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Corporate Social Responsibility Cost and Financial Performance in Selected Companies Quoted in Nigeria Stock Exchange 2010-2019

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Abstract: The study focuses on the Corporate Social Responsibility Cost and Organisational Performance of some selected companies quoted in the Nigeria Stock Exchange. The broad objective was to investigate the effect of the cost incurred by companies in carrying out their social responsibility on their financial performance. To achieve this objective secondary and time series data were obtained from the Nigeria Stock Exchange (NSE) for ten year period between 2010-2019. The data were analysed using descriptive statistics, correlation matrix and Ordinary Least Square Regression Analysis with the aid of E-Views 8.0. The results from the research analysis confirmed that firm's employment responsibility cost has negative and insignificant effect on return on asset of companies in Nigeria. It findings indicate a positive insignificant relationship between firm's community responsibility cost and return on equity of companies in Nigeria. Lastly, the results revealed that firm's environmental responsibility cost has negative and insignificant influence on earning per share of companies quoted in NSE. The study therefore recommends that to reduce employment responsibility cost, companies should base their employee benefits on long term rather than short term. Companies should spend more on capital asset in the community that could have a lasting memory on the community.

Keywords: Social Responsibility, financial performance, business.

INTRODUCTION

The aim of Corporate Social Responsibility (CSR) is to ensure every company small or big contributes its quota to the development of the society in which it carries out its business activities or operations. Corporate Social Responsibility practices ensure organizations support and conduct their activities that are both beneficial to the stakeholders. However, evidence shows that firms have recently come to awareness on the need of positive changes in the business world and have been able to adapt to a changing world not only by developing economically but also socially and ethically.

A firm's aim remains based on a development strategy that not only favours its shareholders but also responds to all stakeholders involved either directly or indirectly in the production process. A firm is an open system and to carry out its main aim must be able to combine two large categories of interest: profitability and its stakeholders' interest. Given that a system of exchange and mutual influence is created between stakeholders and the firm, management must be able to analyse objectives, resources and the strategy of common groups of stakeholders that need to be considered as well as its own ability to mobilize other stakeholders.

From the forgoing, it is believed that an organisation's corporate social responsibility is its obligation to protect the society in which it functions (Nnaoma&Omotosho, 2017). Hence, it should be a primary concern that firms should seek for the betterment of the social beings and the environment in which they operate. Today, realization of the important of this concept has helped most organizations gain a competitive advantage. Based on the fact that businesses primarily exist to make profit. The profit motive has often been perceived as representing a lack of concern for all other objectives of an organization. But, many have however believed that most organizations have shifted attention of profit making only to more responsible to its stakeholders. This has increased the attraction in corporate social responsibility extensively.

The idea of Corporate Social Responsibility started in the early stage of the twentieth century; interestingly and good enough, it began from business executives who believed that corporations have an obligation to use their resources in ways that would benefit the entire society. According to Friedman, (2010), the role of the business firms is that of producing goods and services at a profit but despite that, social expectations from business associations have increased so well that there is need for social attention in order to narrow the gap between the exceptions and the responses thereby keeping the business in tune with the society. However, in ensuring this, organizations must considered the cost of been socially responsible and its effect on its performance including the return of its assets, return on equity and earning per shares. Therefore, it's on this background, this study intends to investigate the effect of the cost of corporate social responsibility on the performance

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of some selected companies quoted in the Nigeria Stock Exchange (NSE).

Statement of the Problem

Corporate social responsibility has become the yardstick in which the relationship between firms and the society can be measured. Despite the fact that the importance of corporate social responsibility on the performance of organization cannot be overemphasized a lot of managers have neglected the cost involved. Number of companies incurred greater cost in ensuring they meet up with their social responsibilities. This may be due to the high expectations of stakeholders from the business. For instance, the society believes that there is a mutual interdependency existing between the organization and the society.

Also, stakeholders due to their high expectations are now holding firms especially the oil sector accountable for both the social and economic issues they are having in their respective community (Osisioma, Nzewi & Paul, 2015; Akindele, 2011). In trying to be more accountable, firms could financially be affected.

However, there have been numerous academic researches on whether Corporate Social Responsibility (CSR) is financially beneficial to firms. But, very few or no research have been conducted on this aspect of examining the effect of corporate social responsibility cost on financial performance in Nigeria. It is in line with the above exposition that this research intends to carry out an in-depth study on Corporate Social Responsibility (CSR) to find out the effect of its cost on the financial performance of organizations in Nigeria with special reference to some selected companies in Nigeria stock exchange (NSE).

OBJECTIVES OF THE STUDY

The broad objective of this study is to critically investigate the effect of corporate social responsibility cost on firm's financial performance. Other specific objectives are to:

1. Examine the extent to which firm's employment responsibility cost affects return on asset of selected listed companies in Nigeria stock exchange.
2. Investigate the relationship between firm'scommunity responsibility cost and return on equity of listed companies in Nigeria stock exchange.
3. identify how environmental responsibility cost affect earnings per share of listed companies in Nigeria stock exchange

RESEARCH QUESTIONS

In line with the above objectives of the study, the following questions are formulated which are answerable in the course of this study.

1. To what extent does firm's employment responsibility costaffect return on asset of selected companies listed in Nigeria stock exchange?
2. What relationship exists between firm's community responsibility cost and return on equity of selected companies listed in Nigeria stock exchange?
3. To what extent does firm's environmental responsibility cost influences earnings per share of the selected companies listed in Nigeria stock exchange?

Statement of Hypotheses

Based on the research questions stated above, the following hypotheses are formulated in the alternative forms to guide the study.

Ha_1: Firm's employment responsibility costhas significant effect on return on asset of selected companies listed in Nigeria stock exchange.

Ha_2: Firm's community responsibility cost has significant relationship with return on equity of selected companies listed in Nigeria stock exchange.

Ha_3: Firm's environmental responsibility significantly influences earnings per share of selected companies listed in Nigeria stock exchange.

Significance of the Study

This study aims at enhancing the accuracy and credibility of CSR report by contributing to existing knowledge on CSR and encouraging firms to do more to establish transparency and credibility with external audiences. The findings of this study will therefore enable the management of the selected listed companies and others companies not listed in the Nigeria stock exchange to assess the impact of corporate social responsibility on their financial performance. And also, help the managers know cost associates with the practice of corporate social responsibility.

This findings study will also increase the awareness and improves the spirit of corporate social responsibility of the general public especially those who are not aware of their residual companies' responsibilities to the society.

The study will also be of immense benefit to government and other policy makers; as it will aid

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economic and social policy formulation, implementation and the extent of compliance by Nigerian companies on corporate social responsibility.

Lastly, the research will serve as reference material for scholars and help to generate academic arguments and further areas of study.

Scope of the Study

This study focused on the effect of corporate social responsibility cost on firm performance in Nigeria. Based on time scope, the study is a cross-sectional survey covering a period of ten years (2010-2019).

As regards the geographical scope, the study was conducted in Nigeria to include some selected companies quoted in the Nigeria Stock Exchange.

Limitations of the Study

This study is restricted to the relationship between corporate social responsibility and firm's financial performance in Nigeria.

Based on statistical methods, this study was limited to the used of few statistical methods and techniques such as descriptive statistics and multiple linear regression.Based on the measurement of variables, the firm performance were measured by return on asset, return on equity and earnings per share but there are other measure of firm performance. Corporate Social Responsibility cost on the other hand, was measured by employment responsibility cost as a proxy of staffs medical cost, community responsibility cost was a proxy of donations cost, and environmental responsibility cost as a proxy of pollution control cost; therefore ignoring other measurement of CSR.

Finally, the study was limited by the unavailability of data due to difficulty and cost of obtaining the relevant from the internet as some of the websites were temporary unavailable while some needed an international code to accessed.

Operational Definition of Terms

The following key terms have been defined the way they were used in the study.

Charity principle

Doctrine of social responsibility requiring some fortunate individuals to assist less fortunate members of society.

Common Morality

A body of moral rules governing ordinary ethical problems

Corporate Social Responsibility

A continuing commitment by business to behavior ethnically and contributes to economic development while improving the quality of life of its workforce and their families as well as of the local community and society at large

Duties

The obligation to take specific steps is obey the law

Ethics

Rights of who is or should be benefited or harmed by an action.

Moral Rules

Rules for behavior that often become internalized as moral values.

Rights

Claims that entitle a person to take a particular action

REVIEW OF RELATED LITERATURE

Conceptual Review

Concept of Corporate Social Responsibility

The concept of Corporate Social Responsibility (CSR) and Corporate Social Performance (CFP) have been frequently introduced to represent the responsibilities of companies that go above and go beyond the requirements of Law (Zhang, 2016). Throughout the history, there are thousands definitions of CSR. The evolvement of CSR definition is based on social, economic, political and environmental dimensions. The most frequently discussed CSR issues include sustainability, sustainable development, environment, business ethics, philanthropy, welfare, human rights, corruption, economic, environment, legal.

