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Social Accounting Practices And Profitability Of Companies In Nigeria

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ABSTRACT

The concept of economic activity reporting is extended to include social welfare activities in which a company is to invest in and also report to its entire stakeholders. Sometimes companies are reluctant to invest in social activities because of the subjective nature of social activities which make it difficult for comparing costs and associated benefits, thus making accounting for these classes of activities complex. The motivation of this work is the claim of the stakeholders' theorist that Social Accounting practices enhance economic benefits of companies. In this study, effort was made to examine the relationship between Health Related Cost (HRC) and Return on Equity (ROE) of companies in Nigeria. Descriptive research design was adopted in the study. Data for the study were obtained from financial report of fifteen (15) companies, that were purposively selected from Oil and Gas, Manufacturing, and Building and Construction sector of the Nigerian economy from 2009 to 2015. This resulted in 105 observations. However, descriptive statistics and multiple regression were the analytical tools adopted for the study. The hypothesis was formulated and tested using F statistic. This null hypothesis was not supported since a positive coefficient of 0.039 was obtained for the main independent variable of the study, but the relationship was not significant because F calculated (F_{cal}) value of 1.204 was lesser than the critical F(F_{tab}) value of 2.45 at 5% level of significance. It was found that Social Accounting Practices variable – HRC has insignificant positive relationship with ROE of Companies in Nigeria. It was concluded from the study that, investment in social activities has insignificant positive relationship with ROE of Companies in Nigeria; and recommended among others that, companies may cautiously support health issues that will enhance Companies' economic benefits in the long-run.

Keywords: Social Costs, Social Accounting, Social Accounting Practices, Health Related Costs (HRC), Profitability

INTRODUCTION

Social Accounting is that branch of accounting that assists a company to be accountable to its entire stakeholders in all its operations and activities. Social Accounting Practices relate to the collation and communication of data - financial, quantitative and/or qualitative about an organization's interactions with society (Gray, Collison and Bebbington, 1998). Social

Accounting practices include a wide range of activities such as: employment, training and advancement of disabled person, health, safety in addition to welfare at work of the employees. Others include community developmental project, the involvement of employees in the decision making process, policy and performance of the company and so on [Company and Allied Matters Acts (CAMA, 2004)].

Social Accounting Practices were introduced in 1930 by Berle, A. A and Means, C. G. at Harvard University, United States of America (USA) during the Great Depression of 1929 -1939 that led to the collapse of many companies. Thereafter, Social Accounting became an issue in the United Kingdom in 1970 (Bastian, Laura and Staffan, 2014), but today, accounting for social impact of business activities has become a global practice based on Global Reporting Initiative (GRI) and International Standards Organisation (ISO) framework. The published ISO standards are frequently translated and adopted as a national standard by the ISO members.

Social Accounting Practices are seen by leadership of companies as more than a collection of initiative motivated by business benefit, but a means of generating competitive advantage that may enhance economic benefits, because companies have a great deal of flexibility within Social Accounting framework. They go through the process in different ways and report on the process differently; to fit their needs and requirements (Nkaiwalei, 2011). However, the issues that represent a company's Social Accounting Practices focus vary by company, size, sector and geographical region.

Investment in Social Activities may result in the creation of assets or liabilities. Therefore, managers of companies have to balance their need to make a profit and social consideration. Although the theory of Social Accounting and empirical research carried out in the developed nations showed that Social Accounting Practices (SAP) increase profits of companies, this supposition is yet to be verified in less developed nations such as Nigeria. Measuring the benefits associated with SAP is extremely challenging, if not impossible. Daferighe (2010) observed that valuation is an important input into social cost-benefit analysis and that valuing societal costs is both difficult and controversial.

The concept of economic activity reporting is extended to include social welfare activities where businesses are not only responsible to their shareholders but also to the entire stakeholders. Companies are sometimes reluctant to increase their investment in Social activities because of the associated costs which include: cost of collating, cost of preparing the required information and cost of disseminating information. Also, the cost associated with SAP can be so high that for proper appreciation, it requires that the expected benefits be reported also. However, the benefit of SAP is quite difficult to measure in monetary terms. It is not clear if Social Accounting practices pose a burden on the profitability of companies in Nigeria. This study therefore is carried out to determine the relationship between Social Accounting practices measured by Reported Health Related Cost (HRC), and profitability measured by Return on Equity (ROE) of companies covered in the study.

