The Effect of Corporate Social Responsibility Disclosure Index on Firm Performance of Selected Sectoral Industries in Nigeria

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ABSTRACT*:* *Corporate Social Responsibility (CSR) initiatives are charitable events and methods for improving a company's image, satisfying key stakeholders, and increasing financial performance. The issue of CSR initiatives on capital growth and sustainability remains imperative for this study. Therefore, this study is set out to examine the effect of corporate social responsibility disclosure index on firm performance of selected sectoral industries in Nigeria and to investigate the effect of corporate social responsibility on market value of selected sectoral industries in Nigeria. This study adopts multi-stage sampling approaches. A quantitative method was used in which a deductive technique was adopted because the research was based on existing theories and findings from previous investigations. Descriptive statistics, correlation regression panel and cross sectional analysis were adopted for the purpose of this study. The result showed that CSR as a variable has the highest mean = 69.7608) with a standard deviation = 11.7713 indicates that CSR is the most sensitivity variable, while leverage (LEV) has the second highest mean = 55.0760 with a standard deviation = 182.3009 and SIZE has mean = 16.9473 with a standard deviation = 1.0996 indicates that the value of corporate SIZE is also a huge factor to the study. However, the correlations statistics shows that return on asset (ROE) has a positive correction = 0.4468 with return on equity (ROA) at 5 percent level of significant. TobinQ has a positive relationship with ROA = 0.5321 and ROE = 0.0842 at 5 percent level of significant respectively. CSR has a negative relationship with ROA = −0.0948*, ROE = −0.0760 and Tobin Q = −0.0734 at 5 percent level of significant respectively. SIZE has a positive significant relationship with ROA = 0.0589, ROE = 0.0826 and CSR = 0.2449. The findings revealed that firms in Nigeria are yet to significantly use CSR to promote their performances like what is done by firms in developed economies. Therefore, as part of the recommendation from this study, Nigerian firms are advised to pay more attention to being CSR responsible and find ways by which this can translate to improved profit and enhancement of their overall performances.*

KEYWORDS*:* Corporate Social Responsibility (CSR), firm, performance, disclosure index,

INTRODUCTION

Corporate Social Responsibility (CSR) initiatives are charitable events and methods for improving a company's image, satisfying key stakeholders, and increasing financial performance. (Islam 2012) Corporate social responsibility (CSR) has been frequently explored in international forums. CSR refers to a firm's ethical and social behaviour in general, specifically to the attitude that a company must account for all stakeholders, not just its shareholders. According to traditional finance theories, managers aim to maximise shareholder wealth. On the other hand, companies that strive for ever-increasing profits are more likely to cause linked social and environmental issues, such as climate change (Cadez & Guilding, 2017). As a result, international organisations have proposed CSR-related regulations requiring companies to resolve such issues, meet their CSR obligations, and disclose relevant data (Bassen, Holz, and Schlange, 2006).

The performance of companies' social responsibility (CSR) has become increasingly important to stock market investors. Even in the face of stakeholder expectations and market pressure, many companies engage in CSR activities (Cadez, Czerny, and Letmathe, 2019). CSR refers to a company's efforts and contributions to society's and the environment's requirements. CSR is a critical component of long-term corporate viability. When a firm is devoted to CSR, it may impact its profit and, as a result, its stock price. Companies that follow corporate governance standards and transparently present their financial results are less likely to face issues.

According to Orlitzky, Schmidt, and Rynes (2003) and Nuryaman (2013), companies that fulfil their CSR and ensure transparent information disclosure raise their stock prices by increasing investor trust. The effects of CSR capital market growth and firm performance are investigated in this research using empirical data. It is worth noting that, even though the concept of corporate social responsibility has been present since the 1920s, there still needs to be an agreement on how to define it. CSR is defined as a firm's self-regulatory effort to entrench policies and practices that promote social and environmental good beyond the firm's interests. The voluntary nature of CSR efforts, which go beyond the firm's legal and contractual obligations, is critical in this definition. As a result, it entails a wide range of actions, including being employee-friendly, environmentally conscious, respectful of the communities in which the firm's plants are located, and investor-friendly (Bénabou and Tirole, 2010).

The link between corporate social responsibility (CSR) activities and company performance has received considerable research attention (Aguinis & Glavas, 2012; Cheng, Ioannou, and Seraffim., 2014). The relationship between corporate social responsibility (CSR) efforts and company success has gotten much attention in recent years (Aguinis & Glavas, 2012; Cheng, Ioannou, and Serafeim, 2014). Several studies have shown that participating in CSR activities has good consequences, such as offering access to important resources, lowering price sensitivity, improving marketing efforts, and rising demand, all of which may contribute to improved financial success (Aguinis & Glavas, 2012; Cheng, ioannou and Seraffim., 2014).

Statement of the Problem

A sectoral analysis of chosen companies in Nigeria was conducted to investigate the effects of corporate social responsibility on the development of the capital market and financial performance. Some businesses engage in corporate social responsibility without mentioning it in their financial statements, while others do not. There needs to be more consistency among those who demonstrate it. Some companies refer to it as a charity, while others refer to it as a community effort. Business organizations in Nigeria spend much money on social responsibility, according to Ajide and Aderemi (2014), since they see Corporate Social Responsibility (CSR) as a public relations gimmick performed by giant firms to seem reasonable in front of customers and other stakeholders. However, most businesses do not see the value in doing so because the link between CSR spending and financial performance still needs to be clarified.

According to Obi (2013) and Ajide and Aderemi (2014), the oil and gas sector spent ₦9.5 billion on CSR in 2011, followed by telecoms with N6.4 billion. According to the research, eight Nigerian banks spent ₦1.869 billion in 2012 on various community-related programs as part of their corporate social responsibility to identify with the society in which they operate. The figure represents roughly 70% of the banking industry's total CSR expenditure of ₦3.4 billion in 2011, with predictions that the figure will double in the next two years due to an increased understanding of the concept of CSR. Given the significant annual spending on CSR, it is widely assumed that CSR can enhance company earnings. On the other hand, scholars focus on different facets of philanthropy, experimental, ethical and economic social responsibility, and social responsibility varies by country (Sapkauskiene & Leitoniene, 2014). The issue remains that different studies produce mixed results regarding the nature and scope of social information, theories on corporate social information disclosure behaviour, and the impact of CSR on a company's reputation and financial performance. An in-depth assessment of the quality and scope of corporate social responsibility disclosure and identifying areas for future improvement has become imperative for more empirical evidence regarding the relationship (Ajide & Aderemi, 2014).

Objective of the Study

The objectives are to:

i. examine the effect of corporate social responsibility disclosure index on firm performance of selected sectoral industries in Nigeria.

ii. investigate the effect of corporate social responsibility on market value of selected sectoral industries in Nigeria.

