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The Impact of Corporate Social Responsibility on financial Perofrmance Ofquoted Selectedfirms in Nigeria

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ABSTRACT
This study examines the impact of CorporateSocial Responsibility on financial performance of selected quoted firmsin Nigeria. The study has been conducted in different parts of the globe and in Nigeria with different findings which are mixed and inconclusive. The population of the study consists of ten (10) firms quoted on the Nigerian stock exchange as at 31st December 2020 out of which ten (10) firms were selected as samples for a period of Ten (10) years from 2011 to 2020 based on purposeful sampling technique. The study uses regression as a toolfor analysis. The study shows that Corporate Social Responsibility has a positive significant impact on Financial performance of quoted selected firms in Nigeria.

Keywords: Corporate Social Responsibility,Firm size and Leverage.

I. INTRODUCTION

Corporate social responsibility is a self-regulating business model that helps a company be socially accountable to itself, its stakeholders, and the public.Companies can be deliberate of the kind of impact they are having on all aspects of society, including economic, social, and environmental.In the ordinary course of business, a company should operate in ways that enhance the society and environment instead of contributing negatively to them.Corporate social responsibility is a broad concept that can take many dimensions depending on the company and industry. Through Corporate social responsibility programs, philanthropy, and volunteer efforts, businesses can benefit society while boosting their brands. Corporate social responsibility activities can help forge a stronger bond between employees and corporations, boost moraleand aid both employees and employers in feeling more connected to the world around them.For a company to be socially responsible, it first needs to be accountable to itself and its shareholders. Companies that adopt Corporate social responsibility programs have often grown their business to the point where they can give back to society. Thus, Corporate social responsibility is typically a strategy that' is implemented by large corporations. After all, the more visible and successful a corporation is, the more responsibility it has to set standards of ethical behaviour for its peers, competition, and industry.Many companies view Corporate social responsibility as an integral part of their brand image, believing that customers will be more likely to do business with brands that they perceive to be more ethical. In this sense, Corporate social responsibility activities can be an important component of corporate public relations and a component that boost financial performance. At the same time, some company founders are also motivated to engage in Corporate social responsibility due to their convictions.The movement toward Corporate social responsibility has had an impact in several domains. For example, many companies have taken steps to improve the environmental sustainability of their operations, through measures such as installing renewable energy sources or purchasing carbon offsets. In managing supply chains, efforts have also been taken to eliminate reliance on unethical labour practices, such as child labour and slavery.Empirical studies conducted on the Corporate social responsibility and Financial

performance which include studies ofMaqboolն& Aligarh (2018),Hermawana&Mulyawan(2014), Al-Hajri& Al-Enezi(2019) and Jibril, Dahiru, Muktar& Bello (2016) are largelyforeign and Nigerian. This study in Nigeria has received little attention and the studies that have been conducted in Nigeria are not conclusive and could not provide adequate evidence on the impact ofCorporate social responsibility onFinancial performanceas far as firms in the Consumer goods, industrial goods and conglomerate sectors are concerned. Those studies have provided mixed and inconclusive findings due to the data collected, methodology used and the industry used and to the best of our knowledge, among studies conducted in Nigeria, we have not seen a study that took into considerationthe selected quoted firms from Consumer goods, Conglomerate and industrial goods sectors. To this end, this study attempts to fill the gap by examining the impact of Corporate social responsibility on financial performance of selected quoted firms of Consumer goods, industrial goods and conglomerate sectors in Nigeria. The main objective of the study is to examine the impact of Corporate social responsibility on financial performanceof quoted selected firms in Nigeria.The Specific objective of the study is to determine the extent to which Corporate social responsibility impact onfinancial performance of quotedselected firms in Nigeria.In line withthe specific objective, a hypothesiswas formulated whichis: HO1 Corporate social responsibility has no significant impact onfinancial performance of quoted selected firms in Nigeria.

