

FIRM PERFORMANCE AND CORPORATE SOCIAL RESPONSIBILITY DISCLOSURE OF LISTED COMPANIES IN NIGERIA: INFERENCE FROM GMM MODEL

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Abstract

The purpose of this research is to examine the effect of firm performance on corporate social responsibility disclosure of listed companies in Nigeria. Utilising the panel data analysis, for 324 firm-year observations, from 2012 to 2021 period, we estimate our model through the generalized method of moment (GMM). We find that return on assets (ROA), return on assets (ROE), dividend per share (DPS), and earnings per share (EPS) are positive and significantly affect corporate social responsibility disclosure (CSR). This shows that companies are likely to disclose their corporate social responsibilities if they are profitable. The results also emphasize the importance of financial outcomes and its effects on CSR practices and transparent disclosure. In our next study, we consider the use of firm size as a moderator to the relationship. Perhaps size matters, and that smaller firms might differ in performance and delivery of CSR compared to larger ones. Further studies could also incorporate performance variables like net profit margin, market value of shares, and corporate annual turnover. This study offers policy implications to regulatory agencies in their oversight function over what is disclosed in annual reports. The findings would be helpful to managers in maximising investor returns to continue to have an impact on the socioeconomic well-being of their host communities.

Keywords: Firm performance, corporate social responsibility, CSR, ROA, ROE, GMM

1. Introduction

A greater awareness of corporate organisations' functional responsibilities and obligations is an increasing trend in social and environmental reporting towards the operating environment. The accounting medium is used by corporate managers and organisations to share with stakeholders' corporate information on topics pertaining to their social and environmental context as well as their economic well-being. Hence, corporations communicate their

accomplishments in terms of growth, profitability, efficiency, and social and environmental responsibility to the public through corporate financial reporting (Herzig & Schaltegger, 2011).

It is necessary to emphasize at this point that corporate financial performance is a mix of different criteria or a yardstick that assesses an entity's economic performance over a specific period (Fahad & Busru, 2020). It could be viewed as a sign of an organisation's long-term financial success or as evidence of its value. These economic factors are proxies for financial performance that corporate entities have used to inform a variety of business decisions, such as disclosing their corporate social responsibility (CSR) activities. Particularly, it was argued that several well-known corporate financial performance indicators, such as Return on Assets (ROA), Return on Equity (ROE), Dividend per Share (DPS), and Earnings per Share (EPS), had a significant influence on the disclosure of corporate social responsibility by listed companies in Nigeria.

However, based on the literature that is currently available, the majority of previous studies that look at the requirements for corporate social responsibility disclosures made by companies have given considerable thought to the connection between corporate social responsibility disclosure (CSR) and financial performance. These studies include those by Akben-Selcuk (2019); Chang et al. (2021); Hassan et al. (2022); Huang (2022); Ibrahim et al. (2019); and Jeroh (2020). A select few financial performance indicators, including return on assets (ROA) and Return on Equity (ROE), have been utilised as proxies in the majority of the study discussed above. The fact that so few studies have examined the connection between a company's financial performance and its disclosure of its corporate social responsibility is crucial. These few analyses investigate the interaction between CSR and financial performance, including those of Adeyemi et al. (2020); Hassan et al. (2020); Lin et al. (2019); Nawaiseh (2015); and Olayinka et al. (2014) among others. The previous literature has been largely inadequate, not exhaustive, and inconsistent, hence, there is a dearth of evidence in this regard.

From a practical standpoint, data has indicated that most corporate entities treat disclosing their corporate social responsibility as a voluntary activity or simply ignore it, particularly in a developing economy like Nigeria. The extent of CSR by quoted companies in Nigeria was found to be at 53%, which is below the global benchmark of 75% for excellent corporate social responsibility disclosure [World Commission for Environment and Development (WCED), 2021]. This information comes from statistics from the World Commission on the Environment and other related local and international agencies. Analysing the impact of corporate financial performance on listed firms in Nigeria and disclosing their corporate social responsibility is required and desirable in light of the aforementioned scenario. What effect does this have on how listed companies in Nigeria disclose their corporate social responsibility activities?

The research challenge indicated above was formulated in the following way in order to propose a solution: what is the impact of performance on corporate social responsibility disclosure of listed firms in Nigeria. Specifically, other research questions are formulated as follows:

What is the impact of Return on Assets (ROA) on the CSR of listed firms in Nigeria?

What is the effect of Return on Equity (ROE) on the CSR of listed firms in Nigeria?

Does Earnings Per Share (EPS) influence the CSR of listed firms in Nigeria;

To what extent does Dividend Per Share (DPS) impact on CSR of listed firms in Nigeria?

The main objective of this study is to investigate the impact of corporate financial performance on corporate social responsibility disclosure of listed firms in Nigeria. Other specific objectives of the study are to:

- i. Investigate the effect of Return on Assets (ROA) on CSR of listed firms in Nigeria;
- ii. Examine the effect of Return on Equity (ROE) on CSR of listed firms in Nigeria;
- iii. Determine the effect of Earnings Per Share (EPS) on CSR of listed firms in Nigeria;
- iv. Examine the effect of Dividend Per Share (DPS) on the CSR of listed firms in Nigeria;

In line with the objectives of the study, the following hypotheses were formulated:

H₀₁: ROA have no significant effect on CSR of listed firms in Nigeria;

H₀₂: ROE have no significant effect on CSR of listed firms in Nigeria;

H₀₃: EPS have no significant effect on the CSR of listed firms in Nigeria;

H₀₄: DPS have no significant effect on the CSR of listed firms in Nigeria;

The study's explanatory variables, which include return on assets (ROA), return on equity (ROE), dividend per share (DPS), earnings per share (EPS), were combined under performance. In the meanwhile, this study will employ six (6) explanatory variables. The study's explained variable will be corporate social responsibility disclosure (CSR). Therefore, the study will be carried out for ten (10) years, from 2012 to 2021. The decision to focus on the aforementioned time frame was influenced by a number of socioeconomic and political developments in the nation, which have made it absolutely necessary for business organisations to start making CSR disclosures. Therefore, companies that produce consumer items would be regarded as the study's major subject. This is predicated on the idea that Nigeria's success and economic expansion, particularly in terms of GDP, have been considerably aided by the consumer goods subsector.

