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Corporate Social Responsibility and Financial Performance of Listed Non-Financial Services Companies in Nigeria

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Abstract

This study examines the impact of corporate social responsibility on financial performance of listed non-financial services companies in Nigeria. The study used ex-post factor research design and utilized secondary data collected from the annual report and accounts of twenty three (23) sampled listed non-financial services companies in Nigeria for a period of 10 years (2008-2017). The sample of the study was arrived at using census sampling technique in which all the elements of the population were used for the study. The data were analyzed using descriptive statistics, correlation and regression analysis (GLS Fixed Effect) with the aid of Stata Version 14.0. Robustness tests, namely multicollinearity, heteroscedasticity, normality of residuals, Hausman specification and F-Test were conducted to validate the results. The finding of the study reveals that CSR has significant positive impact on financial performance. The study concludes that financial performance of listed companies in Nigeria can be enhanced through engaging in socially responsible investments. The study therefore, recommends among others that for an increased financial performance, listed firms in Nigeria after an industry examination should intensify more efforts in carrying out their CSR which can serve as a source of competitive advantage. Also, Securities and Exchange Commission (SEC) should come up with Social Disclosure Index (SDI) and make it mandatory for companies to comply with, which will encourage them to engage in socially responsible investments.

Keywords

Corporate Social Responsibility, Financial Performance, GLS Fixed Effect, Nigeria

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1. Introduction

Corporate Social Responsibility (CSR) has received growing interest among scholars and practitioners over the last decades. Although different definitions of CSR have been offered, the definition offered by Carroll seems to be the most widely accepted. He defines CSR as encompassing the economic, legal, ethical and discretionary expectations (philanthropic) that society has of organizations at a given point in time [1]. Thus, CSR involves four responsibilities for firms, namely the economic responsibility concerned with making profit, the legal responsibility related to complying with the rules, the ethical responsibility concerned with doing right and fair acts and the discretionary responsibility of sharing resources to serve the society in general.

The reasons enterprises embark on social responsibility varied and four reasons were identified for firms' engagement into social responsibility activities [2]. First, many societies realized that companies have ethical duty to take part in activities for the interest of all; whether these activities are profitable or not. Second, the sustainability concept pressures the need for the company's stewardship of

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the community and the environment. Third, governments, communities and regulators provide firms with license to carry out business operations. Finally, the company's reputation can be enhanced through engaging in CSR. CSR consists not only of a company's voluntary compliance with social and environmental issues, but also its respect for existing rules and regulations in the countries where it operates and its participation in the development of these rules and regulations where they do not exist [3]. CSR performances in both developed and developing economies are not at par due to inherent structural disparities such as weak enforcement of regulations, corruption and lack of awareness of the basic rights of the various stakeholders.

In order to ensure that companies operating in Nigeria behave in a socially responsible manner, the Federal Government through the National Economic Empowerment Development Strategies (NEEDS), enjoins organizations to focus on product efficiency, reduction in emission of harmful substances, improvement in quality of lives of their host communities and employment and labour relations [4]. Thus, for companies to survive and prosper within the complex and competitive business environment, they must plan their activities in such a way that they strike a balance between the legal, economic, philanthropic and ethical aspects of CSR.

On the other hand, maximization of shareholders' wealth was considered as the sole objective and responsibility of business and that the CSR is irrelevant to business operations [5]. However, the use of corporate funds is acceptable so long as it will eventually result to greater economic gain. In addition, if a company focuses more on social responsibility instead of maximizing profit, it will decrease the efficiency of market mechanism and fail to achieve optimal allocation of resources. Nevertheless, corporations tend to pass to the society the hidden costs of performing socially responsible activities. Thus, it is only taking back in other ways what society thought corporations have freely given to them [6]. More expensive but environmentally safer products would mean higher product prices, and that higher taxes for companies may mean lower salary for the employees. Higher cost of production may result to lower dividends paid off to shareholders. It is even observed that if the society would know of these hidden costs of social performance, they would not insist that corporations take on this role at all.

Financial performance has received significant attention from researchers especially in accounting and strategic management. The reason for this is not farfetched as financial performance has implications to organization's health and long-term survival. Financial performance is viewed as the efficient and effective use of resources by an organization for the accomplishment of its objectives resulting to increase in share price, sales, market share, profitability, earnings and cash flows and meeting the expectations of its various stakeholders [7]. Companies have to produce goods and services to enable them generate profits and grow in the long-run. Various forms of companies operate in many environments to deliver goods and/or services to achieve certain defined objectives. However, all companies impact on the society and the environment through their operations, products and services and through their interaction with key stakeholders. Concerns about global warming and greenhouse emissions and corporate environmental pollutions and degradation, among others have intensified stakeholders' interest in corporate environmental activities and CSR activities [8]. A wide range of pollution is associated with the existence of industries as a result of transformation of raw materials into finished products at the various stages of the production process. Those companies engaged in oil prospecting, petro-chemicals, steel production, paper and textile manufacturing, food, water, beverages and breweries, pharmaceuticals, quarries, road constructions, cement manufacturing, generate overwhelming pollution that endanger the health of the people especially those living close to the site of the production or where the wastes are disposed [9].

Similarly, statutory land location for industries (including waste disposal sites) is only permissive far away from residential areas. Unfortunately, that is embarrassingly abused and not practiced beyond paper laws in most developing nations, including Nigeria as can be seen in the industrial cities of Lagos and Ibadan in the South West, Port Harcourt and Warri in the South-South, Kano and Kaduna in the North-West and Enugu, Onitsha and Aba in the South-East [9]. It must be appreciated that the health of a population is strictly dependent on its environment [10]. Location of industries in many areas of the developing world has made water pollution, air pollution and hazardous wastes to be pressing environmental problems. This is no doubt a precursor to such diseases from air, water and noise that shortens the life expectancy of the people [11]. This indicates that industrial activities are carried out at the expense of the helpless and vulnerable residents and visitors in the area with such detrimental adverse consequences on the health status of the people.

