



(MUDIMA)



## Corporate Social Responsibility and Financial Performance: Evidences from the Nigerian Industrial and Consumer Sector

Oladeji Ige Olubunmi

Department of Accounting Education, Federal College of Education, Akoka, Lagos

**Corresponding Author:** Oladeji Ige Olubunmi [bunjola@yahoo.com](mailto:bunjola@yahoo.com)

### ARTICLE INFO

*Keywords:* Corporate Social Responsibility, Employee Relationship, Customers Relationship, Net Profit Margin, Earning Per Share

*Received* : 5 February

*Revised* : 18 February

*Accepted* : 19 March

©2023 Olubunmi: This is an open-access article distributed under the terms of the [Creative Commons Attribution 4.0 International](https://creativecommons.org/licenses/by/4.0/).



### ABSTRACT

The issue of corporate social responsibility has attracted more attention recently as a result of its contribution towards stakeholders. This study investigated Corporate Social Responsibility (CSR) on financial performance of some selected manufacturing companies in Nigeria. Ex-post facto research design was used for the study. The study population comprised of all customer goods and industrial sectors of manufacturing companies in Nigeria among which fifteen (15) of them were selected using purposive sampling technique for the period of 2010-2019. Secondary data were collected from the annual report of the sampled companies. Two hypotheses were formulated and tested. Both descriptive and inferential statistics (correlation and multi-regression) were used for data analysis. The result of analysis revealed that CSR has significant relationship on financial performance measured with EPS and negative significant relationship on NPM of selected manufacturing companies in Nigeria.

## **INTRODUCTION**

Corporate Social Responsibility has attracting more attention recently as a result of its contribution towards its immediate environment, society's economic, financial wellbeing and stakeholders. Companies now realizing how critical it is to address investor concerns. CSR seeks to maintain stability in terms of economic, social and environment concerned by fulfilling the expectations of all its stakeholders. Corporate Social Responsibility is the process of communicating firms' social and environmental performance, either mandatorily or voluntarily, to diverse stakeholders regarding activities in areas of environment, employees, consumers and products and community, through the use of annual reports (Thi-Thao,2017). Corporate Social Responsibility according to Muhammad, Bushra and Rabia (2017) is the responsibility assumed by the organizations to design their activities in such a way that they can also facilitate the employees, customers, shareholders and stakeholders including the environment as well. CSR concept is the means by which the organization tries to build an effective relationship, between their business environment and the overall society that are affected by the organizational processes.

Despite the numerous contribution and benefits associated with CSR in the developed countries, few companies in Nigeria have embraced the opportunity embed in the integration of Corporate Social Responsibility (CSR) to their businesses and their operating activities. CSR has the tendencies of creating more awareness of the existence of the

organization involved, promoting acceptability of the company by the environment, attracting both foreign and local investors among others. Thus, this study is to explore the relationship between CSR and Financial Performance of industrial and consumer sectors as both companies are involved in environmentally sensitive in their daily operations or industrial and utility companies which are widely recognized to have the greatest social responsibility. Based on the above-mentioned problems, the following questions can be answered:

- i. To what extent would employees' relationship affect Net Profit Margin of Nigerian Industrial and Consumer sectors.
- ii. To what extent does customers' relationship affects Earning Per Share of Nigerian Industrial and Consumer sectors.

### **Objectives of the Study**

The main objective of this study is to examine the relationship between Corporate Social Responsibility and financial performance of Nigerian Industrial and Consumer sectors.

The specific are to:

- i. assess the relationship between employees' relationship and Net Profit Margin of Nigerian Industrial and Consumer sectors.
- ii. examine whether customers' relationship affects Earning Per Share of Nigerian Industrial and Consumer sectors.

## Research Hypotheses

The following null hypotheses were formulated and tested to ascertain the significant relationship between Corporate Social Responsibility and Financial Performance.

**H01:** There is no significant relationship between employees' relationship and Net Profit Margin of Nigerian Industrial and Consumer sectors.

**H02:** There is no significant relationship between customers' relationship and Earning Per Share of Nigerian Industrial and Consumer sectors.

