



The Effect of Corporate Social Responsibility on Financial Performance and Shareholders Wealth

Obehioye Usiomon Akogo¹, Ivie Eloghosa Ogbeide²

Abstract: Objectives: The objective of the study is to examine the impact of corporate social responsibility (CSR) on financial performance and shareholders wealth. Particularly, return on assets, return on equity, shareholders earnings per share. Prior studies in developing countries such as Nigeria have conflicting findings and lack of understanding on the nature and extent of social information and its impact on firm performance. **Approach:** The study extracted secondary data from 5 Nigerian firms' annual reports from 2018 to 2022. The data was analysed using tables and basic percentages and the statistical technique employed was General Least square (GLS) regression. **Results:** The study finds that CSR expenditure has a significant impact on financial performance and stock market price. Also, the study finds an insignificant impact between CSR and price earnings ratio and dividend payout ratio. **Implications and Value:** The paper emphasizes the significance of integrating CSR into business strategies for societal benefits and shareholder value creation, recommending that organizations incorporate CSR practices. The study also contributes to existing literature by examining the nature of social information and provides empirical evidence on the relationship between CSR and financial performance in developing countries, making it relevant for companies operating in these regions.

Keywords: social information; return on assets; return on equity; dividend payout

JEL Classification: G30, G32, M14

1. Introduction

Corporate Social Responsibility (CSR) refers to the responsibilities that organizations have towards their immediate community, environment, and society as a whole (MacMahon, 2021). Corporate entities do not exist independently but rather within a broader context. Similar to individuals, they inhabit and are shaped by an environment in which they operate. They actively engage with and exert an impact on various aspects of the business environment, encompassing social, economic, legal, cultural, ecological, technological, and political dimensions. As responsible corporate citizens, they

¹ Faculty of Management Sciences, Department of Accounting, University of Benin, Nigeria, Address: P.M.B. 1154, Ugbowo, Benin City, Edo State, Nigeria, Corresponding author: ehioshioobehioye@gmail.com.

² Senior Lecturer, Faculty of Management Sciences, Department of Accounting, University of Benin, Nigeria, Address: P.M.B. 1154, Ugbowo, Benin City, Edo State, Nigeria, E-mail: ivie.ogbeide@uniben.edu.



Copyright: © 2024 by the authors.
Open access publication under the terms and conditions of the
Creative Commons Attribution-NonCommercial (CC BY NC) license
(<https://creativecommons.org/licenses/by-nc/4.0/>)

are expected to establish positive relationships with their surroundings, ensuring seamless and efficient operations as they strive to accomplish their long-term goals and objectives. This confers an obligation on them to be socially responsible in the society where they operate (Efeeloo Nangih, 2022). Ibrahim and Hamid (2019), posit that before now companies have traditionally been seen as self-centered and aimed only at profit maximization, while the primary responsibility of improving the living standards of people in the society was seen as that of the government. The notion of firms embracing social responsibility has sparked various reactions, debates, and reflections among different segments of the corporate world and academia. Advocates argue that it encourages ethical behavior among managers, leading to positive effects on a company's reputation. Conversely, opponents contend that the burden of social responsibilities is costly and conflicts with the primary objective of maximizing shareholder wealth. McMahon (2021) acknowledges that corporate performance can be expressed as return on assets. The global focus on corporate social responsibility practices has grown due to the significant impact of economic activities on society and the environment (Relaiza et al., 2023). The definition of corporate social responsibility requires organizations to consider the interests of community members in their business decisions (Yazdani et al., 2022). This commitment to ethical business behavior improves societal life quality. Managers aim to achieve competitive advantage, relate to stakeholders, and disclose their Corporate Social Responsibility performance (Nyeadi et al., 2018; Amuktha & Nair, 2019).

CSR-performing firms tend to have better long-term performance due to the support, kindness, and peace their operating environment provides. Corporations worldwide are grappling with a new role, aiming to meet the needs of the present generation without compromising the ability of future generations to meet their own needs. Since the first corporate environmental reports emerged in 1989, companies have significantly increased their environmental, social, and sustainability policies (De Villiers et al., 2020; Klynveld Peat Marwick and Goerdeler (KPMG) report, 2017). Tapang and Bassey (2017) argued that environmental problems such as climate change, ozone depletion, overexploitation of natural resources, air pollution, and radioactive water pollution have become significant topics of discussion. CSR is closely linked to the principle of Sustainable Development, which emphasizes corporations making decisions based on the immediate and long-term social and environmental consequences of their activities (Uwuigbe, 2011, as cited in Okegbe et al., 2016; Amuktha & Nair, 2019).