Organizations operating in Nigeria have not done enough to improve the social welfare of the host communities where they operate despite huge profits reported annually [12]. Companies are to focus on the ethics and legitimacy of their behavior with a view to demonstrating their social responsiveness to their stakeholders, which would help in enhancing their financial performance through enhanced patronage by investors who cherished socially responsible firms [13-14]. Lack of CSR could therefore militate against the profit maximization or wealth maximization objective of the firm and companies demonstrate CSR when they have comprehensive set of responsible policies, practices, and programs toward society and the environment regarding business operations [15]. Empirical studies examining the impact of CSR on firms' financial performance show conflicting evidences. Some studies found that CSR significantly affects firms' financial performance [16-22]. Other studies established that CSR does not affect firms' financial performance [23-28]. Similarly, most empirical studies that examine the relationship between CSR and financial performance in Nigeria were single industry based such as deposit money banks, construction, conglomerates, aviation, manufacturing and oil and gas companies [18, 19, 29-32].

Given the above background, there is the need to examine the impact of CSR on financial performance of listed non-financial services companies in Nigeria. The paper is thus organized into five sections. Section 1 which is this section is the introduction. Section 2 which is the next section, reviews related literature on the subject matter of the study. Section 3 discusses the methodological issues of the paper, while section 4 presents and discusses the results obtained from the data generated for the study and finally, section 5 gave the conclusion and recommendation of the paper.

2. Literature Review

2.1. The Concept of CSR

CSR is viewed from different perspectives and angles. The perspectives vary from individual authors to organizations and as a result, there is no generally accepted unified definition of the concept. CSR was defined as the obligations of businessmen to pursue those policies, to make those decisions, or to follow those lines of action which are desirable in terms of the objectives and values of the society [33]. Also, CSR refers to businessmen's decisions and actions taken for reasons at least partially beyond the firm's direct economic or technical interest [34]. Similarly, CSR was described as a concept that recognizes the intimacy of the relationships between the corporation and society and realizes that such relationships must be kept in mind by top managers as the corporation and the related groups pursue their respective goals [35].

CSR is defined as the economic, legal, moral, and philanthropic actions of firms that influence the quality of life of relevant stakeholders [1]. Moreover, CSR was described as the notion that corporations have an obligation to constituent groups in society other than stockholders and beyond that prescribed by law and union contract [36]. Two facets of this definition are critical. First, the obligation must be voluntarily adopted; behaviour influenced by the coercive forces of law or union contract is not voluntary. Second, the obligation is a broad, extending beyond the traditional duty to shareholders to other societal groups such as customers, employees, suppliers, and neighbouring communities. Furthermore, CSR was described as a concept that is concerned with treating the stakeholders of the firm ethically or in a socially responsible manner [37]. Stakeholders exist both within and outside a firm. Consequently, behaving socially responsibly will increase the human development of stakeholders both within and outside the corporation.

In the same vein, CSR is the continuing commitment by business to behave ethically and contribute to economic development while improving the quality of life of the workforce and their families as well as of the local community and society at large [38]. Also, CSR can be defined as the economic, legal, ethical, and discretionary expectations that society has of organizations at a given point in time [39]. More so, CSR is defined as the ways in which a business seeks to align its values and behaviour with those of its various stakeholders [40]. The stakeholders of the business include the employees, customers, suppliers, government, interest groups (such as environmental groups) and wider societal interests on whom the operations of the business may have an impact.

In addition, corporate social responsibility refers to the strategies that firms conducts themselves in ways that are ethical and socially friendly, it is a way of partnering with the community which is beneficial to the environment and it's a way of enhancing the value of a business [41]. However, CSR is also seen as a concept whereby companies integrate social and environmental concerns in their business operations and in their interaction with their stakeholders on a voluntary basis [3]. Furthermore, CSR was viewed as a comprehensive set of policies, practices, and programs that are integrated into business operations, supply chains and decision making processes throughout the company and usually includes issues related to business ethics, community investment, environmental concerns, governance, human rights, the marketplace as well as the workplace [42].

On critically viewing the various definitions given, one could observe that they are centered on three themes which include corporate relations to economic, societal and environmental sustainability. Thus, it can be deduced from the foregoing that CSR refers to the decisions and actions taken by organizations for not only achieving the organizational direct economic or technical interest, but also to meet the expectations of both internal and external stakeholders of the firm.

2.2. The Concept of Financial Performance

A company's financial performance forms the backbone on which a profit seeking entity would continue to exist. Financial performance relates to the degree to which financial or monetary objectives are been realized by an entity [43]. It is also the process of gauging the monetary achievements of the business affairs by implementing polices and strategies in specific point in time. Financial performance is the overall measure of a company's ability to maximize its cost of operations, efficiently use its assets and maximize shareholder value. High performance reflects management effectiveness and efficiency in making use of company's resources and this in turn contributes to the economy at large [44]. Financial performance has been defined as an attempt of an organization to meet its goals or being effective in productivity [45]. In the same vein, financial performance was described as a measure of an organization's earnings, profits and appreciation in its value which is reflected by the rise in price of the entity's shares [46]. Financial performance is measured at a given point in time or over a period of time. It can also be compared with similar firms across the same industry or be used to compare industries or sectors in aggregation.

From the foregoing, financial performance is a measure of an organization's earnings, profits and appreciation in its value which are reflected by the rise in price of the entity's shares and the degree to which financial objectives are being met or has been accomplished.

2.3. Empirical Studies on Corporate Social Responsibility and Financial Performance

Studies examining the impact of CSR on financial performance have documented mixed results: some studies found positive impact of CSR on financial performance [17, 19, 21, 30-32, 47-62]. Other studies found negative impact of CSR on financial performance [24, 63-68]. Also, some studies document mixed results, that is, some variables of CSR exhibit positive impact on financial performance, while others exhibit negative impact within the same study [28, 69-71].