II. LITERATURE REVIEW

Various studies have attempted to examinedthe impact of Corporate Social responsibility on financial performance. Maqbooln& Aligarh (2018) investigated the relationship between corporate social responsibility and financial performance in the Indian context. Secondary data were collected for 28 Indian commercial banks listed in Bombay stock exchange (BSE) from 2007 to 2016. Their results indicated that Corporate Social Responsibility exerts positive impact on financial performance of the Indian banks. Hermawana&Mulyawan (2014) examined Corporate Social Responsibility and financial performance of Indonesia Listed Companies. They included company's profitability of net profit margin, ROA and ROE, in relation to number of lines in CSR disclosure. Firm's size, Kompas100 companies and industry-specific are included as control variables. 543 listed companies were taken in Indonesia as samples from 2007 to 2009 after fulfilling certain requirements. The result of the study suggested that not all profitability ratios are significantly correlated to CSR disclosure. Kompas100 and industry-specific tend to have a relationship with number of lines in the CSR report. Al-Hajri& Al-Enezi (2019) studied the association between Corporate Social Responsibility Disclosure and Corporate Financial Performance using a sample of listed firms on Kuwait Stock Exchange (KSE) from 2011 to 2012. Regression analysis was used to investigate the association between Corporate Social Responsibility Disclosure and Corporate Financial Performance as well as investigated the impact of firm size, leverage, and industry affiliation as key determinants suggested by prior research on the level of Corporate Social Responsibility Disclosure. Their result revealed that both Corporate Financial Performance and firm size have significant positive associations with Corporate Social Responsibility Disclosure. On the other hand, firm's leverage and firm's industry affiliation showed a non-significant association with Corporate Social Responsibility Disclosure. Mwangi &Jerotich (2013) examined the relationship between corporate social responsibility practice and financial performance of firms listed in the manufacturing, construction and allied sector of the Nairobi Securities Exchange. They picked only 10 out of the 14 companies in the sector. Secondary data was employed from the audited financial reports of the companies from 2007 to 2011. Multiple regression model was used to determine the relationship between the two variables. Manufacturing efficiency and capital intensity were two control variables introduced to the regression model. The results of the study indicated the existence of a relationship between the independent variables corporate social responsibility score, manufacturing efficiency and capital intensity and the dependent variable return on assets. On the other hand, there existed an insignificant positive relationship between corporate social responsibility practice and financial performance and a significant linear inverse relationship between financial performance and manufacturing efficiency. Jibril, Dahiru, Muktar& Bello (2016) investigated the relationship between corporate social responsibility and financial performance of listed deposit money banks in Nigeria from 2008 to 2013. The sample size of twelve banks from their annual reports and accounts was used. Corporate social responsibility as the independent variable was proxy by natural logarithm of the total amount spent on corporate social responsibility by banks, while return on

equity and return on assets was used to proxy financial performance as dependent variables. They adopted multiple regression technique in analyzing the data with the aid of SPSS techniques. The findings reveal that corporate social responsibility has a positive and significant impact on return on equity and return on assets as financial performance proxies of listed deposit money banks in Nigeria.