The objective of this study is to determine the relationship between Social Accounting Practices and profitability of companies in Nigeria. Specifically, the study is set out to: examine the relationship between Health Related Cost and Return on Equity of companies in Nigeria.
The basic assumption of this work is that there is no positive relationship between Health Related Cost and Return on Equity of companies in Nigeria.

This study focuses on how profitable it is for companies in Nigeria to practice social accounting. The scope of operation of the study is investment in social activities reported and Return on Equity of listed companies in Nigeria from three (3) sectors: Oil & Gas, Building and Construction, and Manufacturing. The period under study is 2009 to 2015. It is the assumption of the researchers that companies in these sectors invest in social activities than companies in other sectors. However, the study is limited to expenditure on health and Return on Equity of Oil and Gas; Building and Construction; and Manufacturing companies in Nigeria. The number of companies and the sectors are limited by lack of quantitative data for some social actions taken and reported in the financial report of some companies in Nigeria; inconsistency in reporting social actions taken by companies in Nigeria within the study period; and the use of non- random sampling technique in selecting sample size for the study. However, the limitation of this study is not likely to affect the quality of its outcome, because seven (7) years social cost for each of the fifteen (15) companies were considered giving a data base of 105 observations.
The study would contribute to the existing literature on the relationship between Social Accounting Practices and profitability of companies. The result of the study would serve as evidence to support or refute the claim that Social Accounting Practices enhance economic result of companies in Nigeria. Hopefully, the findings of this study would influence management strategies and would enable management to understand the implications of investment in Health issues.

LITERATURE REVIEW AND THEORETICAL FRAMEWORK

Profitability

Profitability determines long run survival of companies. It is the degree to which an organization can effectively utilize its available funds and assets to maximize profit (Obehioye, Adeyemi and Augustine, 2013). Profitability is one of the ways by which a company's performance is measured (Sanusi, 2009). However, accounting variables can be used in measuring the profitability of companies in the context of Social Accounting Practice (Duke and Kankpang, 2013). Thus, the accounting variable used in this study is Return on Equity (ROE). This variable is essentially a financial efficiency measure that seeks to establish the extent to which companies generate sufficient returns to cover owners cost of investment. The ROE is the preferred variable for this study because shareholders are always interested in the return on their investment. As a fundamental indicator of a company's ability to increase its earnings per share, ROE reveals how well a company is using equity capital to generate additional earnings. According to Ilaboya and Omoye (2013), ROE is the ratio of Net Profit after tax (now profit for the year) to equity capital. The ratio is usually expressed in percentage.

Ehi-Oshio, Adeyemi and Enofe (2013) stated that the determinant factors in profitability measurement are numerous; which include internal and external factors in the shaping of a company's earnings. The internal factors relate to a company's specific characteristics and they include: liquidity and leverage [Burja (2011), and Mahamed and Hazem (2013)]. On the other hand, the external factors represent both industry and macroeconomic conditions which include: interest rate and inflation rate (Emre, 2013).

However, Aburime (2016) identified significant macroeconomic determinants of bank profitability using a panel data set comprising 1255 observations of 154 banks over 1980 - 2006 period and macroeconomics indices over the same period. The regression results revealed that interest rate, inflation, monetary policy and exchange rate are significantly macroeconomic determinants of bank profitability in Nigeria. Therefore, these determinants may be adopted in any sector of the Nigerian economy. However, internal and external factors that determine profitability are considered as control variables in this study.

Social Costs

The results of an activity are often accompanied by externality. If the external impact causes loss of welfare, it is called a negative externality but if it gives rise to increased welfare it is a positive externality. An important feature of externality is that the corresponding costs termed social cost should be borne by the agent causing the externality. Therefore, social costs refer to all effects of the activity, both the direct ones, appropriated by the party involved, and the externalities, borne by others (Akbar, 1995). This implies that social costs should be incurred on externality wholly and exclusively created by the operations of the business.

It is obvious that companies have to bear social cost after their legal obligation to government - who is well placed to handle and perform social activities. This consensus is based on the principles of environmental economics called: Polluter Pays Principles (PPP). The PPP is far from being applied everywhere because it is difficult to connect a specific loss of environmental value to a specific polluter. Consequently, Social accounting practices by companies are remedial action for externality.