The Nigerian government has implemented legislation, revenue allocation, and tax incentives to encourage corporate responsibility. Agencies like SON, PENCOR, NITF, and SON are created to oversee stakeholders' social status, ensure interests are satisfied, and enforce compliance in Corporate Social Responsibility activities. The Nigerian government's efforts are documented in the Companies and Allied Matters Act, 2020, through legislation, in order to encourage corporate entities to engage in corporate social responsibility activities. Section 305, subsections (1) – (4) of CAMA 2020 spell out the duty of a director to include Corporate Social Responsibility activities, Section 305, subsection (1) states that, 'A director of a corporation has a fiduciary duty to the corporation and must act in its best interests in transactions with or on behalf of the corporation. "A director has a fiduciary relationship with the corporation if: (a) he or she is functioning as an agent for a specific shareholder; or (b) despite not being an agent of any shareholder, he is dealing with the company's securities," according to subsection (2). Specifically, subsections 3 and 4 of section 305 emphasize companies' management focusing on stakeholders' interest. "A director shall act in the company's best interests to safeguard the assets of the company, further its business, and promote the purposes for which it was formed, and in the manner that a faithful, diligent, and ordinarily skilled director would act in the circumstances, and

shall have regard for the impact of the company's operations on the environment in the community where it conducts business," says subsection (3). Finally, subsection (4) emphasizes employees' welfare aspect of Corporate Social Responsibility as "A director of a corporation must consider the needs of the company's employees as well as the interests of its members in carrying out his responsibilities. The relationships with all stakeholders are based on the principles of respect for the individual, society, and the environment." In Nigeria, Ajide and Aderemi (2014) note that Corporate Social Responsibility is gaining prominence among organizations and societies. It is seen as an organization's endeavor to make a sustainable impact on society, which, in turn, can positively affect the business organizations involved Ajide and Aderemi, (2014).

1.1. Statement of the Problem

The investigation into the impact of Corporate Social Responsibility on a company's financial performance gave rise to three distinct perspectives. The first perspective suggests that Corporate Social Responsibility positively influences a company's financial success and recommends investing in Corporate Social Responsibility activities because they enhance the value of corporations. The second perspective, on the other hand, argues that Corporate Social Responsibility has a negative impact on a firm's financial performance. Finally, the third perspective remains neutral and inconclusive in its findings. Ajide and Aderemi (2014) observed that business organizations in Nigeria incur huge expenditures on social responsibility because they regard Corporate Social Responsibility (CSR) as a public relations stunt used by large corporations to look good in front of customers and other stakeholders. However, most companies do not find the justification for such, as the relationship between Corporate Social Responsibility expenditure and financial performance of corporations in developing nations remains unclear.

In view of the huge expenditures incurred annually on Corporate Social Responsibility, it is generally held that corporate social responsibility (CSR) could increase company profits. Different researchers however analyse different aspects of social responsibility and social responsibility itself differs depending on the country context (Sapkauskiene & Leitoniene, 2014). It can also be observed that the majority of studies were performed in developed countries although over the recent years there has been an increase in their number in developing countries as well. In the realm of corporate social responsibility research, there has been a notable emphasis on the disclosure of social information in recent times. However, a challenge persists as various studies present conflicting findings regarding the nature and extent of social information, theories concerning corporate behavior in disclosing social information, and the impact of Corporate Social Responsibility on a company's reputation and financial performance.

There is a crying need for an in-depth study into the quality, extent of corporate social responsibility disclosure and identification of areas for future improvement so that transparency can be ensured, especially in developing countries like Nigeria where CSR studies are limited (Ajide & Aderemi, 2014). While some studies prove a positive association between profitability of firms and Corporate Social Responsibility expenditures, other studies prove a negative relationship between the two (Bessong & Tapang, 2012, as cited in Okegbe et al., 2016). Furthermore, the practice of Corporate Social Responsibility has been dominated by developments in Western developed countries, such as the United States of America (USA) and the United Kingdom (UK) and it is unclear whether it translates easily into developing and low-income countries (Awan & Akhtar, 2014). Thus, a firm

cannot ignore the problems of the environment in which it operates (Babalola, 2013). This implies that a firm that wish to continue operation and enjoy customers' loyalty and patronage must seek social audit by scanning the environment it operates and ascertain the needs of the dwellers so as to provide it satisfactorily (Babalola, 2013).