Hypotheses of the study

H_{01}: Corporate social responsibility index has no significant effect on Firm performance of selected sectoral industries in Nigeria.

H_{02}: Corporate social responsibilities have no significant effect on the market value of selected sectoral industries in Nigeria.

LITERATURE REVIEW

Corporate Social Responsibility

The notion of corporate social responsibility (CSR) has been characterized in various ways worldwide, with both parallels and variances (Crane, Matten, and Spence, 2008; Uadiale & Fagbemi, 2012; Asatryan & Bezinová, 2014). CSR is defined as identifying, measuring, monitoring, and reporting an organization's social and economic consequences on society, according to a report published by Baker, Kumar, and Pattnaik (2020). It is the public revelation of costs and benefits that may or may not be quantifiable in monetary terms but are borne disproportionately by stakeholders and the general public due to enterprises' economic activity (Lee, 2021). CSR, according to Cuesta-Valiño, Rodríguez, and Núñez-Barriopedro, (2019), is a company's position and operations about its perceived societal or stakeholder responsibility. Business ethics, corporate philanthropy, citizenship, environmental responsibility, and sustainability are cluster topics (Al-Samman & Al-Nashmi, 2016; Gras-Gil et al., 2016; Matten & Moon, 2004). There needs to be more agreement on CSR and its parts (Wahba & Elsayed, 2015). However, Sarker, Siddique, and Akter (2021) had previously claimed that the' measurement' and 'sharing of information concerning the consequences of a firm and its activity on society and the environment are fundamental components of social accounting." Crane et al. (2008), built on Belkaoui's work, mentioned that CSR encompasses more than just social and economic obligations, practices, and corporate giving.

For conscientious business executives to adopt corporate social responsibility (CSR), it must be phrased to encompass the complete range of business duties. According to the literature, comprehensive CSR comprises four social responsibilities: economic, legal, ethical, and philanthropic. In addition, these four CSR components or categories might be shown as a pyramid (Kusyk, (2021). Kusyk (2021) argues that a concept of social responsibility, to truly address the broad spectrum of obligations business has to society, must go beyond the law and encompass the economic, legal, ethical, and discretionary dimensions of company success. The premise that the corporation has not only economic and legal obligations but also ethical and discretionary (philanthropic) responsibilities was included in a four-part conception of CSR (Kim, Milliman, and Lucas, 2020).

In support of this theory, Reddy and Adavelli (2021) discovered that CEOs classified their social duty into the four categories outlined. Several writers and scholars have used Carroll's framework, which is still widely used in the field (Burton & Goldsby, 2008). Later, Kusyk, (2021). proposes that these categories be represented as a pyramid (Figure 1 below). Generally, a corporation is considered socially responsible if it makes a profit, follows the law, acts ethically, and contributes to society through charity. Economic and legal duties are socially demanded, ethical responsibilities are socially anticipated, and generosity is socially desired, according to Windsor (2001). The idea is that for CSR to be considered legitimate, it must embrace the complete spectrum of societal obligations that a corporation is supposed to fulfil, including economic, legal, ethical, and philanthropic responsibilities.

The pyramid is built around this four-part perspective. The CSR pyramid is meant to show that a company's entire CSR comprises various components that, when combined, comprise the whole. The CSR pyramid depicts enterprises' obligatory and discretionary duties to various stakeholders, which serves as a stakeholder model. Though the components have been handled as independent notions for discussion purposes, they are not mutually exclusive or meant to be juxtaposed with a firm's other duties (Sweeney, 2009). A corporate executive can observe how the many sorts of duties are in constant yet dynamic tension with one another by looking at the individual components of the pyramid. Of course, the most pressing conflicts would be between economics and law, economics and ethics, and economics and philanthropy (Sweeney, 2009). The traditionalist sees this as a contradiction between a company's financial motive and social responsibility. However, it is argued that this is an oversimplification (Sweeney, 2009). These tensions would be recognized as organizational realities from a CSR or stakeholder perspective. However, the focus would be on the complete pyramid as a cohesive whole and how the business may participate in decisions, activities, and programs concurrently fulfilling its component elements. To be accurate, all of these kinds of responsibilities have always existed in some form or another, but ethical and charitable tasks have only recently gained prominence. Each of these four elements is deserving of more attention.

Economic Responsibilities: The pyramid depicts the four components of CSR, starting with the fundamental idea that economic performance underpins all other business activities. Economic obligations are at the bottom of the pyramid to show that the firm's economic duty is its bedrock foundation (Carroll, 2004) and represents its fundamental responsibility (Schiebel & Pochtrager, 2003). Other tasks can only be fulfilled if the economy performs well (Windsor, 2001). Business organizations were founded initially as economic entities to deliver commodities and services to members of society (Carroll, 2004).

Legal Duties: The second tier of the pyramid, likewise required by society, is legal responsibilities. An organization's legal responsibilities include adhering to societal laws. Because the law is society's codification of acceptable and undesirable behaviour, organizations worldwide are expected to operate by the law. The law reflects what society considers acceptable or unacceptable. The most objective and easily accessible reference for discriminating between permitted and unlawful behaviour is usually society's rules. They accomplish this by identifying undesirable acts that violate society's morally acceptable behaviour standards (Jahid, Rashid, Masud, and Yaya, 2022).

Businesses are expected to follow the laws and regulations enacted by the federal, state, and local governments as the basic rules under which they must function (Kusyk, 2021). Consumers are more inclined to buy items and use services from companies they trust. Following and obeying the laws governing business is crucial to establishing that confidence. Additionally, an organization's legal social duty includes prompt payment of needed taxes, adherence to labour rules, and compliance with legislation permitting inspections. It may seem obvious, but failing to comply with legal duties can result in an organization being sued, and publishing such a case can damage the company's reputation, leading to a drop in sales. (Bieteke, 2011)

Ethical Responsibilities: The next step is for an organization to be ethical. At its most basic level, this is the responsibility to do what is right and fair and to avoid or minimize harm to stakeholders (employees, stockholders, consumers, the environment, and others). Although economic and legal responsibilities reflect ethical principles concerning fairness and justice, ethical duties encompass those acts and practices that society expects or prohibits, even if they are not defined in law. Ethical duties differ from economic and legal responsibilities in that ethical responsibilities are not mandated by society but are expected of enterprises. Businesses must avoid problematic behaviours or perform above the legal minimum requirement to demonstrate ethical leadership. Businesses must follow moral norms that define appropriate actions in society. (Kusyk 2021). These principles include acting morally, doing what is right, just, and fair, honouring people's moral rights, avoiding harm or societal injury, and preventing harm caused by others. Ethical duties are those standards, norms, or expectations that indicate a concern for what shareholders, consumers, employees, and the general public consider to be fair or consistent with the respect or preservation of stakeholders' morals in an organization's ethical responsibilities also include paying employees a living wage and ensuring that the companies with whom it collaborates and purchases materials and supplies follow all labour regulations. Furthermore, an ethical company should ensure that it has no detrimental environmental impact on the community responsibilities in the Field of Philanthropy. Finally, a company is supposed to be a responsible corporate citizen. (Abdullahi,2005)