Social Accounting Practices

Accounting is a measurement and communication process used to report the activities of profit and not-for-profit seeking organizations (Hermanson, Edwards and Maher, 1992). As a measurement and communication process for an organisation, accounting supplies information that permits informed judgments and decisions by users of the data. Social Accounting is the process of communicating the social and environmental effects of organization's economic actions to particular interest groups within a society and the society at large (Oni and Kabir, 2010).

In addition to the companies' economic and legal obligation, they also owe the society some responsibility. But in the classical view, companies act in socially responsible fashion if they strove to utilize, as efficiently as possible, the resource at their disposal by providing the goods or services that the society wants and at the prices which the consumers were willing to pay (Aluko, Odugbesan, Gbadamosi and Osuagwu, 2004). Once this is done, classical economic theory assumed that business would maximize profit.

Social Accounting Practice is the provision of information about the performance of a company in relation to its interaction with its physical and social environment (Gray, Collison and Bebbington, 1998). Social Accounting Practices includes: interaction with the local community, level of support for developing countries, health and safety record, training, employment, education programmes; and environmental performance. Therefore, Social Accounting Practice is based on Global Reporting Initiative (GRI) framework and International Standard Organisation (ISO).

However, Damagum (2010) viewed Social Accounting practice as the practice by which companies voluntarily provide users with the information above statutory limit. The practice of Social Accounting in Nigeria is different from what is obtainable in a country like India. However, in a study carried out by Zaidi (2012) to bring out some important Social Accounting practice followed by Indian firms, it was found that the draft Companies Bill 2011 advocated that those companies with net worth above Rs 500 crore or an annual turnover of over Rs. 1.000 Crore should earmark 2 percent (%) of average net profit of three years towards Social Accounting Practice. In Nigeria, Social Accounting refers to decision and actions taken by companies for reasons beyond the companies' direct economic interest. Therefore, Social Accounting reporting is described as that process which involves the practices of measuring,

disclosing and being accountable to internal and external stakeholders for organisation's performance towards the goal of sustainable development (Uwuigbe, 2011).

Valuation basis for Social Accounting Practices

Onyekwelu and Uche (2014) specified three main approaches for social accounting. These are:

Descriptive Approach: This approach advocates the listing of all corporate social activities which are reported in the form of short sections in the annual report to the shareholders or in separate publication dealing with corporate social responsibility. However, the disadvantage of this approach is the lack of quantification to enable good assessment of corporate responsiveness toward social responsibility.

Cost Outlay Approach: This approach lists corporate expenditure on each social activity undertaken and quantified in monetary terms. One major advantage of this approach is its allowance for comparing investment between successive years but without disclosing the benefits made, therefore, it does not comply with the accounting matching concept. Secondly, it may include inefficient programmes.

Cost-Benefit Approach: This approach matches expenditure incurred on each social activity with the associated benefits. However, its elements of benefits are usually difficult to quantify, because they are qualitative, intuitive and subjective. Therefore, Social Accounting Practice of the majority of companies in Nigeria is based on descriptive approach while few other companies based theirs on cost outlay approach.

Theoretical Framework

This study is founded on normative theories of business ethics and Corporate Social Responsibility. The theories are shareholders theory and stakeholder theory.

(i) Shareholders' Theory

Shareholders theory was introduced by Milton Friedman in 1970. This theorist suggests that the traditional responsibility of companies is to produce and distribute goods and services in return for profit. The classical economists have viewed the whole idea of Social Accounting as being incompatible with the concept of a free market economy and hence a free society. Friedman believed that the business of business is a business; that is, companies are created to make money not to oversee the social development of the society and that social development is best handled by the government or Non-Governmental Organisations (NGOs).

Friedman also believed that when companies are involved in social issues, wealth is diverted to issues outside the core expertise of the managers and that solving a social problem is the responsibility of the state. He further observed that corporate philanthropy and other activities that are not directly related to generating shareholders' wealth are waste of shareholders money. This inefficient use of wealth, according to him, will negatively affect society in the long run. Unlike Friedman, both Corroll and Freeman-the proponents of stakeholders theory believe that if a company creates value for its stakeholders, it will create value for it shareholder as well (Pfarrer, 2010).

(ii) Stakeholders' theory

Stakeholder has been defined as any individual or group who can affect or is affected by the action, decision, policies, practice or goals of the organisation (Ebiringa, Yadirichukwu & Ogochukwu, 2013). The stakeholders identified in a business planning and policy model include the investors, customers, employees, government and suppliers (Bassey, Sunday & Eton, 2013). Thus, Stakeholders' theory was introduced by Edward Freeman in 1988.