Based on the preceding context, this research presents the subsequent inquiries:

- a. Does a favorable correlation exist between corporate social responsibility and the financial performance of Nigerian companies?
- b. Does corporate social responsibility have a beneficial effect on the stock market price of Nigerian firms?
- c. Is there any enhancement in corporate social responsibility that positively influences the earnings per share of shareholders in Nigerian companies?

1.2. Objective of the Study

The purpose of this study is to find out the impact of corporate social responsibility on financial performance and shareholders wealth in Nigerian firms with the following specific objectives:

- a. To determine whether there exists a positive correlation between corporate social responsibility and the return on assets of Nigerian companies.
- b. To investigate the favorable influence of corporate social responsibility on the return on equity of Nigerian firms.
- c. To establish the enhancement of corporate social responsibility on shareholders' earnings per share.
- d. To assess the connection between firm size and corporate social responsibility.
- e. To analyze the effect of industry type on corporate social responsibility.

1.3. Research Hypothesis

H1: There is a positive relationship between corporate social responsibility and price-earnings ratio.

H2: Corporate social responsibility and stock market price demonstrate a positive association.

H3: There is a positive link between corporate social responsibility and dividend payout ratio.

H4: Corporate social responsibility is positively correlated with financial performance.

2. Literature Review

2.1. Corporate Social Responsibility

Concept of corporate social responsibility (CSR) is about giving regards to the interest of all stakeholders of companies to achieve the common goals of the business as enshrined in their corporate vision and mission statements (Gololo, 2016). Corporate social responsibility is the resolve made by corporate institutions to carry out business ethically and enhancing the quality of life of companies'

stakeholders (Nyeadi et al., 2018). According to Singh and Associates (2012), corporate social responsibility can also be referred to terms like: social performance, sustainable responsible business, corporate conscience or corporate citizenship. Companies are increasingly focusing on social responsibility (Murphy, 2019). In the meantime, there exist additional stakeholders whose satisfaction is essential for the continued functioning of the company, as a corporation is composed of various interest groups that need to be catered for in order to ensure its viability. These stakeholders encompass employees, customers, suppliers, the government, the local community, the general public, and the media, all of whom hold a stake in the company. Singh and Associates (2012, as cited in Inyang et al., 2023) further reported that Milton Friedman indicated how a business can use only one responsible business activity to increase its turnover if it adheres to business ethics i.e. if the company engages in open and non-fraudulent competition.

Scholars have provided diverse definitions for corporate social responsibility. In fact, there is no acceptable definition for the concept because each scholar sees it from his/her own perspective (Asif & Batool, 2017). Three-dimension definition by Lohman and Steinholtz (2004, as cited in Odunayo & Ibidolapo, 2018) view Corporate Social Responsibility as a combination of three separate agendas, namely: sustainability, corporate accountability and corporate governance. Sustainability involves achieving a harmonious equilibrium among the social, economic, and environmental aspects worldwide to safeguard long-term survival. Corporate accountability pertains to an organization's integrity and capacity to effectively manage resources, while corporate governance is concerned with the transparent and trustworthy manner in which an organization is operated.

A socially responsible corporation is committed to addressing the interests of both primary and secondary stakeholders. It assesses local community needs, provides or repairs social amenities, manages industrial waste disposal, and attends to employees' medical and nonmedical needs. It offers standardized products, high-quality services, and maintains trustworthy credit agreements. A socially responsible company aims to maximize shareholders' wealth and fulfill its obligations to the government by fulfilling corporate and tax requirements. CSR is a demonstration of responsible behavior in both public and private sectors (El-Mallah et al., 2019). Bonini and Gerner (2011, as cited in Sagin et al., 2020), defined CSR as achieving commercial success in ways that honour ethical values and respect people, communities, and the natural environment.

2.2. Hypothesis Development

2.2.1. Corporate Social Responsibility and Stock Market Price

The correlation between Corporate Social Responsibility (CSR) and stock market prices suggests a positive relationship. Stock market prices reflect the value of a company at a given time and are influenced by factors such as retained earnings and other revenue reserves. Companies with higher retained earnings tend to have higher stock market prices. Indirectly, Corporate Social Responsibility activities contribute to increased profitability and earnings, leading to a rise in stock market prices.

