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# Corporate Social Responsibility and Performance of Nigerian Quoted Firms: An Empirical Study

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**Abstract**

**Purpose of the article:** To examines the effect of corporate social responsibility on performance of Nigerian quoted firms.
**Methodology/methods:** The study applies the survey research method, carrying out a cross-sectional analysis of one hundred and fifty (150) firms quoted on the Nigerian Stock Exchange. The model was specified and analysed using the binary logistic regression analysis.
**Scientific aim:** To examine the effect of corporate social responsibility on firm profitability, to evaluate the effect of corporate social responsibility on return on equality, and to assess the effect of corporate social responsibility on market success in Nigeria.
**Findings:** The results revealed that corporate social responsibility (CSR) exerts a positive and statistically significant effect on firm profitability (PF), return on equity (ROE) and market success (MS) in Nigeria.
**Conclusions:** Based on the findings, we concluded that corporate social responsibility (CSR) has a significant influence on firm profitability (PF), return on equity (ROE) and market success (MS). Thus, the study recommends among others that corporate firms in Nigeria should intensify efforts to increase their commitment to social responsibility in order to create good image in the mind of their host communities.

**Keywords:** corporate social responsibility, performance, firm profitability, return on equity, market success

**JEL Classification:** H55, G32, M2, M14, M54

## 1. Introduction

The survival of every corporate organization depends on the achievement of its objectives. The two broad categories of business objectives expected to be achieved include economic objectives and social objectives. While the economic objectives are the largest to be achieved in the marketing efforts of corporations, social objectives are associated with the aims of a corporation towards satisfying the interest of its shareholders, workers, host community and the government. In recent times, corporate social responsibility has become the central focus in studying the relationship between corporate organizations and the society (Osisioma *et al.*, 2015). Today, there seems to be a consensus among the practitioners, professionals and academics that corporate social responsibility movement has developed the notion of corporate governance as a vehicle for pushing management to consider broader ethical considerations. Corporate social responsibility "has drawn on the dramatic progress made by corporate organizations in recent times in balancing shareholders' goals with the need to reduce externalities that impact other stakeholders. Thus, corporate social responsibility has joined the political endeavours to make corporations more attuned to public, environment and social needs by pursing corporate governance as a framework for boards and managers to treat employees, consumers and host communities similarly to, if not the same as shareholders" (Gill, 2008, p. 454).

Corporation organizations do not exist in a vacuum. They exist in society, and they receive a lot of benefits from society. They have to worry about the welfare of society and other social costs associated with poverty. According to Oguntade, Mafimisebi (2011, cited in Osisioma *et al.*, 2015, p.58), corporate organizations operating in Nigeria have not done enough to improve the social welfare of the host communities where they are operating despite the huge amount of profits which they are realizing. The expectation of social service from corporate firms has become very high in Nigeria especially in the oil producing areas and the negligence of the expectations by those corporations has resulted to a very turbulent environment for them. Poverty in the country, illiteracy, poor infrastructure and bad road networks, and environment pollution are possible issues that necessitate the need for business organizations to play an active role in the society in order to address the problems. Thus, social issues must be identified as an important aspect of corporate social performance. In the light of the foregoing, the principal objective of this study is to empirically examine the impact of corporate social responsibility on corporate performance of Nigerian quoted firms. This study is anchored on the stakeholder theory which emphasises that in addition to shareholders, there are several agents that are interested in firms actions and decisions.

## 2. Literature review

### 2.1. Firm performance (FP)

Firm Performance "has become a relevant concept in strategic management research and is frequently used as an ultimate dependent variable. Although it is a very common notion in the academic literature, there is hardly any consensus about its definition and measurement. However, due to the absence of any operational definition of firm performance upon which the majority of scholars consent, there were diverse interpretations suggested by various scholars according to their personal perceptions" (Taouab, Issor, 2019, p. 94). Performance is the act of doing something successfully. "It encompasses behaviours such as assembling parts of a car engine, selling personal computers, teaching basic reading skills to elementary school children or performing heart surgery. Not every behavior is subsumed under the performance concept, but only behaviour which is relevant for the corporate goals. Thus, performance is what the firm hires one to do, and do well" (Campbell *et al.*, 1993, p. 40). According to Verboncu, Zalman (2005), performance is a particular result obtained in management, economics and marketing that gives characteristics of competitiveness, efficiency and effectiveness to the organization and its structural and procedural components. Colase (2009 cited in Taouab, Issor, 2019, p. 96) considers performance as "a bag-word because it covers various and different notions such as growth, profitability, return, productivity, efficiency and competitiveness". Thus, firm performance is a set of financial and non-financial indicators that offer information on the level of accomplishment of objectives and results (Leans, Euske, 2006).