The impact of CSR on financial performance of listed companies in Korea for the period 2002-2008 was investigated [57]. CSR was measured by both the Equal-Weighted (EW) CSR index and a stakeholder-weighted CSR index, while financial performance was measured by ROE, ROA and Tobin's Q, while size, risk, sales growth and R&D expenditure were used as control variables. Descriptive statistics, correlation and regression model were used as techniques for data analysis. The result of the study shows a positive and significant impact of CSR on financial performance. Similarly, the impact of CSR on the value of firms of 6 banks listed on the Nigerian Stock Exchange for the period 1999-2008 was examined [29]. Corporate philanthropy and charitable gifts, legal responsibility, ethical responsibility and economic responsibility were used as proxies for CSR and firm value was used as the dependent variable. The data generated was analyzed using multiple regression and chi-square analysis via SPSS 15 software tool. The study reveals that philanthropic, legal and ethical responsibilities have significant positive impact on the market value of firms in the industry and ROA has no significant positive impact on market value of the firms.

Furthermore, the impact of CSR on firms' profitability of 10 randomly selected firms listed on the Nigerian Stock Exchange from 1999-2008 was examined [17]. Investment in CSR was used as indicator of CSR and profit after tax was used as proxy for financial performance. The study makes use of ordinary least square for the analysis of data collected for the study and the result shows that CSR has positive impact on profitability of the sampled firms. In another study, the impact of CSR on financial performance of 333 firms included in the S&P 500 in the U.S. for the period 2001-2005 was explored [48]. The KLD (MSCI Index) was used as measure of CSP, while sales and gross margin were used as proxies for financial performance, while leverage, size, total sales, industry type and number of employees were used as control variables. Descriptive statistics, correlation and multiple regressions were employed as techniques for data analysis. Result indicates that CSP has a positive and significant impact on financial performance. Moreover, the effect of CSR on financial performance of 50 companies listed on the Colombo Stock Exchange, Sri Lanka using content analysis of panel data for the period 2004-2009 was examined [49]. Delphi methodology using primary data and CSR index was used to generate CSR variable, ROS, ROE and ROA were used as performance measures, while, company size was employed as the control variable. Descriptive statistics, correlation, pooled, fixed and random effects regressions were used as techniques for data analysis. The result indicates that there is a significant positive effect of CSR on financial performance.

Similarly, the relationship between financial performance and CSR of 4 companies listed on the Nigerian Stock Exchange using time series data for the period 1991-2010 was investigated [50]. The variables employed for the study includes investment in CSR, ROA, ROE, Gross Profit Margin (GPM), Net Profit Margin (NPM), Current Ratio (CR), Dividend Per Share (DPS) and EPS. Co-integration and error correction modeling techniques were used for the data analysis and the result shows a statistically significant positive relationship between corporate financial performance and CSR. In another related study in the U.S., the relationship between CSR activities (CSR) and financial performance of 33 healthcare organizations for 2011 financial year was investigated [51]. CSR index was used as the measure of CSR, ROA, ROE and EPS were employed as measures of financial performance. Descriptive statistics and correlation were used for data analysis and the result shows a positive relationship between CSR activities and their corresponding financial performance. In the same vein, the relationship between CSR and Total Assets (TA) of 8 quoted conglomerate companies in Nigeria for the period 2006 - 2011 was evaluated [19]. Secondary data was obtained from the annual reports of the companies and the Fact Books of Nigerian Stock Exchange (NSE). CSR was considered as the independent variable surrogated by Environmental Management System (EMS) and Employee Relations (ER) and financial performance as the dependent variable surrogated by TA. The study employs multivariate panel regression for the purpose of analyzing the data and the study result shows that there is a strong positive relationship between CSR and TA.

In another related study in Kenya, the effect of CSR on financial performance of 44 Commercial Banks listed on the Nairobi Stock Exchange, Kenya for the period 2009-2013 was assessed [52]. Descriptive research design was used and secondary data obtained from commercial banks audited financial statements, websites, publications and annual reports. Investment in CSR was measured using monetary spending on social activities; financial performance was measured by use of net profits before taxes obtained from audited statements of comprehensive income. Investments were measured by considering loans to customers (except to other banks and corporations), investment in treasury bonds and government securities, investment in shares for trading purposes and investment in subsidiaries. The study used descriptive statistics; correlation and multiple regressions analysis were used as techniques for data analysis. The result shows that expenses on social course have a significant positive effect on financial performance of commercial banks in Kenya. In addition, the impact of CSR on financial performance of banks listed on the Karachi Stock Exchange, Pakistan for the period 2005-2011 was examined [53]. Donation was considered as a measure of CSR, NPM and EPS were used as proxies for financial performance. Regression analysis was used for the analysis and the study reveals that there is positive relationship between CSR and financial performance of banks in Pakistan. Similarly,

So also, the relationship between CSR and financial performance of the top fifty listed companies from the European Union (E. U.) for the period 2009-2013 was investigated [54]. Application Level (AL) of the Global Reporting Initiative (GRI) framework was used as measure of CSR, while ROA and EPS were used as proxies for financial performance, while, risk, firm size, industry, Research and Development (R&D) intensity, GRI and big-4 audit firms were used as control variables. Descriptive statistics, correlation and multivariate regressions were used as technique for data analysis. The study documents a significant positive association between CSR and ROA, while there is no significant association between CSR and EPS. In the same vein, the impact of CSR on financial performance of listed construction companies on the Nigerian Stock Exchange for the period 2001-2010 was examined [32]. Donations and philanthropic responsibility, economic responsibility, legal responsibility and ethical responsibility components were used as proxies for CSR, while return on capital employed was used as a measure of financial performance. OLS regression (ordinary least square), descriptive sstatistics and Kruskal Wallis ANOVA were employed as techniques for data analysis and the study reveales that philanthropic responsibility, economic responsibility, legal responsibility and ethical responsibility have positive relationship with the financial performance of companies in the construction industry in Nigeria.