Adascalitei (2015) examined the correlation between stock prices and socially responsible companies and discovered that implementing Corporate Social Responsibility ideals led to reduced volatility in stock prices. The study argued that incorporating Corporate Social Responsibility in a company's corporate strategy could result in a win-win situation.

Giovanni (2015) analyzed the impact of Corporate Social Responsibility on the stock prices of publicly traded Italian companies. The study used share prices as a proxy for financial performance and found evidence that good social performance had a negative influence on stock prices in the Italian Stock Exchange Market. Martinez-Conesa et al. (2017), Serebour and Abraham (2017), and Zhu et al. (2014) also supported a favorable association between Corporate Social Responsibility and stock market prices.

Olaoye and Oluwadare (2018) investigated the link between Corporate Social Responsibility and stock market pricing in Nigeria. The study, using panel regression analysis, revealed that Corporate Social Responsibility had little effect on stock market performance, and vice versa.

Mashiyat et al. (2020) studied the impact of Corporate Social Responsibility on the volatility of US bank stock prices, considering the role of taxes in moderating the relationship. The study found a robust and positive relationship between Corporate Social Responsibility and stock price volatility, indicating that excessive focus on Corporate Social Responsibility may not be welcomed by US bank shareholders due to higher investment costs.

In conclusion, based on the reviewed studies, it can be argued that Corporate Social Responsibility and stock market prices have a positive association, supporting the hypothesis.

2.2.2. Corporate Social Responsibility and Dividend Payout Ratio

Dividend payment is an attractive factor for investors, particularly non-institutional investors, when considering a company. The payment of dividends is dependent on a company's earnings, indicating that higher earnings enable a company to distribute greater dividends to its shareholders. Therefore, it is likely that earnings and the dividend payout ratio are positively correlated. Corporate Social Responsibility has the potential to influence dividend policy through two channels: the revenue line and the cost of equity capital. The revenue channel suggests that CSR affects a company's revenue, which in turn impacts dividend policy. Income is a crucial component extensively studied in the literature as a driver of dividend policy.

CSR is considered an indirect contributing factor to increased earnings. When Corporate Social Responsibility activities lead to higher turnover and increased earnings, dividend payments are likely to increase. Cheung (2016) found that Corporate Social Responsibility scores impact the dividend payout ratio but not the willingness to pay dividends.

Benlemlih (2018) analyzed 22,389 US firm-year observations from 1991 to 2012 and found that socially responsible companies tend to pay higher dividends compared to low Corporate

Odeleye (2019) investigated the influence of sectors on governance and dividend distribution in Nigeria from 1995 to 2012. The study found that the association between Corporate Social Responsibility and dividend distribution varied across different subsectors, with some subsectors showing a positive relationship and others showing a negative one. The dividend payout ratio was chosen as a measure for this study, as it is an important consideration for investors when deciding to invest in stocks. Thus, the dividend payout ratio serves as a market indicator of a company's profitability.

Based on the analysis above, it can be inferred that corporate social responsibility and the dividend payout ratio have a positive relationship, hence, the hypothesis.

2.2.3. Financial Performance and Corporate Social Responsibility

Financial performance, as measured by both accounting and market-based metrics, serves as a motivating factor for both existing and potential investors. Existing investors are inclined to maintain their stake in a company as long as it consistently generates profits. Conversely, a decline in earnings prompts rational non-institutional existing investors to withdraw their stakes and reinvest in more profitable ventures. Good and consistent financial performance is attractive to potential investors. While corporate social responsibility costs are deducted from earnings, the positive impact of corporate social responsibility on a company's reputation can enhance revenue, outweighing the costs. An increase in earnings reflects improved financial performance, thus suggesting a presumed positive linear relationship between corporate social responsibility and financial success.

Chou et al. (2017) research findings indicated a connection between a company's financial performance and its level of social responsibility. They conducted a study in Taiwan, examining 85 companies from 2007 to 2010, utilizing the corporate social responsibility score to explore the relationship between CSR and Financial performance. Their investigation unveiled a positive and significant correlation between CSR and Financial performance. Notably, firms with higher CSR scores outperformed those with lower scores. Moreover, they found that the governance dimension of CSR showed a more substantial and positive association with stock price returns compared to the community, employees, and environmental dimensions of CSR (Chou et al., 2017). Osisioma et al. (2015) conducted a study investigating the connection between corporate social responsibility and the performance of selected firms in Nigeria. Their findings revealed a robust positive relationship between investment in corporate social responsibility and corporate profit.

