Journal of Global Accounting
Vol. 6 No. 2 September, 2019. ISSN: 1118-6828
www.unizikjga.com

Department of Accountancy
Nnamdi Azikiwe University,
Awka

VALUE RELEVANCE OF CORPORATE SOCIAL ACCOUNTING REPORTING OF LISTED BANKS IN NIGERIA

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ABSTRACT

This study investigates the value relevance of corporate social accounting reporting on the market share price (MSP) of listed banks in Nigeria. The study adopts the ex-post facto research design. The sample consisted of eight listed banks on the Nigerian Stock Exchange. The study relied on secondary data; obtained from annual reports for the period 2007 to 2016. The data were analysed using descriptive statistics, Pearson correlation and Robust Least Square (RLS) analysis. The researchers made use of Eview software in the data analysis. The findings revealed that scholarship reporting is statistically significant in influencing market share price (MSP) of listed banks; while, health and safety reporting is not statistically significant in influencing the MSP of listed banks in Nigeria. Based on this, the study recommends that Banks consider improved disclosure of their corporate social services such as scholarship services in their annual reports as this was found to have significant influence on market share price.

Keywords: Value Relevance, Corporate Social Reporting, Scholarship Reporting, Health and Safety Reporting, Market Share Price.

Article Info: **Received** September 19, 2019; **Reviewed** September 20, 2019; **Accepted** September 23, 2019.

1. Introduction

In recent years, Corporate Social Responsibility (CSR) has become a trending issue in the business world. Having originated from the 70's and 80's, CSR focuses on reporting social and environmental related information. Prior events such as Exxon Valdez oil spill in Alaska and Union Carbide Gas Leak in India have shown that the activities of a firm can have detrimental effect on the environment. Thus, social and environmental performance is an extremely essential issue. Presently, corporations are not judged on their economic success but also on non-economic criteria. This has necessitated the growing importance and relevance attached to social and environmental reporting by investors, government authorities and the wider public. Corporate social reporting is an expansion of the financial reporting system, which reflects the wider role of businesses in the community. Social and environmental accounting is commonly utilised to prepare corporate social responsibility reporting (Deegan, Rankin, & Tobin, 2002).

Social responsibility accounting is a framework established to monitor and evaluate an organization's performance to ensure that it conforms to environmental, economic, and investors' needs. Unlike financial accounting, it focuses on the contribution that the business gives to society and the environment through its behavior and activities. Social responsibility accounting developed in response to government and public pressure to be more transparent and conscious about the impact of their activities on the environment and society (Gray, Kouhy, & Lavers, 1995). The concern for the social costs of business practices gave rise to the need for environmental and social accounting (Ishmail & Sira, 2012). Firm managers continually seek information to improve the triple bottom line performance and make informed trade-offs among often-conflicting financial, environmental, and social objectives. Previously, it was presumed that investors were unwilling to pay a premium for corporate behavior which can be described as "socially-responsible"; however, recently this view has been under increasing attack (Pava & Krausz, 1995). Investors are interested in earning the highest level of future cash-flow for a given amount of risk. This suggests that investors select a well-diversified portfolio of securities to achieve this goal.

Value relevance is the ability of accounting measures to capture and reflect information that affects firm value (Francis & Schipper, 1999). The concept of value relevance in accounting is, therefore, an attempt to link accounting numbers to the market value of ordinary shares. This is determined by the statistical association between accounting measures and stock market prices of the firm. It is widely believed that firms engage in CSR activities and disclose such information because of its contribution to financial performance or market value (Wang, Song, & Yao, 2013).

Empirically, accounting measures such as book value and earnings have an association with equity shares, hence, are often used in firm valuation. Studies have pointed out that they contain information which is embedded in the market value of entities. However, Amir and Lev (1996) remarked that book values and earnings do not have significant association with stock prices. Kwon (2009) also remarked that earnings do not have a statistical association with stock market prices. Healy and Palepu (2001) remarked that accounting information impacts on stock prices in effective stock markets: the higher the quality of accounting information, the more useful it is to investors to make informed decisions. Information reported under social responsibility accounting are statistics regarding employee health and job-related accidents, emission rates, spills and volume of hazardous waste generated, use of scarce resources such as water or lumber, information about ethical initiatives within the company, such as labor practices, education, philanthropic efforts, human rights and diversity, links between executive pay and sustainability criteria.