A comprehensive concept of CSR refers to firms respond to social and environment concerns in business operations, and in interactions with the stakeholders (Pe´rez& del Bosque, 2013). The European Commission (2015) also defines CSR as organizations' behavior that have social, environment and economic impact. CSR does not mean the charitable donations, it represents they (partly or entirely) benefit society and/or general interests, social welfare, and they are not obligated by law (Khan. *et al*., 2012).

Carroll's CSR pyramid and Triple Bottom Line model (TBL) are probably the most well-known models for understanding CSR. Carroll, (1991) outlines the CSR Pyramid. CSR is a construct that consists of economic, legal, ethical and

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philanthropic responsibilities. According to Zhang, (2016) this should be seen as a whole and different responsibilities cannot be separated.

According to Carroll, (1991) the basic responsibility of firms is to generate return on investment for equity holders and stockholders; the second responsibility is legal responsibility, which indicates companies' behavior should comply with the regulations and laws; the third layer is corporate ethical responsibility, which means that firms are expected to act what society expects, to avoid questionable business practices; the ethical responsibility is not required but is expected by the society. The top layer of the pyramid is philanthropic responsibility, which expects a company to be a good citizen to giving and reward to the society (Carroll, 1991). Each level is supposed to represent a portion of the total social responsibility that society expects companies to behave.

Another well-known theory of CSR is the Elkington'sTBL. The TBL relies on the assumption that companies are part of global community and should pay attention to environment protection (Elkington, 1994). In many cases, laws and regulations are considered as outdated and inadequatebecause they are lack of regulations for protecting natural environment. It implies that companies are not required by law and regulations to act in a responsible way but are required by international community to care for ecological environment. Elkington, (1994) introduces TBL to measure the degree to which a firm is being sustainable or pursuing sustainable development objective (Zhang, 2016).

The TBL framework goes beyond the conventional economic performance measures and involves social and environment dimensions as means of measurements of the success of the organization. The TBL framework demonstrates companies should help society achieve economic prosperity, environmental protection and social equity. According to Elkington, (1994) the first bottom line is corporate financial profits. The second bottom line aims to provide benefits to labor and community. Companies should not hire child labor, should pay the fair salaries to their labors, andto create a safety workplace to their employees. The third bottom line is social sustainability, which means companies should carefully manage theirconsumptionof energy and non-renewable resources, do not harm and minimize the environmental impacts. The environment dimension isalso known as planet; the economic component is related with profits; the social dimension is connected with the people; therefore, the triple bottom line is called the three Ps in the literature: people, planet and profits (Zhang, 2016).

In business, the most common CSR practices include developing products that benefits social and environment, adopting production procedure that reduces adverse environmental impacts, using the clean energy in the manufacturing process, eliminating waste, investing in infrastructure,improving workplace conditions, developing for local communities (McWilliams & Siegel, 2000; Wang & Bansal, 2012).

Corporate Social Responsibility Cost

It's clearly understood that great benefits of incorporating CSR into business but the costs of incorporating CSR are high for companies, in particular, for SMEs.According to Zhang, (2016), stakeholders are demanding companies operate in a social responsible way; meantime,managers must keep in mind the costs associated with CSR practices. Managers hope that engaging in CSR can benefit firms as well as society. These costs will influence managers' decision on CSR and the extent of firms pursues CSR (Zhang, 2016).

Sprinkle and Maines, (2010) divided the costs of taking CSR into identifiable costs and intangible (estimating) costs. As introduced byBalkrishnan, Sivaramakrishnan and Sprinkle, (2009) the identifiable costs associated with CSR is the activity-based costing, which could be purchasingenvironment-friendly equipment in factory, purchasing recycled raw material product from specialized suppliers, providing employees extra services to improve labor relations, providing a safety workplace, supporting human resources needed by CSR practices. For example, to reduce environment hazards, companies adopt clean energy to run their business, which could improve their production efficiency and simultaneously improve their environment performance. This example reveals a win-win situation between CSR and financial performance of firms.

Additionally, Weshah, *et al.*, (2012) claim that companies that involve social responsible acts incur the explicit cost and implicit cost in the short term and long term. The explicit cost refers to "corporate policies that assume and articulate responsibility for some societal interests" (Matten & Moon, 2008); whereas the implicit cost

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refers to "corporations' role within the wider formal and informal institutions for society's interests and concerns" (Matten & Moon, 2008). From the definition, it is known that payment to bondholders is an explicit cost, and costs used to improve customer satisfaction and environment protection is implicit costs in the CSR context. Companies spend the implicit costs on social issues, what they gain is to build a positive image among stakeholders (Orlitzky. *et al*., 2003). According to Sprinkle andMaines (2010), largecompanies spend a great deal of money to report their sustainability efforts in order to receive positive feedback from society, thus, this costs is likely a investments for future economic returns.

On the other hand, companies must consider the intangible costs associated with engaging in CSR activities, and it is difficult to quantify, for example, the opportunity costs that a company foregoes because of taking CSR practices (Sprinkle &Maines, 2010). For example, if a company donates computer to a less-developed country, this may reduce the sales of computer and cash inflow in local market because inhabitants who may otherwise have to buy a similar computer in their country. Besides, companies have to choose dedicated employees to deal with CSR issues; the wages paid to employees is a part of costs. Also, it takes employees' time to work on social issues, otherwise employees can spend this part of time on company business to increase companyeconomic profits. Even employees volunteer their time on CSR, which could reduce their productivity in the workplace (Sprinkle &Maines, 2010).

Employment Responsibility

The Employees is seen as an important stakeholder group for companies and can be classified into prospective employees and current employees. From the prospective employees' point of view, the high-quality applicants often take the corporate image as a criterion to choose their favorable employer as they have incomplete information towards the firm (Turban & Greening, 1997). From the companies' point of view, engaging in CSR actions is a good platform for firms to establish a responsible image to gain a competitive advantage over their rivals. CSR practices provide a way to impact employees positively and help employees to perceive, understand, evaluate his/her employing organizations. Lots of research has proved that firms' image and reputation influence talented human resources to choose their employment (Alniacik. *et al*., 2011).

In particular, companies in some specialized fields face the shortage of talented employees, e.g. mechanic, civil engineering field. A company with good social image has the capabilities to attract these high quality applicants thereby improving firm's competitiveness and reducing the unnecessary of wage bill (Barnett & Salomon, 2012; Turban & Greening, 1996). Thus, we can say that firm's CSR practices are positively connected with organization's attractiveness for the prospective employees.

Literature also discussed the impacts of CSR practices on the behavior of current employees, which mainly focus on employees' turnover, job satisfaction, organizational commitment and work performance (Alniacik. *et al*., 2011). Employees work for companies in the hope of making positive contribution to society and to people's lives, if they perceive their employer is a good citizen, the higher working enthusiasm would be converted into higher working productivity. Employees want to work in the environment where colleagues trust with each other and share knowledge. By this way, organizations' commitment is augmented as well (Turker, 2008).

There are many evidences support that CSR improves the employees' perceptions toward the company, which lead to high satisfaction, high retention rate, lower absenteeism and great loyalty toward a company. Besides, a firm with good social performance is likely to be perceived by its existing employees, which can improve employees' morale and company culture as a whole. Similarly, CSR provide employees self-esteem that stem from the positive social identity and a sense of belonging, which result in substantial morale and productivity. Moreover, Turker, (2008) find that the more employees' feel the importance of CSR, the greater the correlation between CSR and organizational commitment. In this study, employment responsibility as one of the decomposed variable of the independent variable will be measured as an epoxy to staff's medical costs.

Environmental Responsibility

In recent years companies have been viewed as major cause of social, environmental and economic problems so as a result of external pressures companies have started to consider their influence on surroundings and advantages and disadvantages of their actions. Aside from pollution prevention, companies must think about

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energy savings, labor improvements and efficiency in the use of raw materials as well as control and reduction of waste (Zhang, 2016).

Implementation of the environmental CSR depends on different formal, legal and administrative conditions set by governments. The interests of different groups regarding environmental CSR are with significant level of variation. The companies itself, have own interests in implementation of environmental protection activities. They are trying to gain positive public opinion and support of society but achieving those goals will not be possible only by fulfilling legal requirements and avoiding incidents, yet companies should have more proactive approach.

Business strategies should consider environmental protection and also investments in CSR and environmental reporting should be above, building consciousness among costumers about the value of resources and energy efficiency, pursuing the reduction of CO_2 emissions, and preventing biodiversity harm and climate resilient economy.

Community Responsibility

As firms operate within the social boundaries, they have multiple obligations to fulfill, not only limited to those outlined by shareholders, but also to those necessitated by stakeholders. The roots of corporate social responsibility (CSR) can be traced back to the idea of corporate volunteering and the emergence of the social welfare concept in the late nineteenth century (Barnea& Rubin, 2010; Shin. *et al*., 2011). However, ever since its first inception, the meaning of CSR has undergone substantial developments and become increasingly sophisticated. Given this context, corporate responsibility can be classified into four distinct categories in order of decreasing importance: economic, legal, ethical, and voluntary duties (Kook & Kang, 2011; Nelling & Webb, 2009).

First, a firm is expected to meet its economic responsibility. Indeed, the primary purpose of an enterprise is to generate and maintain sustainable corporate profits by the means of creating and providing the necessary products and services to society. The second most essential duty required of a firm is legal responsibility.

