CORPORATE SOCIAL RESPONSIBILITY AND FINANCIAL PERFORMANCE OF DANGOTE CEMENT IN THE PRE AND POST COVID-19 PANDEMIC PERIODS

[1]Umenzekwe, Peace C., [2]Nwosu, Amarachi G., and [3]Okonewa, Onyinyechukwu
[1,2&3]Department of Accountancy
Faculty of Management Sciences, Nnamdi Azikiwe University, Awka.
email: pc.umenzekwe@unizik.edu.ng, [2]o.okonewa@unizik.edu.ng & [3]amynwosu16@gmail.com

Abstract
Dangote Cement Plc had continued to undertake its Corporate Social Responsibilities regardless of the current realities posed by the Covid 19 pandemic. Thus, this study sought to evaluate the relationship between corporate social responsibility and the financial performance of Dangote Cement Plc, from the pre and post pandemic perspective. The study adopted an expost-facto research design and data was sourced from audited annual reports of Dangote Cement Plc from 2017 to 2022. The data collected was analyzed using descriptive statistics and the hypotheses formulated were tested using Ordinary Least Square method of multiple regression. The results of the analysis revealed that there was no significant relationship between amounts spent on education, amount spent on health care, amount spent on donations to host community and return on equity. It was therefore concluded that Corporate Social Responsibility had no significant relationship with the performance of Dangote Cement for the years understudied. In line with these findings, the following recommendations were made: the management of Dangote Cement PLC needs to understand that to gain financial performance, they cannot solely only Corporate Social Responsibilities as that alone cannot guarantee high performance levels and before carrying out any CSR project, either relating to health care, education or donations host communities, the management should carry out a needs assessment to ensure that the CSR meets a specific needs of the host community. This way the impact of the project will be felt by the immediate community.
Keywords: *Corporate social responsibility, financial performance, return on equity*

Introduction

The COVID-19 pandemic led to an unprecedented global contraction in economic activity, and Nigerian Cement Industry was no exception. The pandemic spread through the region and its effects were projected and worsen economic and financial performance. These developments have had a negative impact on Cement Industry in Nigeria, which have experienced sharp falls in profitability and a worsening in their financial capacity and Corporate Social Responsibility initiatives. Corporate Social Responsibility (CSR) can be defined as the responsibility that companies have to act in a socially and environmentally responsible manner. It refers to a company’s commitment to conduct its business ethically and in a way that contributes to economic development, improving the quality of life of its employees and their families, the local community, and society as a whole.

The main factors that influence companies to adopt and use CSR are corporate standing, separation from the competition's upper hand, strengthening management style, strengthening partnerships with collaborators, creating the environment for long-term business, attracting and relying on excellent employees, advancing advantages, lowering the costs of risk the top management, customer loyalty, and appeal for financial supporters, among others (Gavurova, et.al, 2022). While there are many advantages to CSR, such as improved brand reputation and financial performance, there are also some challenges. One of the main challenges is balancing the interest of various stakeholders, including shareholders, employees, customers, and society as a whole. Companies must ensure that their CSR initiatives are effective, measurable and aligned with their core business values, hence the need for this study.

Statement of Research Problem

Irrespective of the high cost of living that have been experienced in Nigeria, especially after the COVID-19 pandemic, Dangote Cement Plc have continued its involvement in CSR activities or initiatives, after making a huge contribution of 2 Billion Naira to the Federal Government to cushion the effect of COVID-19 on the populace. For Dangote Cement Plc, Corporate Social Responsibility activities and reporting is actually viewed as a compulsory activity, not minding that the reporting of this CSR is still left voluntary. The annual report of Dangote Cement Plc in the pre and post COVID-19 periods shows that more funds are being spent in the post COVID-19 for CSR than the pre COVID-19 period. Therefore this study seeks to find out whether these huge expenditures on Corporate Social Responsibility actually had impact on the financial performance of Dangote Cement Plc.

