IMPACT OF CORPORATE GOVERNANCE OF CORPORATE SOCIAL RESPONSIBILITY OF DANGOTE GROUP OF COMPANIES IN NIGERIA

Opusunju, Michael Isaac  
Department of Business Administration  
Nasarawa State University, Keffi, Nigeria  
opusnjumike@gmail.com

Ajayi, Mathew Itopa  
Department of Business Administration and management  
Federal Polytechnic, Nasarawa State, Nigeria  
topsonmatt@yahoo.com

ABSTRACT

The study examines the impact of corporate governance on corporate social responsibility of Dangote group of Companies in Nigeria. The study seeks to find out how corporate governance (foreign directors, independent directors, women directors, board size, audit committee and ownership structure) affects corporate social responsibility. Point in time data were collected from primary source employing the used of multiple regression and e-view software statistical package. The Ordinary Least Square was adopted and finding reveals that impact of corporate governance on social responsibility of Dangote group of companies in Nigeria is significant. This shows that corporate governance proxies as foreign directors, board size, and ownership structure are significantly contributes to corporate social responsibility in terms of basic social amenities. Others findings were that corporate governance proxies as independent directors, women directors and audit committee are insignificantly contributes to corporate social responsibility in terms of basic social amenities. It is therefore recommended that Dangote group of companies should maintain standard in their corporate governance practices in terms foreign directors, board size, ownership structure since it statistically leads to corporate social responsibility in terms of basic social amenities. They should also specifically improve on corporate governance practices in terms independent directors, women directors and audit committee since it insignificantly contributes to corporate social responsibility in terms of basic social amenities to see if they will improve in the future.
I. INTRODUCTION

Corporate governance is an effective, transparent and accountable governance of affairs of an organization by its management and board used its principles to actualized corporate social responsibility like social amenities and compensation to the community members. It is about a decision-making process that holds organizations accountable, encourages stakeholder participation and facilitates the flow of information of the commodity in to understand the concept of being socially responsible in the area in which they operated. It has become a worldwide dictum that the quality of corporate governance makes an important difference to the soundness and unsoundness of organizations. It is a platform by which various stakeholders in any company have their interests reconciled and also the community interest such as providing them with social amenities like water, electricity and roads.

The problem that constitutes inability of corporate governance in Dangote group of companies in Nigeria is ability of the companies to live up to expectation in exercising their oversight functions of social responsibility such as providing basic social amenities and also there is ineffective judicial system capable of enforcing corporate governance practice in Dangote group of companies like foreign directors, independent directors, board size, women directors, ownership concentration and audit committee to concentrate on corporate social responsibility in Nigeria.

Previous studies such as Lilik, Bambang, Sutrisno and Erwin (2014) and Sadia, Tariq and Saba (2015) studied corporate governance and corporate social responsibility in Pakistani companies and Indonesian public firms in Indonesia. This study fills the research gap by studying the impact of corporate governance on corporate social responsibility using Dangote group of companies in Nigeria. Point in time data was used employing the used of self design questionnaire using multiple regression with the help of e-view statistical package to analyse the data.

The main objective of the study is to examine the impact of corporate governance on corporate social responsibility of Dangote group of Companies in Nigeria. Specifically, the study also aimed
at determining the impact of corporate governance on basic social amenities of Dangote group of Companies in Nigeria.

The scope of this study covered the impact of corporate governance on corporate social responsibility in Dangote groups of Companies in Nigeria. A period of 2 years is study from 2014-2015 and this period is chosen because in their annual financial statement of 2014 report, they stated that their social commitments are extensive. They support local communities in many ways, including the provision of electricity, housing, healthcare and the opportunity to work with us either directly or in supporting services. In addition, they also provide scholarships for local students to attend higher education.

Corporations will find this study very relevant and important because it will assist them on corporate governance activities and social responsibility. Firms will benefit from the study because it will guide in effective policies concerning corporate governance and corporate social responsibility. Above all, it is hoped that this study would contribute to knowledge and be useful as reference material for scholars and researchers in the field of study.

The hypothesis is stated in the null form

\[H_0\]: There is no significant relationship between corporate governance and basic social amenities in Dangote group of Companies, Nigeria.