It is encapsulated in philanthropy, in which businesses are expected to provide financial and human resources to the community to improve the quality of life. Philanthropy refers to the efforts taken by businesses in response to society's expectation that they are decent corporate citizens (Kusyk, 2021). Philanthropic obligations are at the summit of the pyramid; these responsibilities aim to be a good corporate citizen and improve the quality of life for society members. Philanthropic responsibilities are wanted and anticipated by society to some level. Even while the public always expects corporations to supply it, philanthropy is more discretionary or optional for businesses (Kusyk, 2021). These activities are entirely voluntary, driven solely by a company's desire to participate in social activities that are not regulated, required by law, or typically anticipated by a company.

They include offering a daycare centre for working mothers and donating to charities (Maignan & Ferrell, 2000). Generally, a firm's discretionary obligations include voluntary social involvement, such as contributions to help the community through programs or volunteerism and actively engaging in acts or initiatives to promote human welfare or kindness. Business contributions of financial resources or executive time to the arts, education, or the community are also instances of philanthropy, as is a loaned-executive program that offers leadership for a community's United Way campaign. (see figure 1)

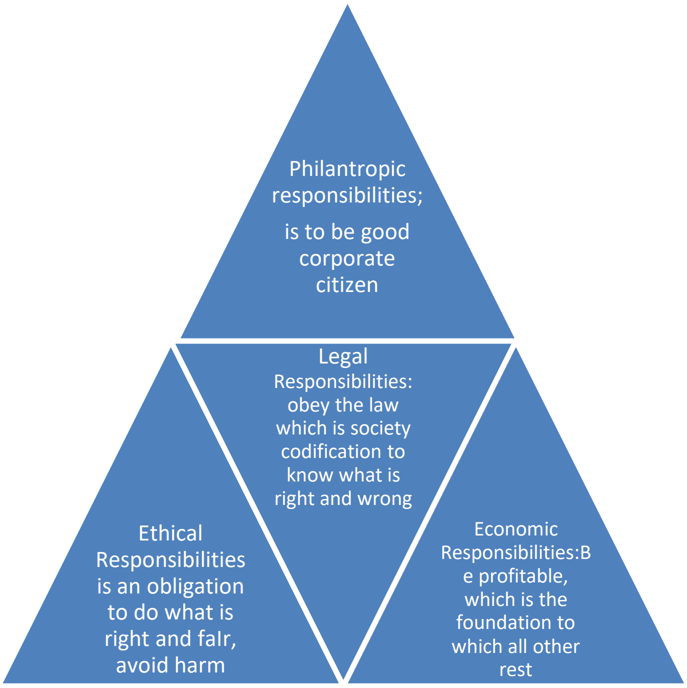

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Figure 1: Pyramid of Corporate Social Responsibilities (CSR)
Source: Adapted from Carroll (1991) Kusyk (2021); Hemphill (2004) and Windsor (2001)

THEORETICAL REVIEW

Stakeholder Theory

As a result, various stakeholders (shareholders, employees, consumers, government, and community) compete for business resources (Freeman, 1984 and 2001; Freeman and Liedtka, 1997; Jamali, 2008). Furthermore, the purpose of this research is to assess the impact of corporate social responsibilities on the capital market and corporate performance in Nigeria's selected sectors (oil and gas, manufacturing, and banks). Additionally, evaluate the impact of corporate social responsibility on business performance in Nigeria's designated sectors and industries. An organization must manage stakeholder interests across increasingly porous organizational boundaries and accept a duty of care to conventional interest groups as well as other stakeholders such as the local community and the environment (Carroll, 1979; Freeman, 1984; Simmons, 2004).

Stakeholder theory originated as a reaction to the Reagan and Thatcher administrations' prioritization of shareholders. Cooper (2013), on the other hand, notes that while the relationship between Thatcher and Reagan was clearly unique, it is vital to note the level of policy overlap and agreement between their administrations. As a result, both regimes pushed for the transfer of economic management from the government to private businesses. According to stakeholder theory, managers engage in CSR to fulfill moral, ethical, and social obligations to stakeholders while also strategically achieving company goals for shareholders (Carroll, 1979; Maretno and Harjoto, 2012). Stakeholder management adds to effective economic performance, yet it is insufficient to stand alone as a basis for stakeholder theory (although not blatantly incorrect) (Donaldson and Preston, 1995). (see figure 2).

The normative argument in favor of the stakeholder approach was that several scholars believed that stakeholder management could be unintentionally linked to corporate social performance (Donaldson and Preston, 1995; Graves and Waddock, 1994; Maretno and Harjoto, 2012). Furthermore, stakeholder theory has become a hot topic in management circles as well as in the sphere of management practice (Antonacopoulou and Meric, 2005). The seeming obviousness of the fundamental principles opposed in this "theoretically proclaimed" corpus may explain their rapid development, which may facilitate their acceptance in both academic and professional sectors. As a result, the idea implies different things to different individuals, and it has elicited acclaim or disdain from a wide range of academic disciplines and backgrounds (Westwood and Clegg, 2003). Meanwhile, as a matter of reasoned conversation, one of the stakeholder theory's greatest strengths is also one of its most obvious theoretical shortcomings.

According to Cochram and Wood (1984), the ability of the firm to manage the demands and expectations of the stakeholders effectively and efficiently is the most important aspect of its performance. In reality, a company that maintains a positive connection with its stakeholders may acquire a competitive edge over a company that refuses to comply with the stakeholder's request (Jones, 1995; Murray and Vogel, 1997; Simmons, 2004). Donaldson and Preston (1995) emphasize that a normative approach to stakeholder management focuses on narrative explanations of moral behavior and philosophical recommendations for the operation and management of stakeholder groups. This viewpoint is primarily concerned with stakeholder acceptance as individuals or groups with genuine interests in procedural and/or substantive aspects of business activity.