The finding of this study is expected to benefit a large number of stakeholders of corporate financial reports/information, especially the shareholders, potential investors, management, board of directors and regulatory authorities listed firms in the Nigerian economy, especially the consumer goods manufacturing sub-sector. If well-articulated, it will provide empirical evidence for multi-purpose decision-making and policy implications among other key strategic actions. The results of this study will help the management of publicly traded consumer products companies in Nigeria make decisions about, among other things, social sustainability reporting and CSRs.

This research could be of the utmost importance to government agencies, especially those that generate revenue, like the Federal Inland Revenue Service (FIRS), the State Board of Inland Revenue, and other pertinent and related agencies. It could help them develop and implement policies that would improve the continuity, expansion, and development of businesses by looking for ways to adequately compensate employees. In fact, the government and its agencies might find the findings of this proposed study to be pertinent and useful, allowing them to create the kind of operating environment that is favourable for the listed Nigerian oil and gas companies by providing the necessary security precautions, reliable electricity supply, and other infrastructure facilities. The research institutions especially the academicians, students of research and other relevant users of accounting information could also find the result of this study relevant when carrying out additional research in areas related to this

subject. Hence, it will pave the way for advancing the frontiers of research from this perspective.

The results of this suggested study would make a significant contribution to the body of existing knowledge. Because there are few studies that empirically examined the relationship between the explanatory variables (ROA, ROE, EPS, DPS, FSZ, FLV) and corporate social responsibility disclosure of listed firms in Nigeria, despite the fact that there are many studies on the factors affecting corporate environmental accounting around the world. As a result, the results of this study will be used as a guide for future studies in this field. Additionally, the suggested study would significantly advance the fields of accounting and finance in Nigeria. because there are differing opinions among academics regarding the relationship between the predictors and the outcome variable in the literature currently in existence. Because of this, the study will be among many that could offer more support for discussions in the future on accounting and finance by aspiring academics, particularly in terms of an empirical review.

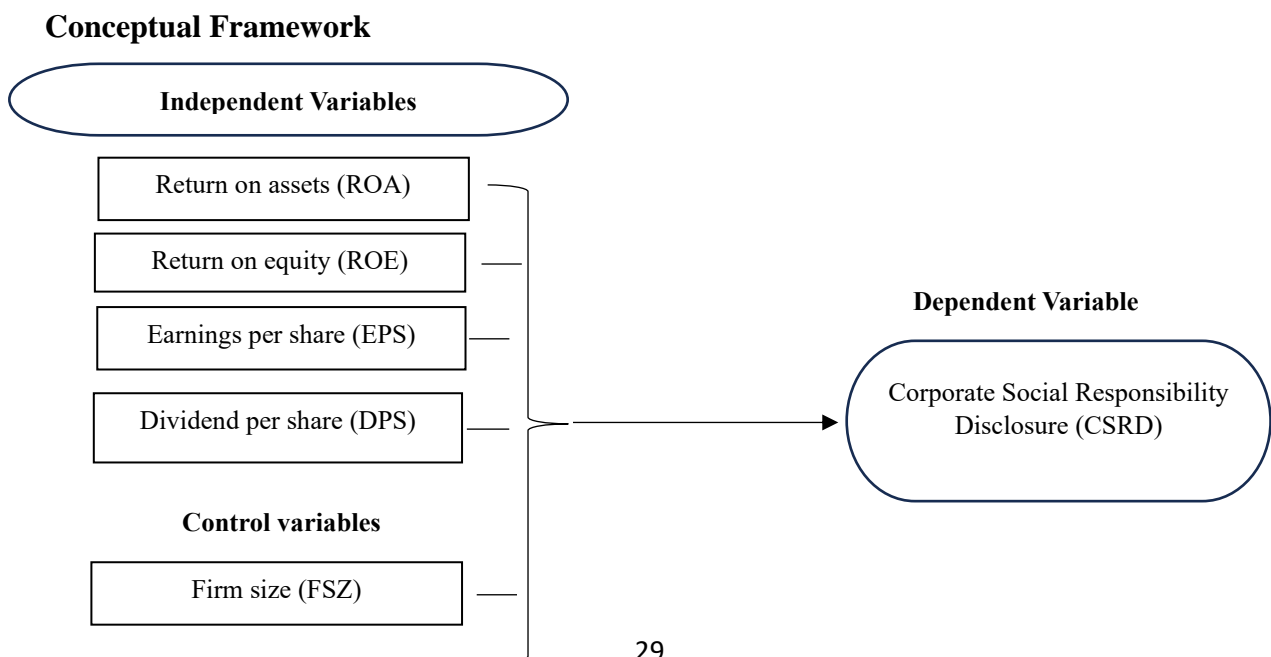
2. Literature Review

2.1 Overview

The conceptual review of the numerous concepts used in the study is covered in this section. It will explain the concept of performance and Corporate Social Responsibility Disclosure. It will also discuss recent and well-known empirical research from earlier investigations. A discussion of the study's theoretical foundation will follow this.