Similarly, Kanwal et al. (2013) focused on fifteen (15) corporations listed on the Karachi Stock Exchange in Pakistan to examine the impact of corporate social responsibility on financial performance. Their results showed a significant positive relationship between corporate social responsibility and firm performance. Moreover, they found that as companies increased their spending on corporate social responsibility, their financial performance improved.

In another study, Eccles et al. (2016) explored the influence of corporate sustainability on organizational processes and performance across 180 companies. Their study demonstrated that firms belonging to the high sustainability group outperformed their counterparts in various aspects. Okoye (2013) evaluated the impact of Return on equity, and return on asset on Nigerian deposit money banks using a static panel data design, indicating that Return on equity, and return on asset had a significant impact on society through contributions to infrastructure and development, as well as the financial performance of the Nigerian banking industry.

Folajin, Ibitoye, and Dunsin (2014) conducted an empirical assessment of the relationship between corporate social responsibility and organizational profitability, focusing on the United Bank of Africa between 2006 and 2012. The study utilized OLS regression and found an inverse relationship between Return on equity, and return on asset and UBA profitability. Haryono and Iskander (2015) adopted Tobin's Q and price-to-book value as indicators of firm value to investigate the relationship between company social performance and firm value. The findings indicated that corporate social responsibility and its disclosure positively impacted financial performance. Additionally, the study indicated that company social responsibility had a positive but minor effect on asset return.

3. Methodology

The cross-sectional survey research design adopted for the study. The population consisted of 5 Nigerian Companies listed on Nigeria Exchange Group (Breweries, Cadbury, Oando, Unilever and Guinness). The data was collected through the annual report of companies from 2018-2022. The data is analysed using the descriptive and regression analysis after due diagnostics tests were conducted.

3.1. Model Specification

In this research, a panel method was employed, which integrates both time series and cross-sectional data simultaneously. The model utilized in this study was adapted from Aminu and Jamilu (2017) and subsequently modified. The following models were employed for analysis in this study:

$$PER_{it} = \beta_0 + \beta_1 CSRT_{it} + \beta_2 SIZ_{it} + \beta_3 AGE_{it} + e_{it} \quad (I)$$

$$SMP_{it} = \beta_0 + \beta_1 CSRT_{it} + \beta_2 SIZ_{it} + \beta_3 AGE_{it} + e_{it} \quad (II)$$

$$DPR_{it} = \beta_0 + \beta_1 CSRT_{it} + \beta_2 SIZ_{it} + \beta_3 AGE_{it} + e_{it} \quad (III)$$

Where:

PER_{it} = Price-Earnings Ratio for all the entities over the time.

DPR_{it} = Dividend Payout Ratio for all entities over the time.

SMP_{it} = Stock Market Price for all entities over the time.

$CSRT_{it}$ = Total CSR score of all the entities over the time.

SIZ_{it} = Firm Size for every entity over the time.

AGE_{it} = Age of the company for all the entities over the time.

$\beta_1 - \beta_3$ = The gradient of the independent variable.

e_{it} = Error Term for all the Companies over time period.

i = Firm

t = time

4. Data Presentation and Analysis

The below table provides an overview of the calculated measures of central tendency and measures of deviation used to represent each variable in the study.

Table 1. Descriptive Statistics

Price- Earnings Ratio	50	-71.0447	240	25.4	54.2904	2.7533	8.9786
Stock market price	50	1.01	1545	130.6	331.2734	3.2967	10.507
Dividend payout ratio	50	-1.55	13.33	0.936	2.09235	4.7142	26.2328
CSR Expenditure	50	4.703	7.6126	6.642	0.6265	-1.1729	2.3305

Firm Size	50	7.4398	11.6478	10.73	1.1661	-2.2426	3.9844
Firm Age	50	11	97	56.7	21.5995	-0.3555	0.132301

Table 1 provided above illustrates the range of monetary exchange an average investor on the Nigerian Stock Exchange Market was willing to make for every ₦1 of earnings from companies during the study period. The lowest amount offered was ₦71.04, while the highest potential gain per share in the industry during that time was ₦240. This data demonstrates the table also reveals notable insights about stock market prices within the industry. The range of stock prices for common stocks in the sector was ₦1,545 at the highest, ₦1.01 at the lowest, and an average of ₦130.60 during the study period. This data highlights the sensitivity of the industry's share market prices to changes. In terms of financial indicators, the dividend payout ratio varied between 1.55 (minimum) and 13.33 (maximum), with an average of 0.936 over the period. Additionally, the logarithms of Corporate Social Responsibility (CSR) expenditure for the industry ranged from ₦4.7030 (minimum) to ₦7.6126 (maximum), with an average of ₦6.642. The variation in these metrics, along with firm size, was relatively modest compared to the industry average. However, there was substantial variation in terms of the age of companies within the industry, with an average age of around 57 years as of 2020. These companies boasted substantial assets, collectively worth billions of naira.