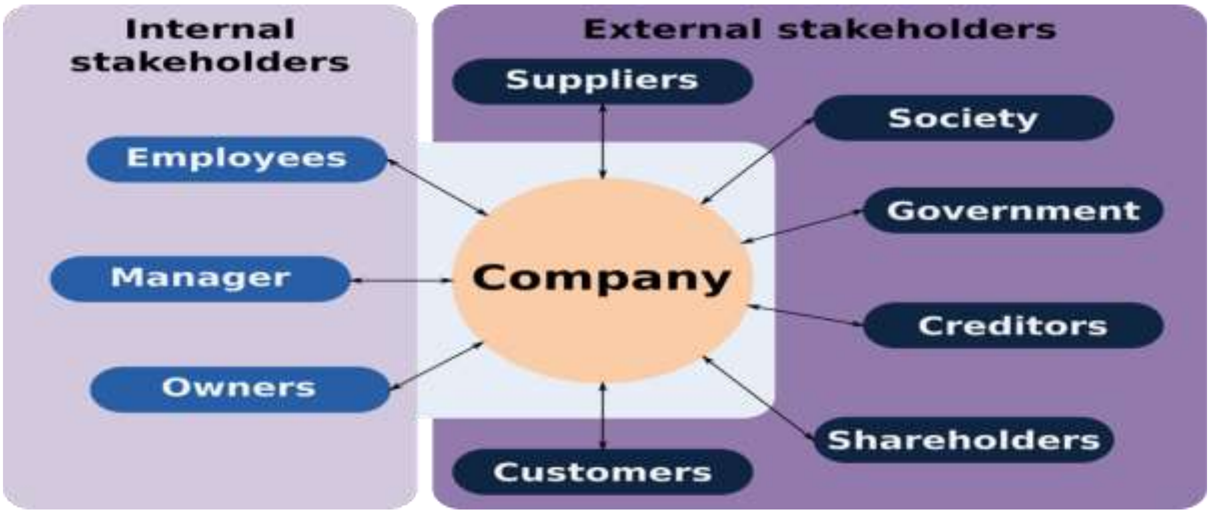

Figure 2: Framework Showing the Relationship between Internal and External stakeholders
Source: Adopted from Grochim (2009)

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Positive Relationship theory

A positive correlation between CSR and stock market performance is supported by a number of theories and studies. Managers have the responsibility to a broad set of stakeholders, according to the stakeholder theory of the company, and resources should be used in ways that go beyond maximizing stockholder benefit (Freeman 1984). This theory suggests that corporations should evaluate the influence of their activities and policies on all of their stakeholders (Bird, Hall, Momentè, and Reggiani, (2007). "No investment or finance should be undertaken by the firm unless the present value of the associated incremental benefits exceeds the present value of the related incremental expenses," Jensen says (Jensen 2001).

According to this concept, there are a number of ways that spending on CSR initiatives might result in increased market value. According to Bird et al. (2007), operations that result in immediate cost reductions will lead to enhanced profitability, which could contribute to a higher market valuation. Furthermore, efforts that promote profitability and, by extension, market value will increase goodwill and reputational benefits, or alternatively, dissuade future costly regulatory proceedings. Donaldson and Preston (1995) outlined an instrumental part of stakeholder theory and developed a methodology to investigate the relationships between stakeholder management in practice and the actual attainment of various corporate social performance goals.

Preston and O'Bannon (1997) deduced that satisfying the requirements of a variety of stakeholders will ultimately lead to positive financial results using this methodology. According to the stakeholder analysis, there is a conflict between the firm's explicit costs (such as bondholder payments) and its implicit costs (environmental costs). According to this idea, a company that tries to minimize its implicit costs by engaging in socially irresponsible behavior will incur greater explicit costs, putting it at a competitive disadvantage. Waddock and Graves (1997) provide an example, stating that an intelligent employee relations policy may have a minimal cost yet result in significant increases in morale and productivity. When compared to less responsible businesses, such gains provide a competitive edge. As a result, CSR actions like these will have a favorable effect on market performance.

Good corporate governance, sound environmental standards, and consideration of stakeholder perspectives, according to Renneboog, Ter Horst, and Zhang (2008). are related with increased shareholder value. According to Hassel, Ljungdahl, and colleagues (2008). a publicly traded company's high profitability should be reflected in a higher share price. If CSR investments have a favorable influence on profitability, the company's stock market value should rise (Ljungdahl, Larsson 2008). Several studies have been carried out to see if CSR efforts can serve as signals to investors. According to Jones and Murrell (2001), "a company's public acknowledgment for exemplary social behavior might serve as a favorable indication of the firm's financial performance to shareholders. "A company's commitment to the welfare of its employees is signaled by public acknowledgement of exceptional social performance, which improves the company's overall image and reputation. Shareholders and potential investors are more interested in a company with such long-term favorable predictions.

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Additional research backs up this beneficial association, demonstrating that gains in CSR result in cost reductions. As a result, companies that engage in CSR are more likely to be rewarded by investors with improved market performance (Lo, Sheu 2007). According to Porter and van der Qiu, Hu, and Wang, (2020) reducing emissions saves money by boosting efficiency. According to Ling, Ya Hui. (2019) being proactive on environmental concerns is advantageous for a company since it saves future expenses associated with having to meet environmental regulations and provides companies with firstfirst-moverntages. Klassen and McLauglin (1996) argue that environmental awards might be viewed as public indications of past and future long-term firm performance expectations. They conducted event research to determine the positive impact of environmental awards for businesses, the findings of this study reveal that when a company's environmental news is announced, the stock price rises.

Environmental event studies, according to Wagner (2001), clearly illustrate that financial markets react to environmental occurrences. Positive occurrences, he claims, cause a positive market reaction, whereas bad events cause a negative market reaction. "Community and supplier factors are favorably associated to market value," according to Yeprem, (2022). Companies with stronger social performance outperformed the market, while those with lower scores experienced lower returns. (D'Amato and Falivena, 2020).

Relational Theory

The intricate firm-environment interactions are the foundation of relational theory. The hypothesis was created by Garriga and Mele's (2004) stakeholder approach study, which was then backed by Mitchel, Agle, and Wood's work (1997). The analysis of corporate social responsibility focuses on the interrelationships between the two, as the title implies. The following are the conclusions about the three types of CSR theories: Individuals' perspectives of utilitarianism are simple, and from a firm's standpoint, mechanical; management is very organizationally driven and quantitative; and relational is values-based and interconnected between the corporation and society. This conclusion is further strengthened by another not-so-distant conceptualization about CSR in that the theories are grouped into.

i. **Instrumental:** The goal of instrumental theory is to achieve economic goals through social activity.
ii. **Political:** a political focus on the proper use of corporate influence in politics;
iii. **Integrative:** and value-based integrative, which focuses on bringing management challenges, public responsibility, stakeholder management, and corporate social performance together; and ethical theory, which emphasizes solutions for creating a decent society.