## METHODS

This study adopted ex-post facto research design because it allowed the use of historical data. Therefore, the population of this study consisted of all listed companies on the Nigerian Industrial and Consumer Sectors as at 31st December, 2019. Purposive sampling technique was adopted in the selection of fifteen (15) sectors that were used as sample size of the study with the following criteria, each firm in the sampled companies had audited annual reports and accounts for ten consecutive years for the period of 2010 – 2019, the shares of the sampled companies were actively traded in its annual reports for the fiscal year, the company must have information on the amount spent on CSR and

the company must be environmentally sensitive in their daily operations or industrial and utility companies which are widely recognized to have the greatest social responsibility. The study employed both descriptive and inferential techniques of data analysis. In the descriptive technique of data analysis, the mean, standard deviation minimum and maximum values of the study's variables were analysed. All the data analysis was analysed through the use of Eview Version 9.0 statistical software package at an alpha ( $\alpha$ ) level of 5% ( $p \leq 0.05$ ). According to the nature of the study following econometric model has applied to test the hypothesis.

$$a. NPM_{it} = \beta_0 + \beta_1 SIZE_{it} + \beta_2 CUR_{it} + \beta_3 EMR_{it} + \epsilon_{it}$$

$$b. EPS_{it} = \beta_0 + \beta_3 CUR_{it} + \beta_4 EMR_{it} + \epsilon_{it}$$

Where: NPM = Net Profit Margin, EPS = Earnings Per Share, CUR= Customers relationship, EMR= Employees Relationship,  $\beta_1$ -  $\beta_4$  = Partial derivatives or the gradient of the independent variables,  $\beta_0$  = Parameters to be estimated (is the average amount the dependent variable

## Data Presentation and Analysis

Table 1. Descriptive Statistics of Variables

|              | <b>CUR</b> | <b>EMR</b> | <b>EPS</b> | <b>NPM</b> |
|--------------|------------|------------|------------|------------|
| Mean         | 2.4667     | 3.4133     | 2.4669     | 0.1090     |
| Median       | 3.0000     | 4.0000     | 1.0900     | 0.1249     |
| Maximum      | 3.0000     | 4.0000     | 15.3400    | 0.5014     |
| Minimum      | 1.000      | 2.0000     | -3.2300    | -1.080     |
| Std. Dev     | 0.7568     | 0.7614     | 3.4191     | 0.2074     |
| Skewness     | -1.0054    | -0.8498    | 1.5750     | -2.742     |
| Kurtosis     | 2.4756     | 2.2351     | 4.8495     | 16.017     |
| Jarque-Beta  | 26.990     | 21.709     | 83.398     | 1246.9     |
| Probability  | 0.0000     | 0.0000     | 0.0000     | 0.0000     |
| Sum          | 370        | 512        | 370.04     | 16.326     |
| Sum Sq. Dev  | 85.333     | 86.373     | 1741.87    | 6.4082     |
| Observations | 150        | 150        | 150        | 150        |

Source: Researcher's Compilation

Table 1 shows the descriptive statistics of the 15 sampled manufacturing companies in Nigeria, used for analysis for the period of 2010 - 2019. The tables depict the mean, median, maximum, minimum, standard deviation, skewness, Kurtosis, Jargue- Bera as well as the probability values of the model proxies. It was revealed that CUR has a mean of 2.467, a minimum loss of 1.00 and maximum contribution of about 3.00 with the standard deviation of 0.756 which is far from the mean. This reflect the level of

variation in the data. Also, earning per share (EPS) which measured as a ratio of profit after tax to number of ordinary shares with a mean of 2.4667, indicating that the average profit earned by the companies on their investment, with a minimum loss of -3.230 of their investment and maximum profit of about 15.34 with the standard deviation of 3.4191. This indicates a high variation of performance as depicted by the value of standard deviation of (3.4191) which is higher than the mean value.

