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EFFECTS OF CORPORATE SOCIAL RESPONSIBILITY EXPENDITURE ON THE FIRM PERFORMANCE OF SELECTED SECTORAL INDUSTRIES IN NIGERIA

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Abstract

CSR is a firm's self-regulatory effort to entrench policies and practices that promote social and environmental good beyond the firm's interests. Similarly, the impact of CSR on Nigeria's capital market and financial performance cannot be overemphasized. Consequently, several challenges exist, including capital market inefficiencies, a lack of information about quoted companies, the capital market crash, a scarcity of investible funds, low returns on investment, lack of transparency, and high transaction costs. This study employed a quantitative and deductive approach. The research aims to determine the influence of corporate social responsibility on capital market and business performance in Nigeria's selected industries. The study's population comprises of three key industries: oil and gas, consumer goods, and banking (all 12 oil and gas firms, 15 consumer goods companies, and 14 listed Deposit Money Banking companies) are listed on the Nigerian Stock Exchange (NSE) as 2020. The result revealed that corporate social responsibility spending exerts positive insignificant impact on profit after tax with coefficient estimate of 4.984367 ($p=0.539 > 0.05$), when both cross sectional effect and period effect is incorporated as intercept terms in the model. Estimates reported that the total asset stood at .0264204 ($p=0.000 < 0.05$) which connotes that total asset positive impact is significant on profit after tax. Also, the regression result shows that OS, PS and LL have a



positive impact on the REV with values 0.079, 1.14 and 0.09 respectively. It was also concluded that capital market participants perceive CSR as a signal of improved earnings quality. the government should improve the capital market operation regulations to be suitable for small and medium manufacturing companies to operate effectively in the market. It will also give individuals the opportunity to trade in the capital market.

Keywords: Corporate Social Responsibility, CSR, Capital market, Expenditure, Firm performance, Nigerian Stock Exchange, NSE

INTRODUCTION

CSR is defined as a firm's self-regulatory effort to entrench policies and practices that promote social and environmental good beyond the firm's interests. The voluntary nature of CSR efforts, which go beyond the firm's legal and contractual obligations, is critical in this definition. As a result, it entails a wide range of actions, including being employee-friendly, environmentally conscious, respectful of the communities in which the firm's plants are located, and investor-friendly (Bénabou and Tirole, 2010). According to the World Business Council on Sustainability Development (2018), corporate social responsibility (CSR) is defined as a company's ongoing commitment to act ethically and contribute to economic development while improving the quality of life of its employees and their families as well as the local community and society at large.

Firms are now held accountable to their direct owners, such as shareholders and debt holders and all stakeholders. This was a huge step forward from the past when companies were viewed solely as profit-making entities (Manescu & Starica, 2008). CSR is deepening among enterprises and society in Nigeria, according to Ajide and Aderemi (2014). It is defined as an organisation's activity that has the potential to have a beneficial impact on the businesses involved. Various international organisations have provided CSR definitions, guidelines, and rules in response to this increased awareness. The ISO 26000 international rules for social responsibility were officially issued by the International Organization for Standardization (ISO, 2010). The International Federation of Accountants (IFAC 2006a, 2006b) and the American Institute of Certified Public Accountants both view CSR through the lens of sustainability resulting from accounting transparency (AICPA 2021).

Furthermore, according to the AICPA (2015), current financial statements may not accurately reflect a company's true value, and non-financial information, such as CSR disclosure, should be supplemented. Socially responsible investing (SRI) funds have piqued the interest of capital market investors as (CSR) has become increasingly highlighted in recent years.

An SRI fund evaluates firms based on socially responsible criteria before investing in their stock. As a result, corporations whose stocks are held in an SRI fund (hence, SRI firms) are expected to uphold their social responsibilities. Professional management has been increasing its investment in accordance with SRI policies. "Individuals, institutions, investment businesses, money managers, and financial institutions that practice SRI aspire to generate long-term competitive financial returns while also having a positive social impact," according to the statement. SRI techniques can be used across asset classes to encourage stronger corporate social responsibility, increase long-term value for companies and their stakeholders, and grow businesses, create jobs, or introduce products that will benefit the society and the environment" (US SIF Foundation, 2012). In researching the impact of CSR on Nigeria's capital market and financial performance, it was discovered that several challenges exist, including capital market inefficiencies, a lack of information about quoted companies, the capital market crash, a scarcity of investible funds, low returns on investment, lack of transparency, and high transaction costs, all of which are preventing inclusive and sustainable growth (Bessong & Tapang, 2012).

The current study aims to overcome previous studies' measurement limitations by examining the influence of CSR initiatives on capital market and firm performance on a dimension of company performance that has yet to be examined in Nigeria with multi-sector companies. Much research has looked into the consequences of CSR disclosure (Stevens, kelvin, Steensma, Harrison, and Coehran 2005; Li, Luo, Wang and Wu 2013; Dhaliwal, Li, Tsang and Yang 2011; Martnez-Ferrero & Garca-Sánchez, 2017; Wang, Hsieh and Sarkis., 2018). With a focus on markets, cost of capital, and information asymmetry, evidence generally demonstrates that voluntary disclosure of CSR information has certain benefits in terms of shareholder trust and the capital market.

Objectives of the Study

- i. To examine the effect of CSR Expenditure on firm performance of selected industries in Nigeria.
- ii. To assess the effect of capital market growth on firm performance of selected industries in Nigeria.

Hypotheses of the Study

H₀₁: Corporate social responsibilities expenditure has no significant effect on firm performance of selected industries in Nigeria.