Objectives of the Study

The broad objective of this study is to determine the effect of Corporate Social Responsibility expenditure on Return on Equity of Dangote Cement Plc. The specific objectives are:

a. To determine the effect of amount spent on education on return on equity in the pre and post COVID-19 period in Nigeria.
b. To ascertain the effect of amount spent on health care on return on equity in the pre and post COVID-19 period in Nigeria.
c. To examine the effect of amount spent on donations to host community on return on equity in the pre and post COVID-19 period in Nigeria.

Research Questions

1) How does the amount spent on education affect the return on equity in the pre and post COVID-19 period in Nigeria?
2) To what extent does the amount spent on health care affect the return on equity in the pre and post COVID-19 period in Nigeria?
3) To what extent does the amount spent on donations to host community affect the return on equity in the pre and post COVID-19 period in Nigeria?

Hypotheses of the Study

Ho₁: There is no significant relationship between the amount spent on education and return on equity in the pre and post COVID-19 period in Nigeria.

Ho₂: There is no significant relationship between the amount spent on health care and return on equity in the pre and post COVID-19 period in Nigeria.

Ho₃: There is no significant relationship between the amount spent on donations to host community and return on equity in the pre and post COVID-19 period in Nigeria.

Review of Related Literature

Conceptual Review

Dimensions of Corporate Social Responsibilities

Corporate social responsibility (CSR) is defined by the European Commission (EU) as the voluntarily integrating environmental and social factors into a firm's corporate operations. Incorporated interactions with stakeholders that have ties to the organization likewise follow these patterns. As they tend to win the respect and appreciation of the host communities or the target beneficiaries over time, organizations that make conscious efforts to include corporate social responsibility stand to benefit much from doing so (Eriandani, 2020). In order to meet the demands of diverse stakeholders, corporate social responsibility gives an organization the chance to maintain a balance between social, environmental, and economic aims (Sarfraz, et al 2018).

Insights into the numerous facets of the phenomena corporate social responsibility were provided by Lys, et al 2015. His considerations were divided into three categories: charitable factors, financial considerations, and signaling considerations. According to hypotheses under the charity dimension, an organization should practice corporate social responsibility to solve the social and environmental issues in its local area and immediate community. This covers the company's foray into CSR in the areas of health interventions and educational initiatives (building hospitals, providing basic primary healthcare, building schools, hiring teachers, offering educational scholarship programs and providing free medication).

Another theory put forth by Lys et al. (2015) is the investment consideration, which is essentially done in the hope of making some money. The construction of roads, erosion control projects, and bridges, as well as security initiatives like the purchase of security vehicles, construction of security posts, funding of security initiatives, and assistance to State security trust funds, fall under this category of employment opportunities. Last but not least, there is the signaling factor, which aims to practice corporate social responsibility since the organization believes it foretells future prospects in terms of growth and finances. These include funding cultural events, pageants, and several other community improvement projects. There is a strong association between corporate social responsibility and an organization's financial performance, according to studies like Deng, et al (2013). This goes against the claims made by McWilliams, et al (2006), who contend that corporate social responsibility has little bearing on an organization's financial prospects.

Financial Performance

In measuring firm's financial performance, we use the following, among others:

i. Return on Equity: Return on equity is a financial ratio that measures the profitability and efficiency of a company from the perspective of its shareholders. It indicates how effectively a company is utilizing its shareholders' investments to generate profits. ROE is calculated by dividing the net income of a company by its average shareholder's equity and is typically expressed as a percentage. ROE is a profitability indicator that measures how well a company is generating profits from the capital invested by its shareholders.

ii. Return on Assets: Return on Assets (ROA) is a financial ratio that measures the profitability of a company relative to its total assets. It provides insights into how efficiently a company utilizes its assets to generate profits. ROA is calculated by dividing the net income of a company by its average total assets and is typically expressed as a percentage. ROA is a profitability indicator that measures how effectively a company generates profits from its total assets.