Performance measurement is critical for effective management of any firm. This is because the business environment in recent times has undertaken several changes, creating more and more complexity and uncertainty. In this changing environment, firms face severe competitive pressure to do things better, faster and with low price. They need to cope with the growing number of challenging arising from the business environment and also increase their ability to adapt. Thus, continuous performance is the objective of any firm (Taouab, Issor, 2019). Firms that are able to attract better human capital, establish more reliable supply chains, avoid conflicts and costly controversies with host communities and engage in more product and process innovations in order to be competitive under the constraints that the integration of social and environmental issues places on the firm, achieve higher performance and value. Thus, firm performance encompasses three specific areas of outcomes:

i. Financial performance (profits, return on assets, return on investment, *etc.*);
ii. Product market performance (sales, market shares, *etc.*); and
iii. Shareholder return (total return, economic value added, *etc.*) (Richard *et al.*, 2009).

However, Drucker (1993) and Friedman (1962) define implicitly and explicitly three main metrics to measure whether management fulfill it functions. These are profitability, return on equity and market success. In terms of financial research, common the appropriate metrics include revenue and market share as measurement for 'market success', net income and the return on investment for 'profitability' and total return and economic value-added for 'return on equity'. According to these reflections, the main benchmark for evaluating empirical studies in the present study is the application of such basic metrics to measure firm performance.

**2.2. Corporate social responsibility (CSR)**

Social responsibility is "the obligation of decision-makers to take actions which protect and improve the welfare of society as a whole along with their own interest" (Davis, Blomstrom, 1975, p. 39). This definition suggests two active aspect of social responsibility-protection protecting and improving. To protect the welfare of society implies the avoidance of negative impacts on society, while to improve the welfare of society implies the creation of positive benefits for Society (Carroll, 1979). Thus, corporate social responsibility (CSR) is "a business strategy to make the ultimate goals of corporations more achievable as well as more transparent, demonstrate responsibility towards host communities and the environment, and take the interest of groups such as employees and customers into account when making long-term business decisions" (Gill, 2008, p. 463). In the view of Charkraborty (2010 cited in Nasieke *et al.*, 2014, p. 106), corporate social responsibility is "a concept whereby firms commit to improve their environmental and social performance beyond the legal obligations. It is a commitment to improve the well-being of the community true discretionary business practices and contributions of corporate resources". In the context of this study, we perceive the corporate social responsibility as the commitment of a business to contribute to sustainable economic development, working with employees, their families, the host community, and the society at large to improve their quality of life. Carroll's (1991) four-part model provides dimensions of societal expectations for socially responsible business behaviour – philanthropic, ethical, legal and economic, as shown in the Table 1.

The Carroll four-part model, which includes four kinds of responsibilities, was elaborates and builds on the definition of corporate social responsibility (CSR) proposed my McGurire *et al.* (1988) as shown in the Table 1.

#### *2.2.1 Economic responsibilities*

First, there are business's economic responsibilities. It may seem odd to consider economic responsibility as social responsibility, but, in effect, it is what it is. First and foremost, the American social system calls for businesses to be an economic institution. This means that they should be an institution whose orientation is to produce goods and services that society wants and to sell those at a fair price – prices that society thinks represent the true value of the goods and services delivered and that provide businesses with profits adequate to ensure its perpetuation and growth and to reward its investors. Carroll's (1991, p. 40) economic responsibility emphasizes "the need for the corporate organization to perform in a manner consistent with maximizing earning per share; be committed to being profitable as possible; maintain a strong competitive position; maintaining a high level of operating efficiency and that a successful firm be defined as one that is consistently profitable".