H₀₂: Capital market growth has no significant relationship between firm performance of selected industries in Nigeria.

LITERATURE REVIEW

Capital Market

The capital market is a financial market in which equity-funded or equity funded securities are bought and sold. Capital markets channel the wealth of savers to those who can put it into the long-term market; it is the part of a financial structure in which corporate bonds, preferred stocks, equity, government securities and other long-term investments are traded. In a capital market, buyers and sellers can interact and conduct financial dealings such as shares, bonds, debentures, and derivative instruments such as swaps and options. Al-fake (2006) stated that capital markets channel savers' capital to those who can place it to long-term productive use, such as companies or governments making long-term investments.

The capital market denotes a collection of monetary organisations intending to give medium and long-term loans. It is a market for company bonds, corporate market shares (stocks) and mortgage loans. Supporting this, Gbosi (2005) submitted that a capital market is a subdivision of the financial markets which specialises in mobilising long-term funds for fast growth and development of the economy. Inimino, Bosco, and Abuo (2018) stated that a capital market is a system of institutions, individuals and instruments that interact in a process that pools medium and long-term funds or capital from the excess part of an economy, and such funds are spread through intermediaries into the productive sectors of the economy under a regulatory framework. Therefore, the market hugs together the primary market (the market for new issues) and secondary (secondary securities) market, whether such securities are raised in an organised market, such as the stock exchange or not.

The total amount invested in the market for a given day, week, month, and year is calculated by adding the value of each stock traded on that day. Blessing (2020) states that the transaction volume is the securities traded in a specific period. The number of shares that changed hands within a given day is often described as volume. The number of company shares traded on the exchange floor during a particular session is the volume traded. A stockholder's willingness to sell and other investors' willingness to buy the offer and bid determines the volume traded. The number of deals determines the transactions in a particular trading period. Movement in the number of deals revealed bears in the stock market, according to Kassi, Rathnayake, Louembe, and Ding (2019). Stock turnover is the total value of exchanged shares divided by the market capitalisation for a given period. Another way to determine how busy or liquid a stock market is is to use this metric. Before deciding to invest in the stock market, portfolio investors and other investors assess how quickly or easily they can purchase and sell stocks when needed.

Capital Market Instruments

The instruments traded in the market are commodities in their raw forms, which range from agricultural produce to precious oil metals. A commodity exchange market operates a trading floor where the market operators transact their businesses. Companies and governments both require consistent funding to complete initiatives. Economists say that companies require steady capital to operate more effectively in the business sector. Governments require funding to build roads, water pipes, electrical lines, and educational facilities, among other things. The money market is unable to give this reliable money. Funds are issued using instruments. Equities (ordinary shares), debt instruments (bonds, debentures), and preference shares are the categories of securities described by (Dada, 2003; Alabede; 2005) as follows:

Ordinary Shares: The holders of ordinary shares are real owners of the company because they bear the greatest risk and benefit from its success. Ordinary shares represent the permanent capital of a company.

Preference shares: The holders of preference shares are entitled to a fixed percentage of dividends before ordinary shareholders are paid any dividend. A preference share's dividend can only be paid if sufficient distributable profits are available.

Federal Government Development Stocks: the federal government issues these instruments, usually annually, and it is a long-term loan, with maturity varying between 6 and 25 years.

Bonds: State and local governments raised funds on the floor of the NSE using bonds. **Debenture/Loans Stocks:** These are instruments to raise corporate funds for financing long-term capital needs. The holders of such instruments are entitled to a fixed rate of interest, which must be paid whether profit is earned or not by the company.

Capital market indicators

Capital market indicators are components or metrics that show how the market's operations have increased or expanded. It can be seen as increases in size and improvement in capital market elements such as market capitalisation, total value of transaction traded, all share index, turnover ratio, market capitalisation, ratio number of deals, total listed equity volume of transaction, total new issues, total listing, market share index, listed securities. Market Capitalization is the total market value of the issued share capital of all the companies quoted on the stock exchange. Capitalisation also refers to converting net retained profit or reserve into issued capital. At the same time, the Share Index is the statistical data computed annually to measure the changes in the value of commodities and securities.

The index is derived from the price of all or some market constituents, usually expressed in percentage change from the base period. Indices are noteworthy performances of

an economy or a financial market. The value of a transaction is the total value of transactions traded on the stock market exchange divided by the gross domestic product. It measures the organised trading of firm equity as a share of national output and should reflect liquidity on an economic basis. The transaction's total value adds to the market capitalisation ratio. (Popoola, Ejemeyovwi, Alege, Adu and Ademola, 2017). According to Adeusi, Akeke, Aribaba, and Adebisi (2013), the current stock price per share multiplied by the total number of outstanding shares equals market capitalisation.

A capital market can be either a primary market or a secondary market. In primary markets, new stock or bond issues are sold to investors, often via a mechanism known as underwriting. Erasmus Nkiru, and Ifeanyi (2021), stated that governments (local, state, or federal) and business organisations seek to raise long-term funds in the primary capital markets. The primary market concerns new securities issued by companies that require funding for their operations. Infrastructural development may also be a requirement for governments. Companies wanting to raise public money on the stock exchange must first receive clearance from their board of directors. Before it can begin, it must first pass a resolution. The secondary market is the financial market where an investor can purchase stocks from a fellow investor and not directly from the corporations issuing the firm. The proceeds from sales are distributed to the shareholders rather than the company where the shares are traded.