Tuodolo, (2009) believed that because corporate social responsibility programmes are becoming more sophisticated, they are capable of making a greater contribution to development. Corporate social responsibility programmes are moving away from strictly philanthropic initiatives (such as building a plaza or donating medical equipment to a local hospital) towards investments in projects focused on long-term sustainability. Generally, opponents of corporate social responsibility argue that the business of business is business and companies that simply compete and prosper do enough to make society better off.

Organisational Performance

Though, performance measurement is an essential ingredient in decision making and judgment by organisations, the definition of the term remains inconclusive, in spite of research on performance concepts focusing mostly on performance measurement (Luqman, Abimbola & James, 2018). According to Keats and Hitts, (1988) the concept that is performance is a difficult one both in terms of definition and measurement. Wu, (2009) however described performance as a measure of how effective and efficient the mechanism or process that an organisation put in place achieve its expected results.

Performance is commonly measure by two basic components; effectiveness and efficiency (Neely, 2005; Capon, 2008; Luqman. *et al*., 2018). Effectiveness involves the degree to which the stakeholders' requirements are accomplished. Efficiency on the other hand, measures how well the organisation utilizes its resources and capabilities economically in meeting such requirements.

However, traditionally, measures of organisations' performance have been based on financial terms of accounting-based such as return on investment, return on assets, turnover, return on equity, among others. Kagioglou, Cooper and Aouad, (2001) argue that reliance on financial measures by organisations can only assist them identify their past performance but not what contributed to achieving that performance. To this end, Bourne, Mills, Wilcox, Neely and Platts, 2010) suggested that there is a need to therefore encompass non-financial with financial measures of performance as an all-inclusive performance measurement system.

In support, Laitinen, (2002) surmise that inclusion of both hard and soft measures of performance in a framework will provide managers with opportunities to survey performance in many areas at the same time, to assist in making effective strategic judgment or decisions. According to McAdam and Bailie, (2002), many organisations' failures result from the inadequacy of measures of

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performance, which hinders their ability to convert strategy to effectual course of actions to attain their set objectives.

However, a complete range of financial measures of performance rarely exists in reality, despite the volume of researches focusing on the concept of performance within the field of management most especially the business scholars. Therefore, it is essential to have a comprehensive portfolio of measures of performance that can serve as an early warning of the health conditions of companies. This study will therefore focus on the aspect of Return on asset, return on equity and as well as earning per share.

Corporate Social Responsibility Impact on Return on Asset (ROA)

Return on Assets often called the Return on Investment (ROI) shows the profit generated by the assets of companies annually. Return on assets is the ratio of annual net income to average total assets of business during a financial year. It measures efficiency of the business in using its assets to generate net income. It is a profitability ratio that acts as an indicator of how much an organization is earning over its total assets (www.business-case-analysis.com). In other words, it indicates the number of kobo earned on each naira of assets. Thus, it provides an insight as to how efficient management is at using a firm's assets to generate earnings.

ROA is among the most frequently used financial indicators. ROA is an appropriate financial measure and it is recommended for comparative purposes of a company's performance (Joo. *et al*., 2011). ROA provides a more balanced view of profitability compared to traditional metrics. Metrics like ROE disregard risk that financial leverage creates. An increase in leverage commensurately improves asset balances through the cash it provides. Any changes in leverage, therefore, are equally reflected in assets.

Another advantage of ROA is its ability to holistically measure business operations. A move to artificially improve net income would create a much smaller change in ROA since the measure weighs net income as a proportion of assets. The choice to compare net income to assets is a significant one. ROA reflects the cumulative outcome of decision making. It gives ROA the benefit of holding management accountable for the cumulative decisions made in deploying assets. If resources are used in projects that consistently yield little value, ROA will stagnate. Alternatively, if management utilizes its assets in projects that more optimally create value, ROA will rise.

ROA is not a perfect measure, but it is the most effective, broadly available financial measure to assess company performance. It captures the fundamentals of business performance in a holistic way, looking at both income statement performance and the assets required to run a business. Commonly used metrics such as return on equity or returns to shareholders are vulnerable to financial engineering, especially through debt leverage, which can obscure the fundamentals of a business. ROA also is less vulnerable to the kind of short-term gaming that can occur on income statements since many assets, such as property, plant, and equipment, and intangibles, involve long-term asset decisions that are more difficult to tamper with in the short term. ROA captures how well a company used its assets to create value. Thus, ROA is a more effective measure of fundamental business performance.

However, prior empirical findings have shown a positive impact of CSR on ROA. One of the researcher on the subject matter; Bragdon and Marlin, (1972) as cited in Wang, *et al.*, (2014) examined the relationship between CSR and ROA and found a positive relationship. Similarly, Inoue and Lee, (2011), Wu and Shen, (2013) revealed that ROA has positive and significant correlation with community and diversity dimension.

Furthermore, Moneva and Ortas, (2010) examined line between CSR and Corporate finance performance in European companies from 18 European countries. They findings revealed a positive correlation between firm's environmental performance and ROA. Amerr and Othman, (2012) supported that firms with superior sustainability practices generate superior financial performance than those that do not emphasize on sustainability practices.

Corporate Social Responsibility Impact on Return on Equity (ROE)

Return on Equity measures the return earned on both preferred and common stockholders' investment in the financial institution annually. It shows the ability of generating profits from every unit of shareholders' equity. Return on equity (ROE) is a commonly used measure that attempts to describe how much profit each naira of stock can generate as opposed to ROA. ROE represents the income generated by the stakeholders' money.

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For shareholders, ROE provides a short-hand way of judging profitability of their investments. It is a consolidated view of how well an investment could fare. But the metric's biggest strength as a summarized view also happens to be its greatest drawback. By focusing primarily on returns generated from equity, the view disregards impacts of leverage. As such, ROE does not provide a comprehensive view of a company's performance.

As a source of financing, debt is an important element of corporate balance sheets. While debt can help an organization meet its objectives, excessive amounts can be damaging. These effects, however, are not reflected in ROE as the measure does not directly factor in leverage. If, for instance, an organization were to raise an unhealthy amount of debt but manage to generate income from that debt, ROE would likely rise even though the company may have a riskier capital structure. In this scenario, increased leverage could help a company meet its short-term objectives while threatening its long-term viability given its debt exposure. ROE is therefore computed by dividing the profit attributable to equity holders by the book value.

Researches such as the research of CSR voluntary disclosure on ROA and ROE of big French firms by Najah and Jarboui, (2013) believed that CSR leads to better ROA and ROE in short time. Ashamed. *et al*., (2014) opined that there is positive relationship between CSR and financial impacts measure by ROE. This was in line with the Study of Weshah. *et al.,* (2012), and Mwangi and Jerotich, (2013).

On the other hand, Crisostomo, Freire and De Vasconcellos, (2011) and Rodrigo, *et al*., (2016) argued that CSR have negative impact on corporate performance. The later, believed that CSR destroy firm value especially in the under developed markets. Another study conducted by Achim and Borlea, (2014) showed a negative effect of environmental performance on ROE.

Corporate Social Responsibility Impact on Earnings per Share (EPS)

Earnings per Share show the earning of companies of how much profit is earned during the period of one year on behalf of each outstanding share of common stock. The majority of studies provide evidences that CSR serves as a means to improve transparency and firms with superior CSR performance improves relationship with stakeholders, to reduce firms' risk, as a consequence, it translates into the reduction of the cost of equity and cost of debt (Dhaliwal. *et al*., 2014; Goss & Robers, 2011).

The cost of equity is the required rate of return by investors on company. The cost of capital reflects the market perceptions on firms' risk. In general, investors expect higher returns when they make evaluation for the "risky" investments compared with "less risky" investments. So, the risk and return must achieve the equilibrium. Dhaliwal, *et al*., (2014) stated that firms operating in "sin" or controversial industries are perceived more risky than social responsible industries, which can impact the equity financing cost, firm value, and the opinion is consistent with Ghoul, *et al*., (2011).

Corporate Social Responsibility and Financial Performance

The relationship between corporate social responsibility and corporate financial performance has been studied intensively with mixed result. In a survey 95 empirical studies conducted between 1972-2000 Margolis and Walsh, (2001), report that: "What treated as an independent variable, corporate social performance is found to have a positive relationship financial performance in 42 studies (53%) no relationship in 19 studies (24%), a negative relationship in 4 studies (5%) and a mixed relationship in 15 studies (19%)." In general, when the empirical literature assesses the link between social responsibility and financial performance the conclusion is that the evidence is mixed. We show that this confusion is created by a paradox that is due to differences in the behaviour of distinct financial performance measures.

There exist many definitions and views of corporate social responsibility. However, far fewer attempts have been made to analyze corporate social responsibility in an economic framework. In this chapter, we link corporate social responsibility to basic resource allocation theory, and adopt the definition of Heal (2005, 393): "Corporate social responsibility involves taking actions which reduce the extent of externalized costs or avoid distributional conflicts." We formalize this concept in an economic model to analyze the relationship of social responsibility with financial performance. When the relationship between social responsibility and financial performance is examined, it is often implicitly assumed that financial performance measures can be used interchangeably.