Ahmed, Zakaree, Oladele & Kolawole (2016) examined the impact of corporate social responsibility disclosure (CSRD) on the financial performance of listed manufacturing firms in Nigeria. Sample size of ten (10) manufacturing firms were drawn randomly from seven (7) subsectors of the Nigerian manufacturing industry. Secondary data were collected from the financial statements of the sampled firms and multiple regression analysis was employed. The result of the study showed an overall significant positive association between CSRD and EPS, all the four CSRD dimensions (employee, environment, community and product) have significant positive effect on the EPS. Khan & Tariq (2017) studied the effect of corporate social responsibility on financial performance in Islamic and conventional banks of various Asian countries. Secondary data were collected from respective banks annual reports. Correlation and regression techniques were employed. The findings of the study showed an overall positive and significant relationship between corporate social Responsibility and financial performance. Aminah (2013) examined the Effect of Corporate Social Responsibility on Financial Performance of Socially Screened Out Companies Listed at Nairobi Securities Exchange. Population comprised all of 23 socially screened out companies but due to non-availability of data for some companies, a census could not be carried out. Secondary data was used from 2010-2014 which was obtained from publications, annual reports and audited financial statements of the companies. They employed multiple linear regression analysis to analyze data. Control variables of size, leverage and growth of sales were introduced in the model. The results of study showed that there was a significant positive relationship between corporate social responsibility and financial performance. Leverage had a significant relationship whereas growth of sales had an insignificant positive relationship. Size of the company was also found to have a significant inverse relationship with financial performance. Otu, Ejovwokeoghen&Morenike (2016) examined the Corporate Social Responsibility (CSR) disclosure practices of Nigerian quoted companies and their determinants. A checklist of 20 attributes was developed to capture the social and environmental disclosures from the annual reports of 45 companies from 8 sectors quoted on the Nigerian Stock Exchange from 2013 to 2014. The determinants of disclosure were proxied by company size, profitability and auditor type. Company size was measured by total assets, profitability was measured by return on equity (ROE), and auditor type was measured by a dummy variable, '1'for Big 4 and '0'for otherwise. Data obtained were analyzed using descriptive statistics, correlation and regression. The result of their findings showed that CSR was influenced by company size and auditor type; but not by profitability. Weber (2017) examined the connection between the sustainability performance of Chinese banks. Reports and websites of Chinese banks were used. Panel regression and Granger causality were used to analyze cause and effect variables. The result of the study showed that environmental and social performance of Chinese banks increased significantly between 2009 and 2013. There was a bi-directional causality between financial performance and sustainability performance of Chinese banks. Hossain, Chowdhury, Evan &Lema (2015) examined the relationship between corporate social responsibility and corporate financial performance: evidence from a developing country. Annual report data from a sample of 131 firms from 2008-2012. Legitimacy theory and stakeholder theory underpinned the study. The result of the study showed a positive and significant relationship between CSR and CFP but an insignificant relationship when using the market-based Tobin's Q. Palmer (2012) studied Corporate Social Responsibility and Financial Performance. They tested the impact CSP on sales and gross margin in hopes of providing insight on sales strategies that can be implemented to maximize the impact of the relationship. Data from the S&P 500 firms and covers from 2001-2005. time series regressions were used. Their Results indicated that CSP and CFP have a significantly positive relationship in both directions. The results also indicated that increased CSP leads to increases in gross margin, indicating that some customers are willing to pay a premium for the products and/or services of a company with CSR initiatives. Usman &Amran (2015) examined the relationship between Corporate social responsibility practice and corporate financial performance: evidence from Nigeria companies. Content analysis was conducted to extract CSR and financial data from annual reports of 68 companies listed on the Nigeria Stock Exchange. Financial data were cross-

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referenced with the NSE Factbook. Percentages were used to describe the nature and trend of CSR practice in Nigeria. Hierarchical multiple regression analysis was employed to examine the relationship between CSR and CFP. The results of the descriptive statistics show that the listed companies used CSR initiatives to communicate social performance to their stakeholders. From the regression analysis, community involvement disclosure, products and customer disclosures and human resource disclosures were found to enhance CFP. The results also reveal a negative relationship between environmental disclosure and CFP, which indicates that disclosure of environmental impact information could be value destroying in Nigeria.