Capital Market Issues

Unstable Market: The price of stocks in the Nigerian capital market has been fluctuating. In the market, this has not been favourable to investors. During the Global Financial Crisis of 2009, the Nigerian capital market, like others worldwide, imploded. In 2017, Nigeria saw another economic downturn, the worst in the country's history in 29 years. This demonstrated to investors that the markets are mostly risky and unpredictable.

Industry Risk: In the Nigerian Capital Market, Nigerian companies operate in the same industry. This is based on the export of primary commodities such as raw materials. However, Nigerian businesses are confronted with fierce competition, which may have an unfavourable effect on the country's increasing profits. This does not encourage national product or service protectionism. For instance, if Nigeria has a free capital market with zero tariffs on cement, it will attract foreign companies that will perform better at lower costs, putting the domestic market at risk. As a result of political difficulties, climate change, and rising or declining oil prices, the Capital Market Industry will face business challenges.

Market equilibrium theory

Agouram, Anoualigh and Lakhnati (2020) and Merton (1987) established the capital market equilibrium model, which suggests that as the size of a company's investor base grows, so does its cost of equity capital. Because there are fewer investors, there are fewer options to diversify stock owning risk (Ferrat, Daty and Burlacu, 2021). Firms with higher CSR ratings typically have a broader pool of investors (Fry 2019; Boermans and Galema (2019), resulting in a reduced cost of equity capital.

Investor choice behavior theory

According to Williams (2007), investors who care about social issues should include this behavior into their portfolio strategy. Corporate ethical investments can boost investors' total utility and psychic returns when ethical intensity is factored into their total utility function (Signori (2020). Investors may prefer stocks of companies with higher CSR ratings based on their good views toward social responsibility disclosure (Aspara and Tikkanen 2008). There is also growing evidence in the literature supporting the impact of investor mood on a firm's cost of equity. According to Chava (2010), investors that participate in enterprises that are exempt from environmental screens such as dangerous chemicals, significant emissions, and climate change concerns would demand greater projected returns, implying that the firm's cost of equity capital will rise.

Finally, organizations with strong CSR performance, particularly those working to promote employee welfare and environmental preservation, have reduced equity capital costs (El Ghouli et al. 2011). If the companies are in the "sin" industry, such as tobacco or nuclear power, the cost of equity capital will rise. As a result, based on the aforementioned perspectives, we believe CSR initiatives will have an impact on enterprises' cost of equity capital. All of the aforementioned theoretical CSR uses, however, are predicated on the assumption that stakeholders, particularly market investors, are well-informed and favorably perceive CSR disclosures.

Legitimacy theory

Legitimacy theory was propounded by Prabhu (1998) and Reverte (2009). This theory postulates that corporations as a matter of duty must have the community at heart, not just the owners of the business. As such a business whose operations are in conformity with community-led down principles and international best practices, the community has the right to discontinue the operations of such firm visit domain. Reverte (2009) also argues that the legality of a firm is built and preserved through emblematical activities, which make a large mass of the

firm's corporate image. When there is a real and prospective discrepancy between the firm and collective norms of the community, this discrepancy will threaten the firm's legitimacy in the form of legal sanctions, economic sanctions, to mention but a few. Thus, firms are mandated by the social contract to carry out various communally anticipated activities in return for endorsement of their objective and other recompenses. This will eventually guarantee its perpetual permissibility of operations in foreseeable future.

Utilitarian Theory

Utilitarianism is often used interchangeably with instrumental theories (Garriga and Mele, 2004; Jensen, 2002), in which the company is viewed just as a tool for generating wealth and its social activities are merely a means to that end. The utilitarian theories are concerned with competitive advantage techniques. Porter and Cramer (2002) and Litz (1996), for example, advocated for these theories as a foundation for devising strategies in the dynamic use of a corporation's natural resources for competitive advantage. Altruistic activities that are socially accepted as marketing instruments are also included in the tactics. Secchi (2007) splits the utilitarian group of theories into two categories, namely;

- i. **Social Costs of the Corporation:** The social cost hypothesis provides a foundation for corporate social responsibility by claiming that the community's socio-economic system is influenced by business non-economic influences. It's also known as instrumental theory (Garriga and Mele, 2004) because it views corporate social responsibility as only a means to an end, leading to the reality that the corporation's social power is manifested especially in its political interaction with society. As a result, the utilitarian theory proposes that a company must recognize social responsibilities and rights in order to participate in social cooperation.
- ii. **Idea of functionalist theory:** The functionalist theory advocates for the corporation to be viewed as a part of the economic system, with profit as one of its aims. The company is considered an investment, and investors and stakeholders should profit from it. Assumptions Moral agents surround the assumptions that govern the theory. Utilitarian's think that moral agents must constantly strive for the best possible outcome when viewed objectively. As a result, businesses have an equal obligation to enhance the pleasure of total strangers, such as destitute Africans, and those who are closely tied to the business, such as employees. Helping the impoverished and hungry, for example, in Africa, rather than comparatively well-off people, for example, in Denmark, seems to increase happiness from an unbiased point of view, other things being equal, according to utilitarian's (Singer, 1970).

Managerial Theory

Secchi's (2007) perspective highlights the logic of managerial theory, which focuses corporate management and how the firm approaches corporate social responsibility internally. This is what distinguishes the utilitarian and management approaches to corporate social responsibility. This implies that everything outside the firm is considered while making organizational decisions. Political theories, as conceptualized by Garriga and Mele (2004) and backed by Wood and Lodgson (2002) and Detomasi, are also significantly linked to managerial theories (2008). They emphasize that businesses' social duties stem from the amount of social influence they wield, and that the corporation is viewed as a citizen with a certain level of involvement in the community. The roots of CSR's political influence may be traced back to Davis's (1960) proposal that business is a social institution that must exercise power responsibly. It's also worth noting that the causes that build social influence come from both within and outside the organization.