2.2 Conceptual Framework

In this section, various concepts will be reviewed at the end of which they will be adopted or adapted based on the prevailing circumstances. The topic of performance, which only includes return on assets (ROA), return on equity (ROE), dividend per share (DPS), earnings per share (EPS), will be discussed at the outset. Meanwhile, six (6) explanatory variables will be used in this study as proxies for performance. As the study's explained variable, corporate social responsibility disclosure (CSR) will also be discussed. With the use of a diagram, the conceptual framework of the study can be represented as follows:



Firm leverage (FLV)

Figure 1: *Conceptual Framework of the Study.*

Source: *Compiled by the Researcher Based on Extant Literature, (2023).*

2.2.1 Performance

Performance can be defined as an assessment of how effectively a company generates money using the resources of its principal business model. The phrase is also used as a broad indicator of a company's long-term financial stability. Financial performance is defined as the measurement of a firm's policies and operations' monetary results, which are reflected in the firm's return on investment, return on assets, value-added, etc. Financial performance measurements primarily serve three functions, according to Fujianti (2018). First and foremost, they are a tool for financial management; second, they are important business goals, such as achieving a 40% ROA; and third, they are a system for control and motivation inside an organisation. According to Akram et al. (2017), one of the finest performance indicators for addressing the connection with corporate governance is ROA. To determine how this measure correlates with independent variables, the study uses ROA.

Measurement of Firm Performance

Profitability can be defined as an assessment of how effectively a company generates money using the resources of its principal mode of operation. The phrase "profitability" is sometimes employed as a general indicator of a company's long-term financial stability. Financial performance measurements primarily serve three functions, according to Fujianti (2018). First and foremost, they are a tool for financial management; secondly, they are important business goals like having a forty percent (i.e., 40%) ROA; and thirdly, they are a system for control and motivation within an organisation. ROA is one of the best performance indicators utilised to address the relationship with corporate governance, according to Efuntade and Akinola (2020). To determine how this measure correlates with independent variables, the study uses ROA.

A company's financial performance is determined by its revenues, profits, and value growth, which are reflected in the increase in the share price of the company. Performance in the insurance industry is typically measured by net premiums collected, underwriting activity profitability, annual turnover, return on investment, return on assets, and return on equity. These measurements fall under the categories of investment performance metrics and profit performance measures. Profits as measured in dollars are included in profit performance. The discrepancy between revenues and expenses is what it is, simply put. Revenue and expenditure are the two parameters that are affected by firm-specific traits, industry characteristics, and macroeconomic circumstances. Performance in investments can come in two flavours. One is the return on non-cash assets used in the business, and two is the return-on-investment operations of the excess cash gained from operations at various levels (Dioha et al., 2020). The ratio of profit before interest and tax divided by total assets is used in this study as an indicator of profitability, and it is known as the return on assets.

According to Raza et al. (2015), the definition of return on asset is "a fundamental profitability measurement used to measure the efficiency of firms' assets or to assess firms' ability to generate a profit in relation to firms' assets." According to Raza et al. (2015), ROA and ROE are the most often used proxies in research and accounting basis measures because they show how well and efficiently management used its resources and equity to input income (assets) and trades to create revenue. Return on assets is a measure of how profitable an entity's total assets are. Specifically, that is how management uses its resources to produce

revenue (profit). The annual earnings of an organisation are divided by its total assets, and the result is expressed as a percentage.

2.2.2 Corporate social responsibility

Since the 1970s, the idea of Corporate Social Responsibility has been a rolling train, especially in the West. With a lengthy and varied history, CSR practices have grown quickly over a short period of time (Healy & Palepu, 2001). The contemporary age of the notion began in the 1950s, despite the claims of many academics that the concern for social responsibility looked to have originated in the early 1930s and continued into the 1940s (Carroll, 1991). CSR became a growing and maturing field of concern in the 1990s and later dominated the entire business cycle. The term has received support and criticism from various angles. As a result, several attempts have been made by various scholars to coin the concept in order to define how companies should behave to respect and respond to social, environmental, and ethical issues in their business conduct. CSR entails incorporating business-critical concerns into fundamental community, workplace, and market initiatives. The urge to integrate CSR into company policies and operating practices to increase competitiveness is proof of the concept's recent development. Businesses are also making progress toward their social commitments in the areas where they are active. Customers who choose products with better reputations and quality and investors who put money into the companies presented some hurdles in this developing area, as did creditors who lent money to the firms for future benefits and employees interested in mutually beneficial relationships and good working conditions with the company, government, NGOs, local communities, and the operating environment (Jurica et al., 2012; Sufian & Zahan, 2013).

The literature has identified a number of factors that are driving the increasing pressure on CSR initiatives. According to Gray et al. (1996), some of these driving forces are the result of increased regulatory pressure, which can take the form of anything from reporting obligations to government rules that establish mandatory business standards that all businesses, regardless of size, must adhere to. Growing customer, employee, community, and other stakeholder demands are one of the things that prompted corporate social and ethical involvement, according to Ansari et al. (2019). As a result, businesses are being pushed harder to adopt CSR strategies (Van Beurden et al., 2008).