Theoretical Review

Stakeholder Theory

In Stakeholder theory, alliance assumption is a certain type of concept that has been looked at in CSR and viability research. According to Bondy, et al (2012) and Ado (2016), it is an important part of CSR activities, which involve people and voters, who voluntarily and unknowingly support the institutions' existence and activities. This makes them the most likely people to benefit from them. Also, another idea says that collaborators are known groups or individuals who can help the organization reach its full potential. The authority, broadcasters, leaseholders, invested organizations, speculators; government officials, suppliers, customers, and the general public are all partners. It is said that prevailing firm implementation may be possible if a business can meet the expectations of many partners. The alliance concept primarily examines the connection of both an enterprise also its associates. That's also due to the fact that the hypothesis' primary goal is success, which reflects on how successfully firm can keep its relationships with partner groups like advocates, customers, and, shockingly, the general public (Niresh & Silva, 2018). People who are affected by an organization's strategy become owners and stakeholders in a made-up structure. They keep the right to take part in running a business because they are interested in how it works.

Empirical Review

Fanisi, et al (2023) evaluated the effect of Dangote Cement Plc's corporate social responsibility on the socioeconomic development of Kogi State, Nigeria. Using the quantitative approach and the descriptive survey research design. The study collected data from a sample of 400 Kogi State indigenes via the aid of close-ended and structured questionnaires. Out of this sample, the study had a response rate of 82%. Gathered data was analyzed using multiple regression analysis via the aid of SPSS version 20.0. Findings of the study showed that the health intervention, job opportunities created by Dangote have a significant effect on the development of Kogi State. It also revealed that the educational interventions, infrastructural interventions, security interventions of Dangote Cement Plc have a significant negative effect on the development of Kogi State. The study then concluded that the corporate social responsibility initiatives of Dangote Cement Plc are not sufficient enough to improve the socioeconomic development of Kogi State, Nigeria. As a result, the study recommends amongst others that institutional frameworks should be designed by relevant government agencies to guide potential investors on the need for corporate social responsibility in any region within the state.

Adegbite & Ogunleye (2021) focused on the relationship between corporate social responsibility (CSR) and the performance of Dangote Cement Plc in Nigeria during the pre and post pandemic period. The study used a descriptive research design and a quantitative approach to analyze the data. The results of the study revealed that there is a positive and significant relationship between CSR and financial performance of Dangote Cement Plc in Nigeria. The study also found that the pandemic had a negative effect on the financial performance of the company, but the company was still able to maintain its CSR activities. The authors concluded that CSR is an important factor in the performance of Dangote Cement Plc in Nigeria, and the company should continue to invest in CSR activities to ensure its long-term success. The study recommended specific strategies to enhance CSR practices that align with the company's objectives and stakeholder expectations.

Murtala (2017) evaluated the relationship between corporate social responsibility (CSR) investment and profitability of Dangote Cement Plc using secondary data. The study assesses the impact of CSR investment on Dangote's increase in revenue, profit after tax (PAT), and earnings per share (EPS) over a period of 5years. To achieve this, data were obtained from Dangote's annual sustainability reports and accounts for the period of 2012-2016 and analyzed using content analysis such as tables, percentages and using the trend line analysis to get the linear correlation coefficient (R-square). Findings from the analysis show that there is a positive relationship between CSR investment and profitability. The study concludes that Dangote's CSR investment is positively correlated with the profitability performance indicators.

Ioannis & George (2014) conducted a study that aimed to explore how corporate social responsibility (CSR) affects investment recommendations made by financial analysts, as well as the shifting institutional logics that may be driving this phenomenon. The study conducted a survey of financial analysts in the United States and Europe, asking them to rate the importance of CSR activities for firms' financial performance and to describe their investment recommendations for firms with strong or weak CSR practices. The study also conducted a content analysis of analyst reports to identify themes related to CSR and financial performance. The study found that financial analysts are increasingly taking CSR activities into account when making investment recommendations, with many seeing CSR as an indicator of long-term financial performance. The study also identified a shift in institutional logics, with analysts' focus on short-term financial metrics giving way to a broader consideration of social and environmental factors. The study noted that this shift is driven by factors such as changes in regulations and societal expectations, as well as greater transparency around firms' CSR activities.