In another related study, the impact of CSR on financial performance of 20 listed companies on the Ha Noi and Ho Chi Minh Stock exchanges in Vietnam using content analysis for the period 2010-2012 was investigated [55]. CSR score was used as measure of CSR, while ROA, ROE and ROS were used as proxies for financial performance, while, size and risk were used as control variables. Descriptive statistics, correlation and multivariate regression analysis were used for data analysis and the study documents a positive and significant relationship between CSR and financial performance. Moreover, the effect of CSR on financial performance of 12 listed deposit money banks in Nigeria for the period 2009-2014 was examined [30]. CSR was measured by natural logarithm of the total amount spent on corporate social responsibility by banks; return on equity and return on assets were used as proxies of financial performance, while age and size were used as control variables. The study adopted multiple regressions in analyzing the data and the study reveals that CSR has a positive and significant impact on financial performance of listed deposit money banks in Nigeria.

Similarly, the impact of CSR on financial performance of 92 companies that are listed on the Tehran Stock Exchange (TSE), Iran for the period 2002-2011 was investigated [56]. CSRD was designed using Data Envelopment Analysis (DEA) method, while financial performance measures include ROA, ROE, stock returns, Tobin's Q, Market Value of Equity (MVE), Economic Value Added (EVA), and cost of common stock. Linear regression method with the aid of E-views software was used as technique for data analysis. The result shows a significant positive relationship between CSR and financial performance. In another study in Korea, the relationship between CSR and financial performance of manufacturing firms listed in Korea Stock Price Index Market (KOSPIM) for the period 2005-2010 was investigated [57]. Adjusted CSR score measured by Korea Economic Justice Institute Index (KEJII) was used as measure of CSR, ROA and Tobin's Q were used as financial performance variables, while, firm size, financial leverage, firm's profitability, business risk, corporate governance, firm age and industry type were used as control variables. Descriptive statistics, correlation and regression model were used for data analysis and the result indicates that there is positive and significant relationship between CSR and financial performance.

Furthermore, the relationship between CSR and performance of 10 firms listed on the Nigerian Stock Exchange using time series data for the period 2007–2011 was examined [21]. Secondary data were used for the study which was extracted from the 2011/2012 Nigerian Stock Exchange Fact Book. Social responsibility expenditure and profit after tax were used as variables of the study and Pearson's product moment correlation was used as technique for data analysis. The study result shows that there is a strong positive and significant relationship between social responsibility cost and corporate profitability. Moreover, the relationship between CSR and financial performance of 130 companies listed on the Korea Stock Exchange (KSE) for the period 2012-2014 was analysed [58]. KEJI index was used as proxy for CSR, ROA and Tobin's Q were used as financial performance variables, while size, leverage and industry type were employed as control variables. Correlation and regression were used as techniques for data analysis. The result of the study reveals a significant positive relation between CSR and financial performance.

In another related study, the relationship between corporate philanthropy and financial performance of 304 companies listed on the Shen Zhan and Shangai Stock Exchanges in China for the period 2006-2012 was examined [59]. CSR score was used as measure of CSR, ROA and Tobin's Q were used as financial performance measures, while ownership type, the share of the government, leverage, size, industry concentration, and industry attributes were used as control variables. Descriptive statistics, correlation and multivariate regression analysis were used as techniques for data analysis. The study result shows that there is significant positive relationship between corporate philanthropy and financial performance. In the same vein, the relationship between CSR and financial performance of 12 listed deposit money banks in Nigeria for the period 2008-2013 was investigated [31]. Natural logarithm of the total amount spent on CSR by banks was used as proxy for corporate social responsibility, while return on equity and return on assets were used as proxies for financial performance. The study adopts descriptive statistics, correlation and multiple regression techniques in analyzing the data. The study result reveals that CSR has a positive and significant impact on financial performance of listed deposit money banks in Nigeria.

In addition, the relationship between corporate social performance and financial performance of 25 U.S. banks for the period 2011-2013 was examined [60]. Fortune reputation scores/index was used as proxy for CSP, ROA, ROE, and EPS were used as measures of financial performance, while total assets served as the control variable. Pearson and partial correlation analysis were employed as techniques for data analysis and the result shows that there is a positive and significant relationship between CSP and financial performance. Moreover, the relationship between CSR and performance of 54 firms listed on the Nairobi Securities Exchange for the period 2010-2014 was investigated using content analysis [61]. CSR score (ethical, environmental and philanthropic) was used as measure of CSR and measure of performance used was earnings before interest and tax (EBIT). Descriptive statistics and regression model were used for analysis and the study result shows that all the components of CSR have positive and significant relationship with performance. In the same vein, the impact of CSR on financial performance of 30 commercial banks listed on the Pakistan Stock Exchange for the period 2006-2015 was examined [62]. The study uses investment in CSR as measure of CSR, while ROA, ROE and EPS were employed as proxies for financial performance. Pooled OLS regression models were employed for the analysis and the study reveals that there is a positive and significant impact of CSR on financial performance of selected commercial banks in Pakistan.

On the other hand, the relationship between CSR and financial performance of 40 companies listed on the Istanbul Stock Exchange (ISE) 100 index, Turkey using content analysis for the period 2005-2007 was investigated [63]. CSR index was used as measure for CSR, while ROE, ROA and ROS were used as measures of financial performance, while firm size, risk level and R&D intensity were used as control variables. Descriptive statistics, Pearson correlation and regression model were used as techniques for data analysis. The result shows that there is no significant relationship between CSR and financial performance. In another study, the relationship among CSR, financial performance, market value of the shares and financial leverage of 156 companies listed in the textile, chemical, cement and the tobacco sectors on the Karachi Stock Exchange (KSE), Pakistan for the period 2010-2011 was examined [24]. CSR disclosure was used as measure of CSR, ROA, ROE and MVPS were used as measures of financial performance, while size and leverage were used as control variables. Correlation and regression analysis were used for the analysis. In aggregate, the result of the study shows that CSR has no effect on financial performance.