#### *2.2.2 Legal responsibilities*

Second, there are businesses legal responsibilities. Just as society has sanctioned our economic system by permitting businesses to assume the productive role mentioned above as a partial fulfillment of the social contract, it has also laid down the ground rules – the laws – under which business is expected to operate. Legal responsibilities reflect a view of 'codified ethics' in the sense that they embody basic notions of fairness as

*Table 1. Four-Part model of corporate social responsibility.*

| Types of Responsibility | Societal expectation | Examples |
|---|---|---|
| Philanthropic Responsibility | DESIRED of business by society | Corporate contributions<br>Programmed supporting<br>Community/education<br>Community involvement/improvement<br>Volunteerism |
| Ethical Responsibility | EXPECTED of business by society | Avoid questionable practices. Respond to "spirit" of laws. Assume law is a floor on behaviour; operate above minimum required by law. Assert ethical leadership. |
| Legal Responsibility | REQUIRED of business by society | Obey all laws; adhere to regulations. Obey environment laws; consumer laws and laws affecting all employees. Obey foreign corrupt practices ACT. Fulfill all contractual obligations |
| Economic Responsibility | REQUIRED of business by society | Be profitable. Maximize sales revenue. Minimize costs (administrative, production, marketing and distribution). Make wise strategic decision. Be attentive to dividend policy |

*Source: Carroll (1979).*

established by our lawmakers. It is the business's responsibility towards society to comply with these laws. If the business does not agree with laws that have been adopted or are about to be adopted, our society has provided a mechanism by which the dissenters can be heard through the political process (McGuire *et al.*, 1988). Carroll's legal components emphasise "the need for a firm to perform in a manner consistent with expectations of governments and laws; be a law-abiding corporate citizen; provide goods and services that meet minimum legal requirements and that a successful firm be defined as one that fulfills his legal obligations" (Carroll, 1991, p. 40).

### *2.2.3 Ethical responsibilities*

Ethical responsibilities brace those activities and practice that are expected or prohibited by societal members even though they are not codified into law. Ethical responsibilities embody the range of norms, standards and expectations which reflecs a concern for what consumers, employees, shareholders and the community regard as fair, just or in keeping with the respect for or protecting of stakeholders' moral rights (McGuire *et al.*, 1988). Carroll's (1991, p. 41) ethical component of social responsibilities advocates "the need for a firm to perform in a manner consistent with societal expectations and ethical norms; recognize and respect new or evolving ethical/moral norms adopted by society and prevent ethical norms from being compromised in order to achieve corporate goals".

### *2.2.4 Philanthropic responsibilities*

Finally, there are business's voluntary/discretionary or philanthropic responsibilities. Perhaps it is a misnomer to call these responsibilities, because they are guided primarily by the business's discretion – its choice or desire. These activities are purely voluntary, guided only by the business's desire to engage in social activities that are not mandated, not required by law and not generally expected of business in an ethical sense. Such activities might include establishing loaned executive programmes in the community, giving to charitable causes, providing day--care centres for working parents, initiating adopt-a-school programmes and conducting in-house programmes for drug abusers (McGuire *et al.*, 1988). Carroll's (1991, p. 41) component of philanthropic responsibilities advocates "the need for a firm to perform in a manner consistent with philanthropic and charitable expectations of society and voluntarily assist projects that enhance a host community's quality of life". This supports the assertion of Ojo (2012) who posits that there is need for a corporate organization to engage in active social role in the society where it is operating since it depends on the society for sustenance.

## 2.3. Arguments against and for corporate social responsibility

At this point, it is important that we first look at the argument that have surface over the years from anti-corporate social responsibility school of thought. Especially the classical economic arguments such as:

Corporate social responsibility is economically irresponsibility;

Corporate social responsibility is unfair to shareholders;

Demanding social responsibility of corporations is changing the rules of the game;

There is no way of knowing how a socially responsible corporation should act;

Corporate social responsibility put corporation in a deleterious position in terms of the international balance payments (Friedman, 1962; Hayek, 1969).

## 2.4. Arguments for corporate social responsibility

i. Responsibility goes hand in hand with power. And nobody has more resources and power than business corporations.
ii. Corporations owe something back to society because they exist in society and they receive a lot of benefits from society.

iii. Not all corporation activities bring benefits. And corporations lure people into buying things they do not need through their advertising, while many things that people do need like decent and affordable housing for the poor, good water *etc.*, are in pitifully short supply. Also they do harm by doing what they call "good business", they make unsafe products and pollute our air and water. Corporations also gave huge sums of money to politicians through their political action committees and "honoraria" to get them to vote their way, instead of in the public interest. Today, the question is not whether or not firms will affect social realities, but whether they will affect them positively or negatively.

iv. Social responsibility is in corporation's own interests. In today's competitive business environment, what corporations are not willing to do themselves the public will eventually force them to do and that means a whole lot more regulations and red tape (Drucker, 1993; Fontaine, 2013).