III. METHODOLOGY

This research adopted correlation research design and was considered adequate and appropriate for this studybecause it describes the statistical relationship between an independent variable of the study (Corporate Social Responsibility) and the dependent variable (Return on Equity). The population consists of selected firms namely Cadbury Nigeria Plc, Champion Breweries Plc, Chellarams Plc, Dangote cement Plc, Guinness Nigeria Plc, Nestle Nigeria Plc, Unilever Nigeria Plc, Transnational Corporation of Nigeria Plc, PZ Cussons Plc and Nigeria Breweries Plc quoted on the Nigerian Stock Exchange as at 31st December 2020 and covered a period of Ten (10) years (2011-2020). Purposeful sampling technique was employed to select the sample. The sample selected is: Cadbury Nigeria Plc, Champion Breweries Plc, Chellarams Plc, Dangote cement Plc, Guinness Nigeria Plc, Nestle Nigeria Plc, Unilever Nigeria Plc, Transnational Corporation of Nigeria Plc, PZ Cussons Plc and Nigeria Breweries Plc. In line with this, the sample size is all the ten (10) selected quoted firms on the Nigerian stock exchange. The study employed panel data using statistical package for social sciences (SPSS 25) and Ordinary Least Square (OLS) method adopted in this study is a parametric statistical test that is based on a number of assumptions, the violation of which could affect the reliability of the results. The Pearson correlation and t-test statistics were used for inferential analysis. Two of the most commonly encountered problems addressed in this study relate to normal distributionof the variables and descriptive statistics was used to test for normality of data.

Model Specification

The model that was used to test the hypothesis formulated for this study is presented below. The null Hypothesis is tested considering the results for the P-values at 1%, 5% and 10% level of significance.

$ROE = f(CSR\beta_1 + LEV\beta_2 + FSIZE\beta_3)$

$ROE = \alpha + \beta_1 CSR + LEV\beta_2 + FSIZE\beta_3 + \epsilon_i$

Where

α= the intercept

ROE = Profit after Taxdivided by Total Equity.

CSR =Gifts, donations corporate social responsibility expenses incurred.

LEV = the total liabilities divided by total assets.

FSIZE = Firm Size measured as Natural log of total assets

ϵ_i= error term

Firm size and leverage are controls variables.

Data Presentation

This part presents the results of the descriptive statistics and regression results on the impact of Corporate Social Responsibility onfinancial performance of selected quoted firms in Nigeria. Anexplanatory variable and two (2) control variables are employed for the purpose of explaining and predicting theimpact of Corporate social responsibility on financial performance of selected quoted firms in Nigeria**.**

Test of Normality

The normality tests are supplementary to the graphical assessment of normality. For this study, Kolmogorov – Smirnov test are used to test for normality of the one (1) independent variable; namely Corporate Social Responsibility. Table 4.2.1 shows the Kolmogorov – Smirnov test

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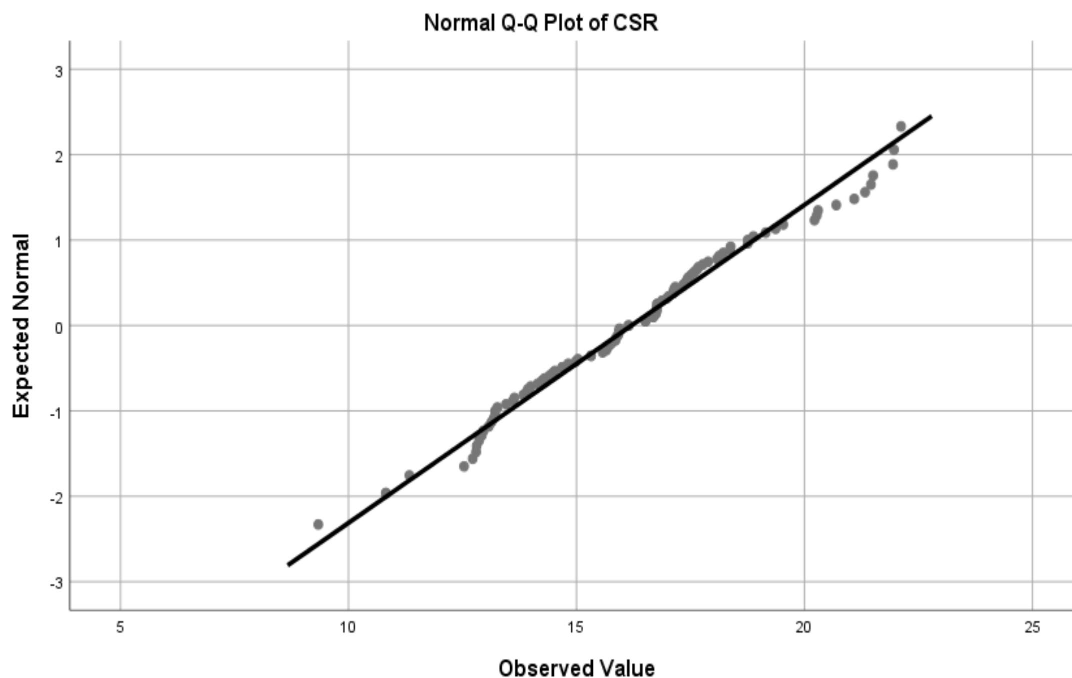