II. CONCEPT OF CORPORATE GOVERNANCE

According to Wan and Idris (2012) corporate governance refers to the private and public institutions, including laws, regulations and accepted business practices, which together govern the organization, in a market economy, between corporate managers and entrepreneurs (corporate insiders) on one hand, and those who invest resources in corporations. Rezaee (2009) asserts that corporate governance is a process through which shareholders induce or persuade management to act in their interest, providing a degree of confidence that is necessary for capital markets to function effectively. Muriithi (2009) noted that corporate Governance is the system by which organizations are directed and controlled. To him, it’s a set of relationships between company
directors, shareholders and other stakeholders as it addresses the powers of directors and of controlling shareholders over minority interest, the rights of employees, rights of creditors and other stakeholders.

According to Kwakwa and Nzekwu, (2003) corporate governance is the manner in which the power of a corporate is exercised in accounting for corporation’s total portfolio of assets and resources with the objective of maintaining and increasing shareholder value and the satisfaction of other stakeholders while attaining the corporate mission. Wilson (2006) defines corporate governance as the manner in which corporations are directed, controlled and held to account with special concern for effective leadership of the corporations to ensure that they deliver on their promise as the wealth creating organ of the society in a sustainable manner. Jayashree (2006) defines corporate governance when used in the context of business organization is a system of making directors accountable to shareholders for effective management of the companies in the best interest of the company and the shareholders along with concern for ethics and values. It is a management of companies through the board of directors that hinges on complete transparency, integrity and accountability of management.

III. CONCEPT OF CORPORATE SOCIAL RESPONSIBILITY

Adeyanju (2012) noted that corporate social responsibility is the corporation that held accountable for any of its actions that affect people, communities, and its environment. Siegel and Vitaliano (2007) corporate social responsibility is define as a process whereby firms engage in an activity that appears to advance a social agenda beyond that which is required by law. McWilliams and Siegel (2001) defined corporate social responsibility as an action that appear to further some social good, beyond the interest of the firm and that which is required by law. Tsoutoura (2004) corporate social responsibility is defined as a business that seriously considered the impact of the company’s action in society. According to Rahman (2008) corporate social responsibility is the manager’s duty or obligation to make decision that nurture project, enhance and promote the welfare and wellbeing of stakeholders and society as a whole.
McWilliams and Siegel (2001) corporate social responsibility refers to those actions that appear to further some social good, beyond the interests of the firm and that which is required by law. European Union (2004) saw corporate social responsibility 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.

Thompson and Cowton (2004) look at corporate social responsibility as the overall relationship of the corporation with all of its stakeholders. To them, they include customers, employees, communities, owners/investors, government, suppliers and competitors. Kotler and Lee (2006) indicates that corporate social responsibility is a commitment to improve community well-being through discretionary business practices and contributions of corporate resources. Keinert (2008) asserts that corporate social responsibility is definitional construct, aims at describing the relationship between business and the larger society surrounding it, and at redefining the role and obligations of private business within that society, if deemed necessary.

IV. EMPIRICAL FINDINGS

Lilik, Bambang, Sutrisno and Erwin (2014) study is to examine the impact of corporate governance to corporate social responsibility in Indonesian public firms in Indonesia. Using the structural model analysis, the study was done to the public firms which reported their CSR activities in annual reports and sustainability reports during the period 2010-2012. It was found that there is a statistical insignificant relationship between corporate governance and corporate social responsibility in Indonesian public firms.

Sadia, Tariq and Saba (2015) investigate effects of corporate governance elements on corporate social responsibility disclosure using annual reports of companies for the year 2007–2011. the elements of Corporate Governance such as board size, independent directors, foreign nationalities and women representation in the board, ownership concentration, institutional ownership, firm size and profitability. The multiple regression technique was used to measure the impact of corporate governance elements on companies’ CSR reporting. The study found positive and significant impact from board size, institutions ownership, ownership concentration and firm size on CSR
reporting. The results also display contrary relationships between the women and foreign director’s representation in the board and CSR reporting.

V. THEORETICAL FRAMEWORK

A. Agency theory

This was developed by Jensen and Meckling (1976) who argued that theory indicates the relationship between the principals, such as shareholders and agents such as the company executives and managers. In this theory, shareholders who are the owners or principals of the company, hires the gents to perform work. Principals delegate the running of business to the directors or managers, who are the shareholder’s agents. Although managers are said to be rational, but cannot be trusted to remain faithful by always acting in the best interest of the principal since they are also presumed to be self-interested (Williamson, 1975). Managers must be controlled to avoid moral hazard using some risk-bearing and monitoring mechanisms that checkmate their deviant behaviors.