### 2.5. Activities and characteristics of a socially responsible business corporation

1. Makes products that are safe.
2. Does not pollute air or water.
3. Obeys the law in all aspects of business.
4. Promotes honest / ethical employee behaviour.
5. Commits to safe work place ethics.
6. Does not use misleading / deceptive advertising.
7. Upholds stated policy banning discriminationů.
8. Utilizes "environmentally friendly" packagingů.
9. Protects employee against sexual harassmentů.
10. Recycles within the company.
11. Shows no past record of questionable activity.
12. Responds quickly to customer problems.
13. Maintains waste reduction programme.
14. Provides / pays portion of medical care.
15. Promotes energy-conservation programmes.
16. Helps displaced workers with placement.
17. Gives money to charitable / educational causes.
18. Utilizes only biodegradable / recycling materials.
19. Employs friendly / courteous / responsive personnel.
20. Tries continually to improve quality (Carroll, 2002).

### 2.6. Factors in selecting areas of social involvement

Many factors come into play as an executive or a manager attempts to get a fix on which social issues should be of highest priority to the business firm. According to Holmes (1976), the top five factors were:

i. Matching a social need to corporate need or ability to help.
ii. Seriousness of social need.
iii. Interest of top executives or board of directors.
iv. Public relations value of social action.
v. Government pressure.

### 2.7. Corporation social performance

During the late 1980s, throughout the 1990s and into the 2000s, there was a trend toward making the concern for social and ethical issues more and more pragmatic. The performance focus is intended to suggest that what really matters is what firms are able to accomplish – the results of their acceptance of social responsibility and adoption of a responsiveness philosophy. In developing a conceptual framework for corporate social responsibility (CSR), we are not only to specify the nature (economic, legal, ethical or philanthropic) of the responsibilities, but we also need to adopt a particular philosophy, pattern or mode of responsiveness. Finally, we need to identify the stakeholders' issues or topical areas to which these respon-

*Table 2. Warkick and Cochran's Corporate Social Performance Model.*

| **Principles** | **Processes** | **Policies** |
|---|---|---|
| Corporate Social responsibilities | Corporate social responsiveness | Social issues management |
| Economic<br>Legal<br>Ethical | Reactive<br>Defensive<br>Accommodative | Issues identification<br>Issues analysis<br>Response development |
| Discretionary | Proactive | |
| Directed at: | Directed at: | Directed at: |
| The social contract of business | The capacity to respond to changing societal conditions. | Minimizing surprises |
| Business as a moral agent | Managerial approaches to developing response | Determining corporate social policies |
| Philosophical orientation | Institutional Orientation | Organizational orientation |

*Source: Warkick, Cochran (1985, p. 767).*

*Table 3. Wood's corporate social performance model.*

| |
|---|
| **Principle of corporate social responsibility**: |
| Institutional principle: legitimacy. |
| Organization principle: public responsibility |
| Individual principle: managerial discretion |
| **Process of Corporate Social Responsibility:** |
| Environmental assessment |
| Stakeholder management |
| Issues management |
| **Outcomes of Corporate Behaviour**: |
| Social impacts |
| Social programmes |
| Social policies |

*Source: Wood (1991, p. 694).*

sibilities are tied. Using Warkick, Cochran's (1985) extensions, Wood (1991, p. 692) produced a definition of corporate social performance as "a corporate firm's configuration of principles of social responsibility, processes of social responsiveness and policies, programmes and other observable outcomes as they relate to the firms social relationships". According to Wood (1991) and Chou *et al.* (2017), corporate social performance is a dynamic and multifaceted managerial concept by proposing that each of the three components principles, processes and outcome is composed of specific elements. At this point, it is important to present Wartrick and Cochran's corporate social performance extensions model elaborated and reformulated by wood, 1991 (Table 2, 3).

From the foregoing, it is essential that firms commit to improve their environmental and social performance beyond legal obligations. A good social performance is socially responsible and also improves firms' profitability (Stoner, Freeman, Gilbert, 2008).