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Indeed, without externalities, most financial performances measures can be expected to generate similar conclusions. With externalities, however, changes in financial performance measures can be expected to generate similar conclusions. With externalities, however, changes in financial performances measures must be interpreted differently. For example, the internationalization of externalized cost has a strictly negative effect on accounting profits. Lower profits have a negative effect on accounting profits. Lower profits have a negative effect on the stock market value of the firm. Yet, if the internalization of external effects is valued by (socially responsible) stock holders, there is also a positive effect on stock market value. Consequently, accounting profit and stock market prices cannot be expected to change in a similar way. Partial equilibrium analysis cannot reveal these opposing effects.

However, there are also potential benefits to corporate social responsibility, since some stakeholders appreciate socially responsible behaviour. Consumers might be willing to pay a higher price for “green” products, or employees might be willing to accept a lower wage in exchange for “safer” working conditions. These are examples of hedonic pricing mechanisms (Rosen, 1974). When consumers and/or employees fully bear the cost of corporate social responsibility, there are no consequences for financial performance in a competitive equilibrium (Dam, 2008).

Theoretical Review

The following related theories will be reviewed to explain CSR and impact on companies' performance as listed below:

Social Contract Theory

Social contract thinking has its historical precedence in (Hobbes, 1946; Rousseau, 1968; and Locke, 1986; Donaldson, 1982) views the business and society relationship from the philosophical thought. He argues that there exist an implicit social contract between business and society and this contract implies some indirect obligations of business towards society. Social contract thinking is explicitly recognized as a form of post conventional moral reasoning (Rest, 1999).

The social contract theory is further extended by Donaldson and Dunfee. *et al*., (1999) who in turn propose an integrative social contract theory as a way for managers to take decision in an ethical manner. According to the societal approach, firms are responsible to society as a whole, of which they are an integral part. The main idea behind this view is that business organizations operate by public consent in order to serve constructively the needs of society to the satisfaction of society (Van Marrewijk, 2003).

The societal approach appears to be a strategic response to changing circumstances and new corporate challenges previously not occurred such as CSR. Ramanthan, (1976) proposes to define the concepts of social components, social equity, and net social contribution. Social components are different of social groups to which the company is supposed to be bound by a social contract. Each of these groups can measure changes in its rights with respect to the company, resulting from social transactions: thus, he defines social equity.

Finally, it is possible to define the net social contribution of a firm as the aggregation of its non-market contributions to the welfare of the Society, less non-market withdrawals made by the firm on the resources of the society (Toukabi. *et al*., 2014).

As Dunfee, (2006) social contact theory will suit an emerged economy where individuals are able to direct scarce resources to their highest valued use, where government is limited to its efficient ends, where free-moving prices are allowed to signal the relative value of alternate uses for scarce resources without the distortion of taxes, where the value of money is predictable, and where private property rights and contracts between individual decision makers are enforced in an unbiased fashion (Rest, 1999).

Legitimacy Theory

The legitimacy theory is a mechanism that supports organizations in implementing, developing voluntary social and environmental disclosures in order to fulfil their social contract that enables the recognition of their objectives and the survival in a jumpy and turbulent environment.Deegan and Unerman, (2011) assert that the legitimacy theory relies upon the notion that there is a “social contract” between an organization and the society in which it operates. Therefore, corporation try to legitimize their corporate actions by engaging in CSR reporting to get the approval from society (societal approach) and thus, ensuring their continuing existence.

The social contract as explained by Deegan, (2002), represents myriad of expectations that society has about how an organization should

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conduct its operations. O'Donovan, (2002) argues that the legitimacy theory stems from the idea that for corporations to continue operating successfully, it must act within the bounds and norms of what society identifies as socially responsible behavior.

Maignan and Ralston, (2002) provide that legitimacy of a firm is dependent on the maintenance of reciprocal relationship with its stakeholders, given that the firm has obligations including moral obligations to a broad range of stakeholders in to their shareholders (Adams. *et al*., 1998).

According to Kytle. *et al*., (2005) CSR reporting practices have become a key management tool to the growing complexity to multinational business management. They further argue that CSR reporting helps to integrate CSR activities into companies‟ strategic risk management so that the impact of CSR activities can be maximized. Waddock. *et al*., (2002) argue that employee's perceptions about how a corporation accepts and manages its responsibilities are often part of the employee's decision about where to work.

Therefore, publication of sustainability related information can play a role of positioning a firm as an employer of choice‟ and as such, this status can enhance loyalty, reduce staff turnover and increase a firm's ability to attract and retain high quality employees. Margolis and Walsh, (2003) claim that corporation's engagement in CSR activities and its disclosure can foster corporate performance and as such their research conclude a positive relationship between CSR performance and financial performance (shareholder approach).

Roberts, (1992) asserts that one way that firms consider CSR disclosure is to increase access to capital and shareholder value by satisfying stakeholder's expectation. Investors are choosing to invest in organizations that are demonstrating a high level of CSR. Branco and Rodrigues, (2008) argue that CSR disclosures play an important mechanism to enhance the effect of CSR on corporate reputation as well as representing a signal of improved social and environmental conduct.

Stakeholder Theory

The *stakeholder theory* is a *theory* of organizational management and business ethics that addresses morals and values in managing an organization, such as those related to corporate social responsibility, market economy, and social contract *theory*.The stakeholder theory is used to analyze those groups to whom a firm should be responsible. Boatright, (2003) affirms that corporations are operated or ought to be operated for the benefit of all those who have a stake in the firm.

Hence, like shareholders invest their money in enterprises, employees invest their time and intellectual capital, customers invest their trust and repeated business and communities provide infrastructure and education for future employees (Graves. *et al*., 2001).

The stakeholder theory embraces that business organizations must play an active role in society in which they operate. Consequently, Wicks. *et al*., (2004) assert that corporations should consider the effect of their actions upon stakeholders who have an interest or "stake" in the corporations. Wearing, (2005) provides that stakeholder theory stresses the importance of all parties, who are affected, either directly or indirectly, by a firm's operation. The stakeholder theory can also be explained using managerial and ethical branches (Deegan, 2013).

The managerial branch posits that organizations will respond to those stakeholders who can have necessary economic impact upon the organization (O'Dwyer, 2003) or those who are not directly engaged in the organization's economic activities but have an interest in the actions of the organization and can influence it (Savage. *et al*., 1991).

On the other hand, the ethical branch simply provides that all stakeholders have a right to know about social and environmental implications of an organization's operations at all times (Deegan, 2013).

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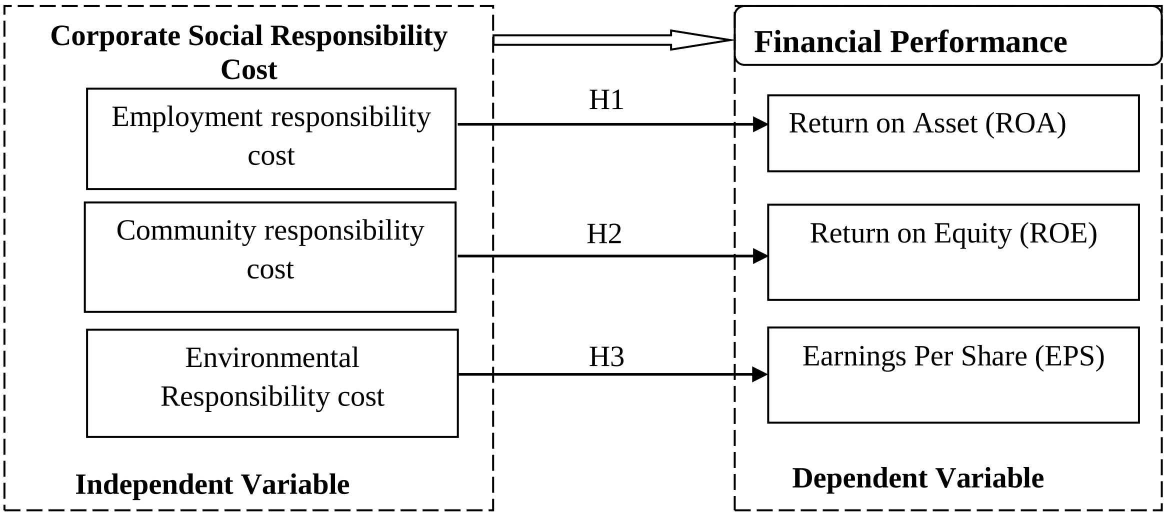

Figure 1: Conceptual Framework
Source: Researcher's Survey, (2020)

This study examines the relationship between CSR and financial performance using indexes of some listed companies in the Nigeria Stock exchange at 31st December 2019. To analyze the relationship between CSR andfinancial performances, three hypotheses were established for analysis as showed in the figure above.