B. Resource Dependence theory

Resource dependence theory maintains that the board is an essential link between the firm and the essential resources that it needs to maximise performance (Pfeffer, 1973). Since resource dependence theory draws from both the sociology and management disciplines (Pettigrew, 1992), there is no universally accepted definition of what is an important resource. Hillman, Canella and Paetzold (2000) argue that the resource dependence theory focuses on the role that managers play in providing essential resources for the organization in relation to the external environment. According to studies conducted by these authors, in the decision making process, the managers contribute with information resources, skills, access to key business partners of an organization such as suppliers, creditors, government and social groups.

C. Information asymmetry theory
This theory was developed by Akerlof (1970) in which the behaviour of buyers and sellers is analysed by abandoning the hypothesis of perfect information on the market and assuming the contrary, the uncertainty of regarding the quality of products purchase. Raimbourg (1997) The arguments of Akerlof by analysing the market place of some product where the seller has more information about the quality of products than the buyer. Effective corporate governance determines the reduction of information asymmetry effect and prevents the manifestation of unfair actions of the directors to gain prestige and reputation but affecting the company’s growth.

D. **Stewardship Theory**

A steward is defined by Davis, Schoorman and Donaldson (1997) as one who protects and maximizes shareholders wealth through firm performance, because by so doing, the steward’s utility functions are maximized. In this perspective, stewards are company executives and managers working for the shareholders, protects and make profits for the shareholders. Stewardship theory stresses not on the perspective of individualism, but rather on the role of top management being as stewards, integrating their goals as part of the organization. The stewardship perspective suggests that stewards are satisfied and motivated when organizational success is attained. It stresses on the position of employees or executives to act more autonomously so that the shareholders’ returns are maximized.

E. **Stakeholder Theory**

Stakeholder theory was derived from a combination of the sociological and organizational disciplines (Wheeler, Colbert & Freeman, 2003). Stakeholder theory asserts that companies have a social responsibility that requires them to consider the interests of all parties affected by their actions. This confers more responsibility on the managers in terms of ensuring that no stakeholder is dissatisfied either in the short run or long run. Stakeholder theory is the doctrine that businesses should be run not for the financial benefit of their owners, but for the benefit of all stakeholders (Branco & Lucia, 2007).

F. **Social Contract Theory**

Social contract theory, sees society as a series of social contracts between members of society and society itself. There is a school of thought which sees social responsibility as a contractual
obligation the firm owes to society. Integrated social contract theory was developed by Donaldson and Dunfee (1999) as a way for managers to make ethical decision making, which refers to macro social and micro social contracts. The former refers to the communities and the expectation from the business to provide support to the local community, and the latter refers to a specific form of involvement (Donaldson 1983).

G. Legitimacy Theory

Another theory reviewed in corporate governance literature is legitimacy theory. Legitimacy theory is defined as a generalized perception or assumption that the actions of an entity are desirable, proper, or appropriate with some socially constructed systems of norms, values, beliefs and definitions (Suchman 1995). Similar to social contract theory, legitimacy theory is based upon the notion that there is a social contract between the society and an organisation. A firm receives permission to operate from the society and is ultimately accountable to the society for how it operates and what it does, because society provides corporations the authority to own and use natural resources and to hire employees (Deegan 2004).

VI. METHODOLOGY

The research study employed survey research design and ordinary least square regression to analysed data as well as e-view software statistical package. Data for this study was gathered from primary data through the used of self design questionnaire. The questionnaire was designed in a five point likert scale to retrieve information from the respondents and the respondents are made-up of the management staff of Dangote group of companies in Nigeria. The question was design in two parts, that is corporate governance questions and corporate social responsibility questions. A multiple statistical model was developed. The population of the study is made all the management staff of Dangote group of Companies in Nigeria. The Dangote group of companies are Dangote Cement Company, Dangote Sugar manufacturing company, Dangote Salt, Flour and Semolina Company, Dangote Pasta and Noodles Company, Dangote Poly products and Logistics port management and Haulage company, real estate and Dangote foundation. According to Company reports, Dangote employed 22000 employees and out of these 22000 employees, management staff are 367 employees (web report, 2015). Therefore the population is 367 and the sample is drive using Taro Yamanes formula to draw the sampling size and it is stated below:
n=N/1+N(e)^2