## 2.8. Corporate social responsibility in Nigeria

The emphasis on corporate social responsibility in Nigeria arose following the arrival of Shell – BP, a multinational oil corporation on discovery of oil in Oloibiri in the Niger Delta region of Nigeria in 1957. Following the ecological damags as a result of the exploration of this oil, in the 1990s, various ethnic groups especially in the Niger Delta region began to demand social responsibility from the multinational oil corporation. Corporate social responsibility has become a necessity in this present time due to the goodwill it generates and due to the fact that there is interdependence between the corporate firms and the environment where they are operating. High sustainability firms generate significantly higher stock returns, suggesting that indeed the integration of social issues into a firm's business model and strategy may be a source of competitive advantage for the firm in the long run. A more engaged workforce, a more secure licence to operate, a more loyal and satisfied customer base, better relationships with stakeholders, greater transparency, a more collaborative community and a better or ability to innovate are contributing factors to firms superior performance in the long-term.

**2.9. The challenges in Nigeria**

There are several challenges to corporate social responsibility in Nigeria. These include the adherence to the conventional business principle which states that the business of an organization is strictly to benefit its shareholders, meaning that the business organization major motive and target is the ability to make profit, and maximize profit even at the expense of the environment of their operation. This orthodox norm affects negatively all aspects of the society especially as it affects environmental protection. Another challenge to corporate social responsibility in Nigeria is the inefficiency of the legislation. There is little legislation in the area of corporate social responsibility and the available legislation is either poorly managed or unenforceable. The legal regulations are adopted to order the cause of life and events within a society, but when the adopted legislation is not adequate, not in terms of the volume or variety but in terms of the specification, the effect becomes insignificant. Yet another challenge to corporate social responsibility in Nigeria is poor enlightenment within the Nigerian society. The lack of awareness as to the need to be socially responsible to the environment makes people to be ignorant of the effect of their negative or improper dealings to the environment. The insincerity and insensitivity of the Nigerian government has also been implicated. For instance, the responses of Nigerian government to negative corporate activities such as gas flaring has not portrayed the government to be sincere enough in ensuring the practice of social responsibility in Nigeria. In Nigeria today, the government seems to concentrate more on generating income from the default or failures of the corporate firms in meeting up with their social/legal responsibility to the environment. The fund generating drive of the Nigerian government encourages thee non-compliance of the firms to environmental laws. Monetary compensations are being accepted in lieu of the firm's obnoxious acts of environmental degradation at the expense of the preservation and conservation of the environment (Mordi *et al.*, 2012).

Compensation for the damage to the land, water and air resulted in terrible health conditions and a loss of livelihood in fishermen dominated villages. Today, the demand for compensation through corporate social responsibility activities by companies has extended to all businesses operating in all industries, especially larger corporations which are seen to be able to afford these corporate social responsibility activities (Motilewa, Worlu, 2015). Stakeholders are now holding corporate firms accountable for the social and economic effects they are having in every community where they are operating in Nigeria, the issue of corporate social responsibility cannot be separated from the social and environmental concern in the country. However, there are enormous costs involved in engaging in social responsibility which may affect the performance of firms, but if management of firms in Nigeria ignore the claims that stakeholders place on their firms, the stakeholders are likely to withdraw their support which might impede the performance of their firms as well. Therefore, it is in the managers' self-interest to take stakeholders claims into account (Osisioma *et al.,* 2015).

Over the years, Nigerian corporate firms engaged in corporate social responsibility when they recognized their obligation to the stakeholders and to the society since corporate social responsibility enhance their reputation (Odetayo *et al.*, 2014). This supports the assertion of Elkington (1988), who maintains that firms should not only focus on enhancing their value through maximizing profit and outcome but also concentrate on environmental and social issues equally. In line with the Elkington's assertion, corporate firms in Nigeria over the years have spent billions on Naira as their contribution towards addressing the socio-economic development challenges of the society. The principal beneficiaries of firms' corporate social responsibility policies lie in the areas of healthcare, education, security, housing, agriculture, arts and tourism, sports, charity organizations, religion, government agencies, youth development, public infrastructure development, and social clubs. However, corporate firms in Nigeria have not done enough to improve the social welfare of the host communities where they are operating especially in the Niger Delta considering the high level of poverty, environmental pollution and the spate of kidnappings, armed robberies, abductions and other forms of violent crimes in the region; the high rate of unemployment, illiteracy, dilapidated infrastructure, bad road network, poor medical care and insecurity of lives and properties across the length and breadth of the country.