Corporate Social Responsibility Disclosure

Corporate Social Responsibility Disclosure (CSR D) is the term used to describe actions performed by businesses to show that they care about the environment and society in general. A means of communication between a corporation and its stakeholders is also known as CSR D. A corporation uses CSR D as a component of their conversation with stakeholders to explain the ethics of their business practices and foster a positive corporate reputation. Sustainable literature (Colleoni, 2013; Jermsittiparsert et al., 2019; Michelin, 2013; Michelin et al., 2015) offers verifiable proof that CSR D plays a significant part in boosting the company's worth.

Accounting scholars have given CSR D studies a lot of attention, which has improved understanding of CSR D reporting from a number of viewpoints and methodological stances. Previous literature, though, only covers a few of my favourites. First off, these studies (Gray, 2002; Mathews, 1997; Parker, 2014; Parker, 2011) focus more on environmental and social concerns than other issues in their CSR D report. Second, earlier studies focused on the definition of CSR D, the method of reporting CSR D, the content of CSR D, and the evaluation of CSR reporting. Finally, prior studies (Areiqat et al., 2019; Belal & Momin, 2009; Mathews, 1997; Parker, 2014) have focused more on CSR D in wealthy nations than in developing nations.

2.2.4 Firm size

The size of the business also affects how financially successful an insurance company is. The firm's size has a variety of effects on its financial success. According to Adams and Buckle (2010), large companies are more effective than small companies because they may take advantage of economies of size and scope. Net premium, or the premium that an insurance firm earns after deducting the ceded reinsurance, can be used to calculate size. The amount of insurance liabilities that insurers must bear depends on their premium base (Afza, 2014; Ahmed et al., 2010).

Similarly, the size of a firm can serve as a signal for good or poor performance (Adams & Buckle, 2010). Firms with large sizes are more associated with huge profitability as they have gathered the necessary resources, reputations and momentum to explore opportunities and avenues to maximize their performance. This may portray greater turnover (sales revenue), a large number of employees, high-quality assets or even a large number of branch networks (Fujianti, 2018; Khaled et al., 2011). Larger firms, therefore, may have greater opportunities than their smaller counterparts. This is predicated on the idea that smaller businesses have few or no resources to devote to endeavours that would increase their profitability. The natural logarithms of the firm's total assets were specifically used to calculate the size of the firm for this study.

2.2.5 Firm leverage

In order to boost a company's financial performance, leverage finance refers to supporting a commercial entity using debt. In order to acquire another business, effect a buy-out, buy shares, pay a one-time dividend, invest in self-sustaining cash-generating assets, or achieve other temporary or specific goals, companies frequently use leverage financing (Pachori & Tatala, 2012). On the other side, leverage financing refers to a company's ratio of debt-to-equity capital. A significant portion of the company's cash flow would be reduced as a result of paying interest and repaying the debt's principle (Magpayo, 2011). Financial leverage also included borrowing money to buy more assets. It can be financial or operating leverage.

Financial leverage is the use of borrowed funds to boost a company's production, sales, and earnings for improved performance. The ratio of a company's total debt to equity is used to calculate it (Ansari et al., 2019). The financial leverage of a company increases with debt level. A loan enables an organisation to generate more earnings without having to increase equity capital, which would necessitate an increase in dividend payments that cannot be deducted from the company's earnings because interest is a fixed cost that can be written off against revenue (Kajola et al., 2017).

2.3 Review of Empirical Studies

2.3.1 Return on Assets and CSR

In a study by Fahad and Busru (2020), they used data from India to examine the influence of business performance, as determined by the return on asset (ROA), on the disclosure of corporate social responsibility in developing market countries. 386 Busra Stock Exchange (BSE) deals from the period of ten (10) years between 2007 and 2016 comprised the study's sample. The panel regression model's findings show that firm success as gauged by return on assets (ROA) has a negative and negligible impact on the disclosure of corporate social responsibility by listed businesses in India. However, if a similar study is conducted in Nigeria, the results may be wholly original and more trustworthy. This may be possible bearing in mind the variations or peculiarities between India and Nigeria, especially in terms of their corporate governance structures and legal and regulatory frameworks, amongst others. Adeyemi et al. (2020) studied the effects of economic performance on social responsibility and environmental reporting of listed industrial enterprises in Nigeria. The ten (10)

manufacturing companies that made up the sample had their annual reports and financial statements listed on the Nigerian Stock Exchange, currently known as the Nigerian Exchange Group (NGX), and these records were used as secondary data. The businesses that were picked were chosen by random sample techniques during a ten-year period, from 2010 to 2019. The results of a multiple regression analysis show that return on assets (ROA) in Nigeria has no appreciable influence on corporate social responsibility and environmental reporting. Although the study seems ambiguous as it separates environmental reporting from corporate social responsibility, indeed, it fails to specify with clarity the measurement of the two components of reporting as it employs a single model instead of using two models to explain the outcome (dependent) variable of the study.

Employing Jordan as a case study (Gerged, 2021), researchers looked into what influences CSR disclosure in poor nations. Over a five-year period, from 2010 to 2014, the research focused on 100 companies that were listed on the Jordanian Stock Exchange (JSE). The mentioned businesses served as a sample for the study and were chosen from the financial services industry. The results of the Linear Quantile Regression model (LQR) showed that the degree of CSR disclosure made by Jordanian listed companies is statistically, favorably, and significantly correlated with Return on Assets (ROA), which is determined by the proportion of profit after tax to total assets. Nevertheless, the prevailing corporate governance practices in Jordan may not be perfectly applicable in the context of Nigeria. Hence, different empirical results can be documented.