Similarly, the relationship between CSR activities and firm financial performance in the Baltic States of Latvia, Lithuania and Estonia for the period 2009-2011 was investigated using content analysis [64]. CSR score was used as a measure of CSR, ROA and EBIT were used as proxies for financial performance, while size, risk and industry type were used as control variables. Descriptive statistics, correlation and multiple regressions were used as techniques for data analysis. The result shows that CSR activities do not have any effect on firm financial performance in the Baltic State. In addition, the extent and nature of the collective relationship between CSR and financial performance of 1,000 largest U.S. public companies for the 2013 financial year was examined [65]. The 2013 Best Corporate Citizens (BCC) index was used as proxy for CSR, Tobin's Q and ROA were used as proxies for corporate financial performance. Pearson's product moment correlation was employed for the analysis and the finding of the study reveals a negative and not statistically significant relationship between CSR activity and CFP.

In another study, the relationship between CSR and financial performance of 21 food companies listed on the Borsa Istanbul, Turkey for 2012 financial year was determined using content analysis [66]. CSR disclosure was employed as proxy for CSR, while equity, total assets, profit, and sales were used as financial performance measures. Correlation matrix was used as technique for data analysis and the result shows that there is a negative relationship between CSR and financial performance. Moreover, the relationship between CSR and profitability of 16 companies listed on the Ghana Stock Exchange for the period 2005-2014 was analysed [67]. In addition 850 copies of questionnaire were administered to the public for CSR level of awareness data. Investment in CSR activities was used as proxy for CSR and Profit after Tax (PAT) was used as financial performance measures. The data collected are being analyzed by the use of Ordinary Least Square (OLS) for the study. Result from the analysis demonstrates that the companies have contributed below ten percent of their yearly profit to support social responsibility programmes and that negative relationship exists between the companies' investments in CSR and PAT. In the same vein, whether CSR amount reported in annual reports of companies has any significance effect on the financial performance of 30 listed banks on the Dhaka Stock Exchange, Bangladesh for the period 2009-2012 was investigated [68]. The amount reported in the annual report was used as measure of CSR, while ROE, ROA, and MVPS were used as proxies for financial performance. Linear regression analysis was employed for the study and the result reveals that CSR has no significant impact on financial performance of the banking industry of Bangladesh.

Some studies document mixed results, that is, some variables of CSR exhibit positive impact on financial performance, while others exhibit negative impact within the same study. The relation between CSR and corporate financial performance (CFP) of 353 U.S. corporations for the period 1991-2002 was investigated by [69]. KLD index was used as proxy for CSR, while ROA, sales, market capitalization, ROA annual growth, sales annual growth, market capitalization, annual growth, level of price volatility, level of working capital, level of ROA and level of net income were used as corporate financial performance measures, while primary industry, level of diversity of corporate leaders, level of closely held shares, level of compensation of corporate leaders, corporate governance, and level of total assets were used as control variables. Descriptive statistics, correlation and two-factor mixed model ANOVA were employed as techniques for data analysis. Key findings from the study were that a high level of investment in CSR for certain stakeholder groups did not produce the best financial outcomes in all cases; however, organizations that emphasized CSR in the categories relative to the community and its employees outperformed others with respect to certain financial performance measures. In the same vein, the relationship between CSR and financial performance of 33 firms listed in Turkey was investigated [70]. The data for the study was derived from annual reports of the companies included in Borsa Istanbul CG Index (BIST) for the period 2006-2012. Stakeholder Sub-section Rating (SSR) scores was used as proxy for CSR, while MBV, ROE, ROA, ROS, leverage, Total Sales (TS) and NPM were used as proxies for financial performance. Unbalanced panel data using pooled OLS, fixed-effect and random-effect regressions were used as techniques for data analysis and the results show a positive relationship between CSR and MBV ratio, ROE, ROA, ROS, leverage and NPM. On the other hand, there is negative and significant relationship between CSR and companies' total sales.

Moreover, the association between CSR and financial performance of 204 Industrial Products and Resources Industries Companies listed on the Stock Exchange of Thailand for the period 2010-2011 was investigated [28]. CSRI was employed as measure of CSR, while ROA, Tobin's Q and ROE were used as measures of financial performance, while size, capital structure and risk were used as control variables. Descriptive statistics and multiple regression analysis were employed as techniques for data analysis. The findings show that firms receiving a higher CSR index score also have a higher ROA and there are no significant relationships between CSR index and ROE and Tobin'Q. In addition, the relationship between financial performance and the corporate social responsibility of 130 U.S. companies in the Russell 1000 database for the period 2005-2015 was examined [71]. Return on assets (ROA), return on equity (ROE) and return on investment (ROI) were used as financial performance measures, while the CSR index (CSRI) was used as proxy for CSR. Multiple linear regression analysis and Pearson correlation coefficient was employed as techniques for data analysis. The study documents a statistically significant relationship between ROE and CSRI; however, no statistically significant relationship between ROA and ROI and CSRI.

From the foregoing review on CSR and financial performance, it can be seen that the findings show mixed results (positive, negative and mixed relationship), with the majority having positive relationship. This is based on the premise that by considering the various interests of all the stakeholders in developing CSR strategy, financial performance can be improved. Finally, responsible practices with suppliers, customers and the local community have a direct effect on key aspects of the firm's competitive context. As a result of these practices, they can improve the provision of high quality, specialized inputs, promote a sophisticated, discerning demand, create a more productive and transparent environment and improve related and complementary sectors.

2.4. Theoretical Framework

Theories and models which explain CSR and financial performance studies are well documented in the accounting and finance literature. Corporation's ultimate objective is not only to create value for shareholders, but to create economic, environmental, and social value [72-73]. In examining the impact of CSR on financial performance of listed companies in Nigeria, the stakeholder theory is found relevant.