## 2.10. Theoretical framework

While there are several theories which might prove appropriate for a discourse of this nature, the stakeholders' theory presents us with a heuristic tool for interrogating the central issue of the study. The theory was originally developed by Freeman in 1984 and has indeed become one of the most essential and frequently cited theories in the literature in recent times. The theory maintains that there are many different factions within a society to whom a corporate firm may have some responsibilities. Stakeholders are individuals or groups which were either harmed by or benefits from the firm; or whose rights have been violated or have to be respected by the firm (Freeman, 1984). According to the theory, paying attention to the needs and rights of all the stakeholders (*e.g.* employees, customers, suppliers, host communities, shareholders and the society at large) in a business is a useful way of developing socially responsible behaviour by managers (Maignan, Ferrell, 2004; Agudelo *et al.*, 2019). The stakeholder theory therefore takes into account the need to satisfy those interested parties capable of influencing firm performance and outcomes (Abiola, 2014; Fadun, 2014; Nasieku *et al.*, 2014). A socially responsible corporate firms seen as one in which obligations to stakeholders figure prominently in the decision-making of managers (Clarkson, 1995; Park, Ha, 2020). Hence, the need for stakeholders' management which facilitates consideration for individuals or groups within and outside the firm when allocating corporate firms resources. In the final analysis, the relevance of the stakeholder theory is based on its ability to justify the need for managers to be accountable to stakeholders that are interested in firms' actions and decisions and capable of influencing firms' performance and outcomes.

## 2.11. CSR and FP: review of empirical studies

One issue that comes up frequently in considerations of corporate social responsibility is whether or not there is a demonstrable relationship between a firm's social responsibility and its business performance. Unfortunately, attempts to measure this relationship are always hampered by measurement issues. The appropriate performance criteria for measuring firm's performance and social responsibility are subject to debate. Furthermore, the measurement of social responsibility is fraught with definitional problems. Even if the definition of CSR could be agreed on, there still would remain the complex task of operationalizing the definition. Over the years, studies on relationship between firm performance and social responsibility have produced varying results. Whereas some studies concluded that a relationship existed, those that appeared to be most methodologically sound did not reach this conclusion (Carroll, 2002; Jeje, 2017). A thorough analysis of this relationship and the impact of corporate social responsibility on firm performance is what this study set out to achieve. Chou *et al.* (2017) study revealed that the financial performance of a company is associated with the degree of the company's social responsibility. Using the corporate social responsibility score, they examined the relationship between CSR and CFP with a sample of 85 companies in Taiwan during the period of 2007 to 2010, their study revealed that there is a positive and significant interaction between CSR and CFP, high score CSR firms outperformed low CSR firms and the governance dimension of CSR has more significant and positive association with stock price returns than the community, employees and environmental dimensions of CSR (Chou *et al.*, 2017).

According to Gimber (2010, p. 478), the performance measurement system is "a concise and defined set of measures (financial and non-financial) that supports the decision-making process of a firm by collecting, processing and analysing quantified data of performance information". Delmar *et al.* (2003) found that sales/turnover is the most frequently applied firm performance measure in studies examining the factors of firm performance. More than 30% of the studies which they examined used sales/turnover as a growth measure and Wiklund (2009) noted that 60% of the studies examining firm performance apply sales growth as a metrics, 12.5% apply employee growth, 14.5% apply profit and profitability ratios, and 14.4% apply other measures as growth metrics. Carroll, Shabana (2010) and Wang *et al.* (2016) noted that factors such as business practices, employee treatment, community support, environment, and stability are frequently applied social responsibility measures in the studies. All these might accounts for the reason why the relationship between social responsibility and firm performance has produced varying results over the years.

However, a study by Covenant Investment Management, a Chicago investment firm, concluded that social concern pays off. This study found that 200 companies ranking highest on covenants overall social responsibility scale had outperformed the Standard & Poor's 500-stock index during the five years (1088–1992) (Carroll, 2002). The relationship between social responsibility and business performance with an intercontinental bank as a case study was conducted by Ezeilo (2009) in Nigeria with the used of survey research design. The findings of her study indicate that most business firms have positive perception about corporate social responsibility issues. Therefore, she concludes that the firm growth, visibility, sustainability and survival in the long run depends on how socially responsible the firm is to the stakeholders. Anyafulu (2010) examined the impact of social responsibility on organizational performance using a survey data and the findings indicate that different areas of corporate social responsibility contribute differently to the public image of an organization. Osisioma *et al.* (2015) examined the relationship between corporate social responsibility and performance of selected firms in Nigeria. The findings of their study revealed that a strong positive relationship exists between investment in corporate social responsibility and corporate profit. Kanwal *et al.* (2013) examined the impact of corporate social responsibility on the firm's financial performance of fifteen (15) Pakistan listed corporations in the Karachi Stock Exchange. The results of their study indicate that there is significant positive relationship between corporate social responsibility and firm performance. Also, the results of their study further reveal that as the companies increased spending on corporate social responsibility, the financial of the firm's performance enhanced. Eccles *et al.* (2016) examined the impact of corporate sustainability on organizational processes and performance in 180 companies. The results of their study reveal that firms in the high sustainability group out perform their counterparts. From the foregoing, it is obvious that corporate social responsibility is a driver of financial performance and ultimately, a corporation's reputation.