Table 2. Correlation Matrix

|           | <b>NPM</b> | <b>FIRM SIZE</b> | <b>EPS</b> | <b>EMR</b> | <b>CUR</b> |
|-----------|------------|------------------|------------|------------|------------|
| NPM       | 1.0000     |                  |            |            |            |
| FIRM SIZE | 0.1479     | 1.0000           |            |            |            |
| EPS       | 0.4827     | 0.4489           | 1.000      |            |            |
| EMR       | -0.0592    | 0.1415           | -0.0551    | 1.0000     |            |
| CUR       | 0.0187     | 0.0987           | -0.0467    | 0.7113     | 1.0000     |

Source: Researcher's Compilation

The table 4.2 revealed the correlation matrix of the variables used in this study. Net Profit Margin has a positive relationship with firm size, earning per share, customers' relationship but negative relationship with employed relationship,

Table3. Random Effects for NPM

| <b>Items</b>         | <b>Coefficient</b> | <b>Prob. Value</b> |
|----------------------|--------------------|--------------------|
| CUR                  | 0.02875            | 0.3131             |
| EMR                  | -0.0288            | 0.3291             |
| LOG-OF-TOTAL ASSET   | -0.0542            | 0.2584             |
| R-squared            |                    | 0.06716            |
| Prob (F-statistic)   |                    | 0.07204            |
| Durbin – Watson stat |                    | 0.51757            |

Source: Research's Compilation

From the above table showed the result of the cross – sectional random effect model. It can be observed that R2 revealed a value of 0.067164 indicating that the model account for 6% of the systematic variation exhibited by the variables (customer relationship and employee's relationship). This was moderated to Adjusted R-squared to 3%. depicts that all variables explain Net Profit Margin (NPM).

Based on the cross - sectional panel model, the hypothesis decision was based on the random effect model. The Employees Relationship has  $\beta$  of –

0.02857 and probability value of 0.3291, this shows that the null hypothesis one (H01) which says EMR has no significant effects on financial performance measured by NPM of some selected manufacturing companies in Nigeria is accepted. Thus, there is negative significant influences of employees' relationship on financial performance of some selected manufacturing companies in Nigeria. This means that the efforts of companies to employees' relationship decrease the financial performance of companies.

Table 4. Random Effects for EPS

| Items                | Coefficient | Prob. Value |
|----------------------|-------------|-------------|
| CUR                  | 0.00725     | 0.0248      |
| EMR                  | -0.57466    | 0.1439      |
| LOG-OF-TOTAL ASSET   | 1.27699     | 0.0802      |
| R-squared            |             | 0.0408      |
| Prob (F-statistic)   |             | 1.2241      |
| Durbin – Watson stat |             | 0.6706      |

Source: Research's Compilation

the table above revealed the result explore using the cross – sectional random effect model. it can be observed the r- squared revealed a value of 0.04077 indicating that the model account for 4.1% of the systematic variation exhibited by the variables (customer relationship and employees' relationship). based on the cross –sectional panel model, the hypothesis decision was based on the random effect model. the cur has  $\beta$  of 0.007254 and probability value of 0.0243, this shows that the null hypothesis

two (h02) which says customers' relationship has no significant impact on financial performance measured by eps of some selected manufacturing companies in nigeria was rejected. thus, there is positive significant effects of customers' relationship on financial performance of some selected manufacturing companies in nigeria. this means that, the use of csr measured by customers relationship by selected companies increases financial performance of the companies.

## **DISCUSSION**

The finding of the study revealed that there is no significant association between employee's relationship and financial performance for Industrial and Consumer sector. This finding corroborated the results of (Wissuttro, 2015; Bayoud, 2012 and

Tilakasiri, 2012) who suggested that there is no relationship between employee's related with CSR activities and NPM.

Also, the study revealed that there is positive relationship between Customer Relationship and Earning per share (EPS). These results are line with the work of (Wisutorn Jitree 2012) showed that customer relationship has positive and significant relationship with EPS.

Finally, firm size measured by log of assets found to be positively and significant related to CSR disclosure. The firm size variable has a significant relationship with financial performance as well. This study also contributes to understanding of some firm characteristics influencing CSR disclosure in Nigeria

## **CONCLUSION**

This study examines the nexus between Corporate Social Responsibility and financial performance of selected Nigerian Industrial and Consumer Sector for the period of 2010-2019. The result of the finding showed negative effects of employee's relationship on Net Profit Margin (NPM). This implies that CSR practice has negative effects on employee morale, loyalty, and employee retention for the company. Also the cost of investing in Employees relationship decline the financial performance of the companies. Furthermore, the study revealed the existence of a positive relationship between customer's relationship and earnings per share. This implies that CSR improved customer's loyalty and interest in social and environmental issues strengthening and enhancing firm stability measured with EPS.