Stakeholder theory provided a discussion of the links between external stakeholders and company functions [74]. Stakeholder theory posits that managers conduct CSR to fulfill their moral, ethical and social duties for their stakeholders and strategically achieve corporate goals for their shareholders. Similarly, this theory states that corporations are not only liable to shareholders but also to any individual or group that affects or may be affected by an organization's actions [75]. Stakeholders have been defined as any group or individual who can affect or is affected by the achievement of the organization objectives [74, 76]. Stake in this context means a claim or an interest on a profitable enterprise. The proponents of stakeholder theory contend that company leaders seeking to address social and environmental issues in a proactive manner will manage the needs of a wider stakeholder to check benefit from improved financial success [77-81]. Through stakeholder theory, leaders could maximize the total value of the firms by incorporating the interest of all stakeholders in the organization's decision [82]. Evidence suggests that companies that concern themselves with the interests of more stakeholders have better CSR which result to enhanced financial performance in the long-run [83-84].

The main stakeholders are customers, employees, local communities, suppliers and distributors, the public, regulators, government, policymakers and shareholders. This theory attempts to widen the scope of CSR to reiterate the importance of satisfying complex yet related sectors. The theory is also aimed at amplifying the broader public interest that corporations must serve. It recognizes that apart from profit there are other values that can be created by the firm to ensure its prolonged existence [76]. The various pressures by institutions also played a pivotal role in support of CSR. Corporate key players were under increased pressure from groups like the social activists, media, governments, non-profits, monitoring organizations, consumers, and even other corporations, to assess the social impacts of their practices. Together with financial performance, CSR was seen as an inevitable road to take by firm's management [85]. Stakeholder theory sets the framework for the relationship between CSR and financial performance; interest groups claim company resources, and in so doing implicitly require proper company behavior, such as consideration for the environment and concern for fair and just labor relations [86]. In those cases in which the company does not act with social responsibility, resultant costs could become significant and represent a financial burden likely to reduce profits, leading to a less socially aware entity. In contrast, if companies that adopt socially responsible policies are more profitable, then socially responsible investments will provide an incentive for businesses to increase investments in CSR programs [87].

3. Methodology

The study uses *ex-post facto* research design. The study equally uses documentary data, covering the period 2008-2017 which was generated from the annual report and accounts of twenty three (23) sampled listed non-financial services companies in Nigeria from a total population of one hundred and fourteen (114) non-financial services companies listed on the Nigerian Stock Exchange (NSE) as at December, 2017. The sample size is arrived at by using a three point filter. The criteria which a firm must meet include: first, the company must be listed on or before 31 December, 2007; second, the company must have been quoted without being delisted between 2007 and 2017; and third, the company must have information on the amount of expenditure on CSR (donations/gifts/charity) in its annual reports for at least 8 out of the 10 years study period. After applying the filter, twenty eight (28) companies were found to be listed after 2007 and fifty six (56) companies do not have complete data on CSR expenditure (donations/gifts/charity) in their annual reports, while twenty three (23) companies have complete information needed for the study. Thus, all the remaining twenty three (23) companies that form the working population were selected as the sample for this study. Census sampling technique was used to select the sample for this study. Census sampling technique is a technique in which all the elements of the population are used as sample size [87].

There are two sets of variables covered by this study, namely, dependent and explanatory (independent and control) variables. The dependent variable for this study was financial performance which is represented by ROA. The ROA was measured as the ratio of earnings after tax to total assets [16, 30-31, 42, 47, 50, 57, 62-64]. CSR is the independent variable and was measured using CSR expenditure. Here, the logarithm of total amount spent by the companies on CSR was used [21, 30-31, 50, 52, 62, 89].

The control variables included in the model are size, leverage, sales growth and cash flow from operations. Size was considered as control variable because larger firms may have a stronger motive to engage in CSR activities. They may also be better able to handle complicated, fast CSR engagement strategies because they are more familiar with diversified operations [90]. Moreover, larger firms have more resources and may enjoy economies of scale or scope [91]. Size was measured by taking the logarithm of total assets [47, 57, 63-64]. Debt levels affect the behavior of managers by imposing discipline and motivating them to make decisions that are in the best interest of the firm [89]. Leverage (LEV) was measured by dividing total debt by total assets [47, 56-58].

Sales growth reflects management proactive investment strategy in intangibles [92]. Sales Growth (SG) was measured as the change in sales divided by beginning of period sales [46, 65, 68-69]. Cash flow from operations reflects a firm's liquidity and is an important control variable, because CSR activity involves cash outflows for innovative equipment [92]. Cash Flow from Operations (CFO) was measured as the net cash flow from operating activities divided by total assets [93].

Descriptive statistics, correlation and multiple regressions were employed for the analysis. Pearson correlation technique was used to establish the nature of the relationship between CSR and financial performance variable. This shows the strength of the relationship between the independent variables among themselves and the dependent variable [21, 65-66]. In order to determine the impact of the explanatory variables (CSR, size, leverage, sales growth and cash flow from operations) on the dependent variable (financial performance), multiple regressions using panel data methodology was employed for the study. The choice of multiple regressions technique was informed by its relevance in previous similar researches [19, 30, 48, 52, 54, 59, 64]. However, since panel data analysis was used in this study, the system of pooled OLS regression is subject to heterogeneity bias and therefore the fixed effect and random effect regressions were carried out as well. In addition, the Hausman specification test was carried out to decide between fixed and random effect models, while F-test was used to choose between fixed effect and pooled OLS regression. The model based on the variables of the study was stated thus:

$$ROA_{it} = \beta_0 + \beta_1 CSREX_{it} + \beta_2 SIZE_{it} + \beta_3 LEV_{it} + \beta_4 SG_{it} + \beta_5 CFO_{it} + \varepsilon_{it}$$

Where:

ROA = Return on assets.

CSREX = Expenditure on CSR.

SIZE = Size of the company.

LEV = Leverage of the company.

SG = Sales growth.

CFO = Cash flow from operations.