In line with the review of related literature, the following objectives and hypotheses were formulated for the study.

### 2.12. Objectives of the study:

To examine the effect of corporate social responsibility on firm profitability in Nigeria.

To evaluate the effect of corporate social responsibility on return on equality in Nigeria.

To assess the effect of corporate social responsibility on market success in Nigeria.

### 2.13. Hypotheses of the study:

The following null hypotheses were formulated for testing:

$H_1$: Corporate social responsibility does not have a significant effect on firm profitability in Nigeria.

$H_2$: Corporate social responsibility does not have a significant effect on return equity in Nigeria.

$H_3$: Corporate social responsibility does not have a significant effect on market success in Nigeria.

## 3. Methodology

The study used secondary data which were extracted from the 2018 annual reports of selected firms. The companies were selected based on the availability of data needed for the study. The study used one hundred and fifty (150) firms quoted on the Nigerian Stock Exchange. The data collected were analysed using the binary logistic regression analysis. This method was adopted because of its properties of efficiency, consistency and unbiased nature. The cross--sectional analysis was adopted for the following technical reason: time-series analysis may not have enough observation in the estimation period to obtain reliable parameter estimates for a linear regression. Also, the coefficient estimates may not be stationary over time. The self-reversing property of accruals may result in serially correlated residuals. If any of these issues is true, it is impossible to make valid statistical inferences from the regression results obtained with time-series analysis. In analysing data obtained, the computer software was used (E-views7) to run the regression of the models specified.

### 3.1. Operationalization of the variables

The variables (dependent and independent) for this study are operationalized as presented in the Table 4.

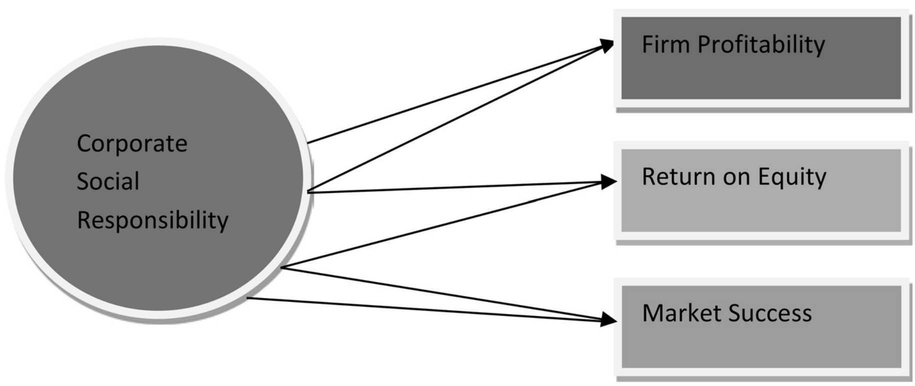


*Figure 1. Research Model of Corporate Social Responsibility and Firm Performance.*
*Source: Authors' elaboration, 2019.*

*Table 4. Operationalization model.*

| S/N | VARIBLE | CODE | OPERATIONAL DEFINITION |
|---|---|---|---|
| | | | **DEPENDENT VARIABLES** |
| 1. | Firm profitability | FP | Profitability is the capacity of a firm to generate profit. Profitability which is one of the indicators of firm performance has two types of ratio namely return on sales and return on investment. Return on sales is a firm's ability to transform sales into profit, while return on investments measures the overall ability of a firm to generate shareholders' wealth. |
| 2. | Return on equity | ROE | Return on equity shows the extent to which firms manage their own capital (net income) effectively. ROE effectively measures how much profit a firm can generate on the equity capital investors have deployed in the business. |
| 3. | Market success | MS | Market success is increase in market share – it is usually used to express competitive position. Thus, market success is anything that changes brand perception that leads to higher sales, profits or market share. |
| | | | **INDEPENDENT VARIABLE** |
| 4. | Corporate social responsibility | CSR | Corporate social responsibility is the commitment of business to contribute to sustainable economic development, working with employees, their families, the host community and the society at large to improve their quality of life. |

*Source: Researchers' elaboration, 2019.*

## 4. Results

The results obtained from the binary logistic regression analysis are presented in Table 5.