Where N is the population size

e is the margin error (assume 5%)

l= constant=
e=0.05

n = 367/1+367 (0.05)^2
n = 367/1+367 (0.05)^2
n=367/1+367 (0.0025)
n = 367/1+0.9175
n= 367/1.9175
n = 191

191 copies of questionnaire were distributed to the management staff of Dangote group of companies. Corporate governance were proxies as foreign directors, independent directors, women directors, board size, audit committees and ownership structure while corporate social responsibility is the dependent variable proxy as basic social amenities. Simple random sampling was used to administer the questionnaire to the respondents and it was used because it allows for equal opportunity of the respondents being selected. Using the e-view software and data obtained from primary source were tabulated and analyzed using multiple regression models. The multiple regression models are stated below:

The simply regression model is stated below:

BSA = a + b1FD + b2IND + b3WD + b4BS + b5AC + b6OS +µ

Where

a = intercept, b = Independent variable, µ = Error term, FD= foreign directors, IND= independent directors, WD= women directors, BS= board Size, AC= audit committee, OS= ownership concentration and BSA= basic social amenities.

VII. DATA ANALYSIS

Table 1:
Items | A | SA | UN | D | SD
--- | --- | --- | --- | --- | ---
Dangote group of companies involves foreign directors in their corporate governance | 23(12.04) | 67(35.07) | 9(4.71) | 89(46.59) | 3(1.57)
Independent directors are involved in the activities of corporate governance in Dangote group of companies | 45(23.56) | 73(38.21) | 2(1.04) | 33(17.27) | 38(19.89)
The board size comfortably administered the corporate governance activities in the organization | 65(34.03) | 98(51.30) | 1(0.52) | 26(13.61) | 1(0.52)
Women directors are involved in corporate governance activities in the organization | 12(6.28) | 9(4.71) | 3(1.57) | 96(50.26) | 71(37.17)
Audit committee effectively involved in the activities of corporate governance in Dangote group of companies | 6(3.14) | 10(5.23) | 9(4.71) | 97(50.78) | 69(36.12)
Dangote group of Companies ownership concentration is unique and effective | 87(45.54) | 76(39.79) | 1(0.52) | 6(3.14) | 21(10.99)
Dangote group of companies effectively performance corporate social responsibility in form of social basic amenities, that is providing water, road and electricity to the communities in Nigeria | 94(49.21) | 78(40.83) | 5(2.61) | 11(5.75) | 3(1.57)

Field Survey, 2016

**Ho1:** Corporate governance and basic social amenities

**Hypotheses Testing**

Dependent Variable: BSA

Method: Least Squares
From the regression result, corporate governance coefficient for foreign directors (FD) is positive and significant in achieving corporate social responsibility in terms of basic social amenities (BSA) of Dangote group of companies. The p-value of 0.00 is less than the t-statistic value of 7.02 and the standard error value of 0.03 is less than the t-statistic value. This implies that there is significant relationship between corporate governance proxy as foreign directors (FD) and corporate social responsibility in terms of basic social amenities (BSA) in Dangote group of Companies.
Corporate governance coefficient for independent directors (IND) is positive and significant in achieving corporate social responsibility in terms of basic social amenities (BSA) of Dangote group of companies. The p-value of 0.50 is less than the t-statistic value of 0.67 and the standard error value of 0.03 is less than the t-statistic value. This implies that there is insignificant relationship between corporate governance proxy as independent directors (FD) and corporate social responsibility in terms of basic social amenities (BSA) in Dangote group of Companies.

Corporate governance coefficient for board size (BS) is negative and insignificant in achieving corporate social responsibility in terms of basic social amenities (BSA) of Dangote group of companies. The p-value of 0.04 is greater than the t-statistic value of (2.04) and the standard error value of 0.06 is greater than the t-statistic value. This implies that there is significant relationship between corporate governance proxy as board size (BS) and corporate social responsibility in terms of basic social amenities (BSA) in Dangote group of Companies.