Stakeholder theory and legitimacy theory are the pillar on with this work is built. These theories individually recognize the existence of all stakeholder's investors, community, government, to mention but a few, as they lay emphasis on the presupposition that whether an organization is private or public, it is indebted to numerous sets, which are critical to the existence of that organization. When an organization expend on the community, it anticipates making profit from the money expended in form of reputational assets (Asemah et al., 2013).

Empirical Review

Impact of CSR on Firm Performance

In a sample of company directors, O'Neill, Saunders, and Derwinski McCarthy (1989) explored the relationship between corporate social responsiveness and profitability. There is no link between director social responsibility and corporate profitability, according to their research. Kenneth Kraft and Jerald Hage (1990) found a link between 82 commercial organizations' community service aims and different organizational characteristics such as goals, niches, structure, context, and performance. Their findings show that community service aims are unrelated to profit objectives, low-cost niches, a wide range of outputs, workflow continuity, qualifications, or centralization. Griffin and Mahon (1997) looked at the link between company social and financial performance, focusing on methodological flaws.

They concentrated on the chemical business and employed a variety of data sources, both perception-based (KLD Index and Fortune reputation survey) and performance-based (KLD Index and Fortune reputation survey) (TRI database and corporate philanthropy). To assess corporate financial performance, they employed the five most generally used accounting indicators in the corporate social performance and corporate financial performance (CFP) literature. They came to the conclusion that the adoption of measures in advance could influence the result of the CFP connection. Their findings demonstrate that the Fortune and KLD indices are very tightly related, but TRI and corporate philanthropy distinguish between high and low social performers and are unrelated to financial performance. According to Balabanis, Phillips, and Lyall (1998), CSR disclosure has a favorable impact on a company's CSR performance as well as its financial performance.

Participation in environmental protection initiatives has a negative relationship with financial performance later on. In the following era, a company's policies towards women's positions resulted in positive capital market performance. Donations to the Conservative Party were not to be linked to the financial performance of enterprises in the past, present, or future. According to McWilliams and Siegel (2000), CSR has a neutral effect on financial performance. According to Quazi and O'Brien (2000), corporate social responsibility is two-dimensional and global. Differences in the cultural and market environments in which managers work have a minor impact on corporate managers' ethical perceptions. Their research found no evidence of a positive impact of CSR on profitability. A supply and demand model of corporate social responsibility was proposed by McWilliams and Siegel (2001). (CSR).

They postulated that a firm's level of CSR is influenced by its size, level of diversification, RandD, advertising, government sales, consumer income, labor market conditions, and stage in the industry life cycle, based on this framework. They found that there is a "optimal" amount of CSR that managers can identify through cost-benefit analysis based on these ideas. They identified a relationship between CSR and financial performance that was neither positive nor negative. According to Husted and Allen (2007), while CEOs and government leaders claim in public that CSR programs provide value to their companies, they concede privately that they don't know if CSR pays off. Firms should engage in socially responsible activity, according to Mackey, Mackey, and Barney (2011). They've created a theoretical model in which the supply and demand for socially responsible investment opportunities decide whether these activities increase, decrease, or have no effect on a company's market value.

Managers of publicly listed companies may fund socially responsible initiatives that do not optimize the present value of their firm's future cash flows, but do maximize the firm's. market value, according to their theory. Negative impact of CSR on Firm Performance Henderson (2001) argues that social responsibility is a bad idea. He believes that the concept of CSR has been gravely harmed. Cost inflation and poor performance are more likely if CSR is implemented. If they implement CSR, he says, managers will be burdened by broad goals, time-consuming discussions with outside experts, and the need for new accounting, auditing, and monitoring systems. All of this could cancel out any CSR benefits. Friedman (2007) believes that a company's sole responsibility is to increase profits, not to society. According to Reich (2008), companies that practice CSR must compromise profit independence in order to achieve social goods. Companies that promote corporate social responsibility mislead the public into believing that the private sector is doing more for society's well-being than is actually the case. Robert criticizes CSR, claiming that it is a waste of money that merely serves to deceive the public.

CSR Disclosure (Independent Variable)
The overall evaluation of the CSR activities depicted in the CSR report is referred to as CSR reporting quality. In 2013, an independent CSR rating organization, Corporate Citizenship Index (3C-Index), will provide quality evaluation scores for CSR reporting. The MCT rat MCTindex was established to evaluate the CSR reporting quality by employing the Structured Experts Scoring Method (SECM) to undertake a complete review across the following four dimensions: macrocosm, content, technique, and related industry feature. With a score of 30 percent, macrocosm (M) is about the overall evaluation, which encompasses a firm's CSR strategy, corporate governance, and level of stakeholders' participation in CSR activities. With a 45 percent score, Content (C) focuses on specific indicators for economic, environmental, and social obligations.

Comparability, reliability, transparency, innovativeness, regularity, and availability of report information are all factors that the method (T) considers, and it contributes for 15% of the final score. Industry (i) which accounts for 10% of the total score, is primarily concerned with industry variance and particularity. The ultimate score, which ranges from 0 to 100, is calculated by adding the M, C, T, and i dimensions. The better the quality of CSR reporting, the higher the score (Wang, Yu, Jiang, Zhang, Guo Chang, and Campbell, 2017).

Performance (Dependent Variables)
Productivity, profitability, growth, and customer happiness are all criteria that can be used to assess a company's performance. These measurements are interconnected in some way. One of the instruments for revealing financial strengths, weaknesses, opportunities, and threats has been discovered to be financial measuring.

Financial metrics include return on investment (ROI), residual income (RI), earning per share (EPS), return on asset (ROA), dividend yield, price earning yield, price-earnings ratio, increase in sales, market capitalization, and so on, according to Barbosa and Louri (2005). In the management of private and public organizations, as well as in the field of organizational research, the concept of organizational performance or effectiveness is essential.

METHODOLOGY

This research focuses on corporate social responsibility (CSR) and financial performance in Nigeria's listed oil and gas, consumer products, and banking sectors. The study looks at concerns in reporting processes and the substantiation of yearly reports from 2015 to 2020 (5 years). An annual report is a tool for communicating important financial and non-financial data to stakeholders (Masud & Hossain, 2012). A quantitative method is also widely used in research with statistical data (Bryman & Bell, 2011). A deductive technique is the most suited because the research is based on existing theories and findings from previous investigations. The goal of the reading alters depending on which of the two methodologies is used in the study (Saunders, Goldenberg and Gallimore, 2009). The study's population will comprise three key industries: oil and gas, consumer goods, and banking (all 12 oil and gas firms, 15 consumer goods companies, and 14 listed Deposit Money Banking companies). Are listed on the Nigerian Stock Exchange (NSE) as at 2020. All Sectors whose annual reports do not cover the specified period were disqualified. This study adopts multi-stage sampling approaches in selecting the sample size. We'll go through a series of steps to arrive at our sample size. The sample size will be chosen in a number of different ways. This approach is in line with the work of (Eckardt, Yammarino, Dionne, and Spain, 2021). The populations of the study will be selected from three major companies. The selected companies will be divided into three categories based on their level of operations: multinational, national, and local. The Sample size was extracted from 3 industries, where 3 companies will be purposively selected from each sectors, based on the performance index of each company listed from three (3) sectors quoted in the Nigerian stock exchange. These three sectors are; the oil and gas sectors, consumer goods and banking sectors three (3) listed CSR industries will be considered for the study. Table 1 provides details of measurement.