Many studies have examined the value relevance of earnings per share (EPS), book value of equity per share (BVPS), and cash flows. Such studies have reported that earnings and book values have significant information content for equity valuation of a firm (e.g., Basil, Der, & Masairol, 2016; Kwon, 2009; Manisha, 2014; Ohlson, 1995). Studies have also suggested that the value relevance of earnings and book values move inversely to one another, and that decline in value relevance of earnings is accompanied by increase in value relevance of book values. Such studies have employed Return on Assets (ROA), Return on Equity (ROE), Market Capitalization, and Tobin's Q (e.g., Onyekwelu, Eneh, & Okechukwu, 2018; Kitonyi 2015).

To the best knowledge of the researchers, no study has been carried out in Nigeria employing non-accounting value relevant information Health and Safety Reporting (HSR), Scholarship Reporting (SR), hence, this study intends to fill this gap.

Against this backdrop, the study tends to investigate the value relevance of corporate social accounting reporting of listed banks in Nigeria. The study formulates the following hypotheses in the null form as follows:

Ho_1: There is no significant effect of Scholarship Reporting (SR) on market share price of listed banks in Nigeria.

Ho_2: There is no significant effect of Health and Safety Reporting (HSR) on market share price of listed banks in Nigeria

2. Review of Related Literature

2.1 Conceptual Framework

2.1.1 Value Relevance

Generally, research which aims at investigating the empirical association between stock market values and particular accounting numbers are broadly categorized under the 'value relevance' literature (Holthausen & Watts, 2001). Scholars, such as Penman (1992), Francis and Schipper (1999), Barth, Beaver and Landsman (2001) have given their interpretation of the term value relevance. However, the key commonality in all the definitions remains that an accounting figure is deemed value relevant if it has a significant association with equity market value. Penman (1992) and Harris and Ohlson (1990), a variable is value relevant if it enables the prediction of stock price by capturing the intrinsic value of the stock. In simple terms, it implies the ability of financial information contained in the 'Financial Statements' to explain stock market measures. Simplifying it still further by value it means creation of wealth and relevance means the information that has the ability to influence decisions.

In one of the study by Svensson and Larsson (2009) titled "Value relevance of accounting information- A Swedish Perspective", they defined value relevance as the ability of accounting figures to capture and summarize information that affects stock prices. However, thus from the literature value relevance is not just the ability of financial information but also of non-financial information which is available to equity shareholders directly or indirectly to affect stock prices.

2.1.2 Market Price

Price is the arithmetic average of monthly closing equity prices. Some authors may prefer to use share prices prevailing on the day immediately following the cross-section year. It could, however, be argued that share prices prevailing at any one day may contain random or temporary disturbances (Marris & Singh, 1966). On the other hand, an average of monthly prices may be relatively free of temporary disturbances.

2.1.3 Social Accounting

Adams (2008) defines social accounting (SA) as an approach to reporting a firm’s activities which stresses the need for the identification of socially relevant behaviour, the determination of those to whom the company is accountable for its social performance and the development of appropriate measures and reporting techniques. SA emphasizes the notion of corporate accountability. SA (also known as social and environmental accounting, corporate social reporting, corporate social responsibility reporting, non-financial reporting, or sustainability accounting) is the process of communicating the social and environmental effects of organizations' economic actions to particular interest groups within society and to society at large (Gray, Owen, & Maunders, 1987). Social and environmental reporting is also commonly referred to as corporate social responsibility reporting (Deegan, Rankin, & Tobin, 2002). CSR is important especially in the areas of gender equality, race-religion-regional equality, non-employment of child labour, human rights, environmental pollution, social-marketing and social activities.