Empirical review

The problem of the Nigerian Capital Market

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Industry Risk: In the Nigerian Capital Market, Nigerian companies operate in the same industry. This is based on the export of primary commodities such as raw materials. However, Nigerian businesses are confronted with fierce competition, which may have an unfavorable effect on the country's increasing profits. This does not encourage a national product or service protectionism. For instance, if Nigeria has a free capital market with zero tariffs on cement, it will attract foreign companies that will perform better at lower costs, putting the domestic market at risk. As a result of political difficulties, climate change, and rising or declining oil prices, the Capital Market Industry will face business challenges.

Regulatory Problems in the Nigerian Capital Market

The Nigerian Capital Market is having difficulty establishing and implementing suitable norms and guidelines for operations. Stockbrokers and top officials in the markets may engage in shady activities that go unnoticed. Surplus funds are not properly accounted for or claimed due to a lack of oversight caused by a lack of a coordinated system and laws. As a result,

investors have lost a significant amount of money. The Nigerian Capital Market has also been plagued by rampant corruption among top officials in regulating bodies such as the Securities and Exchange Commission. The Nigerian Minister of Finance has suspended the Securities and Exchange Commission Director-General, Mr. Munir Gwarzo, for alleged shady transactions with Oando PLC, a multinational oil company. He was accused of misusing public monies without the approval of the government. In the Nigerian Capital Market, there have been challenges with conducting adequate investigations and prosecuting wrongdoers. This is due to a lack of regulatory implementation and enforcement of legislation that would allow for more efficient operations.

Operational Shell Banks or Institutions: There are frauds known as Ponzi schemes that are designed to defraud naïve individuals of their money. The Scams guarantee investors abnormally high cash returns that are not available from traditional banks. The funds raised are not invested in any productive ventures, such as the capital market. The funds collected are utilized to reimburse the investors. Unfortunately, there are no effective regulations or regulatory guidelines in place to check the schemes at the moment. Investors in the Nigerian capital market continue to take part in these Ponzi schemes at their own risk.

Problems of Nigerian Capital Market: The Nigerian Capital Market is tough to comprehend for most Nigerians. Due to a lack of knowledge, this is the case. To trade or engage in the Nigerian capital market, Nigerians must have a rudimentary understanding of shares, debentures, and bonds. There is a widespread belief that disadvantaged people are unable to access financial services such as banks and the Capital Market. Individuals must be properly educated on how to work with a licensed Stock Broker or Investment Adviser on Capital Market matters.

Market Size Problem: The country is not well-positioned, and is not equipped to be relevant in various critical areas-sectors of the economy, according to the Securities and Exchange Commission's (SEC) 2015-2025 Master Plan Report on Nigeria Capital Market. According to the report, the Nigerian capital market lacks insufficient to raise funds for complex long-term projects. The 2.52-billion-dollar project for the privatization of the power sector, for example, was not facilitated by the Nigerian capital market. Companies interested in the power sector were expected to be on the capital market five years prior to purchasing stock.

Savings Setbacks Problem: There are no laws or initiatives in place to encourage long-term savings and investments. According to the SEC Master Plan 2015-2025 Report, Nigeria has a low National Gross Savings Rate of 10.79 percent in December 2013. According to the report, countries like Malaysia had roughly 32 percent of the national gross savings rate, whereas the global average was 18.95 percent at the time.

Lack of Technology: The Capital Market has a poor level of Information Technology Assimilation and Capacity. Modernizing and transforming operational models, as well as increasing capacity and encouraging smaller operators to invest in technology, are all necessary. Innovation and specified value-added material are restricted. For investors, technology creates a more productive and effective capital market.

The Capital Market Over Concentration: Nigeria's capital market has a greater impact on certain areas of the economy than others. Banks are the most valuable assets for investors in the capital market. In addition, there are a few sectors such as Consumer and Industrial Goods. Infrastructure, oil, gas, mining, and telecommunications are some of Nigeria's other industries.

The CSR Effect on Capital Market

CSR has gotten a lot of attention from academics during the previous two decades. Researchers are looking into the influence of CSR on capital markets because of the increased emphasis on environmental and social performance (Malik, 2014). Despite a large body of study, there is still a lot of disagreement over the financial implications of CSR. On the one hand, several schools of thought argue that CSR participation should result in capital market gains. Ethics and profit do not have to be mutually exclusive, according to stakeholder theory (Donaldson and Preston, 1995; Freeman, 1984; Jones, 1995). While spending money on ethical issues might not immediately benefit shareholders, it may help businesses become more successful in the long run. By understanding a firm as a nexus of contracts between managers and stakeholders, Jones (1995) contends that ethical behavior can lead to greater financial performance by lowering monitoring costs.

In addition, using the resource-based-view (RBV) of the firm (Barney, 1991; Wernerfelt, 1984), Hart (1995) asserts that environmental social responsibility can constitute a resource that leads to the generation of a competitive advantage. RBV presumes that firms are bundles of resources and capabilities that are imperfectly mobile across firms and that these resources can constitute a source of competitive advantage provided they are valuable, rare, inimitable, and non-substitutable (Barney, 1991). Resources are defined by Barney (1991) as physical capital, human capital, or organizational capital resources controlled by firms that enable them to conceive of and implement valuable strategies. CSR initiatives, according to some authors, can assist businesses in developing valuable intangible assets such as know-how, company culture, and reputation (Aragon-Correa and Sharma, 2003; Branco and Rodrigues, 2006; Hart, 1995; Hillman and Keim, 2001; Russo and Fouts, 1997).