Empirical Review

Dickson and Levi, (2018) carried out a study on the effects of corporate social responsibility on performance of selected firms using mobile telephone Network (MTN) and Nigerian Breweries (NB) Plc as study. Descriptive survey research design was adopted by researchers in which a structure questionnaire was used to elicit information from the target respondents. The results of the study showed that there is relationship and result showed that there is relationship between corporate social responsibility just as it depicts that there is relationship between employee's performance and customer satisfaction, tax payment and return on investment respectively. The researchers therefore recommended that management of MTN Nigeria and NB Plc should improve the well-being of their employees as it has a way of influencing their performances which will also affect the profit of the organization.

Rini, Sugengi and Suharnomo, (2017) carried out an investigation on the effect of corporate social responsibility on manufacturing industry performance: the mediating role of social collaboration and green innovation. The investigation was focused on 439 firms in Central Java that met the criteria. The chi -square was used to test the hypothesis, with the objective being to find out the effect of corporate social responsibility on manufacturing industry performance. The purposive sampling method was used to derive the sample size of 173, and the questionnaire was used to get data from the respondents (the top managers. The study concluded that corporate social activities, which are part of the firms' business strategy, significantly influence the performance of the firms by providing social, environmental and economic benefits. The study suggested that to improve their effectiveness, social initiatives should be implemented by manufacturing firms in order to utilize external resource and to overcome the limitations of firms' ability to carry out their social responsibility.

Joseph and Michah, (2016) carried out a study on the impact of corporate social responsibility on financial performance in Nigerian banks which covered 5years period of 2010–2014. The study used the expost facto research designed and the secondary data used for the analysis covered 5years period of (2010 -2014). Simple regression was used to analyse the data. The result showed that CSR impact positively on the financial performance of the financial institution.

Malik and Nadeem, (2014) carried out an investigation on impact of corporate social responsibility on organizational performance of manufacturing firms in Pakistan. The objective of the study was to find out the impact of CSR on

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organizational performance. The study covered 10 manufacturing firms in Pakistan. Regression analysis was utilized in analysing the data collected from the respondents which staff and management of the 10 manufacturing firms. The study used CSR as independent variable while organizational performance was used as dependent variable. The study found out that there is lack of CSR in Pakistan and the regression model showed a positive influence between profitability and performance and CSR practices. The study recommended that manufacturing firms in Pakistan should embark on CSR as it impact on their organizational performance.

Zhang, (2016) conducted a study titled "Does Corporate Social Responsibility affect financial performance of listed manufacturing firms in Germany?" The study adopted theoretical argument of instrumental stakeholder theory and empirically examined the effect of corporate social responsibility on financial performance for 87 listed German manufacturing firms over the period of 2010-2015. The results of ordinary linear square regression showed that improved corporate social performance has negative effect on return on asset (ROA).

Nuryaman, (2013) conducted a study using 100 manufacturing companies listed on the Nigerian Stock Exchange (NSE) for the period 2010. The study tried to determine the effect of disclosure activities of Corporate Social Responsibility (CSR) on corporate performance. The following operational performance measures were used to measure corporate performance: return on assets (ROA) and net profit margin (NPM), as well as the company's market performance as measured by its share price. The study results show that disclosure of Corporate Social Responsibility (CSR) has a significant effect on company profitability as measured by ROA and NPM, and a positive influence of CSR on stock prices.

Kim. *et al*., (2015) examine KEJI indexes for 6 years (2005–2010) to verify the correlation between CSR performance and accounting performance (ROA). The results show that the overall CSR performance is positively correlated with ROA, but there is no U-shaped relationship. Detailed analysis of the relationship between CSR performance and accounting performance (ROA), soundness of the firm, employee satisfaction, and contribution to economic development reveal a positive U-shaped relationship, but customer protection satisfaction has a reverse U-shaped correlation

Babalola, (2013) examined the impact of corporate social responsibility on the profitability of ten (10) randomly selected firms' firms in Nigeria between the periods 1999-2008 using ordinary least square technique. The study findings show that the sample firms invested less than ten percent of their annual profit to social responsibility, and this amount vary from company to company. The empirical analysis showed that a negative relationship exists between profit after tax and investment in social responsibility that is an inverse relationship exists between the twovariables (PAT and CSR).

Mahbuba and Farzana, (2013) examined the relationship between CSR and profitability in Bangladesh using Dutch Bangla Bank Ltd (DBBL) as a case study. The study used annual reports of DBBL for the year 2002 to 2011. The study found a positive relationship between CSR (measured using corporate social responsibility expenditure) and profitability (measured using profit after tax). Dabbas and Al-rawashdeh (2012) using primary data examined the effect of corporate social responsibility (CSR) on the profitability of industrial companies in Jordan. They used a sample of 50 workers in the industrial companies in Jordan to obtain answers to the questionnaires. The study finds that there is a significant relationship between CSR activities, such as the provision of donations/establish non-profit projects, support projects/charities and the profitability of industrial companies. However, there is no relationship between awareness & guidance campaigns and the profitability of the industrial companies.

Wibowo, (2012) examined the impact of corporate social responsibility disclosure and profitability (measured by Return on Asset) using a sample of 25 firms from SRI-KEHATI Index and covering the period 2005 – 2010. Findings show that there is positive impact of the social performance to the profitability of the firms and also there is positive impact of the profitability of the company to the social performance of the firms.

Kim and We, (2011) use 186 KEJI indexes from 2003 to 2009 to analyze the relationship between CSR performance and ROA and the price earnings ratio. According to the analysis, the sum of the KEJI indexes has a positive correlation with ROA and the price earnings ratio. Furthermore, by

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integrating seven evaluation items of the KEJI index, the study reclassifies them into contribution to society service, contribution to economic development, and integrated index to analyze the correlation with financial performance. According to the results for each index, contribution to society service has no influence on ROA or the price earnings ratio, and the integrated index has a positive correlation only with ROA, while contribution to economic development has a positive correlation with both ROA and the price earnings ratio.

Okoth, (2012) found out that CSR was good for the financial performance of large and medium size banks and had no effect on the ROA of small banks. The researcher realized that CSR had a positive and significant effect on ROA and ROE for all commercial banks when aggregated. However, when classified on the basis of market size, the study revealed that CSR improved financial performance of large and medium size banks while the effect on ROA of small banks was insignificant.

Ongolo, (2012) investigated the relationship between CSR and market share of supermarkets in Kisumu City for the period 2006 to 2010. He sought to determine the factors that motivated the practice of CSR amongst supermarkets in Kisumu City. The findings revealed that there was a strong relationship between CSR and market share. Institutions that had invested more on CSR had high sales revenue. The researcher also realized that there was a positive correlation coefficient between market share index and CSR. Larger supermarkets preferred education, water and sanitation while the other supermarkets preferred to support to the less fortunate in society as their CSR activities.

Research Gap and Summary of the Review

Studies that have been conducted are based on the belief that a responsible organisation is rewarded for its good reputation and have failed to arrive at the same conclusion. Some of these studies show a positive correlation, others a negative correlation while others have shown no correlation at all. A closer examination of these studies reveals variations on data sources, measures used on both dependent and independent variables. The researchers have not been conclusive as to what is the relationship between corporate social responsibility and financial performance. Most of the early studies attempting to identify the relationship between CSR and investment return have focused on subjective techniques to measure CSR. These studies have not, however, demonstrated how a firm's financial performance would be affected by investing on community, employees and environment using secondary data. This constitutes a research gap which this study is seeking to breach.

However, in order to accomplish the objective of this study, this chapter reviewed some of the related literatures on the subject. The review dealt with the concepts of corporate social responsibility. CSR is been described as a way organisation responding positively to emerging societal priorities and expectations, conducting business in an ethical way and in the interests of the external environment and balancing the shareholders' interests with the interests of other stakeholders in the society (Davis, 1973; Ademosu, 2008; Aaronson, 2003; Odetayo. *et al*., 2014).

In addition, the review also discuss three dimensions of CSR, which include; employment responsibility, environment responsibility and as well as community responsibility. It also examined the dimensions of financial performance (return on asset, return on equity, and earnings per share), and established a relationship between CSR and financial performance.Furthermore, the review dealt with some theories of CSR such as Stakeholder theory, and legitimacy theory and amongst others. It further examined previous empirical studies on the subject.

METHODOLOGY

Research Design

This study adopts cross sectional and correlation research design. The aim is to investigate the relationship between the variables and to observe the impact of the independent variables on the dependent variables, so as to establish the causal relationship or otherwise among the variables.

Population of the Study

The population of this study consists of all firms listed on the Nigerian Stock Exchange as at December 31st 2020. The study covers a period of ten years that is between 2010 and 2019. The choice of this period is due to the availability of the financial data of firm.