Table 1: Details of measurement

S/N	Objective	Dependent variable	Control Variables	Independent variables	Analysis Techniques
1	Examine the effect of CSR disclosure on the financial performance of selected industries in Nigeria	Return on asset (ROA), Return on equity (ROE) and Tobin Q	Firm Size (FS), Leverage (LEV)	CSRD Themes (Environment-ENV. Communities- COM. Product Responsibility-PR. & Human Resources-HR.	Descriptive Statistics, Correlation, Regression Panel Analysis & Cross-Sectional Analysis
2	Examine the effect of corporate social responsibility disclosure on market value of selected firms	Market value (Tobin Q)	Firm Size (FS), Leverage (LEV)	ENV, COM, PR & HR.	Descriptive statistics, Correlation & Regression

Author's Computation 2022

MODEL SPECIFICATION

MODEL 1: To examine the effect of corporate social responsibility index on firm performance in the selected sectoral industries in Nigeria.

$FP = \beta_0 + \beta_1 CSRDIit + \beta_2 FSIZEit + \beta_3 LEVit + eit$ …… (3.1)

Model 1: (Objective 1)
Where,
FP = Financial performance include (ROE, ROA & EPS)
ROE= Return on Equity
ROA = Return on Asset
EPS = Earnings per share
CSRDI = Corporate social responsibility disclosure index
FSIZE = Firm Size
LEV = Leverage
e = Error Terms

MODEL 2: Investigate the effect of corporate social responsibility on market value of selected sectoral industries in Nigeria.

TQ (stock return) $= ß_0 + ß_1$ environmental (Env) $+ ß_2$ human resources (HR) $+ ß_3$ Community (Com) $+ ß_4$ Products (Pr) $+ ß_5$ Size $+ ß_6$ Leverage $+ e$ …… (3.2)

Model 2: (Objective 2)
Where,
TQ = Tobin Q is measured by the stock return
Bi = the regression coefficient, I = 0, 1……., 11

Env = the level of corporate disclosure for environmental activities
HR= the level of corporate disclosure for human resources activities
Com = the level of corporate disclosure for community activities
Pr = the level of corporate disclosure for product activities
Size= company size measured by the log of revenues (sales)
Leverage= a company's capital structure measured by total debt over total assets
e = error term

RESULT

Table 2 below highlights the descriptive statistics on the variables used in our models, as well as the correlations between them. The standard deviations (Std. Dev.) of the dependent variables do not exceed twice their average (mean), indicating a relative homogeneity of financial performance among the companies in our sample, particularly for ROA and TobinQ. In addition, the absolute values of the Pearson coefficients between the independent variables are less than 0.5. This is a presumption that there is no multi-collinearity problem in our regressions. The results of the Variance Inflation Factor test, which indicate Mean VIF values close to 1, corroborate this assumption.

In a figuration approach, Descriptive statistics estimates that CSR as a variable has the highest mean = 69.7608) with a standard deviation = 11.7713 indicates that CSR is the most sensitivity variable, while leverage (LEV) has the second highest mean = 55.0760 with a standard deviation = 182.3009 and SIZE has mean = 16.9473 with a standard deviation = 1.0996 indicates that the value of corporate SIZE is also a huge factor to the study. However, the correlations statistics shows that return on asset (ROE) has a positive correction = 0.4468 with return on equity (ROA) at 5 percent level of significant. TobinQ has a positive relationship with ROA = 0.5321 and ROE = 0.0842 at 5 percent level of significant respectively. CSR has a negative relationship with ROA = −0.0948*, ROE = −0.0760 and Tobin Q = −0.0734 at 5 percent level of significant respectively. SIZE has a positive significant relationship with ROA = 0.0589, ROE = 0.0826 and CSR = 0.2449 while SIZE has a negative effect on TobinQ = −0.0078 at 5 percent level of significant respectively. However, LEV has a negative relationship with ROA = −0.1881, ROE = −0.0215 TobinQ = −0.2585 and LEV has a positive significant relationship with both CSR = 0.0650 and SIZE = 0.2642 at 5 percent level of significant respectively.

Table 2: Descriptive Statistics and Correlations Panel

Variable	Mean	Std. Dev.	1	2	3	4	5	6	VIF
ROA	0.0411	0.0442	1.0000						1.07
ROE	0.1044	0.2421	0.4558*	1.0000					1.07
TobinQ	0.8512	0.4958	0.5321*	0.0842*	1.0000				1.08
CSR	58.6608	10.6713	−0.0948*	−0.0760*	−0.0734*	1.0000			
SIZE	18.8473	1.0996	0.0589*	0.0826*	−0.0078	0.2449*	1.0000		
LEV	48.1760	122.1009	−0.1881*	−0.0215	−0.2585*	0.0650*	0.2642*	1.0000	

Note: Data 2015–2021; N = 40; Std. Dev.is the standard deviation.
Symbol * means that the correlation coefficient of Pearson is significant at 5%.
VIF is the Variance Inflation Factor.

Panel Data Regressions Analyses

To estimate our four dynamic models specified in panel data, we use the GMM system method developed by Arellano and Bond (1991), Arellano and Bover (1995) and Blundell and Bond (1998) with two-step estimates following the methodology proposed by Windmeijer (2005) to promote its robustness. This choice follows the recommendations of Ben Lahouel et al. (2019) since the GMM system method solves the potential problem of endogeneity, especially since one of our explanatory variables is the lagged dependent variable. In addition, the individual dimension of our panel, which is broader than its time dimension ($T < N$), justifies the choice of the GMM system estimator (Roodman, 2009). In line with the empirical approach of Ben Lahouel et al. (2019) (Table 3 below), we begin by estimating model (1) without the interest variables (CSR) and by excluding and then reinserting the lagged dependent variables (L.ROA, L.ROE and L.TobinQ). This provides a first intuition on the sign of the coefficients of the control variables, as well as an idea on the relevance of dynamic specification, including the lagged dependent variables to the right of the estimated equation.