4.1. Regression Results

In this section, the outcomes of the regression involving both dependent and independent variables are showcased, adhering to the models outlined in methodology sub-section. The assessment of the connection between the dependent variable and each independent variable is comprehensively discussed. A concise overview of the results derived from the Generalized Least Squares (GLS) regression models employed in the study is presented Table 2 below.

Table 2. Generalized Least Squares (GLS) Regression Results

		(1)PER			(2)SMP			(3)DPR	
Variables	Co-efficient	t-test	Sig.	Co-efficient	t-test	Sig.	Co-efficient	t-test	Sig.
Constant	-64.615	-0.587	0.56	-2011.4	-3.484	0.001	-2.028	-0.477	0.635
CSR	1.646	0.114	0.99	300.404	3.97	0	0.34	0.611	0.543
AGE	6.272	0.924	0.359	41.93	1.178	0.244	0.147	0.562	0.576
SIZE	0.207	0.497	0.621	-5.349	-2.441	0.018	-0.015	-0.956	0.343
R²	0.027			0.281			0.079		
Adjusted R²	-0.035			0.235			-0.074		
F-Stat	0.438		.726 ^b	6.019		.002 ^b	0.425		.735 ^b

Durbin Watson									
2.211				0.533			2.142		
No of									
Obs.	50			50			50		

4.2. Discussion of Findings

The analysis of the results from the Generalized Least Squares (GLS) regression, as depicted in the preceding Table 5, is now discussed below.

Analysis and Discussion of Result of Model 1

$$PER_{it} = -64.615 + 1.646CSRT_{it} + 0.207SIZ_{it} + 6.272AGE_{it} + e_{it}$$

Displayed in the aforementioned Table 5 are the random effects estimations wherein the dependent variable is the price-earnings ratio, employed to test Hypothesis 1. Corporate Social Responsibility Expenditure exhibits a coefficient of 1.646, a t-value of 0.114, and a p-value (sig.) of 0.909, rendering it statistically insignificant. This indicates that the expenditure on CSR holds minimal influence on the price-earnings ratio (PER) of companies within the Nigerian selected companies.

Analysis and Discussion of Result of Model 2

$$SMP_{it} = -2011.40 + 300.404CSRT_{it} - 3.349SIZ_{it} + 41.930AGE_{it} + e_{it}$$

Model 2, as displayed in Table 5, assessed Hypothesis 2. Within this context, Corporate Social Responsibility Expenditure displays a coefficient of 300.404, a t-value of 3.970, and a p-value (sig.) of 0.000, all indicating significance at the 5% level. These findings suggest that CSR expenditure exerts a statistically significant and positive influence on the stock market price (SMP) of selected companies listed publicly in Nigeria.

Analysis and Discussion of Result of Model 3

$$DPR_{it} = -2.028 + 0.340CSRT_{it} - 0.015SIZ_{it} + 0.147AGE_{it} + e_{it}$$

Model 3 was employed to assess Hypothesis 3, and the corresponding outcome is exhibited in Table 5. The findings indicate that CSR expenditure exhibits a coefficient of 0.340, a t-value of 0.611, and a p-value (sig.) of 0.543, which, at the 5% level, signifies a statistically insignificant relationship with the Dividend Payout Ratio (DPR) of selected companies in Nigeria.

Regarding the control variables for CSR expenditure, the coefficients of AGE and SIZE demonstrate positive associations and significant positive effects on Price-Earnings Ratio (PER) and Dividend Payout Ratio (DPR). However, the SIZE coefficient has a negative and insignificant impact on Stock Market Price (SMP), while the coefficient for SMP is negative and significant for DPR of listed companies in the industry.

The R² values Indicate that the independent variables in the model jointly explain 2.7 percent, 28.10 percent, and 7.90 percent of the changes in PER, SMP, and DPR of the selected companies, respectively. The remaining percentages (97.3%, 71.90%, and 92.10%) are attributed to other factors not accounted for in the models.