2.3.2 Return on equity and CSR

In a study by Fahad and Busru (2020), they looked into the impact of business performance and examined the disclosure of corporate social responsibility in developing market economies using data from India, as determined by the return on equity (ROE). A sample was used to conduct an examination of 386 Busra Stock Exchange (BSE) businesses over a ten-year period, from 2007 to 2016. The panel regression model's findings show that firm success, as gauged by return on equity (ROE), has a negative and negligible impact on the disclosure of corporate social responsibility by listed businesses in India. However, if a similar study is conducted in the Nigerian environment, the results may be wholly unique and more trustworthy. This may be possible bearing in mind the variations or peculiarities between India and Nigeria, especially in terms of their corporate governance structures and legal and regulatory frameworks, amongst others.

Olayinka et al. (2014) used Nigerian-listed businesses as cross-sectional evidence for their study on the connection between corporate social disclosures and firm performance. The study employed secondary data from the listed companies' annual financial reports and accounts. The Global Reporting Initiative (GRI) disclosure index was used to evaluate the listed companies' corporate social transparency. Multiple regression analysis was one of the data analysis techniques used in the study. The results show that business performance as determined by the return on assets (ROA) is favourably and significantly influenced by the corporate social responsibility disclosure of listed enterprises in Nigeria. However, the findings may not be truly applicable considering the current circumstances in Nigerian corporate governance that have not been captured in the study. Thus, different and more trustworthy results could have been recorded.

2.3.3 Earnings per share and CSR

The implications of monitoring procedures on the disclosure of corporate social and environmental accounting by listed Nigerian deposit money banks during a ten-year period, from 2010 to 2019, were explored by Ja'afar and Usman (2020). A sample of fourteen (14) identified Nigerian DMBs was included in the secondary data. The investigation's study design was ex post facto. The study actually used multiple regression to assess the data. The

results showed a statistically significant, although insignificant, association between the profits per share (EPS) and CSR and ERM disclosure levels of the listed Nigerian DMBs. But since they were the focus of the investigation, The Nigerian Deposit Money Banks listed on this page were examined. If a similar study had been conducted using information on other sectors of the Nigerian economy, such the industrial sector, distinctive and more reliable empirical results might have been made.

The relationship between the financial success and the disclosure of the corporate social responsibility of listed industrial businesses in Nigeria was examined by Mohammed et al. (2016). For the study, a cross-sectional examination of seven (7) Nigerian manufacturing industry sub-sectors was done. The annual financial reports and accounts of the aforementioned sampling companies were used to collect data from secondary sources. Multiple regression analysis was one of the data analysis techniques used in the study. The regression study's results show a statistically significant inverse link between earnings per share (EPS) and the level of CSR disclosure practices of Nigerian listed companies. However, given the study's findings do not consider recent advancements in the field of CSR disclosures as well as the Nigerian Code of Corporate Governance (NCCG, 2018), they appear to be unreliable (outdated). Results that were more precise and up to date might have been reached as a result.

2.3.4 Dividend per share and CSR

For a period of ten (10) years, from 2010 to 2019, Ja'afar and Usman (2020) studied how monitoring methods affected listed Nigerian deposit money institutions' disclosure of corporate environmental accounting. Secondary data included a sample of fourteen (14) Nigerian DMBs that had been identified. An ex-post facto research design was used for the investigation. The study did employ multiple regression as a method of data analysis. The results of the study led to the conclusion that the listed DMBs in Nigeria's disclosure of corporate social and environmental responsibilities were positively and statistically significantly influenced by dividend per share (DPS). However, because they were the main subject of the study, the listed Deposit Money Banks in Nigeria were scrutinized. If a similar study had been conducted using data on other sectors of the Nigerian economy, like the manufacturing sector, unique and more reliable empirical findings could have been established.

In their work, Mohammed et al. (2016) looked into the connection between listed Nigerian manufacturing companies' financial success and the disclosure of their CSR activities. A cross-sectional analysis of seven (7) manufacturing industry sub-sectors in Nigeria was conducted for the study. The annual financial reports and accounts of the aforementioned sampling companies were used to collect data from secondary sources. Multiple regression analysis was one of the data analysis techniques used in the study. The amount of CSR disclosure practices utilised by listed firms in Nigeria is statistically, positively, and significantly connected with dividend per share (DPS), according to the results of the regression analysis. The study's findings, however, appear to be out of date because they don't accurately reflect current developments in the field of CSR disclosures and the Nigerian Code of Corporate Governance (NCCG, 2018). As a result, more accurate and current results may have been attained.

2.4 Theoretical perspectives

2.4.1 Stakeholders Theory

The stakeholder theory is a development of the legitimacy theory, which promoted the idea that every business decision should take society into consideration. The author of this idea

opined that businesses should take a variety of stakeholder groups into account when making choices and taking action, in addition to the community. These stakeholders are divided into many classifications and require a range of information, to which businesses must prudently respond in a number of ways. In fact, one of the most significant and widely referenced theories in CSR research is the stakeholder's theory. According to this theory, managers can develop socially responsible behaviour by paying attention to the interests of all stakeholders in a business, and a socially responsible organisation is one in which managers' responsibilities to stakeholders play a significant role in decision-making (Mathews, 1997). The legitimacy theory and the stakeholders' theory are also supported by this study. The research consequently believes that the stakeholder theory and legitimacy theory have a better nexus with the study's variables and has adopted these theories as those that best explain the study's variables. On the one side, legitimacy theory advocated that businesses follow local norms and take corporate social responsibility seriously. The Stakeholders' Theory, on the other hand, aimed to align business interests with those of all relevant parties. As a result, it is currently the focus of empirical inquiry among researchers.