The estimates are conducted by the Panel Corrected Standard Errors (PSCE) estimator since our criterion for choosing between the dynamic model and the static model is the coefficient of determination (*R-squared*), which is not generated by the GMM estimator. However, the GMM estimator is more efficient than standard estimators, such as the PSCE estimator, and therefore we will use its outputs to interpret the relationships between our variables. In addition, before applying the PSCE estimator, we performed the same regressions with a fixed-effects estimator, as suggested by the Hausman-test values (P-values < 5%) included in Table 3. Nevertheless, this estimator is not efficient because of the existence of heteroskedasticity and autocorrelation problems of errors revealed by the Wooldridge and Wald tests (P-values < 5%). To overcome this limitation, we opted for the PSCE estimator as suggested by Greene (2011). Table 3 below shows negative and generally significant coefficients for the variables L.ROE, LEV and AGE. In contrast, L.ROA and L. TobinQ have positive and significant coefficients, while SIZE only seems to have a positive and significant impact on TobinQ. The R-squared values indicate that the dynamic specification is more representative of the FP-CSR relationship than the static specification (0.5120< 0.6540; 0.2776 < 0.5782; 0.4495< 0.8896). The Chi2-statistic proves that all regressions are globally statistically significant and the slight variation in the number of observations refers to our unbalanced panel.

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Table 3: Lagged and control variables.

	Dependent: ROA		Dependent: ROE		Dependent: TobinQ	
Column	(1)	(2)	(3)	(4)	(5)	(6)
L.ROA		0.3825***				
		(0.0639)				
L.ROE				−0.3367***		
				(0.0482)		
L.TobinQ						0.5780***
						(0.0420)
SIZE	0.0018	−0.0020	0.0125	0.0073	0.0803***	0.0426***
	(0.0024)	(0.0022)	(0.0160)	(0.0122)	(0.0226)	(0.0132)
LEV	−0.0257***	−0.0210***	−0.0424***	−0.0392***	−0.2305***	−0.1352***
	(0.0019)	(0.0020)	(0.0081)	(0.0081)	(0.0184)	(0.0139)
Constant	0.1144***	0.1468***	0.3971**	0.3409*	0.5861	0.2267
	(0.0394)	(0.0359)	(0.1789)	(0.1965)	(0.3767)	(0.1891)
Observations	324	324	324	324	324	324
R-squared	0.5120	0.6540	0.2776	0.5782	0.4495	0.8896
Chi2-statistic	198.1	370.9	30.34	74.45	158.1	953.6
Hausman-test	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000
Wooldridge-test	0.0051	0.0008	0.0000	0.0000	0.0002	0.0008
Wald-test	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000

The models are estimated by the Panel Corrected Standard Errors (PSCE) estimator. Standard errors are presented in brackets below the corresponding coefficient. Symbols *, ** and *** mean the variable is significant at 10%, 5% and at 1%, respectively.

Table 4 shows the results of the ordinary least squares (OLS) regression, which compares the effects of the independent variables on the dependent variable. However, OLS estimates show that the model is significant in all selected sectoral firms, with $P < 0.01$, 0.05, and 0.1, respectively. The F-statistical results (3.63, 3.55, 4.59, 2.41, 1.16, 1.91, 7.66, 5.55 and 1.54 6; $P = 0.000$) shows that the entire model is fit for the analysis, indicating that the model is significant to the study. R^2 = 31.30%, 21.19%, 38.40%, 18.20%, 12.02%, 13.45%, 42.22%, 39.23%, 12.92% represents the effects of the model's variables. in the categories of oil and gas industries SEP has the greatest effect at 31.30. it is obvious that UNI has the greatest effect at 18.20% among the selected manufacturing industries. However, UBA has the greatest effect which stood at 41.12%. Thus, the hypothesis is accepted at the 0.01, 0.05, and 0.1 level of significance in TEM, MRS, SEP, UNI, VIF, FLM, UBA, WEM and JAB, the coefficient estimates of CSRI and Firm size are positive at 0.005, 0.0019, 0.0184 0.0542, 0.0306, 0.0093, 0.0084, 0.1042, 0.1334, 0.0536, and 0.0993, respectively. All of the selected banks have positive bank attributes (ROA, ROE, EPS, and SIZE). The findings indicate that CSRI will have a long-term impact on FP. As a result, the hypothesis ($H0_1$) is being rejected based on the outcomes of the findings of the OLS regression results.

Variables	TEM	MRS	SEP	UNI	VIF	FLM	UBA	WEM	JAB
CSRI	0.0050 [a]	0.0019	0.0184 [b]	0.0542	0.0306 [b]	0.0093	0.0084	0.1042 [a]	0.1334
ROA	0.0048 [b]	0.0001	0.0196 [b]	0.4041	0.0419 [b]	0.0394 [b]	0.0394 [b]	0.0766	0.1013
ROE	0.0178 [a]	0.0043 [b]	2.5084	0.0008	0.0319 [a]	0.0138 [a]	0.0138 [a]	0.0407 [a]	0.1155
EPS	0.1003 [c]	0.1813 [a]	0.2603	0.1184 [a]	0.1679	0.1178 [a]	0.1775 [a]	0.1916 [a]	0.1234
LEV	0.1856	0.1034 [b]	0.1225	1.4282 [a]	0.1306 [b]	0.1093	0.1073	0.7110	0.1577
SIZE	0.1003	0.0501	0.1273 [a]	0.1542	0.1221	0.1123	0.1133	0.1940	0.1515
F-stat.	3.63	3.55	4.59	2.41	1.16	1.91	7.66	5.55	1.54
Sig.	0.000	0.002	0.000	0.000	0.000	0.000	0.000	0.000	0.000
R^2	31.30%	21.19%	38.40%	18.20%	12.02%	13.45%	42.22%	39.23%	12.92%
Adj. R^2	30.4%	20.03%	36.31%	16.51%	11.20%	12.31%	41.12%	37.91%	11.31%

Table 4: Cross Sectional Analysis of CSRI and FP

Note: TEM = Total Energies Marketing Nig. Plc.,
MRS = Mrs. Oil Nig. Plc.,
SEP = Seplat Petroleum Nig. Plc.
UNI = Unilever Nig. Plc.
VIF = Vital Foam Nig. Plc.
FLM = Flour Mill Nig. Plc.
UBA = United Bank for Africa Plc.
WEM = Wema Bank Nig. Plc.
JAB = Jaiz Bank Nig. Plc.
[a] Correlation is significant at the 0.01 level (two-tailed);
[b] Correlation is significant at the 0.05 level (two-tailed);
[c] Correlation is significant at the 0.10 level (two-tailed).