Sample Size and Sampling Technique

In this study, companies engaging in Corporate Social Responsibility (CSR) listed in the Nigeria

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Stock Exchange wereonly selected. The sample selection was also based on the availability of financial statements and reports of the companies. With respect to the sample data, a non-probability sampling method was adopted. Thus, sixty-two (62) companies were purposively selected. See the sample distribution in the Table below:

Table 3.1: List of Companies selected

Access Bank
First Bank
Berger Paints
Onando
Unilever
Cadbury
ExternaPlc
Nestle
Flour Mills
May & Baker
Total NigPlc
Nigerian Breweries Plc
GlaxosmithklineNigPlc
Champion Breweries Plc
Dangote Cement
AfromedianPlc
Neimeth International Pharmaceuticals Plc
Julius Berger NigPlc
Nigerian Enamelware Plc
Mobil Oil Nig. Plc
Beta Glass Plc
Capital Oil Plc
ConoilPlc
Computer Warehouse Group
Africa Prudential Registrars Plc
Omatek Ventures Plc
Vitafoam
Aluminium Extrusion Industries Plc
Transcorp Ng Plc
Leadway Assurance Company Ltd.
Zenith Bank Plc
Boc Gases Nigeria Plc
Lafarge Cement Wapco Nigeria Plc
Daar Communications Plc
Morison Industries Plc
Multiverse Plc
University Press Plc
UBAPlc
Courteville Business Solutions Plc
Fidson Healthcare Plc
PrescoPlc
Continental Reinsurance Plc
Premier Paints Plc
Okomu Oil Palm Company Plc
Abc Transport Plc
Livestock Feeds Plc
Paints And Coating Manufacturers Nigeria Plc

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Royal Exchange Plc
PharmaDekoPlc
Cement Company Of Northern Nig. Plc
C & I Leasing Plc
Portland Paints And Products Nig. Plc
Union Diagnostic & Clinical Services Plc

METHOD OF DATA COLLECTION

The data used in this research were obtained from the financial statements and reports of firms engaging in CSR listed in the Nigeria Stock Exchange.

Method of Data Analysis

In analyzing the data collected from the annual reports of manufacturing companies engaging in CSR, a descriptive statistics analysis was used to describe the mean, standard deviation, Skewness and Kurtoisis of the variables. Inferential analysis using Robust Regression technique was employed to identify factors comprising the scale and to test the hypotheses. All computations were carried out with aid of Social Packages for Social Sciences (SPSS 21).

Model Specification

In order to examine the CSR of some listed companies in Nigeria based on their financial performance, regression model was used. The model captures the degree of effect the independent variable exerts on the dependent variable.

$ROA = \beta_0 + \beta_1 FERC + \varepsilon$ 3.1)
$ROE = \beta_0 + \beta_1 FCRC + \varepsilon$ (3.2)
$EPS = \beta_0 + \beta_1 EVRC + \varepsilon$ (3.3)

Where;
Dependent variables:
ROA = Return on Asset
ROE = Return on equity
EPS = Earnings per share

Independent variables:
FERC = Firm employment responsibility cost
FCRC = Firm community responsibility cost
EVRC= Firm environmental responsibility cost
β_0 = Constant term
β_1- β_3 = coefficients
ε = Error term

Chapter Four
Data Presentation Analysis and Discussion

Data Presentation
Descriptive Statistics

Table 4.1 presents the summary of the descriptive statistics for the dependent and independent variables for 10 observations. For the Firm financial performance measures, it shows that ROA has a mean value of 0.0342 and a standard deviation of 0.0274. The maximum in ROA is 0.0594 while the minimum is -0.0300. ROE has a Mean value of 0.1940, standard deviation of 0.1430, a maximum and minimum value of 0.3776 and -0.0190 respectively. EPS has a mean value of 2.7160, standard deviation of 0.8321, maximum and minimum value of 4.6416 and 1.8618 respectively.

For the corporate social responsibility cost, it shows thatfirm employment responsibility cost (FERC) which is a proxy for staffs' medical cost has a mean value of N51, 854, 781million and a standard deviation of N29,998,023 million with a maximum and minimum value of N102,000,000 million and minimum of 19041889 respectively. The firm community responsibility cost (FCRC), a proxy for donation/contribution cost has a mean of N77, 301,339; standard deviation of N53, 044,103 million. The maximum and minimum cost are N153, 000,000 and N10, 270,418 million respectively. The firm environmental responsibility cost (EVRC) was measured by pollution control cost which has a mean value of N18, 057,122 million and standard deviation of N10, 070,829. The minimum cost incurred was N32, 278,292 million while the minimum cost was N526, 018.80 million.

The table shows that the data used in the estimation of the parameters of the model are significantly normally distributed. This is implied by the probability values of Skewness and Kurtoisis of all the variables are less than 0.05. This connotes that the studied firms are not dominated by firms of any particular extreme values.

Table 4.1: Descriptive Statistics

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	ROA	ROE	EPS	FERC	FCRC	EVRC
Mean	0.034156	0.193952	2.715941	51854781	77301339	18057122
Std. Dev.	0.027360	0.143045	0.832070	29998023	53044103	10070829
Maximum	0.059426	0.377555	4.641596	1.02E+08	1.53E+08	32278292
Minimum	-0.029992	-0.019017	1.861849	19041889	10270418	526018.8
Skewness	-1.371414	-0.394190	1.347343	0.628877	0.189014	-0.072955
Kurtosis	4.011909	1.757523	3.919674	1.898658	1.686156	2.138378

Source: Eviews, (2020)

Unit Root Test

This section is centred on the presentations and discussions of the result obtained for the analysis of unit root test for individual using both augmented Dickey Fuller (ADF) and Philips-perron (PP) test.

Table 4.2 Augmented Dickey Fuller (ADF) Unit Root Test

At Level			At 1st Difference		
Variable	**Constant and not Trend**	**Constant and Trend**	**Constant and not Trend**	**Constant and Trend**	**Order of Integration**
ROA	-1.969657	-2.305214	-3.466776	-3.272098	I(1)
ROE	-3.697041	-3.209511	-5.824796	-3.053829	I(1)
EPS	-1.574647	-0.602095	-1.578637	-2.111279	I(1)
FERC	0.263235	-1.139129	-2.294718	-2.913472	I(1)
FCRC	-2.336709	-4.406769	-3.186049	-2.762613	I(1)
EVRC	-2.006906	-2.010107	-2.535422	-3.339318	I(1)

Source: Computed by Author using E-views 8.0

****** denotes rejection of the H0 at 5% level of significant.

Table 4.1 depicts the result of the Augmented Dickey Fuller (ADF) unit root test for variables; return on asset (ROA), return on equity (ROE), earnings per share (EPS), firm employment responsibility cost (FERC), firm community responsibility cost (FCRC) and firm environment responsibility cost (EVRC). From the result of the augmented Dickey Fuller (ADF), all t-value was greater than the ADF critical value at 5% level of significant (t>ADF critical value), and the p-values were all greater than 0.05. This implies that the null hypotheses are accepted, that is, unit root exist. Hence, it means data is non-stationary. All the Durbin-Watson statistics were greater than the R-squared value which indicated that the data used were not spurious. In order to avoid the misleading in relying on the ADF, and for structural changes of time series data, the study therefore applied Philipp-Perron (PP) unit root test and the result is present in the table below.

Table 4.3 Phillip-Perron (PP) Unit Root Test

At Level			At 1st Difference		
Variable	**Constant and not Trend**	**Constant and Trend**	**Constant and not Trend**	**Constant and Trend**	**Order of Integration**
ROA	-1.910073	-2.207285	-5.005238**	-5.218080**	I(1)
ROE	-3.717556**	-3.229513	-6.348616**	-15.94120**	I(1)
EPS	-1.491612	-0.026168	-1.578637	-2.071106	I(1)
FERC	0.263235	-1.139197	-2.301615	-3.007039	I(1)
FCRC	-0.584145	-1.322826	-2.305673	-1.761432	I(1)
EVRC	-2.580107	-2.089873	-3.911692	-3.136574	I(1)

Source: Computed by Author using E-views 8.0

****** denotes rejection of the H0 at 5% level of significant.

The result of the Phillip-perron unit root test shows that all the variables (including firm employment responsibility cost (FERC), firm community responsibility cost (FCRC), firm environment responsibility cost (EVRC) and earnings per share (EPS) are non-stationary at both Level and 1st differentiation but, at level ROA and ROE were non-stationary while they were stationary at 1st differentiation. This similar with the result obtained in ADF. Therefore we can conclude that in overall, all variables are non-stationary.

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Correlation Matrix

The relationships between the dependent variables and independent variables were determined using Pearson Correlation at 5% level of significant.

Table 4.4 Pearson Correlation Matrix

	ROA	ROE	EPS	FERC	FCRC	EVRC
ROA	1.000000					
ROE	0.332800	1.000000				
EPS	0.261843	0.358203	1.000000			
FERC	-0.540858	0.112622	0.286538	1.000000		
FCRC	-0.256615	0.045523	0.281129	0.689928	1.000000	
EVRC	-0.607356	-0.477961	-0.076069	0.572661	0.337489	1.000000

Source: Computed by Author using E-views 8.0

Table 4.4 shows that the measure of firm financial performance such as return on asset (ROA), return on equity (ROE) and earning per share (EPS) has mixed correlations with the various independent variables used in the study. ROA has a negative correlation with firm employment responsibility cost (FERC), firm community responsibility cost (FCRC) and firm environmental responsibility cost (EVRC). ROE has positive correlation with FERC and FCRC but negative with the other variable, EVRC. The EPS also has a positive correlation with FERC and FCRC but negative with EVRC.

The table shows that no two of the variables are perfectly correlated or nearly so since none of the correlation coefficients is greater than 0.8. Thus, the problem of multicolinearity is absent in these models.