In terms of autocorrelation, the Durbin Watson test values for models 1 (PER) and 3 (DPR) are slightly above 2 (2.211 and 2.142, respectively), indicating no significant correlation between residuals. However, the Durbin Watson value of 0.533 for model 2 (SMP) suggests that the residual values of the model variables are positively correlated, but this correlation level isn't problematic and suitable for estimation purposes.

Using the random effects estimation for each model and control variables, the results show that an increase in CSR expenditure has a positive effect on PER (indicated by 1.646) and is statistically significant at the 0.05 level. Similarly, increased corporate social responsibility expenditure positively affects SMP (diminished by 300.404), although it is not significant at the 0.05 level. Finally, CSRE is estimated to have a positive effect on DPR (indicated by 0.34) and is significant at the 0.05 level.

These findings suggest that increasing corporate social responsibility expenditure is advantageous based on PER, SMP, and DPR, indicating that markets recognize the value of increased CSR indirectly, influencing financial performance proxies. Firms gain financial benefits by increasing investments in corporate social responsibility activities, which are reflected in their financial performance metrics.

4.3. Research Hypothesis Testing

Based on the analysis and discourse of the panel regression outcomes depicted in Table 5, it is evident that corporate social responsibility expenditure exerts a notably positive influence on the financial performance of publicly listed and selected enterprises within Nigeria's companies. This signifies that augmenting corporate social responsibility expenditure leads to enhanced financial performance, while conversely, reducing expenditure might result in diminished performance.

Concluding the findings, Table 6 provides a concise overview of the hypotheses that were subjected to testing:

Table 3. Summary of the Tested Hypothesis

Hypothesis	Findings	Decision
H1: There is a positive relationship between corporate social responsibility and price-earnings ratio.	Insignificant	Accept
H2: Corporate social responsibility and stock market price demonstrate a positive association.	Significant	Reject
H3: There is a positive link between corporate social responsibility and dividend payout ratio.	Insignificant	Accept
H4: Corporate social responsibility is positively correlated with financial performance.	Significant	Accept

5. Conclusion

The study examines the impact of corporate social responsibility (CSR) spending on financial performance and shareholder wealth in Nigerian firms. It found that CSR spending has a minimal

positive effect on the price-earnings ratio of selected Nigerian companies, suggesting it doesn't significantly influence price earnings. However, CSR spending significantly affects the stock market price of these companies, highlighting its pivotal role in shaping their performance. Additionally, CSR spending has a minor yet favorable impact on the dividend payment ratio of selected Nigerian companies, suggesting it doesn't significantly influence dividend payments. The study highlights the complex and varied effects of CSR expenditure on various financial performance dimensions in the Nigerian consumer product business landscape.

5.1. Recommendations

Drawing from the discoveries and inferences of this study, the subsequent recommendations are put forth:

- It is advisable for publicly traded companies in Nigeria to actively partake in corporate social responsibility (CSR) endeavors. This engagement, whether direct or indirect, stands to enhance their financial performance over both short and extended timeframes.
- Regulatory bodies such as NSE, SON, NLC, NSITF, and the financial reporting council of Nigeria should implement robust mechanisms that motivate companies to engage willingly in CSR activities.
- A restructuring of Nigerian government agencies like PENCOM, SON, NSE, NSITE, IOD, and the financial reporting council of Nigeria is suggested, coupled with the augmentation of their enforcement powers to ensure the effective execution of the provisions outlined in their respective enactments. Such measures are intended to safeguard the interests of diverse stakeholders.
- The Nigerian government ought to provide a range of incentives including tax reliefs, access to loans, and various subsidies to corporations displaying responsible corporate behavior. This approach aims to foster an environment that encourages socially conscious actions.
- Companies are urged to demonstrate social responsibility towards their environment, encompassing practices like proper industrial waste disposal, restoring decommissioned sites, and ensuring safe communities by managing gas emissions. These efforts have the potential to boost goodwill and indirectly enhance financial performance.
- In embracing these recommendations, selected companies stand to cultivate positive relationships with their stakeholders, fortify their financial performance, and contribute to the broader societal and environmental well-being.

References

- Ajide, F. M., & Aderemi, A. A. (2014). The effects of corporate social responsibility activity disclosure on corporate profitability: Empirical evidence from Nigerian commercial banks. *IOSR Journal of Economics and Finance (IOSRJEF)*, 2(6), 17-25.
- Amuktha, M. V., & Nair, R. (2019). Corporate social responsibility and shareholder wealth: Evidence from Indian manufacturing sector. *International Journal of Innovative Technology and Exploring Engineering*, 8(8), 3335-3340.
- Babalola, Y. A. (2013). An Impact of Social Audits on Corporate Performance: Analyses of Nigerian Manufacturing Firms. *Research Journal of Finance and Accounting*, 4(3).
- Blasco, J. L., & King, A. (2017). *The KPMG Survey of Corporate Responsibility Reporting: The road ahead*.