## 5. Discussions

Among others, the results indicate that the Mc Fadden R-square value shows about 60% of the outcome of the dependent variables (firm profitability, return on equity and market success), which is correctly classified by the independent variable (CSR). The LR statistics revealed that the model is significant at 0.05 levels and valued in explaining the performance of firms quoted on the Nigerian Stock Exchange. The reported results of the binary logistic regression model were based on the maximum likelihood Huber/white Heteroskedasticity – consistent standard error and covariance. This means that the binary logistic regression results reported are free from Heteroskedasticity problem, which is commonly associated with data from firms with different sizes and characteristics. Also, the results revealed that corporate social responsibility (CSR) has a significant influence on firm profitability, return on equity and market success, since their calculated z-values of 2.36, 1.3.8 3 and 2.04 respectively where all greater than the critical z-value at

*Table 5. Binary logistic regression results.*

| Variable | Coefficient | Std. Error | Z. Statistic | Prob. |
|---|---|---|---|---|
| C | 2.625173 | 0.711542 | 3.438156 | 0.0139 |
| FP | 4.55E–68 | 1.34E–17 | 2.358774 | 0.2251 |
| ROE | 2.51E–35 | 1.27E–33 | 1.834313 | 0.0780 |
| MS | 0.10374 | 0.011846 | 2.042341 | 0.0306 |
| **Mc Fadden** | | | **Mean** | |
| **R – Squared** | 0.607616 | | **Dependent Var.** | 0.564814 |
| **LR Statistic** | 36.134552 | | **Avg. Log likelihood** | –0.573346 |
| **Pro (LR Stat.)** | 0.0851 | | | |

*Source: E-views7 computer software.*

0.05 levels. Again, the results revealed that corporate social responsibility (CSR) have positive relationship with firm profitability, return on equity and market success respectively. The positive association between corporate social responsibility and firm performance implies that Nigerian quoted firms often engage in social responsibility and this might be attributed to the inter independence between businesses and the society. Therefore, the entire null hypotheses are rejected. These findings agreed with the previous results of Ezeilo (2009); Anyafulu (2010); Osisioma *et al.* (2015) and Eccles *et al.* (2016).

## 6. Conclusion and recommendations

The study has revealed through its perceived findings that corporate social responsibility has a positive association with firm performance in terms of firm profitability, to return on equity and market success. It can be concluded that the corporate social responsibility is a driver of firm's performance and ultimately a firm's reputation and socially responsible firms are more financially profitable. Based on the empirical and theoretical finding of this study, the following recommendations were made:

Corporate firms in Nigeria should intensify efforts to increase their commitment to social responsibility in order to create good image in the mind of their host communities.

Corporate firms in Nigeria should intensify efforts to increase their commitment in environmental protection especially in the Niger Delta region in order to enhance peaceful and cordial relationship with the inhabitants.

Nigeria tax laws should be adjusted in order to make expensive on corporate social responsibility as deductible expenses which will go a long way to reduce tax liability of companies and also encourage firms to provide substantial amounts for corporate social responsibility. Again multiple taxes on firm's profitability should be discouraged.

Management of companies in Nigeria should try as much as possible to be proactive in their approach to social responsibility issues rather than being reactive in order to avoid business distraction from their host communities. Also they should work hard to comply with the government laws regarding business regulation in the country.

Nigerian government should establish in agency that will monitor the social responsibility of corporate firms in order to oversee the compliance of corporate social responsibility policies and prosecute firms that are social socially irresponsible.

Social and environmental activities engaged by corporate firms in Nigeria should be well communicated to the stakeholder especially their host community to avoid few set of individual taking advantage of what is meant for the entire people in a particular area.

Further study is recommended for other researchers to establish the relationship between corporate social responsibility and firms' cost of doing business in Nigeria.

The current tempo of corporate social responsibility expenditure by corporate firms in Nigeria should be maintained, sustained and improved upon from time to time.

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