Corporate social responsibility includes environmental, social and human rights based impacts (Rouf, 2011). As the expectations of consumers, employees, investors, business partners and local communities on the responsibility of businesses to the society is increasing. The importance of social responsibility reporting stems from the fact that a firm is not only accountable to shareholders, but also to its other stakeholders. Social performance information, social audit, social accounting, corporate social responsibility, socio-economic accounting, social responsibility accounting and social and environmental reporting have been used interchangeably in the literature.

Social reporting is mainly non-financial in nature (Makori & Jagongo, 2013). The study focuses on two aspects of social accounting reporting, i.e., Health and Safety Reporting and Scholarships.

The health and safety of employees is of paramount importance. To achieve this, a company should: continually improve their performance in occupational health and safety; as a minimum, comply with all applicable Health and Safety legislation; continually improve the occupational risk management system; work to minimize accidents, incidents and cases of work related ill-health; provide adequate and appropriate resources and training to ensure that health and safety objectives are implemented, communicated and understood; regularly review the safe systems of work to ensure their suitability, adequacy and effectiveness; select and monitor contractors to ensure appropriate standards of health and safety are achieved; and, communicate with employees, visitors and contractors so everyone is fully aware of health and safety expectations.

In addition, scholarships make a direct impact on the community by helping deserving students afford higher education. The programs also increase brand awareness among students early in their careers, positioning your business as an attractive employment option upon graduation. The companies have a vested interest in the money that they give away and they want the scholarship money that they give away to turn into profit in the future. The main reason a company will give away a scholarship is to be recognized by the public (Crane & Matten, 2007).

2.1.4 Social Accounting and Market Price

It is possible to justify a positive, negative or no relationship between a firm's social performance and its returns (Brammer, Brooks, & Pavelin, 2006). It is argued that investors that are socially responsible will not invest in firms whose practices are environmentally questionable and therefore the demand for the shares of such firms will come only from those without a social conscience. Investors react to CSR reports in making investment decisions, Wang and Li (2016) in their study found a positive cumulative absolute abnormal returns and positive abnormal trading volume around the release of CSR reports.

2.2 Theoretical Framework

2.2.1 Legitimacy Theory

Legitimacy theory is considered to be a systems-oriented theory. Within a systems-oriented perspective, the entity is assumed to be influenced by, and in turn to have influence upon the society in which it operates. Corporate disclosure policies and practices are considered to represent one important means by which the management can influence external perceptions about their organizations. The idea of legitimacy can be directly related to the concept of a social contract, consistent with the view that organizations are part of a broader social system. Thus, organizations exist to the extent that the particular society considers that they are legitimate, and if this is the case, the society confers upon the organization the state of legitimacy. Social contract exists between corporations and individual members of society (Mathews, 2007).

The theory relies upon the concept of "social contract". Specifically, it is considered that an organization's survival will be threatened if society perceives that the organization has breached its social contract. Where society is not satisfied that the organization is operating in an acceptable or legitimate manner, the society will effectively revoke the organization's contract to continue its operations. This might be evidenced through consumers reducing or eliminating demand for the business products of the organization, factor suppliers eliminate the supply of labor and financial capital to the organization, or constituents lobbying the government for increased taxes, fines or laws to prohibit those actions which do not conform to the expectations of the society. Thus, legitimacy theory suggests that whenever managers consider that the supply of a particular resource is vital to the organization's survival, then they will pursue strategies to ensure the continued supply of the resource (Odhiambo, 2012).

2.3 Empirical Review

A series of studies carried out have shown that corporate social reporting by companies is increasing.

Maunders (1982) carried out a survey of published accounts of 300 large companies for the period 1981 to 1982 and concluded that the largest incidence of voluntary disclosure was in the area of human resource.

Gray, Kouhy, and Lavers (1995) concluded that for the various categories of social disclosures which included environmental, community and safety the average amount of disclosure had steadily increased from the year 1979 to the year 1991.