Hypothesis Testing

In this section, the various research hypotheses are tested using multiple linear regression method at 5% significant level. The null hypotheses were rejected when the calculated Probability is less than 0.05 and accepted when p-value is bigger than 0.05.

Hypothesis I:

Ho: Firm's employment responsibility costhas no significant effect on return on asset of selected companies listed in Nigeria stock exchange.

Ha: Firm's employment responsibility costhas significant effect on return on asset of selected companies listed in Nigeria stock exchange.

Table 4.5: Regression Results on firm employment responsibility cost and ROA

Variable	Coefficient	Std. Error	t-Statistic	Prob.	R-squared
C	0.059736	0.016043	3.723401	0.0058	0.293
FERC	-4.93E-10	2.71E-10	-1.818750	0.1065	

a. Dependent Variable: ROA

Source: Researchers' Computation (2020) using E-views 8.0

The model equation is stated as:

$$ROA = \beta_0 + \beta_1 FERC + \varepsilon$$

Based on the table above, the value of R^2 (0.293) is an implication that the independent variable which is firm employment responsibility cost (FERC) accounts for 29.3% of the systematic variation in the dependent variable that is Return on Asset (ROA), while 70.7% is captured in the stochastic error term ($\boldsymbol{\varepsilon_{it}}$). Thus, the model has a low predictive power.

With a coefficient of -4.93E-10 the results indicate that firm employment responsibility cost has negative effect on return on asset, while the probability value of 0.1065 indicates that the negative effect is insignificant. This leads to the rejection of the alternative hypothesis and acceptance of the null hypothesis that Firm's employment responsibility costhas negative and insignificanteffect on return on asset of selected companies listed in Nigeria stock exchange.

Hypothesis II

Ho: Firm's community responsibility cost has no significant relationship with return on equity of selected companies listed in Nigeria stock exchange.

Ha: Firm's community responsibility cost has significant relationship with return on

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asset of selected companies listed in Nigeria stock exchange.

Table 4.6: Regression Results on community responsibility cost and ROE

Variable	Coefficient	Std. Error	t-Statistic	Prob.	R-squared
C	0.184463	0.087851	2.099716	0.0690	0.002
FCRC	1.23E-10	9.52E-10	0.128893	0.9006	

a. Dependent Variable: ROE

Source: *Researchers' Computation (2020)* using E-views 8.0

The model equation is stated as:

$$ROA = \beta_0 + \beta_1 FCRC + \varepsilon$$

Based on the table above, the value of R^2 (0.002) is an implication that the independent variable which is firm community responsibility cost (FCRC) accounts for 0.2% of the systematic variation in the dependent variable that is return on equity (ROE), while 99.8% is captured in the stochastic error term (ε_{it}). Thus, the model has a very low predictive power.

With a coefficient of 1.23E-10the results indicate that firm employment responsibility cost has positive relationship with return on equity, while the probability value of 0.9006 indicates that the positive relationship is insignificant. This leads to the rejection of the alternative hypothesis and acceptance of the null hypothesis that Firm's community responsibility cost has no significant relationship with return on equity of selected companies listed in Nigeria stock exchange.

Hypothesis III

Ho: Firm's environmental responsibility cost does not significantly influences Earnings per share of selected companies listed in Nigeria stock exchange.

Ha: Firm's environmental responsibility cost significantly influences Earnings per share of selected companies listed in Nigeria stock exchange.

Table 4.7: Regression Results on Environmental Responsibility Cost and EPS

Variable	Coefficient	Std. Error	t-Statistic	Prob.	R-squared
C	2.829430	0.595024	4.755156	0.0014	0.006
EVRC	-6.29E-09	2.91E-08	-0.215782	0.8346	

a. Dependent Variable: EPS

Source: *Researchers' Computation (2020)* using E-views 8.0

The model equation is stated as:

$$EPS = \beta_0 + \beta_1 EVRC + \varepsilon$$

Based on the table above, the value of R^2 (0.006) is an implication that the independent variable which is firm environmental responsibility cost (EVRC) accounts for 0.6% of the systematic variation in the dependent variable that is earnings per share (EPS), while 99.4% is captured in the stochastic error term (ε_{it}). Thus, the model has a very low predictive power.

With a coefficient of -6.29E-09 the results indicate that firm environmental responsibility cost has negative influence on earnings per share, while the probability value of 0.8346 indicates that the negative influence is insignificant since P>0.05. This leads to the rejection of the alternative hypothesis and acceptance of the null hypothesis that firm's environmental responsibility cost does not significantly influences earnings per share of selected companies listed in Nigeria stock exchange.

DISCUSSION OF FINDINGS

This study sought to examine empirically the effects of corporate social responsibility cost and firm financial performance of some selected companies listed in the Nigeria stock exchange. The study used sixty two (62) observations from 2010 to 2019. The study adopted the multiple regression analysis estimation technique. The variables used in the model include firm performance (proxies of ROA, ROE, and EPS), firm employment responsibility cost (proxy of staffs' medical cost), firm community responsibility cost (proxy of donation/contribution cost), and firm environmental responsibility cost (proxy of pollution control cost).

The results indicate that all the variables are significantly normally distributed at 1% level of significance. The Pearson correlation matrix

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indicates the explanatory variables have mixed correlations with the independent variables. The results also indicate the absence of multi-colinearity.

With a coefficient of -4.93E-10 the results indicate that firm employment responsibility cost negatively affects firm financial performance (return on asset), while the probability value of 0.1065 indicates that the negative effect is insignificant. The study therefore accepts that firm's employment responsibility costhas negative and insignificanteffect on return on asset of selected companies listed in Nigeria stock exchange. This finding is consistent with the finding of Zhang, (2016), but contradicts the finding of Kim. *et al*., (2015).

In respect to the firm community responsibility cost, the coefficient of 1.23E-10 indicate that firm community responsibility cost is positively related to firm financial performance (return on equity), while the probability value of 0.9006 indicates that the positive relationship is insignificant. The study therefore accepts that firm community responsibility cost has no significant relationship with return on equity of selected companies listed in Nigeria stock exchange. This finding is inconsistent with the finding of Dabbas and Al-rawashdeh, (2012) and Okoth, (2012).

Finally, with a coefficient of -6.29E-09 the results indicate that firm environmental responsibility cost negatively influence firm financial performance (earnings per share), while the probability value of 0.8346 indicates that the negative relationship is insignificant. The study therefore accepts that firm's environmental responsibility cost does not significantly influences earnings per share of selected companies listed in Nigeria stock exchange. This finding is inconsistent with finding of Ongolo, (2012).

SUMMARY OF FINDINGS

This study aimed at analyzing the effects of corporate social responsibility cost (CSRC) on firm financial performance of selected companies listed in Nigeria stock exchange. The study employed both Pearson correlation and the ordinary least square (OLS) of multiple regression for the analyses. The results therefore revealed that:

Firm's employment responsibility cost has negative and insignificant effect on return on asset of selected companies listed in Nigeria stock exchange.

Firm community responsibility cost has positive and insignificant relationship with return on equity of selected companies listed in Nigeria stock exchange.

firm's environmental responsibility cost has negative and insignificant influence on earnings per share of selected companies listed in Nigeria stock exchange..

CONCLUSION

In light of the findings above, the study concludes that carrying out social activities are directly visible in the community such as contribution and donations to the community could be one right choice for companies seeking to enhance performance, but the cost incurred could be reduce the their financial performance. The return on asset of companies could be negatively affect by the cost incurred in perform their employment responsibility such as staffs' medical cost. Still, the cost incurred in performing environmental responsibility decreased financial performance. Thus, the study concludes that corporate social responsibility cost has negative insignificant effect on firm financial performance.

RECOMMENDATIONS

- In line with the findings and conclusion, the study therefore recommends that:
- To reduce employment responsibility cost, companies should base their employee benefits on long term rather than short term. This will motivate employees to increase productivity.
- As per the results, companies should spendmore on capital asset in the community that could have a lasting memory on the community. This will also increase the company goodwill.
- To reduce the cost of environmental responsibility, companies especially manufacturing firms on their own should ensure the environments they operate are unpolluted with their activities.

Contribution to Knowledge

This study will add to the existing knowledge by the developing a well detailed explanation on the various variables. With the findings of this study, companies will be encouraged to engage in CSR activities and develop plans to minimize corporate social responsibility cost. The recommendations will serves as guide for further studies to help improved corporate social responsibility compliance in Nigeria.

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Suggestions for Further Studies

This study was limited to some selected companies as a result of the low availability of CSR reports. However, due to a larger attention to the issues of CSR, a larger sample maybe used in studies yet to come, and as well include other companies other than listed in the Nigeria stock exchange.

Whereas this study covers both internal and external stakeholders of a firm, nevertheless, there is still a need for future studies to address the interaction of corporate social responsibility cost and cost of non-compliance.