Stakeholder theorists emphasize that taking all constituent groups into account is the better way to maximize overall firm performance. Stakeholders' theory does not view maximization of shareholders' wealth as the most efficient way to generate competitive advantage for companies.

However, Friedman is against the stakeholder's theory that does not see wealth maximization as the ultimate goal of business. He insists that there is one and only one social responsibility of business; which is the use of its resources and engaging in activities designed to increase its profits. To him a manager is an employee of the shareholders whose loyalty, first and foremost is to them. Thus, his sole objective must be to make profit and keep the company alive. He also asserts that when managers are allowed the freedom to use organisational resource for the good of the society, rather than strictly upholding the interest of the owners, such managers are being conferred with arbitrary and dangerous powers which they may misuse. He adds that increasing Social responsibility of companies ultimately means a slower growth or decline in the Gross National Product (GNP), that since companies pay tax to the government, it would be exploitative to expect the same companies to also utilize part of earning in a socially responsible manner, and that companies are neither equally profitable nor are in a position to undertake social investment (Aluko, Odugbesan, Gbadamosi & Osuagwu, 2004). The stakeholder concept can be viewed both as simple and complex because it is simple to identify a stakeholder but complex to handle the relationship between stakeholder and profitability. However, since shareholders' interests are captured by the stakeholders' theory, this study is based on stakeholders' theory.

Reacting to the claim of the Social Accounting theorists that Social Accounting practices enhance profitability of companies, Iya, Badiga and Faiza (2015) empirically examined Corporate Social Responsibility (CSR) and the performance of First Bank Nigeria Plc, Adamawa State by investigating the impact of CSR expenditure on the performance of First Bank Nigeria Plc proxied by profit after tax from 2001 to 2014 using Ordinary Least Square. The result of the study revealed that increase in CSR expenditure raised the performance of First Bank Nigeria Plc. However, it was recommended that more attention be directed towards increasing expenditure on CSR.

Folajin, Ibitoye and Dunsin (2014) investigated the impact of Corporate Social Responsibility with particular reference to United Bank for Africa (UBA) Plc using profit after tax for the period of 2006 -2012. Ordinary Least Square regression was used to analyse data relating to cost on Corporate Social Responsibility and profitability. The result showed that CSR spending has short term inverse effect on Net Profit but in the long run, it will provide better returns. Thus, it was recommended that government should put policy in place that will enhance CSR in Nigeria.

Awan (2014) investigated the impact of leverage, liquidity and inflation on firms' profitability of the food industries of Parkistan. The data for the study were collected from fifty five companies for six years (2006 -2011) making a panel data of 330 observation. The result of the regression showed that, liquidity has a strong negative significant relationship with return on equity; leverage has a strong negative relationship with return on equity while inflation showed a positive relationship with return on equity.

Ogunbiyi and Ihejinke (2014) examined how interest rate affects the profitability of Deposit Money Banks in Nigeria. The study was based on country aggregate level of annual data covering the period of thirteen years (1999 – 2012). Multivariate regression analysis under

econometric framework was used. The result of the study showed that Real Interest rate at the 8% level of significance has negative and insignificant relationship with Return on Equity of deposit money bank in Nigeria. Thus, it was recommended that government should adopt monetary policies that will help Nigeria deposit banks to improve on the profitability.

Nnaemeka, Onyekwelu and Kevin (2017) evaluated the effect of sustainability accounting on the financial performance of listed manufacturing firms in Nigeria. Firm studied were chosen from the Nigerian brewery sector. Data for this study were collected from the financial statement of three sampled firms. Data collected were analysed using the ordinary linear regression. The study revealed that sustainability reporting has a positive and significant effect of financial performance of firm studied. Thus, it was recommended that firms in Nigeria should invest reasonable amount of their earning on sustainability activities.

Duke and Kankpang (2013) examined the effect of Corporate Social responsibility activities on the financial performance of firms operating in some of the industries that have the greatest impact on the environment in Nigeria. Inferential research design was adopted in the study to test the effect of CSR represented by the waste management, pollution abatement, Social action and fines and penalties on the financial performance of firms measured by Return on Capital Employed. It was found that waste management and pollution abatement are significantly and positively associated with firm performance, while social action and fines and penalties are strongly, but negatively related. Based on the mixed result, it was recommended that firm should invest in proper waste abatement, while social action should be approached with caution.