Corporate governance coefficient for women directors (WD) is negative and insignificant in achieving corporate social responsibility in terms of basic social amenities (BSA) of Dangote group of companies. The p-value of 0.21 is greater than the t-statistic value of (1.25) and the standard error value of 0.09 is greater than the t-statistic value. This implies that there is insignificant relationship between corporate governance proxy as women directors (WD) and corporate social responsibility in terms of basic social amenities (BSA) in Dangote group of Companies.

Corporate governance coefficient for audit committee (AC) is positive and significant in achieving corporate social responsibility in terms of basic social amenities (BSA) of Dangote group of companies. The p-value of 0.87 is greater than the t-statistic value of 0.15 and the standard error value of 0.10 is less than the t-statistic value. This implies that there is insignificant relationship between corporate governance proxy as audit committee (AC) and corporate social responsibility in terms of basic social amenities (BSA) in Dangote group of Companies.

However, corporate governance coefficient for ownership structure (OC) is positive and significant in achieving corporate social responsibility in terms of basic social amenities (BSA) of Dangote
group of companies. The p-value of 0.00 is less than the t-statistic value of 12.06 and the standard error value of 0.04 is less than the t-statistic value. This implies that there is significant relationship between corporate governance proxy as ownership structure (OC) and corporate social responsibility in terms of basic social amenities (BSA) in Dangote group of Companies.

The coefficient of determination ($r^2$) of 0.88 indicates that 88% of variation in corporate governance activities can be explained by corporate social responsibility in terms of basic social amenities (BSA) in Dangote group of Companies, Nigeria. The remaining 120% can be explained by other related factors not noted in the regression model. The f-statistic value of 226.47 is significant at p-value of 0.00. Therefore, we accept the alternative hypothesis that there is a significant relationship between corporate governance and corporate social responsibility in Dangote group of Companies, Nigeria.

VIII. DISCUSSION OF FINDINGS

From the above analysis, the impact of corporate governance on social responsibility of Dangote group of companies in Nigeria is significant. This shows that corporate governance proxies as foreign directors, board size, ownership structure are significantly contributes corporate social responsibility in terms of basic social amenities. The finding is in tandem with the finding of Sadia, Tariq and Saba (2015) who found statistical significant relationship between corporate governance and corporate social responsibility. Others findings were that corporate governance proxies as independent directors, women directors and audit committee are insignificantly contributes to corporate social responsibility in terms of basic social amenities and was consistent with the finding of Lilik, Bambang, Sutrisno and Erwin (2014) who found insignificant relationship between corporate governance and corporate social responsibility. The study is also consistent with social contract theory.

IX. CONCLUSIONS AND RECOMMENDATIONS

This study concludes that impact of corporate governance on social responsibility of Dangote group of companies in Nigeria is significant. This implies that corporate governance proxies as
foreign directors, board size, and ownership structure are significantly contribute corporate social responsibility in terms of basic social amenities. It also indicates that corporate governance proxies as independent directors, women directors and audit committee are insignificantly contribute to corporate social responsibility in terms of basic social amenities. It is therefore recommended that Dangote group of companies should maintain standard in their corporate governance practices in terms foreign directors, board size, ownership structure since it statistically leads to corporate social responsibility in terms of basic social amenities. They should also specifically improve on corporate governance practices in terms independent directors, women directors and audit committee since it insignificantly contributes to corporate social responsibility in terms of basic social amenities to see if they will improve in the future.

REFERENCES


Questionnaire

You are required to answer the following question by ticking on the option provided. Note the following: where A = Agreed (1), SA = Strongly Agreed (2), D= Disagreed (4), SD = Strongly Disagreed (5) and UND = Undecided (3)

<table>
<thead>
<tr>
<th>Questions</th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
</tr>
</thead>
<tbody>
<tr>
<td>Dangote group of companies involves foreign directors in their corporate governance</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Independent directors are involve in the activities of corporate governance in Dangote group of companies</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Women directors are involved in corporate governance activities in the organization</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>The board size comfortably administered the corporate</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
governance activities in the organization

Audit committee effective involve in the activities of corporate governance in Dangote group of companies

Dangote group of Companies ownership concentration is unique and effective

<table>
<thead>
<tr>
<th>Question</th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
</tr>
</thead>
<tbody>
<tr>
<td>Dangote group of companies effectively performance corporate social</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>responsibility in form of social basic amenities, that is providing</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>water, road and electricity to the communities in Nigeria</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>