Appendix

	ROA	ROE	EPS	Contribution	Medical Cost	Training, Recruitment & Canteen
ACCESS BANK						
2,009.0	0.0	0.0	-0.1	156,220,000.0	1,711,000.0	0.0
2,010.0	0.0	0.1	0.7	103,831,000.0	0.0	4,881,000.0
2,011.0	0.0	0.1	0.9	182,970,000.0	727,000.0	7,957,000.0
2,012.0	0.0	0.0	1.7	173,229,020.0	674,000.0	0.0
2,013.0	0.0	0.1	1.6	0.0	1,200,245.0	3,392,000.0
2,014.0	0.0	0.1	1.1	0.0	0.0	0.0
2,015.0	0.0	0.2	1.7	10,711,000.0	4,376,000.0	9,283,000.0
2,016.0	0.0	0.2	2.4	2,447,297.0	0.0	1,342,458.0
2,017.0	0.0	0.1	1.8	3,669,199.0	4,043,000.0	1,854,146.0
2,018.0	0.0	15.9	1.5	2,598,250.0	0.0	2,085,588.0
FIRST BANK						
2,009.0	0.0	0.0	0.1	0.0	2,200,000.0	0.0
2,010.0	0.0	0.1	0.8	0.0	3,487,000.0	50,000,000.0
2,011.0	0.0	0.1	0.6	968,600,000.0	0.0	4,500,000.0
2,012.0	0.0	0.0	0.0	1,044,782,368.0	0.0	9,509,000.0
2,013.0	0.2	0.2	2.2	1,248,783,961.9	0.0	0.0
2,014.0	0.0	0.0	0.2	4,000,000.0	0.0	19,000,000.0
2,015.0	0.0	0.0	0.1	436,180,000.0	0.0	72,000,000.0
2,016.0	0.0	0.0	0.2	188,514,179.0	0.0	0.0
2,017.0	0.0	0.0	0.3	541,000,000.0	30,000,000.0	0.0
2,018.0	0.0	0.0	0.3	541,000,000.0	25,000,000.0	0.0
BERGER PAINTS						
2,009.0	0.1	0.1	0.9	0.0	0.0	0.0
2,010.0	0.0	0.0	2.0	0.0	0.0	0.0
2,011.0	0.1	0.1	1.1	0.0	0.0	0.0
2,012.0	0.1	0.1	0.9	0.0	0.0	0.0
2,013.0	0.1	0.1	2.1	0.0	0.0	0.0
2,014.0	0.2	0.2	1.9	12,762,000.0	0.0	11,168,000.0
2,015.0	0.2	0.2	1.7	393,250.0	0.0	626,259,000.0
2,016.0	0.2	0.2	1.5	933,873.0	0.0	566,695,000.0
2,017.0	0.1	0.2	1.1	6,549,000.0	0.0	10,206,000.0
2,018.0	0.0	0.0		5,611,000.0	0.0	10,479,000.0
ONANDO						
2,009.0	0.1	0.2	1.1	0.0	0.0	0.0
2,010.0	0.1	0.3	8.3	0.0	0.0	0.0
2,011.0	0.0	0.0	1.3	0.0	0.0	0.0
2,012.0	0.0	0.1	4.0	173,438,302.0	0.0	0.0
2,013.0	0.0	0.0	1.0	130,302,238.0	0.0	0.0
2,014.0	-0.2	-1.1	-2.1	162,772,763.0	0.0	0.0
2,015.0	-1.2	-1.2	-4.2	93,840,486.0	0.0	0.0
2,016.0	-0.3	-1.6	0.3	145,223,688.0	0.0	0.0
2,017.0	-0.1	2.9	1.1	460,905.0	0.0	3,420,954.0

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2,018.0	-0.1	0.3	2.0	311,585,514.0	0.0	2,590,894.0
UNILEVER						
2,009.0	0.4	0.5	1.1	0.0	0.0	0.0
2,010.0	0.0	0.5	1.1	0.0	0.0	0.0
2,011.0	0.2	5.7	1.5	103,195,404.0	0.0	0.0
2,012.0	0.6	0.6	1.5	55,350,000.0	0.0	0.0
2,013.0	0.5	0.5	1.3	0.0	0.0	0.0
2,014.0	0.3	0.3	0.6	0.0	0.0	0.0
2,015.0	0.0	0.1	0.3	212,066,000.0	0.0	147,725,000.0
2,016.0	0.0	0.3	0.8	18,786,715.0	0.0	131,008,000.0
2,017.0	0.1	0.1	1.8	18,675,960.0	0.0	146,021,000.0
2,018.0	0.0	0.0	0.5	0.0	0.0	0.0
CADBURY						
2,009.0	-0.1	-0.1	2.7	0.0	0.0	0.0
2,010.0	0.0	0.1	0.4	0.0	0.0	0.0
2,011.0	0.1	0.2	1.2	0.0	0.0	0.0
2,012.0	0.1	0.2	1.1	2,700,000.0	0.0	55,713.0
2,013.0	0.2	0.3	2.1	8,401,937.0	0.0	32,230.0
2,014.0	0.8	0.2	1.1	8,100,000.0	8,100,000.0	0.0
2,015.0	0.0	0.1	0.6	6,646,267.0	6,646,267.0	61,150.0
2,016.0	0.0	0.0	-0.2	5,799,578.0	5,000,000.0	143,499.0
2,017.0	0.0	0.0	0.2	7,700,000.0	177,069.0	0.0
2,018.0	0.0	0.0	0.4	4,118,284.0	3,096,000.0	0.0
EXTERNA PLC						
2,009.0	-0.2	-0.4	-1.3	0.0	0.0	0.0
2,010.0	0.1	0.1	0.5	2,870,000.0	0.0	0.0
2,011.0	0.1	0.2	0.8	2,870,000.0	40,680,000.0	391,143,000.0
2,012.0	0.0	0.1	0.6	3,500,000.0	44,114,000.0	401,377,000.0
2,013.0	0.0	0.1	0.6	54,610,000.0	49,779,000.0	421,919,000.0
2,014.0	0.1	0.2	1.0	2,800,000.0	32,698,000.0	243,497,000.0
2,015.0	0.0	0.1	1.0	3,400,000.0	61,104,000.0	0.0
2,016.0	0.0	0.1	1.2	3,324,000.0	73,831,000.0	464,096,000.0
2,017.0	0.0	0.2	1.6	15,167,000.0	52,098,000.0	507,943,000.0
2,018.0	0.0	0.1	0.9	4,850,000.0	109,773,000.0	735,842,000.0
NESTLE						
2,009.0	0.2	9.3	14.8	18,436,555.0	0.0	0.0
2,010.0	0.2	0.8	20.8	12,050,000.0	0.0	0.0
2,011.0	0.2	0.7	26.7	12,802,000.0	227,184,000.0	665,503,000.0
2,012.0	0.0	0.0	26.7	37,018,000.0	278,130,000.0	791,461,000.0
2,013.0	0.2	0.5	28.1	35,826,000.0	298,499,000.0	941,593,000.0
2,014.0	0.2	0.6	28.1	45,547,432.0	311,998,000.0	939,147,000.0
2,015.0	0.2	0.6	30.0	47,191,259.0	38,000,000.0	1,188,000.0
2,016.0	0.0	0.3	10.0	8,778,000.0	632,000,000.0	1,233,000.0
2,017.0	0.2	0.8	42.6	2,088,000.0	49,600,000.0	22,769,000.0
2,018.0	0.3	0.9	54.3	33,965,000.0	572,000,000.0	1,421,000.0
FLOUR MILLS						
2,009.0	0.0	0.0	4.3	0.0	0.0	0.0
2,010.0	0.1	0.1	0.4	0.0	940,453.0	1,562,304.0
2,011.0	0.0	0.0	4.5	19,180,000.0	0.0	5,810,357.0
2,012.0	0.0	0.1	3.3	15,170,000.0	810,954.0	816,319.0
2,013.0	0.0	0.1	3.7	2,199,700.0	4,342,937.0	0.0
2,014.0	0.0	0.1	4.4	2,192,000.0	0.0	0.0
2,015.0	0.0	0.0	0.9	27,725,000.0	393,343.0	195,838.0

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2,016.0	0.0	0.1	4.0	7,620,000.0	244,085.0	200,604.0
2,017.0	0.0	0.1	3.8	16,000,000.0	670,027.0	3,269,535.0
2,018.0	0.0	0.1	3.5	20,700,000.0	752,021.0	3,626,284.0
MAY & BAKER						
2,009.0	0.0	0.0	21.0	7,705,300.0	0.0	0.0
2,010.0	0.1	0.1	19.3	1,310,904.0	0.0	0.0
2,011.0	0.0	0.1	22.6	0.0	5,699,470.0	3,186,450.0
2,012.0	0.0	0.1	16.3	0.0	0.0	0.0
2,013.0	0.0	0.0	-8.0	0.0	2,768,160.0	4,560,170.0
2,014.0	0.0	0.0	9.5	2,355,040.0	5,148,000.0	5,734,500.0
2,015.0	0.0	0.0	5.6	1,935,438.0	0.0	7,018,992.0
2,016.0	0.0	0.0	-5.0	0.0	0.0	
2,017.0	0.1	0.2	-29.6	5,943,733.0	4,877,000.0	21,359,000.0
2,018.0	0.0	0.1	24.8	4,687,775.0	5,594,000.0	18,358,000.0

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