Shehu (2013) examined the influence of corporate social responsibility on profit after tax of some selected deposit money banks in Nigeria. The study used secondary data from financial reports of some selected banks for the period 2006 to 2010 by means of content analysis. The study employed regression and correlation in analysing the result of the formulated hypothesis. Thus, based on the outcome of the result, it was shown that weak positive relationship exists between CSR and Profit after Tax (PAT) but that it was significant at 5%.

METHODOLOGY

Descriptive research design was adopted in this study. The population of the study consists of companies listed on the Nigerian Stock Exchange (NSE) from 2009 to 2015. As at December 2015, there were 183 companies listed on NSE (Nigeria Stock Exchange Fact Books, 2009 - 2015). Out of the 183 companies listed on the NSE as at December 2015, fifteen (15) companies formed the sample size for this study. The fifteen companies are selected from Oil & Gas, Building and Construction and Manufacturing sector, based on the pilot survey report which showed that they consistently published Social Costs from 2009 to 2015. Purposive sampling technique was used to select the sample for this study. The purpose of this technique stemmed from the fact that it permitted selection of companies that report social costs from 2009 to 2015. The sampled companies are: Mobil Oil Plc, Total Oil Plc, Forte Oil Plc, MRS Oil Plc, Oando Oil Plc; Julius Berger Plc, Dangote Cement Plc, Ashaka Cement Plc, Lafarge Cement Wapco Plc and Roads Nigeria Plc. Others are Guiness Nigeria Plc, Unilever Nigeria Plc, Nestle Nigeria Plc, Flour Mill Nigeria Plc and Nigerian Breweries Plc. Data for this study were collected mainly from secondary sources. The data were generated from financial reports of the 15 companies for the years 2009 to 2015; Central Bank of Nigeria (CBN) statistical bulletin and the Nigerian Stock Exchange (NSE) Fact Books for the same period. Specifically, the data from the financial report were obtained from Director's report, Statement of Financial Position, and Statement of Comprehensive Income in. However, data from the financial reports were obtained by computation based on the measurement of the variables in Table 1 while data

from CBN statistical bulletin and Nigerian Stock Exchange fact book were obtained by documents review. Thus, descriptive statistics and multiple regression analyses were the analytical techniques used in the study to estimate the relationship between Social Costs and ROE.

Empirical Specification of Model

Multiple regression analysis was adopted in this study. The regression equation for this study is stated in a general form as follows:

$$Y = f(x_i) \text{ ----------Equation 1}$$

Where:

Y is the profitability of the companies measured by ROE. X the Social Accounting Practices measured by Health Related Cost (HRC) and the control variables such as Leverage (LEV), Interest Rate (INTR) and Inflation Rate (INFL) while i is number of X ranging from one(1) to six(6).

In a functional form:

$$ROE = f(HRC, LEV, INTR, INFL) \text{ ----------Equation 2}$$

Substituting the profitability variable, Social Accounting Practices variables, and the control variables in the multiple regression equations and with the introduction of a constant, coefficients and error term, the following model is developed:

$$ROE_{it} = \beta_0 + \beta_1 HRC_{it} + \beta_2 LEV_{it} + \beta_3 INTR_{it} + \beta_4 INFL_{it} + e \text{ ---------- Model}$$

Where :

ROE =Return On Equity

β_0 = Intercept

$\beta_1, \beta_2, \beta_3, \beta_4$ = estimated coefficients of the independent and control variables

HRC = Health Related Cost

LEV = Leverage

INTR = Interest Rate

INFR = Inflation Rate

i = Number of Companies

t = Number of years

e = Error term

Table 1: Measurement of Variables

	Variable	Type	Measurement	*Apriori Expectation*
1	ROE	Dependent	Ratio of Profit for the year to Total Equity	
2	HRC	Independent	Investment in Health issues	Negative
3	LEV	Control	Ratio of Total Debt to Total Assets	Negative
4	INTR	Control	Monetary Policy Rate	Negative
5	INFL	Control	Annual Average Rate	Negative

Source: Authors' Compilation (2017)

RESULT AND DISCUSSION

Presented in this section are the results of analysis of data (see Appendix) of the relationship between Health Related Cost (HRC) with the control variables - Leverage (LEV), Interest Rate (INTR), Inflation (INFL) and Return on Equity (ROE).