From Table 5 shows that the descriptive analysis of the variables for the oil & gas, manufacturing and banking industries in Nigeria. In regards to the environmental scores, the banking industry had the highest mean at 47%, while the oil and gas industry had the lowest at 36%. In terms of human resources scores, the banking industry had the highest mean at 62%, while the oil & gas had the lowest mean at 52%. In terms of community scores, the highest mean was for the oil & gas industry (52%), while the lowest mean was for the banking industry (26%). Regarding the products scores, the manufacturing industry had the highest mean at 69%, while the P&M industry had the lowest at 42%. In relation to the dependent variable, Tobin Q, the oil & gas industry had the highest mean at 109%, ranging from 0.24 to 3.09, while the manufacturing industry had the lowest mean at 79%, ranging from 0.25 to 1.84.

Regarding the two control variables, the manufacturing industry had the highest mean of sales with JD 19959843, while the oil & gas industry had the lowest mean of sales with JD 4984595. For leverage, the manufacturing industry had the highest mean at 33%, while the oil & gas industry had the lowest mean at 31%. Overall, banking companies in Nigeria revealed the highest scores in three themes (environmental, human resources and community), while the scores of oil & gas companies were the lowest in the same themes. Hence, one could argue that the banking industry could be one of the quickest industries to adopt CSR issues in their strategies and activities (Berete, 2012). On the other hand, the oil & gas industry has not revealed an adequate level of adopting CSR strategies and activities. In regards to product scores, the manufacturing industry in Nigeria showed a high level of concern because issues such as obesity, food safety and packaging are major issues in the manufacturing industry (Cuganesan, 2010). On the other hand, the banking industry did not pay a high level of attention to product activities and strategies.

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Table 5: Descriptive statistics for variables

Industry	**Oil and gas**							**Manufacturing**							**Banking**						
Variables	EVN	HR	C om	Pr	TQ	Size	Lev	EVN	HR	Com	Pr	TQ	Size	Lev	EVN	HR	Com	Pr	TQ	Size	Lev
Mean	0.36	0.41	0.52	0.42	1.99	49441	31	0.39	0.58	0.28	0.69	0.79	15887	33	0.47	0.62	0.27	0.47	1.05	19987	32
S.D.	1.82	0.50	0.36	0.41	1.08	39334	18	2.17	2.56	1.20	1.41	0.34	17499	22	0.91	1.37	1.04	0.66	0.41	13311	17
Max.	7	12	4	6	3.89	18102	61	7	15	5	7	1.84	70345	67	6	11	5	4	1.74	45543	58
Min.	0	4	1	0	0.34	573	4	0	5	0	2	0.25	270	0	3	7	2	2	0.45	128	5
No.	45	45	45	45	45	45	45	40	40	40	40	40	40	40	40	40	40	40	40	40	40

Source:
ENV. = Environment
HR. = Human Resources
Com. = Community
Pr. = Products
TQ = Tobin Q
Lev. = Leverage

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Table 6: Kolmogorov-Smirnov results for normality

Variable	Industry (Models)	Kolmogorov-Smirnov		
		Statistic	df	Sig.
Tobin Q	Oil & Gas (Model One)	0.064	45	0.200
	Manufacturing (Model Two)	0.076	40	0.082
	Banking (Model Three)	0.052	45	0.200

Table 6: Kolmogorov-Smirnov results for normality. The multicollinearity assumption was checked by calculating the variance inflation factor (VIF). A VIF of more than 10 is considered to indicate a high level of multicollinearity (Field, 2005). The VIF for all variables in this study remained below 10 which indicates the absence of multicollinearity. Table 7: VIF results for multicollinearity The independence of errors assumption was checked using the Durbin-Watson test. The test value varies between 0 and 4, and a value of 2 indicates the uncorrelation of errors (Field, 2005). In addition, Field (2005) noted that a conservation rules that values less than 1 or greater than 3 is cause of concern.

Table 7: VIF results for multicollinearity

Industry (Model)	V	IF		
	Env	HR	Com	Pr
Oil & Gas (Model One)	2.370	2.169	1.909	2.732
Manufacturing (Model Two)	1.107	2.435	2.158	1.646
Banking (Model Three)	1.677	2.725	1.886	1.189

Regression Results for Banking Industry							
		Env	HR	Com	Pr	Size	Lev
Coefficient t-value		0.101	0.202	0.212	0.152	0.162	0.182
Sig. p-value		0.001	0.004	0.002	0.013	0.014	0.022
N			45	45	45		
Adjusted R^2	0.466	45				45	45
F-value	3.273						

CONCLUSION AND RECOMMENDATIONS

The results from the analysis have shown that total asset which measures the size of the firms is an important variable that determines the performance of the firms and not the expenditure on the CSR. However, CSR shows a positive impact on performance of the firms but the effect is not significant. The same behaviour is shown by other variables such as working capital and leverage ratio. The implication of the result is that the expenditure on CSR of the sampled companies has not been able to impact significantly on their profit level which is used to measure their performance in the study. However, there is enough evidence to conclude from the findings of the study that the size of the firms is an important variable that influence their performance. The results showed that bigger firms have the tendency of making more profit than smaller firms but that does not make them to be more CSR responsible than the smaller firms.

In addition, there is a difference in the relationship between CSR and performance of the firms in the two sectors used in the study that is the oil and the banking sector. There is enough evidence from the findings of the study to support the fact that the results from the banking sector is more homogenous than that of the oil sector. finding is that the banks used in the analysis demonstrate uniformity in terms of their relationships between CSR, other control variables and their performances. Therefore, it can be concluded from the study that banks in Nigeria appear to exhibit similar approaches in their CSR expenditure and its implications on their performances. This result further underscores the importance of a unique code of conduct which guides the operation in the banking sector. However, a good number of the firms used under the oil sector are outliers under the cross-sectional effect analysis. The study commends based on the findings of each of the hypothesis and the recommendations were listed as follows;

i. The findings revealed that firms in Nigeria are yet to significantly use CSR to promote their performances like what is done by firms in developed economies. Therefore, as part of the recommendation from this study, Nigerian firms are advised to pay more attention to being CSR responsible and find ways by which this can translate to improved profit and enhancement of their overall performances. Again, relevant authorities in Nigeria, saddled with the responsibilities of enforcement of CSR compliance by firms, should focus more on the oil sector, where there are diversities in approaches to CSR.

ii. From the findings, the study recommended that companies report their social and environmental footprints in detail to supplement their CSR achievement and the quality of CSR information disseminated to shareholders for investment decisions, market competition, and industry reputation in the economy's development.

iii. This study recommends that government should provide regulatory covers on CSR disclosure to improve the growth of CSR activities among the listed companies in Nigeria.

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