.50	0	0.00	3.00	7.03	10.00

DATA RESULTS

___ ____ ____ ____ ____ (R)

/__ / ____/ / ____/

___/ / /___/ / /___/ 11.1 Copyright 2009 StataCorp LP

Statistics/Data Analysis StataCorp

4905 Lakeway Drive

Special Edition College Station, Texas 77845 USA

800-STATA-PC http://www.stata.com

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Notes:

1. (/m# option or -set memory-) 50.00 MB allocated to data
2. (/v# option or -set maxvar-) 5000 maximum variables
3. New update available; type -update all-

. *(13 variables, 16 observations pasted into data editor)

. summarize roa roe ldon employee community ethical lta leverage

Variable	Obs	Mean	Std. Dev.	Min	Max

```
         roa |        15         .036    .083478       -.12        .2
         roe |        15    .0926667    .4136504       -.59       1.22
        ldon |        15       3.586    1.787851          0       6.28
    employee |   15       2.2          .7745967          0          3
   community   15      1.533333    1.245946          0          3
-------------+---------------------------------------------------------
     ethical |      15        1.8          1.082326          0          3
         lta |       15      7.153333    .3613797       6.75       7.84
    leverage |   15      .3626667     .2464452        .06         .77
```

```
 correlate roa ldon employee community ethical lta leverage
(obs=15)

             |      roa     ldon employee commun~y  ethical      lta leverage
-------------+------------------------------------------------------------------
         roa |   1.0000
        ldon |   0.5921   1.0000
    employee |   0.0353  -0.2253   1.0000
   community |   0.6263   0.4326   0.6217   1.0000
     ethical |  -0.7922  -0.5648  -0.0341  -0.5509   1.0000
         lta |   0.0398   0.4580  -0.5282  -0.3247   0.1424   1.0000
    leverage |  -0.7178  -0.7749   0.0906  -0.4330   0.7493  -0.4306   1.0000


 correlate roe ldon employee community ethical lta leverage
(obs=15)
```

```
             |      roe     ldon employee commun~y  ethical      lta leverage
-------------+------------------------------------------------------------------
         roe |   1.0000
        ldon |  -0.1069   1.0000
    employee |   0.0361  -0.2253   1.0000
   community |   0.1440   0.4326   0.6217   1.0000
     ethical |  -0.2109  -0.5648  -0.0341  -0.5509   1.0000
         lta |   0.0200   0.4580  -0.5282  -0.3247   0.1424   1.0000
   leverage |  -0.2931  -0.7749   0.0906  -0.4330   0.7493  -0.4306   1.0000
```

regress roa ldon employee community ethical lta leverage

```
      Source |       SS       df       MS              Number of obs =      15
-------------+------------------------------           F(  6,     8)       =    4.43
       Model |  .075004518     6  .012500753           Prob > F        =  0.0285
    Residual |  .022555483     8  .002819435           R-squared       =  0.7688
-------------+------------------------------           Adj R-squared = 0.5954
       Total |  .097560001    14  .006968572           Root MSE        =   .0531

------------------------------------------------------------------------------
         roa |      Coef.   Std. Err.      t    P>|t|     [95% Conf. Interval]
-------------+----------------------------------------------------------------
        ldon |  -.0134028   .0169437    -0.79   0.452    -.0524751    .0256695
    employee |  -.0358401   .0355353    -1.01   0.343    -.1177846    .0461043
```

```
  community |   .0482266   .0263673     1.83   0.105    -.0125765    .1090297
     ethical |  -.0465738   .0371505    -1.25   0.245    -.1322429    .0390954
         lta |   .0715894   .1016249     0.70   0.501    -.1627582    .3059369
    leverage |  -.0042529   .1855094    -0.02   0.982    -.4320383    .4235326
       _cons |   -.337764   .7448839    -0.45   0.662    -2.055469    1.379941
------------------------------------------------------------------------------
```

regress roe ldon employee community ethical lta leverage

```
      Source |       SS       df       MS              Number of obs =      15
-------------+------------------------------           F(  6,     8) =    1.26
       Model |  1.16362003     6  .193936672           Prob > F      =  0.3708
    Residual |  1.23187335     8  .153984168           R-squared     =  0.4858
-------------+------------------------------           Adj R-squared =  0.1001
       Total |  2.39549338    14   .17110667           Root MSE      =  .39241

         roe |      Coef.   Std. Err.      t    P>|t|     [95% Conf. Interval]
-------------+----------------------------------------------------------------
        ldon |  -.2896308   .1252177    -2.31   0.049    -.5783834   -.0008782
    employee |  -.3239918   .2626131    -1.23   0.252    -.9295788    .2815952
   community |   .2441864   .1948599     1.25   0.246    -.2051613    .6935341
     ethical |   .1320421    .27455     0.48   0.643    -.5010714    .7651556
         lta |    -.04519    .75103    -0.06   0.953    -1.777068    1.686688
    leverage |   -1.95648   1.370954    -1.43   0.191    -5.117906    1.204946
       _cons |   2.264779   5.504851     0.41   0.692    -10.42943    14.95899
```

OLS REGRESSION (ROA) NORMALITY TEST RESULT

estat hettest

Breusch-Pagan / Cook-Weisberg test for heteroskedasticity

Ho: Constant variance

Variables: fitted values of roa

chi2(1) = 0.03

Prob > chi2 = 0.8589

. estat vif

Variable	VIF	1/VIF
ethicon	6.65	0.150450
age	5.05	0.198110
phlcosdon	1.93	0.517183
comminvol	1.81	0.553772
lta	1.46	0.685633
Mean VIF	3.38	

OLS REGRESSION (ROE) NORMALITY TEST RESULT

estat hettest

Breusch-Pagan / Cook-Weisberg test for heteroskedasticity

Ho: Constant variance

Variables: fitted values of roe

chi2(1) = 3.05

Prob > chi2 = 0.0808

. estat vif

Variable	VIF	1/VIF
ethicon	6.65	0.150450
age	5.05	0.198110
phlcosdon	1.93	0.517183
comminvol	1.81	0.553772
lta	1.46	0.685633

Mean VIF 3.38