Table 2: Descriptive statistics for ROE, HRC, LIQ, LEV, INTR and INFL.

	N	Minimum	Maximum	Mean	Std. Deviation	Skewness		Kurtosis	
	Statistic	Statistic	Statistic	Statistic	Statistic	Statistic	Std. Error	Statistic	Std. Error
ROE	105	-166.00	129.00	28.14	35.98	-2.47	0.24	12.10	0.47
HRC	105	0.00	2209000000.00	34815542.72	217652356.86	9.80	0.24	98.39	0.47
LEV	105	19.00	94.00	66.66	17.72	-0.49	0.24	-0.36	0.47
INTR	105	6.00	13.00	10.33	2.71	-0.84	0.24	-1.14	0.47
INFL	105	8.06	13.72	10.59	1.93	0.19	0.24	-1.29	0.47

Source: Authors' computation (2017)

Table 2 represents the descriptive statistics for the variables of this study namely: ROE, HRC, LIQ, LEV, INTR and INFL**.** The mean of 28.14%, ₦34, 815,542.72, 1.13%, 66.66%, 10.33% and 10.59% were obtained for ROE, IDC, EPC, HRC, LEV, INTR and INFL respectively. The value of the skewness for ROE, LEV, INTR and INFL were less than 0 while that of HRC was greater than 0. Also, the Kutosis obtained for ROE, HRC were greater than 3 while that of LEV, INTR and INFL were all less than 3 indicating a skewed distribution.

In this study, data were evaluated using SPSS (2011) and the summary of empirical results are represented in Table 3. However, hypothesis of the study is tested using F statistic.

$$ROE = \beta_0 + \beta_1 HRC + \beta_2 LEV + \beta_3 INTR + \beta_4 INFL + e$$

Table 3: Summary of regression result of HRC with LEV, INTR and INFL.

ROE_{it}=	25.650	+0.039HRC	-0.052LEV	-0.107INTR	+0.121INFL
SE =	43.648	0.000	0.205	1.760	2.487
t- Value	0.588	0.384	-0.512	-0.806	0.908
Sig	0.558	0.702	0.610	0.422	0.366
VIF		1.080	1.066	1.843	1.858

n = 105, R = 0.214 , $\bar{R}^2$ = 0.008 , F = 1.204

Source: Authors' computation (2017)

From Table 3 the multiple Correlation Coefficient of 0.214 with adjusted R-square of 0.008 was obtained. This result implies that HRC with the control variables (LEV, INTR and INFL) performed very poor in explaining the variation in ROE. The result of Durbin Watson which yielded a value of 1.144 shows evidence of no serial correlation of the error.

Equation line in Table 3 represents the regression coefficient for the model parameters, HRC = (β_1 = 0.039), LEV = (β_2 = -0.052), INTR = (β_3 = -0.107) and INFL (β_4 = 0.121). The result shows that LEV and INTR have a negative relationship with ROE while HRC and INFL have a positive relationship with ROE. This means that as LEV and INTR increase, company ROE decreases and as HRC and INFL increases, company ROE increases. The result implies that if other variables are held constant, for every 1% investment increase in LEV and INTR, companies' ROE will

decrease by 5.2% and 10.7% respectively while for every 1% investment increase in HRC and INFL, companies' ROE increase by 3.9% and 12.1% respectively. Variance Inflation Factor (VIF) was used to assess multicollinearity between the independent variables in the study. The VIF of 1.080, 1.066, 1.843 and 1.858 were obtained for HRC, LEV, INTR and INFL. The result shows that VIF values were consistently smaller than ten (10). The VIF results indicate complete absence of multicollinearity between the independent variables. Hence, the result can be used for policy purpose.

Test of Hypothesis

From Table 3, F-calculated of 1.204 was obtained with F- significant value of 0.314, and its corresponding F-critical value of 2.45 at 5% level of significance with 104 degree of freedom was obtained and compared. The F-calculated was not greater than the critical F-values. Although the regression result showed a positive relationship between HRC and ROE, test carried out using F- statistics to ascertain the significance of the relationship confirmed that, there is no significant positive relationship between HRC with all the control variables (LEV, INTR and INFL) and ROE at 5% level of significance.

Discussion of the findings

The Appendix shows data for this study including costs of social activities (HRC) obtained from the financial report of the sample companies from 2009 to 2015. The figures for HRC revealed that, the amount committed by companies in Nigeria to Social Activities vary from year to year, company to company and sector to sector. This implies that the companies exercise considerable control over the choice to invest in Social activities and the cost to report.