β_0 = Parameters to be estimated (is the average amount the dependent variable increases when the independent increases by one unit, other independents variables held constant).

e_{it} = Error term assumed to satisfy the standard OLS assumption.

β_1- β_5 = Partial derivatives or the gradient of the independent variables.

4. Results and Discussion

The robustness test was conducted in order to improve the validity of all statistical inferences for the study. The robustness test gives concrete evidence that the regression results were free of regression errors capable of invalidating the research's regression assumptions. The tests carried out include normality test, multicollinearity test, Breusch-pagan test for heteroscedasticity, Hausman specification test and F-test. The Variance Inflation Factor (VIF) and tolerance test were carried out to test for multicollinearity in the study model. The VIF and tolerance estimates were found to be consistently smaller than ten (10) and one (1) respectively. The Breusch-pagan/Cook-weisberg test for heteroskedasticity was carried out and the result for the study model reveals that errors have constant variance (Non-heteroscedastic), which indicates that pooled OLS estimators have the minimum variance of all unbiased estimators and also the P-values were reliable which suggest that there is absence of heteroskedasticity. This is evidenced by the insignificant prob>chi2 value of 0.1289. The result for Skewness and Kurtosis test for the study model shows a significant prob>chi2 value of 0.0320, which suggest that error terms are not normally distributed and therefore, robust regression is performed as remedial action. Hausman specification test was conducted for the study model in order to choose between GLS fixed and random effects. The null hypothesis shows that fixed effect is preferable and the result shows prob>chi2 values of 0.0000, which indicates that fixed effect regression is preferable. Thus, F-test was used in order to choose between pooled OLS and fixed effect regressions. The result of the F-test for fixed effect shows the prob>chi2 value of 0.0000, which suggests that fixed effect is preferable over pooled OLS. Hence all the interpretation was done using fixed effect regressions.

4.1. Descriptive Statistics

Table 1. Descriptive Statistics of the Variables.

Variables	Obs.	Mean	Std. Dev.	Min	Max
ROA (%)	230	0.0759027	0. 1188269	-0.3978	0.539594
CSREX (₦)	230	41380438	86233239	0.00	661627952
SIZE (₦)	230	94524468597	161298007756	1219817000	1040175904000
LEV (%)	230	0.5943425	0.1944626	0.180238	1.64657
SG (%)	230	0.1406029	0.344093	-0.863211	2.95045
CFO (%)	230	0.125155	0.1221411	-0.337878	0.477313

Source: Descriptive Statistics Result using STATA 14.0.

From Table 1, the mean ROA for the sampled listed companies in Nigeria is 0.076, indicating that the average profit earned by the companies is 7.6% of their total assets with a maximum loss of 40% of their total assets and maximum profit of about 54% of their total assets. This indicates a high variation of performance among the companies as depicted by the value of standard deviation (12%) which is higher than the mean value. CSR expenditure recorded a mean value of forty one million, three hundred and eighty thousand, four hundred and thirty eight naira (₦41, 380, 438) implying that on average most of the companies' expenditure on CSR is forty one million, three hundred and eighty thousand, four hundred and thirty eight naira (₦41, 380, 438). It also recorded a minimum value of zero naira (₦0.00) and a maximum value of six hundred and sixty one million, six hundred and twenty seven thousand, nine hundred and fifty two naira (₦661, 627, 952) for all the sampled companies within the study period. This indicates that, some companies do not incur expenditure on CSR for some years under review. While the highest amount of expenditure on CSR was six hundred and sixty one million, six hundred and twenty seven thousand, nine hundred and fifty two naira (₦661, 627, 952). This also indicates a high variation of expenditure on CSR among the companies as depicted by the value of standard deviation of eighty six million, two hundred and thirty three thousand, two hundred and thirty nine naira (₦86, 233, 239) which is higher than the mean value.

Size of the companies recorded a mean value of ninety four billion, five hundred and twenty four million, four hundred and sixty eight thousand, five hundred and ninety seven naira (₦94, 524, 468, 597), implying that on average most of the sampled listed companies have total assets amounting to ninety four billion, five hundred and twenty four million, four hundred and sixty eight thousand, five hundred and ninety seven naira (₦94, 524, 468, 597). It also indicates a minimum value of one billion, two hundred and nineteen million, eight hundred and seventeen thousand naira (₦1, 219, 817, 000) and a maximum value of one trillion, forty billion, one hundred and seventy five thousand, nine hundred and four thousand naira (₦1, 040, 175, 904, 000) for all the sampled listed companies within the study period. This also indicates a high variation of total assets among the sampled listed companies as depicted by the value of standard deviation of one hundred and sixty one billion, two hundred and ninety eight million, seventy thousand, seven hundred and fifty six naira (₦161, 298, 007, 756) which is higher than the mean value. The mean value of leverage variable shows that debt constitutes 59% of total assets which is the total financing needs of the sampled listed companies in Nigeria for the period under study. It has a minimum of 18% of total assets and a maximum of 165% of total assets. This indicates a low variation in the percentage of leverage among the sampled listed companies as depicted by the value of standard deviation of (19%) which is lower than the mean value.

Table 1 also shows the mean value of sales growth variable as 0.141 implying that on average, the sampled listed companies had 14% sales growth during the study period. It has a minimum value of -0.863 and a maximum of 2.950, implying that the sampled listed companies had a maximum decline in sales growth of up to the tune of 86% and maximum sales growth of about 300%. This indicates a high variation in the percentage of leverage among the sampled listed companies as depicted by the value of standard deviation of (34%) which is higher than the mean value. Cash flow from operations scaled by total assets recorded a mean of 0.13, implying that on average, the sampled listed companies have about 13% of total assets as net cash inflow from operating activities. Cash flow from operations has a minimum of 34% of the total assets and a maximum of 48% of the total assets. This indicates that there is no variation of cash flow from operations among the sampled listed companies as depicted by the value of standard deviation of 12% which is almost equal to the mean value.