This improved reputation can lead to increased customer loyalty (Fombrun et al., 2000), the ability to attract and retain valuable employees (Branco and Rodrigues, 2006; Fombrun et al., 2000; Greening and Turban, 2000; Turban and Greening, 1997), and improved pricing power (Branco and Rodrigues, 2006; Fombrun et al., 2000; Greening and Turban, 2000; Turban and Greening, 1997), (Fombrun et al., 2000). Godfrey (2005) claims that CSR can provide "insurance-like" protection for many of a company's distinctive intangible assets and that this protection eventually leads to shareholder wealth. More specifically, the author demonstrates that philanthropic acts can produce "positive moral capital," which reduces stakeholders' unfavorable evaluations and the severity of their sanctions when a negative occurrence occurs. Firms might establish legitimacy in their operating environment by participating in CSR-related activities and communicating about them (Giordano-Spring and Riviere-Giordano, 2008). Firms must establish legitimacy by complying with societal norms in order to secure long-term sustainability.

Stock market economy

Stocks, bonds, and production factor markets are all discussed. Firms hire production elements and pay them regardless of the state of the environment, whereas stockholders are the residual claimants. Externalized expenses can be internalized without the need for socially responsible investors. Other stakeholders may place a premium on socially responsible activity. If we consider consumers who are willing to pay extra for "green" items or employees who are willing to accept a lower wage in exchange for improved working conditions, the ensuing analysis of business behavior will be comparable to that of a setting with responsible investment. Corporate social responsibility can lead to vertical product differentiation in the consumer goods market (Heal, 2003; Nyborg 2020) and compensating salary differentials in the labor market, both of which can be considered hedonic pricing mechanisms (Herath Maier 2022).

In a competitive equilibrium, the cost of corporate social responsibility is channeled through either the end goods market or the labor market, with no consequences for financial performance. The rest of this research explores a hedonic pricing mechanism in the stock market in the form of socially responsible investing because we're interested in potential disparities in financial success. First, we'll go through how consumers choose their portfolios. Then we define the market equilibrium and introduce two types of business behavior. These corporate objectives are socially responsible. We investigate the effects of the two forms of corporate conduct on three commonly used financial performance measures: the Market-to-Book ratio, Return on Assets, and stock market return.

CSR, Capital Market growth and Firm performance

Many research has attempted to determine the relationship between CSR disclosure, market growth, and corporate performance. While qualitative research primarily employs case studies or best practice examples to investigate the impact of CSR on financial performance, quantitative empirical research employs three main methods (Sheehy and Camilleri, (2021). Corporate sustainability and responsibility.): portfolio studies comparing portfolios of high and low CSR firms, event studies investigating market responses following CSR-related events, and multiple regression studies. Even though there has been a lot of research done on the subject, the conclusions are still rather inconsistent. In such cases, meta-analytical approaches are especially useful.

García-Sánchez, Rodríguez-Ariza, Aibar-Guzmán, and Aibar-Guzmán, (2020). Does Capital Market Distrust CSR Reporting? Economic Benefits in Presence of Complementary Monitoring Mechanism, the study use multiple regression and it was found that market only positively assesses the utility and comparability of corporate social responsibility information, giving firms a superior value when there is a complementary mechanism that guarantees information credibility. Mathieu Gomes (2017). Corporate Social Responsibility and Capital Markets: Evidence from Mergers and Acquisitions, our findings imply that CSR performance is a significant factor of M and A decisions and predicted consequences using panel data analysis. Orlitzky et al. (2003) found a small positive association between CSR performance and financial performance in a meta-analysis of 52 research.

The authors do note out, however, that the operationalization of CSR and financial performance attenuate the beneficial relationship. They show, for example, that CSR performance is more closely connected with accounting-based financial performance than market-based indicators, and that reputation indices are more highly correlated with financial performance than other CSR performance indicators. Alareeni and Hamdan (2020) review 251 papers and find that CSR performance has a minor but beneficial impact on financial performance. Endrikat, De Villiers, Guenther and Guenther (2021) synthesize the results of 149 studies and conclude that there is a minor positive association between CSR and financial performance, but that this relationship is moderated by numerous factors.

Revelli and Viviani (2015) conducted a meta-analysis of 85 studies and 190 experiments more recently to see if there's a link between socially responsible investment (SRI) and financial performance Their findings show that considering CSR in stock market portfolios is neither a strength nor a drawback when compared to traditional investments. Filbeck et al. (2016) examines hedge funds and find evidence that SRI hedge funds

outperform non-SRI hedge funds on average by 1.50 to 2.67 percent yearly. Jo and Na (2012) study the effect of risk reduction through CSR engagement result show that there is economically and statistically significant in controversial industry firms than in non-controversial industry firms. Godfrey, Merrill, and Hansen. (2009) investigate the link between CSR performance and firm risk find that high CSR performance moderates the reduction of a firm's market value induced by a negative CSR event, confirming the ex-post insurance-like benefits of CSR. Sharfman and Fernando (2008) highlight the fact that high environmental performance reduces the market's risk perception of a company, using a sample of 267 US firms, leads to a lower systematic risk. show that improved environmental risk management is associated with lower systematic risk and lower cost of capital.

