

Firm Characteristics and Corporate Governance Mechanisms as Drivers of Corporate Social Responsibility Disclosure in Zimbabwe

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Abstract:

This study extends the literature on the determinants of voluntary disclosure of corporate social responsibility (CSR) in a sample of 61 annual reports from the Zimbabwe Stock Exchange for the year ended 31 December 2020. The purpose of the study is to determine why firms voluntarily disclose CSR and whether corporate governance mechanisms have an impact on firms' disclosure policy. An unweighted disclosure index consisting of 30 corporate social responsibility attributes was developed; using content analysis to determine the level of corporate social responsibility disclosure. The results show that corporate social responsibility disclosure is low, with the most corporate social responsibility information disclosed being community involvement disclosure (40%), followed by environmental disclosure (30%), products and consumer information disclosure (29%), and human resources disclosure (28%). In addition, using multiple regression analysis and after accounting for size, leverage, profitability and industry, the findings indicate that board independence and board of directors' qualifications have a significant positive influence on corporate social responsibility disclosure whereas ownership concentration was found to be insignificant. With the exception of profitability, all other firm characteristics, leverage, firm size and industry sector were positive and significant in explaining the variation in corporate social responsibility disclosure. It appears that profitable firms are not motivated to increase corporate social responsibility disclosure. This may be consistent with the shareholder wealth maximization approach which renders corporate social responsibility disclosures as less important. Financial markets in Zimbabwe may not be sufficiently efficient in penalizing firms for incomplete corporate social responsibility disclosure and that regulators may need to mandate such disclosures if information asymmetry is to be reduced and market efficiency enhanced.

Keywords: Corporate social responsibility, Corporate governance, Board independence, Board qualifications, Voluntary disclosure.