Okeyo (2004) undertook a study on the rationale and factors that determine the levels of corporate social responsibility (CSR) among firms in Kenya. A sample of eighty three firms was chosen out of which fifty nine responded. Correlation analysis was used to analyze the data. The research found out that Kenyan firms exhibited high levels of involvement in CSR. This high level of involvement was mainly driven by the use of CSR as a long term strategy. In conclusion average profitability, industry sector and management style were found to be the factors that determined levels of CSR involvement among Kenyan firms.

Appah (2011) examined social accounting disclosures among forty companies from eight sectors quoted on the Nigerian Stock Exchange. The study relied on secondary data; obtained from the annual reports of the companies' for the period 2005 to 2007. The level of disclosure is measured using content analysis and descriptive analysis. The results showed that 82.5% of the sampled companies present social accounting information in their annual reports. The results show that Nigerian companies prefer to disclose social accounting information in the Directors Report, Chairman's Statement and notes to the accounts in the form of short qualitative information. Human resources, community involvement and environment were identified as the most popular themes.

Odhiambo (2012) investigated the effect of social and environmental accounting and reporting on financial performance of companies listed on the Nairobi Securities Exchange (NSE). The population of the study comprised of sixty four companies quoted on the NSE as at December 2014. The study relied on secondary data; obtained from published annual financial statement of the companies. The data were analysed using content analysis and regression analysis. The results showed that there exists a relationship between social and environmental accounting and reporting and financial performance. The study also found that CSR score, efficiency and capital intensity had a positive relationship with financial performance of companies.

Al-Ajmi, Al-Mutairi, and Al-Duwaila (2015) examined the social responsibility disclosure practices in Kuwait by analyzing 2012 annual reports of industrial and service firms listed on Kuwait Stock Exchange (KSE) to find out whether the level of social disclosure is influenced by firm-specific characteristics. The results showed that majority of the firms disclose social information and revealed that the level of such disclosure was influenced by firm size, profitability and the government ownership. The study also demonstrated that social responsibility disclosure has a significant positive association with both firm size and profitability and negative marginal association with government ownership. Moreover, the study confirmed that other variables such as leverage; liquidity, firm age and type of industry have no significant impact on the social responsibility disclosure on industrial and service firms listed on KSE.

Hossain, Momin, Rowe, and Quaddus (2017) examined the influence of corporate social disclosure on firm performance using top 200 firms listed on the Dhaka Stock Exchange, Bangladesh. The corporate social disclosure (CSD) data was collected from the period 2011 to 2013; while, firm performance (FP) data was collected from the period 2012 to 2014. A corporate social disclosure index (CSDI) including three categories is constructed to measure the extent of social disclosures in annual reports. Firm performance is measured based on three indicators including Return on Asset (ROA), Market Capitalization, and Tobin Q. they employed Ordinary Least Square (OLS) and Two Stage Least Square (2SLS) to analyze the data. The results showed that there is a significant relationship between CSDI and firm performance.

Onyekwelu, Eneh, and Okechukwu (2018) investigated the effect of corporate social reporting disclosure on financial performance of banks in Nigeria. Gross Earnings, Profit after Tax and Share Price were the proxies for financial performance while expenditure disclosure constituted the measurement for social cost disclosure. The result revealed that social responsibility expenditure does not have a significant effect on gross earnings and Profit after Tax of banks in Nigeria. However, the result revealed that social responsibility expenditure had little or no effect on the Share Price of banks in Nigeria.

3. Design and Methodology

The study adopts the *ex post facto* research design. The sample comprised of eight listed Deposit Money Banks in Nigeria. The study relied on secondary data; obtained from annual reports from the period 2007 to 2016. The study employs descriptive statistics, correlation, and Ordinary Least Squares to analyse the data.

3.1 Model Specification

The statistical test of the hypotheses formulated in this study was based on the following models:

MSP *it* = α + β1SRSHIP *it* + β2 HSR *it* +Er……………………………….1

Where:

MSP it	=	is the market value per share of firm i at the end of the year t.
SRSHIP it	=	is the scholarship disclosure of firm i at the end of the year t.
HSR it	=	is the health and safety report of firm i at the end of the year t.
α	=	is the slope of the model; and, β_1 and β_2 are the coefficient of parameters.
Er	=	is the error term.