## REFERENCES

- Aminu, A. H., Harashid M. H. & Azlan A. (2015). Corporate Social Responsibility: A Review on Definitions, Core Characteristics and Theoretical Perspectives. *Mediterranean Journal of Social Sciences*, 6 (4), 83-95.
- Bayoud, Kavanagh, M. and Slaughter, G. (2012). Corporate Social Responsibility disclosure: Evidence from Libyan managers. *Global Journal of Business Research*, 6(5) 73-83.
- Farah Naz , Farrukh Ijaz and Faizan Naqvi, (2016). Financial performance of firms: Evidence from Pakistan Cement Industry. *Journal of Teaching and Education*, 05(01), 81–94.
- Hichem, D. and Henda, A. (2012). The effects of Corporate Social Responsibility on the financial performance. *Journal of Organizational Knowledge Management* <http://www.ibimapublishing.com/journals/JOKM/jokm.html> 2012 (3), 11 pages DOI: 10.5171/2012.640106.
- Madugba & Okafor (2019). Invested the Impact of Corporate Social Responsibility on Financial Performance: Evidence from Listed Banks in Nigeria. *Expert Journal of Finance*, 4 (1), 1-9.
- Maris, Ali , Jeffrey Wilson & Mohammad Husnain (2022)Determinants/Motivations of Corporate Social Responsibility Disclosure in Developing Economies: A Survey of the Extant Literature. *MDPI Sustainability* 14 (3474) 1-26.
- Meiyue , Yuqing, Kunhui & Weiyan (2022) Moderating Effects of Internationalization between Corporate Social Responsibility and Financial Performance: The Case of Construction Firms. *MDPI Journal Building* , 2 (185) 1-15.
- Muhammad, A. Bushra, K. & Rabia, T. (2017). Corporate Social Responsibility Impact on Financial Performance of Bank's: Evidence from Asian Countries. *International Journal of Academic Research in Business and Social Sciences*, 7 (4) 618-630.
- Novrianty K. & Ely, K. (2015). Effect Corporate Social Responsibility on Financial Performance. *International Journal of Economics and Financial Issues*, 5(1), 157-164.

- Okafor A, Adeleye, B.N. & Adusei, M (2021) Corporate Social Responsibility and corporate financial performance : Evidence from U.S. Journal of cleaner production . 292.
- Onyeka V. N. & Nwankwo C. (2016). The impact of corporate social responsibility on profitability of Nigerian manufacturing firms. Research Journal of Finance and Accounting, 7(16), 2222-2847. [www.iiste.org](http://www.iiste.org).
- Resturiyani, N. (2012), Influence of Corporate Social Responsibility Disclosure of Financial Performance (Study on Mining Company Listed in Indonesia Stock Exchange in 2011). Bandung: Faculty of Economics Universtas Pasundan.
- Samira, N. & Mohammed (2018). The impact of CSR on financial performance (FP) of Agribusiness Industries of Bangladesh. American Journal of Economics, Finance and Management, 4(3), 74-85. <http://www.aiscience.org>.
- Soyinka, K. A., Sunday, O. M. & Adedeji, D. B. (2017). Determinant of Corporate Social Responsibility Disclosure in Nigeria. International Journal of Academic Research in Business and Social Sciences, 7(7), 567-580.
- Thi-Thao Mi. T. (2017). Institutional Environment, Corporate Governance And Corporate Social Responsibility Disclosure: A Comparative Study Of Southeast Asian Countries. . Phd Thesis, University of Huddersfield.
- Wanga, Sheng-Fu, Mohammad, N., Qian-Long, K., & Janya, C. (2021). Corporate Social Responsibility for, Intangibles, and Dynamic Performance of the U.S. Revista de Contabilidad Spanish Accounting Review, 24 (1), 104- 116.
- Wisultorn, J. (2015). Corporate Social Responsibility disclosure and Financial Performance: Evidence from Thailand. PhD thesis, University of Wollongong.
- Yosra, Makmi Fourate & Mariam, Dammak (2021) . Corporate Social Responsibility (CSR) on Corporate Financial Performance (CFP) : International evidence of the mediating role of reputation. Journal of Business , Finance and Accounting , 28(6)

Yung- heng Lee & Tru., Yany Lori (2021).  
Corporate Social Responsibility and Financial  
Performance: A case study of Taiwan. *Journal of  
applied Economics* , 53(23)