- Chou, L., Chang, T., Daray, J., & Yan, Y. (2017). The impact of social responsibility on corporate performance. *Accounting and Finance Research*, 6(2), 181-189.
- De Villiers, C., Ma, D., & Marques, A. C., (2020). *CSR disclosure, and firm value – Relations and mediating effects*. Retrieved from <https://ssrn.com/abstract=3700880>.
- Eccles, R. G., Ioannou, I., & Serafeim, G. (2016). *The impact of corporate sustainability on organizational process and performance*. Retrieved from: <http://ssrn.com/abstract=1964011>.
- El-Mallah, R. K., Aref, A. A., & Sherif, S. (2019). The role of social responsibility in protecting the environment – a case of the petrochemical companies in Alexandria Governorate. *Review of Economics and Political Science*, 8(6), 487-519.
- Haryono, U., & Iskander, R. (2015). Corporate social performance and firm value. *International Journal of Business and Management Invention*, 4(1), 69-75.
- Ibrahim, M., & Hamid, K. T. (2019). Corporate social responsibility and financial performance of listed Non-Financial Services companies in Nigeria. *American Journal of Business and Society*, 4(2), 56-71.
- Kanwal, M., Khanam, F., Nasreen, S., & Hameed, S. (2013). Impact of corporate social responsibility on the firm's financial performance. *IOSR Journal of Business and Management*, 14(5), 67-74.
- Martinez-Conesa, I., Soto-Acosta, P., & Palacios-Manzano, M. (2017). Corporate social responsibility and its effect on innovation and firm performance: An empirical research in SMEs, *Journal of Cleaner Production*, 142, 2374-2383.
- Murphy, C. B. (2019). *Why social responsibility matters to businesses*. Investopedia, Sustainable Investing.
- Nangih, E. (2022). Corporate Social Responsibility Investments, Profitability and Quoted Consumer Goods Firms in Nigeria. *International Journal of Applied Business and Management Sciences*, 3(2).
- Nyeadi, J. D., Ibrahim, M., & Sare, Y. A. (2018). Corporate social responsibility and financial performance nexus: Empirical evidence from South African listed firms. *Journal of Global Responsibility*, 9(3), 301-328.
- Odunayo, F. O., & Ibidolapo, E. A. (2018). Corporate Social Responsibility on the Performance of Private Telecommunication in Nigeria (A Study of Mtn). *Canadian Social Science*, 14(8), 45-54.
- Okegbe, T. O., Egbunike, & Francis, C. (2016). Corporate Social Responsibility and Financial Performance of Selected Quoted Companies in Nigeria. *NG-Journal of Social Development*, 5(4), 1-9.
- Osisioma, H., Nzewi, H., Nwoye, P. (2015). Corporate social responsibility and performance of selected firms. *International Journal of Research in Business Management*, 3(3), 57-68.
- Relaiza, H. R. S. M., Núñez, L. A. L., Temple, M. M. S., Miranda, P. S. Y., & Bellido, I. E. A. (2023). Corporate Social Responsibility and Financial Control. *International Journal of Professional Business Review*, 8(1), 1-11.
- Sagin, O. S., Moses, B. S. J., & Godiya, W. (2020). Corporate Social Responsibility and Stock Exchange Listed Firms' Performance in Nigeria. *International Journal of Finance and Management in Practice*, 8(2), 1-13.
- Serebour, A. O., & Abraham, A. (2017). Corporate social responsibility and firm performance of Ghanaian SMEs: Mediating role of access to capital and firm reputation. *Journal of Global Responsibility*, 8(1), 47-62.
- Yazdani, W., Ansari, M. S., & Sami, L. (2022). A Bibliometric Analysis of Mandatory Corporate Social Responsibility Using Rstudio: Based on Scopus Database. *International Journal of Professional Business Review*, 7(6), 1-28.
- Zhu, Y., Sun, L. Y., & Leung, A. S. M. (2014). Corporate social responsibility, firm reputation, and firm performance: The role of ethical leadership. *Asia Pacific Journal of Management*, 31(4), 1-7.