METHODOLOGY

This study employed a quantitative and deductive approach. The research aims to determine the influence of corporate social responsibility on capital market and business performance in Nigeria's selected industries (Oil and Gas, Manufacturing, and Banks). The study's population comprises of three key industries: oil and gas, consumer goods, and banking (all 12 oil and gas firms, 15 consumer goods companies, and 14 listed Deposit Money Banking companies) are listed on the Nigerian Stock Exchange (NSE) as at 2020. All Sectors whose annual reports do not cover the specified period were disqualified. Because the time chosen is in accordance with the requirements of Nigeria's CSR effort

Table 1: Summary of the population of Oil and Gas Industries

S/N.	Name of Banks
1	Ardova Plc.
2	Capital Oil Plc.
3	Conoil Plc.
4	Eternal Plc.
5	Japaul Gold and Venture Plc.
6	Mrs. Oil Nig. Plc.
7	Oando Plc.
8	Rak unity pet company Plc.
9	Seplat petroleum Development
10	Total Energies Marketing Nig. Plc.

Source: Nigerian Stock Exchange, 2021

Table 2: Summary of the population of Consumer Goods Manufacturing Sectors

S/N.	Name of Banks
1	7.Upbottling Company Plc.
2	Cadbury Nig Plc.
3	Champion Brewries Plc.
4	Dangote Flour Mills Plc.
5	Dangote Sugar Refineries
6	Dn tyre and Rubber Plc.
7	Flour Mill Nig Plc.
8	Golden Guinea Brew Plc.
9	Guinea Nig Plc.
10	Honeywell flour Mill Plc.
11	International Brewries Plc.
12	Mc Nicholes Plc.
13	Multi-Trex integrated food Plc.
14	Nig. flour mills Plc.
15	Nascon allied industries Plc.
16	Nestle Nig. Plc.
17	Nigerian Breweries Plc.
18	Nigerian enamel Plc.
19	Pz Cusson Nig Plc.
20	Unilever Nig. Plc.
21	Union Dicon Salt Plc.
22	Vitafoam Nig Plc.

Source: Nigerian Stock Exchange (NGX) Oct 21, 2021

Table 3: Summary of the population of Nigeria Deposit Money Bank

S/N.	Name of Banks
1	Access Bank Plc.
2	Ecobank Nigeria Plc.
3	Fidelity Bank Plc
4	First Bank of Nigeria Plc.
5	First City Monument Bank Plc.
6	Guaranty Trust Bank Plc.
7	Jaiz Bank Plc.
8	Stanbic IBTC Bank Ltd.
9	Sterling Bank Plc.
10	Union Bank of Nigeria Plc.
11	United Bank For Africa Plc.
12	Unity Bank Plc.
13	Wema Bank Plc.
14	Zenith Bank Plc.

Source: Nigerian Stock Exchange, 2021

The populations of the study were selected from three major companies. The selected companies will be divided into three categories based on their level of operations: multinational, national, and local (see table 1, 2 and 3). Purposive sampling technique is a judgmental, selective, or subjective sampling. It is also a non-probability sampling technique that focuses on techniques where the units that are investigated are based on the judgment of the researcher when it comes to selecting the units that are to be studied. Therefore, this study adopts a multistage sampling technique in which companies were grouped into three categories. However, the first three (3) companies will be selected according to the level of their operation. Thus, Oil and gas sectors contribute the highest percentage to our GDP and make Nigeria to get highest foreign direct investment. Manufacturing Sectors added more value to our GDP. And Banking Sectors promote highest liquidity than other sectors because banking sectors provide funding for other sectors. The secondary sources of data through the annual reports of the selected Oil and gas, consumer goods and banking companies were used for this study. The annual reports will be extracted from the websites of the selected companies. This approach is in line with Ponnu, and Tennakoon, (2009). This study makes use of descriptive statistics, correlation regression panel and cross-sectional analysis.

MODEL 1: To examine the effect of CSR Expenditure on financial performance of quoted firms of selected sectoral industries in Nigeria.

$$PAT_{it} = f(TCSRS_{it}, TOA_{it}, WC_{it}, LEV_{it}) \quad \dots\dots (3.3)$$

Where:

PAT=Profit After Tax,

TCSRE=Total Corporate Social Responsibility Expenditure,

TOA=Total Asset (measure of firm's size),

WC=Working capital (measure of corporate liquidity)

LEV=Leverage ratio (Debt equity ratio which is a measure of capital structure/firm's leverage ratio), γ, δ = Coefficients, $\mu (s)$ = stochastic error terms, i = cross section unit, t = time period

MODEL 2: To examine the effect of corporate social responsibility disclosure index on capital market growth of quoted firms of selected sectoral industries in Nigeria.

$$CMG_{it} = \beta_0 + \beta_1 + CSRDI_{it} + \beta_2 FSIZE_{it} + e_{it} \quad \dots\dots (3.4)$$

$$GDS_{it} = \beta_0 + \beta_1 + CSRDI_{it} + \beta_2 FSIZE_{it} + e_{it} \quad \dots\dots (3.5)$$

$$FDI_{it} = \beta_0 + \beta_1 + CSRDI_{it} + \beta_2 FSIZE_{it} + e_{it} \quad \dots\dots (3.6)$$

RESULTS

Table 4 present results of Levin-Lin-Chu test (LLC), ImPesaran-Shin test (IPS) and ADF fisher Chi-square test statistics of unit root for continuous variables used in the study in the quest to describe stationary property of each of the variables. The test statistics is reported at level and first difference. Result showed that there is evidence to reject the null hypothesis of no unit root at level for all the variables used, based on all the three-unit root test conducted, except in the case of total asset, and working capital which shows rejection of null hypothesis at level base on Levin-Lin-Chu test only.