The regression analysis result in Table 3 indicates insignificant positive ($\beta = 0.039$, $p = 0.702$, $p > 0.05$) relationship between HRC and ROE of companies in Nigeria. The relationship was a very weak one and contradicts the *a priori* expectation of this study. This result implies that as investment in HRC increases, ROE increases but insignificantly. This suggests inefficiency in the use of shareholders' wealth by managers of companies in Nigeria. This findings collaborates earlier findings of Shehu (2013) that a weak positive relationship exists between Corporate Social Responsibility (CSR) and Profit after Tax (PAT).

CONCLUSION AND RECOMMENDATIONS

Based on the findings of this study, it is concluded that Health Related Cost has insignificant positive relationship with Return on Equity of Companies in Nigeria. Therefore, investment in Social Accounting Practices is one of the challenges in maximizing Return on Equity of companies in Nigeria. However, arising from the findings of this study, the following recommendations are made: (i) Companies may support other social activities such health issues which will enhance return in the long run. This suggests minimization of expenses on social activities to maximize return on equity. (ii) Investment in Social Activities should not be made mandatory for companies in Nigeria because social development is outside the core expertise of the managers, and solving social problems is the responsibility of the State. (iii) Since investment in social activities such as Health issues are expected to yield significant return in the long run, Companies that want to support Health programmes should be cautious. For instance, 2 percent (%) of average profit for year made by companies for the cumulative period of three years may be given to social activities.

Further research may be directed into the following areas: (i) A research to determine the relationship between Social Accounting Practices and Sales of Companies in Nigeria should be conducted; (ii) A relationship between Social Accounting practices and sustainability of

companies in Nigeria should be examined empirically. (iii) A study on Social Accounting Practices and Risk Reduction in Companies in Nigeria should be carried out, (iv) A comparative study on Companies' characteristics such as net worth, sales, profit after tax and age of Companies that practice Social Accounting and Companies that do not practice Social Accounting should be conducted. Also, empirical examination should be carried out on the relationship between Social Accounting Reporting and Growth of Companies in Nigeria.

By this study, the researchers have extended the frontier of existing literature by determining the relationship between a specific Social Accounting Practice (Health Related Cost) and Return on Equity of Companies in Nigeria using social costs. Also, the study has shown that Investment in health programmes create low value for shareholders. Thus, this implication is different from the proposition of the stakeholders' theory that, by creating value for stakeholders, value will be maximized for shareholders.

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APPENDIX

DATA FOR ROE, IDC, EPC, HRC, LEV, INTR, INFL

COMPANY	YEAR	ROE (%)	HRC (₦)	LEV (%)	INTR (%)	INFL (%)
Julius Berger Nigeria Plc	2009	42	920,000	90	6.0	11.54
	2010	36	1,052,000	90	6.3	13.72
	2011	48	260,000	70	12.0	10.84
	2012	50	9,000,000	94	12.0	12.22
	2013	29	11,450,000	90	12.0	8.48
	2014	30	3,450,000	90	13.0	8.06
	2015	15	4,062,500	92	11.0	9.0
Dangote Cement Plc	2009	33	67,518,000	35	6.0	11.54
	2010	49	0	46	6.3	13.72
	2011	42	50,400,000	43	12.0	10.84
	2012	35	53,529,200	33	12.0	12.22
	2013	36	2,209,000,000	30	12.0	8.48
	2014	29	359,328,200	33	13.0	8.06
	2015	28	5,138,356	33	11.0	9.02
Clutix Plc	2009	19	497,360	48	6.0	11.54
	2010	29	1,295,000	55	6.3	13.72
	2011	17	1,253,000	47	12.0	10.84
	2012	15	250,000	45	12.0	12.22
	2013	25	1,526,500	44	12.0	8.48
	2014	29	350,000	59	13.0	8.06
	2015	2	709,900	62	11.0	9.02
Lafarge Wapco Nigeria Plc	2009	45	400,000	40	6.0	11.54
	2010	44	850,000	49	6.3	13.72
	2011	77	10,250,000	53	12.0	10.84
	2012	21	21,050,000	54	12.0	12.22
	2013	30	600,000	42	12.0	8.48
	2014	10	1,819,000	19	13.0	8.06
	2015	9	3,331,182	20	11.0	9.02
Roads Nigeria Plc	2009	36	75,000	93	6.0	11.54
	2010	35	60,000	92	6.3	13.72
	2011	25	105,000	90	12.0	10.84
	2012	26	0	85	12.0	12.22
	2013	8	210,000	60	12.0	8.48
	2014	26	0	85	13.0	8.06
	2015	129	505,000	91	11.0	9.02
Flour Mill Nigeria Plc	2009	10	3,050,000	78	6.0	11.54
	2010	33	9,435,000	62	6.3	13.72
	2011	24	300,000	63	12.0	10.84
	2012	10	2,850,000	53	12.0	12.22
	2013	9	2,600,000	58	12.0	8.84
	2014	6	3,200,000	71	13.0	8.06
	2015	2	5,700,000	58	11.0	9.02
Unilever Nigeria Plc	2009	18	25,517,400	65	6.0	11.54
	2010	50	24,999,778	67	6.3	13.72
	2011	56	35,000,000	70	12.0	10.84
	2012	55	31,995,000	72	12.0	12.22
	2013	49	25,001,550	77	12.0	8.84
	2014	38	17,017,000	83	13.0	8.06
	2015	14	0	84	11.0	9.02
Nestle Nigeria Plc	2009	92	945,000	77	6.0	11.54
	2010	84	1,000,000	75	6.3	13.72