Matthew, et al (2013) conducted a study in Macau, China and USA investigating how corporate social responsibility (CSR) performance and perceived brand quality on customer-based brand preference. 243 questionnaire surveys were collected from a convenience sample in China. Regression analyses was used to test the hypotheses. Customers brand preference can be enhanced by CSR performance. Performance in each of the CSR domains (environment, society and stakeholders) positively impacts brand preference, although in different degrees. The impact of CSR on stakeholders has the strongest influence on Chinese customers' brand preference among the three CSR domains. Perceived brand quality was found to be a mediator of the relationship between CSR performance and brand preference.

Research Methodology

The study adopted an ex-post facto research design to explore the relationship between corporate social responsibility and financial performance of Dangote Cement Plc from 2017-2022, presenting the pre and post periods of COVID-19 pandemic. Secondary data collected from the annuals reports of Dangote Cement Plc for a 6-year period. Descriptive statistics analysis was used to describe the characteristics of the data and to provide an overview of the relationship between the variables. The study also used Ordinary Least Square (OLS) regression analysis to determine the effect of corporate social responsibility on financial performance.

Specification of Model

The linear regression model to examine the relationship between corporate social responsibility and financial performance of Dangote Cement Plc can be expressed as:

$$ROE_{it} = \beta_0 + \beta_1 ASEE_{it} + \beta_2 ASHC_{it} + \beta_3 ASHC_{it} + \varepsilon_{it}$$

where:
ROE_{it} = Return on Equity
ASEE = Amount Spent on Education Expenditure
ASHCR = Amount Spent on Health Care
ASHC = Amount Spent on Donations to Host Communities
β0 = The intercept or constant term, representing the expected value of ROE when all the independent variables are zero
β1, β2, β3 = The coefficients of the independent variables that represent the change in ROE associated with a one-unit change in each of the independent variables , holding other variables constant.
ε = The error term, representing the random variability in ROE that is not explained by the independent variables.

Decision Rule

The significant level of this study was set at 5%. Therefore, the decision rule that guided the acceptance or rejection of the null hypothesis is: reject null hypothesis if the p-value is less than 0.05 otherwise accept the null hypothesis.

Presentation and Analysis of Data

Table 4.1 Descriptive Statistics for ROE, ASEE, ASHC and ASHCR

	ROE	ASSE	ASHC	ASHCR
Mean	0.319169	195.6750	312.5467	43.89000
Median	0.332094	162.0100	124.6550	48.64000
Maximum	0.395621	513.4000	1400.000	69.68000
Minimum	0.223313	35.00000	0.000000	0.000000
Std. Dev.	0.066825	165.1885	535.4255	24.13925
Skewness	-0.329512	1.324337	1.747836	-0.994177
Kurtosis	1.663271	3.515566	4.130156	2.968690
Jarque-Bera	0.555289	1.820320	3.374243	0.988634
Probability	0.757566	0.402460	0.185051	0.609988
Sum	1.915012	1174.050	1875.280	263.3400
Sum Sq. Dev.	0.022328	136436.3	1433402.	2913.517
Observations	6	6	6	6

Source: E-views Output, 2023

Table 4.2 Ordinary least square

Dependent Variable: ROE
Method: Least Squares
Date: 05/11/23 Time: 22:26
Sample: 2017 2022
Included observations: 6

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	0.168455	0.120437	1.398696	0.2968
ASSE	0.000171	0.000192	0.892425	0.4663
ASHCR	0.001548	0.002216	0.698640	0.5571
ASHC	0.000157	9.43E-05	1.668949	0.2371