In agreement with the argument of Baltagi (2005) and Entorf (1997) that there is no need to worry about stationarity and/or co-integration in panel data when dealing with small cross-sectional unit and period, as inference from pooled OLS, fixed effect and random effect estimation is not misleading as such there is no need for panel co-integration test of the models estimated in the study.

Table 4: Panel Unit Root Test Result

Variables	Test At Level			Test At First Difference		
	LLC	IPS	ADF	LLC	IPS	ADF
TCSRS	-2.95947**	-1.47903*	60.3818**	--	--	--
TOA	-3.69565*	-1.36259	45.2442	--	-7.7251*	115.931*
WC	-4.03189*	-0.55787	40.7137	--	-8.8508*	127.474*
LEV	-45.5912*	-17.1513*	104.495*	--	--	--
PAT	-5.75397*	-4.33151*	90.0585*	--	--	--

*(**) connote rejection of unit root hypothesis at 1% (5%) level of significance level

Table 5: Hausman Test

Null hypothesis	Chi-square stat	Probability
Difference in coefficient not systematic	14.48	0.0059

Table 5 reported chi-square statistic of 14.48 and probability value of 0.0059. This result showed that there is enough evidence to reject the null hypothesis that differences in coefficients of fixed effect estimation (two-way fixed effect) and random effect estimation is not significant. Thus, making fixed effect two-way estimation presented in table 4. The most consistent and efficient estimation for analyzing impact of corporate social responsibility on financial performance measured in terms of profit after tax.

Result of post estimation test from table 6 was conducted to confirm if the model estimated toward analyzing impact of corporate social responsibility on performance is in tune with basic assumptions underlining panel estimation. The result as presented in table 6 showed that there is no evidence to reject null hypothesis on panel homoscedasticity, null hypothesis of no cross-sectional dependence and null hypothesis of no AR (1) panel autocorrelation, given the reported probability statistics of $0.6532 > 0.05$ for Wald test, $0.5412 > 0.05$ for Pesaran test, $0.1545 > 0.05$. Hence post estimation test reported in table 6 validate assumptions of equal variance of residual terms, cross sectional independence and absence of serial autocorrelation, thus reflecting the estimated model is fit for inferential analysis.

Table 6: Post Estimation Test

Wald test		
Null hypothesis	Statistics	Probability
<i>Panel homoscedasticity</i>	64.6378	0.6532
Pesaran test		
Null hypothesis	Statistics	Probability
<i>No cross sectional dependence</i>	4.915	0.5412
Wooldridge test		
Null hypothesis	Statistics	Probability
<i>No AR(1)panel autocorrelation</i>	56.2695	0.1545

Table 7: Pooled OLS Estimation Result (STATA output)

Variable	Coefficient	Std Error	T-Test	Probability
C	-1595.355	6217.25	-0.38	-0.031
TCSRS	4.984367	8.105147	1.63	0.022
TOA	.0264204	.0045813	0.17	0.014
WC	.0018106	.0080956	4.47	0.000
LEV	-139.5525	94.88652	-0.00	-0.042
$R^2 = 0.3998$				
Adj. $R^2 = 0.3890$				
$F\text{-statistics} = 37.14$				

Note: Prob(F-stat) = 0.0000 () connotes significance at 5% level of significance.*

F-statistics reported in table 8 stood at 3.87 and 1.69 with probability values of 0.0000, and 0.0498 for cross sectional and period specific effects respectively. The probability values corresponding to the f-test statistics presented above revealed that there is enough evidence to reject the null hypothesis that differential intercept corresponding to each cross-sectional

specific units, and time period are equal to zero. It implies therefore that there are significant heterogeneity effect cross firms sampled in the study over time.

Table 8: Cross-sectional dependence test (*STATA output*)

	F-statistics	Probability
Cross sectional	3.87	0.0000
Time specific	1.69	0.0498

Two-way effect estimation result presented in table 9 revealed that corporate social responsibility spending exerts positive insignificant impact on profit after tax with coefficient estimate of 4.984367 ($p=0.539 > 0.05$), when both cross sectional effect and period effect is incorporated as intercept terms in the model. Estimates reported in table 9 for total asset stood at .0264204 ($p=0.000 < 0.05$) which connotes that total asset positive impact is significant on profit after tax. Coefficient estimate reported for working capital stood at .0018106 ($p=0.823 > 0.05$) revealing that the impact of working capital on profit after tax is positive but insignificant. On other hand estimation result showed that leverage ratio exerts insignificant negative impact on profit after tax with coefficient estimate of -139.5525 ($p=0.143 > 0.05$). Reported deviation intercept term stood at -2500.427, 9941.135, 13186.88, 242.8661, -4049.942, -5881.489, 1940.507, 2354.229, -1647.164, 10.86954, 8.680716, 22.51852, 9195.862, 16630.41, 11604.68, 25932.15, for UBA, Wema bank, Jaiz bank, Total Nig Plc, MRS Plc, Seplat Plc, respectively, while period deviation intercept terms stood at 964.7536, 3303.135, 1081.615, 2249.667, 19060.05, -526.7939, -19070.66, 1798.571, -6359.154, 6457.891, 2015, 2016, 2017, 2018, 2019, 2020 and 2021 respectively. R-square statistics reported in table 4 showed that about 59% of the systematic variation in profit after tax can be explained by corporate social responsibility spending, total asset, working capital and leverage ratio when both cross sectional and period specific effect are incorporate as intercept terms in the model.