2.4.2 Legitimacy Theory

Legitimacy theory was developed to reshape corporate management perceptions about firm community concerns to enable their firms to survive long in the business cycle as going concern entities (Gray et al., 1996). According to legitimacy theory, a "social contract" exists between an organisation and the society in which it operates. Accordingly, the legitimacy theory's proponent believes that the management of the company must make sure that all of its operations, decisions, and actions always adhere to social norms and limitations. They must also refrain from making any decisions or taking any actions that are deemed undesirable, harmful, disastrous, or inappropriate for the health and safety of customers, employees, local residents, and the operating environment.

This ideology advocated for corporate organisations to uphold the law, protect their natural environment, and refrain from dumping needless garbage. When analysing corporate activity in relation to a community-constructed system of commonly accepted values, norms, and beliefs, legitimacy theory has emerged as the most frequently quoted and effective theory (Gray et al., 1996).

3. Method

3.1 Research Design

Ex-post facto and cross-sectional designs will be used in this investigation. This is predicated on the idea that cross-sectional design aims to investigate and employ chosen listed firms from the various industries or economic sectors in the nation to provide empirical evidence that will be used by numerous regulators, managers, and other pertinent decision-makers from the various sectors of the economy. However, since quantitative data will be taken from the published and audited annual reports and accounts of the chosen listed firms from the various sectors of the economy during the study period, the ex-post facto design will be helpful for this study due to its dependability and objectivity. Hence, it will help strengthen the content validity of the study at large. The population of this study will comprise of thirty-nine (39) listed firms on the floor of the Nigerian Exchange Group (NGX) and drawn from the eleven economic sectors in the country out of which four economic sectors will be used as a sample to represent the entire sectors.

Because the estimation of the models used in the study necessitates the usage of financial statements information, the study will use a secondary source of data gathering. Therefore, the

financial statements and NGX fact book for each year the study is covering (2011 through 2021) serve as the study's primary sources of data. The data are cross-sectional and time-series data, and they are quantitative in nature. In order to execute multiple options for panel data regression as well as other robustness tests, Generalised Least Square (GLS) will be employed. In order to get the research variables, the data will be arranged so that financial ratios may be estimated using the Excel programme.

Multiple regression analysis, also known as Generalised Least Square (GLS) regression, will be used for this investigation. Because multiple regression is an offshoot of simple linear regression, it was chosen as the approach to use. When a variable's value needs to be predicted based on the values of two or more other variables, this technique is applied. The dependent or explanatory variable is the one that needs to be predicted. The parametric statistical test used in this investigation was the ordinary least square (OLS) approach, which is based on a number of premises that, if violated, could impair the validity of the findings. The inferential analysis will use the Pearson correlation and t-test statistics; the normal distribution of the variables and multicollinearity of the explanatory variables are two of the most frequent issues in research like this. Using descriptive statistics, the Kurtosis and Skewness will be utilised to test for normalcy, and the variance inflation factor, tolerance value, and test for multicollinearity.

Table 1: Variables Definition and Measurement

S/n	Variable Name	Variable Type	Acronym	Measurement	Source(s)
1	Corporate Social Responsibility Disclosure (CSRSD)	Explained Variable	CSRSD	Using Global Reporting Initiatives (GRI) index	Jeroh (2020)
2	Return on Assets	Explanatory	ROA	Proportion of profit after tax to total asset	Adeyemi et al. (2020), Aruoriwo, et al. (2020)
3	Return on Equity	Explanatory	ROE	Proportion of profit after tax to total equity	Ajide and Aderemi (2014).
4	Dividend Per Share	Explanatory	DPS	Ratio of total dividend for the year divided by total number of ordinary shares in the firm.	Shehu and Farouk (2013).
5	Earnings Per Share	Explanatory	EPS	Ratio of profit after tax to total number of ordinary shares in the firm.	Oladele (2016), Olayinka, Ulan, Modupe and Ambrose (2014), Jehu and Ibrahim (2020)
6	Firm Size	Control	FSZ	Log of total assets.	Jehu and Ibrahim (2020)
7	Firm Leverage	Control	FLV	Proportion of total debt to total firms' assets in a given year.	Adamu <i>et al.</i> (2023)

Source: Compiled by the Researcher, Based on Literature, (2023).

3.2 Model Specification

In line with the prior explanation, a functional and econometric expression is created using the study hypotheses and variables to assess the effect of corporate financial performance on the disclosure of corporate social responsibility by listed enterprises in Nigeria. The model is therefore empirically defined as follows:

Functional Model: Functional Relationships

$$CSRSD = f(ROA, ROE, DPS, EPS, NPM, LEV, MVS, CAT) \dots\dots\dots (i)$$

Therefore, the equation one (i) can be converted into an econometric function thus;

Econometric Model:

$$CSRDi_t = \beta_0 + \beta_1ROAi_t + \beta_2ROEi_t + \beta_3DPSi_t + \beta_4EPSi_t + \beta_5NPMi_t + \beta_6MVi_t + \beta_7CATi_t + \beta_8FSZi_t + \beta_9LEVi_t + \text{eit} \dots \dots \dots (ii)$$

Where; CSRD = Corporate Social Responsibility Disclosure of the firm "i" at a time "t"

β_0 = The intercept or Constant term

$\beta_1 - \beta_8$ = Coefficients of the explanatory variables

ROA = Return on Assets

ROE = Return on Equity

DPS = Dividend Per Share

EPS = Earnings Per Share

NPM = Net Profit Margin

MVS = Market Value of Shares

CAT = Corporate Annual Turn-Over

FSZ= Firm size

LEV = Leverage

it = Stochastic error term (disturbance term)

4. Results and Discussion

4.1 Descriptive Statistics

Table 2 presents the descriptive statistics of the variables. Descriptive statistics play a crucial role in understanding the characteristics and distribution of variables in a dataset. This report provides a comprehensive analysis of descriptive statistics for firm performance variables, namely Return on Assets (ROA), Return on Equity (ROE), Dividend per Share (DPS), and Earnings per Share (EPS).