R-squared	0.674512	Mean dependent var	0.319169
Adjusted R-squared	0.186281	S.D. dependent var	0.066825
S.E. of regression	0.060280	Akaike info criterion	-2.544897
Sum squared resid	0.007267	Schwarz criterion	-2.683724
Log likelihood	11.63469	Hannan-Quinn criter.	-3.100633
F-statistic	1.381541	Durbin-Watson stat	2.361797
Prob(F-statistic)	0.446032		

Source: E-Views 10 Output, 2023

The R squared statistics shows how much of the changes in the dependent variable is caused by the changes in the independent variables and from the analysis above, R2 = 0.674512, this means that 67.45% of changes in the return on equity of Dangote Cement is caused by the amount spent on education expenditure, donations to host communities and health care. The Prob(F-statistic) shows the joint impact of the independent variables on the dependent variables. A prob(F-statistic) of less than 0.05 shows a joint significant impact. In this study as expressed by the prob(F-statistic) which is 0.0446032 (greater than 0.05) there is no joint significant impact of ASEE, ASHC and ASHCR on the ROE of Dangote Cement Plc.

Table 4.3 Summary of Hypothesis

Variable	Probability	Coefficient	Conclusion
C	0.2968	0.168455	Statistically insignificant
ASEE	0.4663	0.000171	Positive and insignificant
ASHC	0.5571	0.001548	Positive and insignificant
ASHCR	0.2371	0.000157	Positive and insignificant

Source: E-views 10 output, 202

Test of Hypothesis One

Decision Rule: *Reject Ho if p-value ≤0.05, otherwise accept Ho*

H_0: There is no significant relationship between amount spent on education and return on equity.

H_1: There is a significant relationship between amount spent on education expenditure and return on equity.

From the analysis above, the coefficient of ASEE is 0.168455 and the probability value is 0.2968 which is greater than 5%, therefore the null hypothesis is accepted while the alternate hypothesis is rejected implying that there is no significant relationship between amount spent on education expenditure and return on equity. The coefficient shows a positive relationship between both variables.

Test of Hypothesis Two

Decision Rule: *Reject Ho if p-value ≤0.05, otherwise accept Ho*

H_0: There is no significant relationship between amount spent on health care and return on equity.

H_1: There is a significant relationship between amount spent on health care and return on equity.

From the analysis above, the coefficient of ASHCR is 0.000157 and the probability value is 0.2371 which is greater than 5%, therefore the null hypothesis is accepted while the alternate hypothesis is rejected implying that there is no significant relationship between amount spent on health care and return on equity. The coefficient shows a positive relationship between both variables.

Test of Hypothesis Three

Decision Rule: *Reject Ho if p-value ≤0.05, otherwise accept Ho*

H_0: There is no significant relationship between amount spent on donations to host community and return on equity.

H_1: There is a significant relationship between amount spent donations to host community and return on equity.

From the analysis above, the coefficient of ASHC is 0.000171 and the probability value is 0.4663 which is greater than 5%, therefore the null hypothesis is accepted while the alternate hypothesis is rejected implying that there is no significant relationship between amount spent on donations to host community and return on equity. The coefficient shows a positive relationship between both variables.

Conclusion

The analysis of the data shows that all three variables namely amount spent on education, health care and on donation to host communities have an insignificant relationship with return on equity. The three variables when examined jointly also do not have significant effect on the dependent variable which is return on equity. These findings made in this study are rather deviant from the findings of other scholars such as Okereke (2020) who concluded that CSR had a positive effect on the financial performance of Dangote Cement and in agreement with McWilliams, et al (2006), who asserts that corporate social responsibility has little bearing on an organization's financial prospects.

The findings of this study also suggest that if Dangote Cement seeks to attain higher levels of return on equity, their focus should not be on corporate social responsibility variables only, as the relationship between these variables and return on equity is insignificant.

Recommendations

The management needs to understand that to gain financial performance, they cannot rely on only corporate social responsibilities as that alone cannot guarantee high performance levels. Before carrying out any CSR project, either relating to health care, education or donations host communities, the management should carry out a needs assessment to ensure that the CSR meets a specific needs of the host community. This way the impact of the project will be felt by the immediate community.

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