

The common good, voluntary social and environmental corporate disclosure and ownership structure: The case of selected mining companies in Tanzania

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Abstract

This paper investigates the relationship between common good, voluntary social and environmental corporate disclosure and ownership structures in Tanzanian mining industries. The heightened interest in the common good in the business context can be to some extent attributed to the corporate scandals such as Enron and Worldcom. The narrow focus on profit maximization might optimize return on investment, but it can be at the cost of the betterment of society and the environment.

One of the policies and initiatives developed to minimize the negative effects of pursuing self-interest is to enhance the accountability of the business firms through voluntary social and environmental corporate disclosure.

Implementing policies based on ethical values frequently collide with entrenched corporate practices, which are traditionally structured to promote self-interest. Therefore, this paper argues that the extent of voluntary social and environmental corporate disclosure implementation is dependent on corporate practices, which in turn are significantly shaped by the forms of ownership structure of business firms. Thus, this study identifies ownership concentration, family ownership and institutional ownership as key determinants that affect the extent of voluntary social and environmental corporate disclosure. The relationship between ownership structures and voluntary social and environmental corporate disclosure in Tanzania is examined using a random effects generalized least squares (GLS) model with Mundlak (1978) corrections on 42 Tanzanian mining companies.

Evidence from Tanzanian mining firms shows that poor working conditions and environmental degradation caused by corporate activity are prevalent thereby adversely affecting the well-being of local communities. In fact, Tanzanian mining industries are the leading industries in environmental pollution and degradation in Tanzania. This study shows that levels of social and environmental disclosure are highly correlated to the levels of social and environmental activities of a firm. Finally, the study shows that ownership structures have an effect on voluntary social and environmental disclosure. Notably, ownership concentration is negatively associated with voluntary social and environmental disclosure, which implies that there is a relationship between ownership structure and firms' willingness to serve the common good.