4. Data Presentation and Results

4.1 Descriptive Statistics

The Table below shows the mean (average) for each of the variables, their maximum values, minimum values, standard deviation and Jarque-Bera (JB) statistics (normality test).

Table 1: Descriptive Statistics

	MSP	SRSHIP	HSR
Mean	4.551750	7006689.	6.14E+09
Median	1.805000	5196216.	12240593
Maximum	23.74000	25450133	8.50E+10
Minimum	0.050000	4511.714	1.511100
Std. Dev.	6.113847	6155214.	1.50E+10
Skewness	2.170598	1.614314	2.977711
Kurtosis	7.168945	5.022398	12.57298
Jarque-Bera	120.7536	48.38046	423.6965
Probability	0.000000	0.000000	0.000000
Sum	364.1400	5.61E+08	4.91E+11
Sum Sq. Dev.	2952.951	2.99E+15	1.79E+22
Observations	80	80	80

Source: E-views 9.0

Firstly, the table shows that on the average, all the listed banks used for this study have a positive market share price (MSP) during the period covered by this study, with a maximum value of N23.74k per share, while the minimum value stood at 0.05k. We also observed that the listed banks used for this study, on the average have positive scholarship value (SRSHIP) during the period under study with a maximum value of 25450133 and minimum value of 4511.714, and standard deviation value of 6155214.The wide gap between the maximum and minimum values is an indication that the sampled banks are not dominated by those banks that involve in scholarship sponsorship as part of their corporate social responsibility but rather, the selected banks are widely dispersed. This result therefore justifies the need for this study as we expect that those listed banks that engage in scholarship provision to the society and also display such in their financial statements should have higher market share price(MSP) than those banks that do not. The table also shows that on the average, that the listed banks used for this study recorded a positive health and safety report value (HSR) during the year under study with a maximum value of 8.50E+10 and minimum value of 1.511100, and standard deviation value of 1.50E+10. The wide gap between the maximum and minimum values is an indication that our samples banks are not dominated by those banks that involve in health and security sponsorship as part of their corporate social responsibility but rather, the selected banks are widely dispersed. This result therefore justifies the need for this study as we expect that those listed banks that engages in HSR provision to the society and also displays such in their financial statements should have higher market share price(MSP) than those banks that do not.

Lastly, in Table 1, the Jarque-Bera (JB) which test for normality or the existence of outlier or extreme values among the variables shows that all our variables are normally distributed at 1%. This also implies that an ordinary least square regression (OLS) can be used to estimate the regression models. The Kurtosis and skewness of our variables also shows that the variables used in this study were normally distributed.

4.2 Correlation Analysis

To examine the association among the variables, we employed the Pearson correlation coefficient (correlation matrix) and the results are presented.

Table 2: Pearson Correlation Matrix of our Variables

	MSP	SRSHP	HSR
MSP	1.0000		
SRSHP	0.0213	1.0000	
HSR	0.0851	-0.1888	1.0000

Source: E-views 9.0

The use of correlation matrix in most regression analysis is to check for multi-colinearity and to explore the association between each explanatory variables and the dependent variable. Table 2 focused on the correlation between proxies of corporate social accounting report, and the dependent variable. The findings from the correlation matrix table shows that SRSHIP is positively and weakly correlated with our dependent variable, (MSP, SRSHIP = 0.02), while HSR show a negative but weakly correlation with values of -0.19. In checking for multi-collinearity, we notice that none of our explanatory variables were perfectly correlated with each other. This means that there is no presence of multi-collinearity problem in our model. Multi-collinearity between explanatory variables may result to wrong signs or implausible magnitudes in the estimated model coefficient, and the bias of the standard errors of the coefficients.

However, to further confirm the above result, we carried out a Variance Inflation Factor (VIF) test and the result is presented in table 3 below.

Table 3: Variance Inflation Factor (VIF) Result

Variable	VIF	1/VIF
SRSHP	1.18	0.850153
HSR	1.14	0.877164
Mean VIF	2.32	

Source: E-views 9.0

Table 3 above, with the mean Variance Inflation Factor (VIF) value of 2.32, shows that there is no multi-collinearity problem in our data as our result is far below the thresh-hold mean value of 10, which is the maximum value required.