4.2. Correlation Analysis

Table 2. Correlation Matrix of the Dependent and Explanatory Variables.

Variables	ROA	CSREX	SIZE	LEV	SG	CFO	VIF
ROA	1.000						
CSREX	0.135	1.000					1.35
SIZE	0.155	0.470	1.000				1.45
LEV	-0.298	0.081	0.298	1.000			1.11
SG	0.216	0.099	0.077	-0.024	1.000		1.06
CFO	0.469	0.130	-0.113	-0.114	0.006	1.000	1.01

Source: Correlation Matrix Results using STATA Version 14.0.

As shown on Table 2, the relationship between CSR expenditure, size, sales growth and cash flow from operations with ROA are weak and positive with correlation coefficient values of 0.135, 0.155, 0.216 and 0.469 respectively. In contrast, weak and negative relationship exist between ROA and leverage with the correlation coefficient value of -0.298. Table 2 also shows that CSR expenditure was found to be weak and positively correlated with all the other explanatory variables. Furthermore, firm size was found to be weak and positively correlated with all the other explanatory variables with the exception of cash flow from operations which has weak and negative relationship with firm size. So also, leverage was found to be weak and negatively correlated with sales growth and cash flow from operations. Finally, sales growth is weak and positively correlated with cash flow from operations.

4.3. Presentation and Interpretation of Regression Result

The fixed effect regression results in Table 3 show the value of the overall R^2 as 0.13 which is the multiple coefficient of determination that gives the proportion or percentage of the total variation in the dependent variable explained by the explanatory variables jointly. Hence, it signifies that approximately 13% of total variation in ROA of sampled listed companies in Nigeria is caused by CSR expenditure, size, leverage, sales growth and cash flow from operations. Table 3 also shows the F-statistics value of 9.12 with the corresponding P-value of 0.0000. The P-value of 0.0000 implies that the relationships among the variables were not due to mere chance and as such the results from the regression can be relied upon by 99.9% based on the significance level of 1%. In addition, it means that the explanatory variables reliably predict the dependent variable of the study.

Table 3. GLS (Fixed Effect) Regression.

Variables	Model
Constant	1.26*** (4.24)
CSREX	0.01** (2.19)
SIZE	-0.11*** (-4.03)
LEV	-0.13*** (-3.40)
SG	0.05*** (3.39)
CFO	0.10* (1.86)
Obs	230
Hettest	0.13
F-Test	0.00
Hausman	0.00
R2: Within	0.18
Between	0.13
Overall	0.13
F	9.12
Sig.	0.00
Sk&Kurt.	0.032

Source: Result Output from STATA 14.0.
NOTE: ***, ** and * indicate 1%, 5% and 10% significant levels respectively; the t-value is presented in parenthesis while the other figures represent the coefficient.

Table 3 shows that CSR has positive and significant impact on financial performance at 5% level of significance (ceff = 0.01, t = 2.19). The positive impact of CSR on financial performance implies that for every increase in expenditure on CSR by ₦1, financial performance of the sampled listed companies will increase by 0.1%. This is as a result of the fact that CSR generate additional revenue due to the purchase decisions of customers because of the growing awareness of social and environmental issues, customers' patronage of CSR-related products and also taking various positive actions by them, such as making more purchases, remaining loyal to the firm, spreading word-of-mouth, showing resilience to negative information about the company or paying a price premium [93]. The finding of this study is consistent with those who found that CSR has positive and significant impact on financial performance [16-17, 21, 31, 47, 51-54, 60, 62, 81,]. This is underpinned by stakeholder theory's view point, which stipulates that firms engaging in CSR experience improved relationships with their various stakeholders, which as a result enhance their financial performance. Similarly, company managers seeking to address social and environmental issues in a proactive manner tend to manage the needs of a wider stakeholder to obtain benefits in terms of improved financial success [77-81].

Table 3 also shows that firm size and leverage have negative and significant impact on financial performance. This means that for firm to be large does not guarantee better financial performance because larger firms may have agency conflicts [95]. Also, the negative and significant impact of leverage on financial performance suggests that low financial risk can serve as a platform for predicting high financial performance. Similar results found that there is a negative and significant impact of size of the firm and leverage on some of the financial performance variables [63, 70, 96]. Table 3 further shows that sales growth has significant positive impact on financial performance. The positive impact of sales growth on financial performance reflects management proactive investment strategy in intangible assets which consequently bust financial performance [92]. Table 3 also shows that cash flow from operations has positive and significant impact on financial performance. The positive impact of cash flow from operations on financial performance implies that firms' liquidity position positively impact on their financial performance.

5. Conclusion

Based on the results of the analyses, the study finds that CSR has significant positive impact on financial performance because CSR generate additional revenue due to the purchase decisions of customers, increase awareness of social and environmental issues, customers' patronage of CSR-related products and also taking various positive actions by them, such as making more purchases, remaining loyal to the firm and spreading the word-of-mouth about the company and consequently leading to better financial performance. The study therefore, concludes that financial performance of listed companies in Nigeria can be enhanced through engaging in socially responsible investments. This finding has practical implications on various users of financial statements such as regulatory bodies, management of the companies, financial analysts, investors and researchers. The findings draw regulatory bodies' attention (such as Securities and Exchange Commission-SEC, NSE, Financial Reporting Council-FRC and Corporate Affairs Commission-CAC) towards strategizing effective ways of regulating environmental, labour and social impacts of the listed companies' activities thereby enhancing corporate philanthropy, and the integrity of the firm in the eyes of the public and ultimately improving financial performance.

Based on the finding and conclusion, the study recommends that, for an increased financial performance, listed firms in Nigeria after an industry examination should intensify more efforts in carrying out their CSR which can serve as a source of competitive advantage. Also, Securities and Exchange Commission (SEC) should come up with Social Disclosure Index (SDI) and make it mandatory for companies to comply with, which will encourage them to engage in socially responsible investments.

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