Table 2: *Descriptive Statistics of the study variables*

Variable	Obs	Mean	Std. Dev.	Min	Max
CSRD	324	0.36	0.09	0.25	0.55
ROA	324	0.10	0.11	0.00	0.99
ROE	324	0.22	0.12	0.02	0.50
DPS	324	0.30	0.15	0.01	0.54
EPS	324	0.19	0.03	0.11	0.25
FSZ	324	7.61	0.72	5.51	8.74
FLV	324	0.02	0.01	0.01	0.03

CSRD: Corporate Social Responsibility Disclosure, **ROA:** Return on Assets, **ROE:** Return on Equity, **DPS:** Dividend per share, **EPS:** Earnings per share, **FSZ:** Firm size, **FLV:** Firm leverage

The mean ROA value of 0.10 indicates the average return on assets for the sample. The minimum value of 0.00 suggests that there are firms with zero or negative returns, while the maximum value of 0.99 represents the highest observed return on assets in the dataset. The mean ROE value of 0.22 represents the average return on equity for the sample. The standard deviation of 0.12 indicates the degree of variability in ROE values. Higher standard deviation suggests a wider range of ROE values in the dataset. The mean DPS value of 0.30 represents the average dividend payout per share for the sample. The minimum value of 0.01 suggests that there are firms with very low dividend payouts, while the maximum value of 0.54

represents the highest observed dividend per share in the dataset. The minimum value of 0.11 represents the lowest observed earnings per share in the dataset, while the maximum value of 0.25 represents the highest observed earnings per share.

4.2 Correlation Matrix

Table 3 presents the correlation analysis. Correlation analysis is a valuable statistical technique to explore the relationships between variables. This report provides a comprehensive analysis of the correlation between firm performance variables and CSR disclosure. The correlation coefficient between ROA and CSR disclosure is $r = [0.06]$. This indicates the strength and direction of the relationship between ROA and CSR disclosure. The correlation coefficient between ROE and CSR disclosure is $r = [-0.01]$, that of DPS and CSR disclosure is -0.06 , and that of EPS and CSR disclosure is 0.11 . There is no multicollinearity issue.

Table 3: *Correlation analysis*

	CSRD	ROA	ROE	DPS	EPS	FSZ	FLV
CSRD	1.00						
ROA	0.06	1.00					
ROE	-0.01	0.02	1.00				
DPS	-0.06	-0.10	0.08	1.00			
EPS	0.11**	0.04	0.05	-0.01	1.00		
FSZ	0.02	-0.03	-0.08	0.04	0.02	1.00	
FLV	0.00	0.00	0.09	0.04	-0.05	-0.01	1.00

4.3 Diagnostics Tests

Table 4 presents diagnostics tests of serial correlation and heteroskedasticity. The significant values indicate there are concerns about the correlation and heteroskedasticity.

Table 4: *Auto/serial correlation and Heteroskedasticity Tests*

Auto/Serial Correlation	F (1,35)	12.472
	Prob>F	0.0012
Heteroskedasticity	Chi2(1)	19.36
	Prob>Chi2	0.0000

Table 5 presents the Variance Inflation Factor (VIF), which is a measure used to assess multicollinearity in regression models. With a mean VIF of 1.02, there is no multicollinearity concern.

Table 5: *Multi-collinearity Test for CSRD*

Variable	VIF	1/VIF
ROE	1.03	0.974098
DPS	1.02	0.978940
FLV	1.01	0.986656

ROA	1.01	0.987326
FSZ	1.01	0.990472
EPS	1.01	0.991890
Mean VIF	1.02	

Table 6 shows the Durbin-Wu-Hausman (DWH) test, a statistical method used to detect endogeneity in regression models. This report provides a comprehensive analysis of the DWH test results for firm performance and corporate social responsibility (CSR) disclosure variables. The DWH test statistics are 2.83878* and 2.81084*, with corresponding p-values of 0.0920 and 0.0946.

Table 6: Durbin-Wu-Hausman Test for Endogeneity

H ₀ : Regressors are Endogenous		
	Corporate Social Responsibility Disclosure	
DHW Test Statistics	2.83878*	2.81084*
P-Value	0.0920	0.0946

Note: *, **, and *** denote significance at the 1%, 5%, and 10% levels, respectively, and lead to the H₀ rejection

The DWH test statistic of 2.83878* indicates the magnitude of the endogeneity problem in the regression model. The p-value of 0.0920 suggests that there is weak evidence to reject the null hypothesis of exogeneity. This implies that endogeneity may not be a significant concern in the relationship between the firm performance and CSR disclosure variables.