4.3 Test of Hypotheses

To examine the causal effect between the dependent variables (MSP) and the independent variables (HSR and SRSHP), the study used Ordinary Least Square (OLS) regression analysis. However, the researchers also conducted a higher diagnostic test to check the fitness of the model by performing a heteroscedasticity check using Breusch Pagan Godfrey Test. The results showed a Chi2 value of 2.89 and probability value of 0.0903; which is suggestive of the presence of heteroscedasticity and thus the need to correct it arises. Therefore in other to correct it, we used Robust Least Square Regression Analysis and the regression result is presented in the table below.

Table 4: Robust Least Square Regression Result

	Coef.	Std. Err.	t	p	[95% Conf. Interval]	
SRSHP	1.17e-07	5.70e-08	2.05	0.044	3.45e-09	2.30e-07
HSR	-4.67e-11	2.89e-11	-1.61	0.111	-1.04e-10	1.09e-11
CONS	2.083469	.5694183	3.66	0.000	.9493739	3.217564
R-squared		0.0170				
F-statistic		4.22				
Prob. (F-statistic)		0.0183				
S.E. of regression		2.041735				

Source: E-views 9.0

In the Table above, we observed that from the Robust Least Square (RLS) result, the adjusted R-squared value is 0.0170. This indicates that all the independent variables jointly explain about 2% of the systematic variations in market share price (MSP) of our variables. The F-statistics value stood at 4.22 with a p-value of 0.0183, showing the goodness of fit of our model, thus, the regression model is statistically significant and well specified.

4.3.1 Test of Hypotheses One

Ho_1: There is no significant effect of Scholarship Reporting (SR) on Market Share Price (MSP) of listed banks in Nigeria.

As shown in Table 4 above, Scholarship Disclosure (SRSHIP), based on the coefficient value of 1.17E-07, t-statistics value of 2.05 and p-value of 0.04 was found to have a positive influence on market share price (MSP) and this influence is statistically significant at 5% level since the p-values is less than 0.05 significance level. This therefore suggests that we should reject the null hypothesis (Ho_1) which states that there is no significant effect of scholarship disclosure on market share price of listed banks in Nigeria. This means that those listed banks that disclose their scholarship sponsorship in their financial statements record higher market share prices than those that do not, in Nigeria.

4.3.2 Test of Hypotheses One

Ho_2: There is no significant effect of Health and Safety Reporting (HSR) on market share price (MSP) of listed banks in Nigeria

The second explanatory variable, i.e., Health and Safety Reporting disclosure (HSR), based on a coefficient value of -4.67E-11, t-statistics value of -1.61 and p-value of 0.11 was found to have a negative influence on market share price(MSP) but this influence is not statistically significant since the p-values is more than 0.10 significance level. This therefore suggests that we should accept the null hypothesis (Ho_2) which states that health and safety reporting disclosure does not significantly affect market share price of listed banks in Nigeria. This means that those listed banks that disclose their health and safety report in their financial statements do not record higher market share prices than those that do not, in Nigeria.

5. Conclusion and Recommendations

The study investigated the value relevance of corporate social accounting disclosure of listed banks in Nigeria, for the period of 2007 to 2016. The sample consist of eight (8) listed banks that have consistently published their annual accounts were used. Descriptive statistics and correlation matrix were employed alongside with Robust Least Square (RLS) regression to investigate these effects. The results showed that scholarship disclosure has a positive significant effect on market share price; while, health and safety report disclosure has a non-significant negative effect on market share price (MSP) of listed banks in Nigeria. Based on these, the study recommends the following:

1. Banks in Nigeria that want to influence their market share price (MSP) positively should consider disclosure of their corporate social services such as scholarship services in their annual reports as this was found to have significant influence on MSP; and,
2. Bank Managers that intend to use their involvement in health and safety services to the society to drive their market share price forward should not do so as this was found not to be statistically significant in influencing MSP.

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