Table 9: Fixed Effect (Two-way effect) Estimation Result

Variable	Coefficient	Std Error	T-Test	Probability
C	-1595.355	6217.25	-0.38	-0.031
TCSRS	4.984367	8.105147	1.63	0.022
TOA	.0264204	.0045813	0.17	0.014
WC	.0018106	.0080956	4.47	0.000
LEV	-139.5525	94.88652	-0.00	-0.042

Cross-sectional Effects				
UBA BANK	-2500.427	5934.918	-0.42	0.0374
WEMA BANK	-9941.135	6234.973	-1.59	0.0422
JAIZ BANK	-1647.164	5810.54	-0.28	0.0177
TOTAL NIG PLC	10.86954	48.92324	0.22	0.030
MRS PLC	8.680716	47.99045	0.18	0.044
SEPLAT PLC	22.51852	48.15561	0.47	0.030
UNILEVER PLC.	16630.41	6042.368	2.75	0.046
VITAL FOAM PLC	11604.68	6045.523	1.92	0.024
FLOUR MILL PLC	25932.15	6046.935	4.29	0.022
Period- effect				
2015	-526.7939	6734.104	-12.78	0.120
2016	-19070.66	6832.579	-0.36	0.043
2017	1798.571	7154.732	3.97	0.033
2018	-6359.154	7152.008	-1.125	0.031
2019	-6457.891	7301.263	-1.131	0.032
2020	-8457.766	7229.407	-0.85	0.041
2021	-9941.135	6234.973	-1.59	0.042
<i>R-square= 0.5946</i>		<i>Adjusted R-square=0.5256</i>		

Note: F-statistics=8.62, Prob(F-stat) =0.0000 () connotes significance at 5% level of significance.*

Analyses of capital market on financial performance

The regression result in table 10 shows that OS, PS and LL have a positive impact on the REV with values 0.079, 1.14 and 0.09 respectively. This explains further that as these values in the independent variables increase by 0.05, the value of the predicted variable also increased by 0.05. the constant values explain the autonomy behaviour of the predicted value as it shifts upwards away from zero closer to one as revealed in the value 0.944813. While the predictor BD has shown that it has a negative impact on the REV explaining that any increase in the value of BD automatically lead to a decrease in the predicted value REV. The R-squared value of 0.963879 explains that 96.4% of the variation in the independent variables explained the dependent variable while 3.6% of independent variables not included in this study explains the dependent variable. It furthers explains that the variables used in predicting the dependent variables are almost 100% appropriate which led the f-statistics probability value of 0.000845

revealing the significance of the model to this study. The Durbin Watson value of 2.789237 shows there is no evidence of autocorrelation among the variables specified for the study.

Table 10: Regression Results

Variable	Coefficient	Std. Error	t-statistic	Prob.
C	0.944813	34.18440	0.027639	0.0090
OS	0.079679	0.449692	0.177185	0.0063
PS	1.145312	0.425028	2.694674	0.0431
BD	-0.255502	0.372455	-0.685994	0.0232
LL	0.094418	0.171859	0.549393	0.0004
R-squared	0.963879	Mean dependent var	109.4900	
Adjusted R-squared	0.934983	S.D. dependent var	37.97734	
S.E. of regression	9.683621	Akaike info criterion	7.685602	
Sum squared resid	468.8625	Schwarz criterion	7.836894	
Log likelihood	-33.42801	Hannan-Quinn criter.	7.519634	
F-statistic	33.35636	Durbin-Watson stat	2.789237	
Prob(F-statistic)	0.000845			

The result in table 11 is the correlation among the variables used for the objectives of this study. The REV was proxied with the OS, PS, BD and LL; this is to explain the extent at which each of the independent variables has a strong or weak correlated relationship with the dependent variable. In the above, the REV is the dependent variable while the OS, PS, BD and LL are the independent variables. The values (0.882911 0.977109, 0.840130 and 0.812131) shows that OS, PS, BD and LL have a strong positive correlated relationship with the REV while the OS have a strong positive relationship with PS, BD and LL revealed by the values (0.906446, 0.824608 and 0.619856). The PS have a strong positive relationship with BD and LL also revealed by values (0.897458 and 0.784863) respectively.

Table 11: Correlation analysis

REV	OS	PS	BD	LL
1.000000	0.882911	0.977109	0.840130	0.812131
0.882911	1.000000	0.906446	0.824608	0.619856
0.977109	0.906446	1.000000	0.897458	0.784863
0.840130	0.824608	0.897458	1.000000	0.598849
0.812131	0.619856	0.784863	0.598849	1.000000

CONCLUSION AND RECOMMENDATIONS

It was concluded from the study that banks in Nigeria appear to exhibit similar approaches in their CSR expenditure and its implications on their performances. This result further underscores the importance of a unique code of conduct which guides the operation in the banking sector. However, a good number of the firms used under the oil sector are outliers under the cross-sectional effect analysis. It was concluded that most of the oil firms in Nigeria use different approaches to execute CSR and hence the effects on their performances are also different. It was also concluded that capital market participants perceive CSR as a signal of improved earnings quality. The following recommendations were made:

- i. Through its agencies, the government should improve the capital market operation regulations to be suitable for small and medium manufacturing companies to operate effectively in the market. It will also give individuals the opportunity to trade in the capital market.
- ii. The capital market policies and regulations should be reviewed with current policies developed through research to attract more manufacturing companies into the market for stock trading activities.

SCOPE FOR FURTHER STUDIES

The study contributed in terms of the scope of the study using different sectorial industries. The study also contributed to the concept of comparative literature by including the capital market as a variable to conceptualized and extend the knowledge of CSR attributes, respectively. Furthermore, the scope for further studies include effects of philanthropic and ethical disclosures on the performance of the capital market in Nigeria

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