4.4 Regression Results

Table 7 shows the static panel model regression analysis which reveals mixed results regarding the relationship between firm performance variables and CSR disclosure. We carried out a robust fixed effect based on our data. We observe a significant negative relationship between CSR disclosure and ROA. A negative p-value of -0.0344 indicates an inverse relationship, implying that firms with higher levels of CSR disclosure tend to have lower Return on Assets.

Table 7: Direct relationship of Static panel model regression for CSRD

VARIABLES	OLS	RE	FE	FE ROBUST
L.CSRD	0.393*** (-0.0548)	0.393*** (-0.0548)	0.249*** (-0.0631)	0.249*** (-0.0688)
ROA	-0.0209 (-0.0379)	-0.0209 (-0.0379)	-0.0344 (-0.0489)	-0.0344* (-0.0203)
ROE	0.0319 (-0.0425)	0.0319 (-0.0425)	0.0525 (-0.0477)	0.0525* (-0.0299)
DPS	-0.0164 (-0.0325)	-0.0164 (-0.0325)	0.0303 (-0.0413)	0.0303 (-0.0296)
EPS	0.285* (-0.1460)	0.285* (-0.146)	0.119 (-0.17)	0.119 (-0.203)
FSZ	0.00352 (-0.0068)	0.00352 (-0.00683)	0.0497* (-0.0282)	0.0497*** (-0.0173)

FLV	-0.290 (-0.712)	-0.290 (-0.712)	-0.787 (-0.908)	-0.787 (-1.008)
Constant	0.143** (-0.0634)	0.143** (-0.0634)	-0.133 (-0.209)	-0.133 (-0.156)

Statistics

Observations	288	288	288	288
F/ Wald chi2	(7, 280) = 8.53	(7) = 59.69	(7, 245) = 3.59	(7, 35) = 5.25
Prob > F/ Chi2	0.0000	0.0000	0.0011	0.0004
R-squared	0.176	0.176	0.093	0.093
Number of ID	36	36	36	36

Standard errors in parentheses *** p<0.01, ** p<0.05, * p<0.1

The relationships with ROE and DPS are positive and statistically significant. EPS is found to be statistically insignificant. It is important to consider the limitations of the study, such as the specific industry context, data quality, omitted variable bias, and potential endogeneity issues. Further research is warranted to gain a comprehensive understanding of the dynamic nature of firm performance and its impact on CSR disclosure.

Table 8 presents the results of a Generalized Method of Moments (GMM) regression analysis, examining the relationship between CSR disclosure and firm performance variables: Return on Assets (ROA), Return on Equity (ROE), Dividend per Share (DPS), and Earnings per Share (EPS). For ROA, the p-value of 0.006 suggests a statistically significant relationship between CSR disclosure and ROA. This indicates that firms with higher levels of CSR disclosure tend to exhibit better financial performance as measured by ROA. For ROE, the p-value of 0.017 indicates a statistically significant association between CSR disclosure and ROE. It suggests that firms with higher CSR disclosure are likely to experience higher returns on equity.

Table 8: Direct relationship results of CSRD using the Two-step System GMM

Variables	Coef.	Std. Err.	z-Statistics	P>Value
CSRD				
L1.	0.409***	0.076	5.38	0.000
ROA	0.210***	0.077	2.73	0.006
ROE	0.153**	0.064	2.39	0.017
DPS	0.059**	0.029	2.01	0.044
EPS	0.312**	0.144	2.17	0.030
FSZ	0.039***	0.008	4.92	0.000
FLV	1.388**	0.653	2.13	0.033
_cons	-0.244***	0.054	-4.55	0.000
Statistics	Coefficient			P-Value
Wald chi2(7)	66410.16			
Prob > Chi2	Prob>Chi2			0.000
AR (2)				0.159

Hansen J,		0.608
No. of Group	36	
No. of Instrument	29	
Industry Effect	Yes	
Year Effect	Yes	

Notes: *** $p < 0.01$, ** $p < 0.05$, * $p < 0.1$, indicate significance levels.

Regarding DPS, the p-value of 0.044 suggests a statistically significant relationship between CSR disclosure and DPS. This implies that firms with increased CSR disclosure tend to have higher dividend payouts per share. EPS has a p-value of 0.030 which indicates a statistically significant association between CSR disclosure and EPS. This suggests that firms with higher levels of CSR disclosure are likely to have higher earnings per share. To ensure the reliability and consistency of our findings, we compare them with previous research on firm performance and CSR disclosure.

5. Conclusion

The main objective of this study is to examine the effect of firm performance on corporate social responsibility disclosure of listed companies in Nigeria. The GMM regression analysis results reveal statistically significant positive relationships between CSR disclosure and firm performance variables, including Return on Assets (ROA), Return on Equity (ROE), Dividend per Share (DPS), and Earnings per Share (EPS). This shows that companies are likely to disclose their corporate social responsibilities if they are profitable. These findings are consistent with previous research, further supporting the notion that higher levels of CSR disclosure positively impact firm performance. The results emphasize the importance of CSR practices and transparent disclosure in achieving improved financial outcomes.

It is essential to note that this report provides a summary of the regression analysis and consistency report. Further analysis and interpretation should consider the specific context, data quality, potential limitations of the study, and other relevant factors that might impact the relationship between firm performance and CSR disclosure. In our further study, we consider the use of firm size as a moderator to the relationship. Perhaps size matters, and that smaller firms might differ in performance and delivery of CSR compared to larger ones. Furthermore, firm performance variables like net profit margin, market value of shares, and corporate annual turnover could be explored. This study offers policy implications to regulatory agencies in their oversight function over what is disclosed in annual reports.

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