	2011	71	11,802,000	75	12.0	10.84
	2012	61	14,006,000	61	12.0	12.22
	2013	54	12,900,000	62	12.0	8.84
	2014	61	24,940,000	66	13.0	8.06
	2015	62	37,421,000	68	11.0	9.02
Nigerian Breweries Plc	2009	59	34,193,300	56	6.0	11.54
	2010	60	3,450,000	56	6.3	13.54
	2011	48	15,375,000	60	12.0	10.84
	2012	40	801,150	63	12.0	12.22
	2013	38	71,392,669	55	12.0	8.84
	2014	24	35,911,577	50	13.0	8.06
	2015	22	28,506,102	51	11.0	9.02
Guinness Nigeria Plc	2009	42	406,000	57	6.0	11.54
	2010	40	0	42	6.3	13.72
	2011	44	3,831,188	39	12.0	10.84
	2012	36	83,413,308	63	12.0	12.22
	2013	25	2,609,000	61	12.0	8.84
	2014	21	3,370,000	65	13.0	8.06
	2015	16	3,075,000	60	11.0	9.02
Mrs. Oil Plc	2009	35	0	82	6.0	11.54
	2010	9	0	54	6.3	13.72
	2011	5	200,000	73	12.0	10.84
	2012	1	100,000	65	12.0	12.22
	2013	3	0	70	12.0	8.84
	2014	3	368,500	65	13.0	8.06
	2015	4	0	68	11.0	9.06
Mobil Oil Plc	2009	68	559,000	81	6.0	11.54
	2010	65	1,150,000	75	6.3	13.72
	2011	54	2,100,000	77	12.0	10.84
	2012	43	4,500,000	80	12.0	12.22
	2013	36	3,500,000	76	12.0	8.84
	2014	47	1,000,000	72	13.0	8.06
	2015	31	2,000,000	71	11.0	9.02
Forte Oil Plc	2009	(29)	120,000	63	6.0	11.54
	2010	-10	250,000	64	6.3	13.72
	2011	-166	50,000	90	12.0	10.84
	2012	9	0	81	12.0	12.22
	2013	37	0	81	12.0	8.84
	2014	21	488,091	87	13.0	8.06
	2015	36	1,000,000	80	11.0	9.02
Oando Plc	2009	13	7,350,970	91	6.0	11.54
	2010	9	52,440,305	88	6.3	13.72
	2011	4	78,689,709	53	12.0	10.84
	2012	7	42,217,795	74	12.0	12.22
	2013	2	970,500	59	12.0	8.84
	2014	-114	8,719,795	89	13.0	8.06
	2015	-122	3,610,000	84	11.0	9.02
Total Nigeria Plc	2009	56	400,000	85	6.0	11.54
	2010	60	400,000	83	6.3	13.72
	2011	38	200,000	82	12.0	10.84
	2012	41	200,000	85	12.0	12.22
	2013	40	13,208,650	83	12.0	8.84
	2014	33	20,329,451	83	13.0	8.06
	2015	24	13,250,000	80	11.0	9.06