Table 1 Kolmogorov – Smirnov Test for The Variable

Tests of Normality

	Kolmogorov-Smirnov[a]			Shapiro-Wilk		
	Statistic	df	Sig.	Statistic	df	Sig.
CSR	.052	100	.200*	.984	100	.282

*. This is a lower bound of the true significance.

a. Lilliefors Significance Correction

This table shows the normality test for Corporate social responsibility.

For small samples less than 50, Shapriro-wilk test are used but for this study which the number of observations is 100, the Kolmogorov-smirnov test was adopted. The Hypotheses used are: H0: The sample data are not significantly different than a normal population. Ha: The sample data are significantly different than the normal population. When testing for normality, Probabilities greater than 0.05 means the data are normal and probabilities less than 0.05 means the data are not normal. From the Kolmogorov-smirnov test, the statistics of Corporate social responsibility is 0.052 and the probabilities of 0.200 which is greater than 0.05, so we accept the H0 stating that these data are not different from normal (Razali & Wah 2011).

Table 2.Corporate Social Responsibility impact on Financial performance

Variable	Coefficient	T – value	P – value
Constant	0.286	2.386	0.019
CSR	0.012	3.304	0.001
LEV	0.131	5.977	0.000
FSIZE	0.014	0.518	0.606

R	0.562		
R^2	0.315		
Adj R^2	0.294		
F stat	14.738		
F-Sig	0.000		
DW	1.475		

Source: Author's computation using SPSS 25

The estimated equation of the study is presented as follows:
ROE= 0.285 + 0.012 (CSR) +0.131 (LEV) +0.014FSIZE.

Financial performance would be equal to 0.285when all other variables are held to zero. One-unit change of Corporate Social responsibility all other variables remain constant, would increase Corporate Social responsibility by 0.012.The regression result of the study shows that the beta coefficient in respect ofCorporate social responsibilityis (0.012) and the t-value is (3.304) and it is significant at 1%. This means that, Corporate Social responsibility has a positive significant impact on financial performance of quoted selected firms in Nigeria. The implication of this is that, the higher the Corporate Social responsibility, the better the financial performance of quoted selected firms in Nigeria. This provides an evidence of rejecting thehypothesis stating that Corporate Social responsibility has no significant impact on financial performance of quoted selected firms in Nigeria.

The impact of the Corporate Social responsibility is able to explain the dependent variable up to (56%). This shows a positive relationship as indicated by the R valueand the remaining (44%) are controlled by other factors. Similarly, the result of the F- statistic shows the overall fitness of the model. The F- statistic has a value of (14.738) and is significant at 1% which implies that the model is fit because it is significant at all levels of significant. Durbin Watson of (1.475) shows that there is no problem of autocorrelation in the data set (Gujarati, 2004).

Findings of The Study

Corporate Social Responsibility has a positive significant impact on financial performance of quoted selected firms in Nigeria.

IV. CONCLUSIONS

This study has contributed to findings on Accounting Research in Nigeria. It investigated whether Corporate Social Responsibility impactedon financial performance of quoted selected firms in Nigeria.The study concludes that Corporate Social Responsibility has a positive significant impact on financial performance of quoted selected conglomerate, consumer goods and industrial goods firms in Nigeria.

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