

**EFFECT OF CORPORATE SOCIAL RESPONSIBILITY (CSR) ON FINANCIAL PERFORMANCE OF OIL AND GAS COMPANIES IN NIGERIA.**

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**Abstract**

*The study measured the effect of Corporate Social Responsibility (CSR) on financial performance of oil and gas companies in Nigeria. Secondary data were obtained from published financial reports and accounts of randomly selected active oil and gas firms quoted on the Nigerian Stock Exchange for the period 2006 - 2015. Ethical, economic and legal responsibilities were selected as independent variables while the firm performance was selected as the dependent variable, and these were incorporated into the model. Ethical responsibility was measured by expenditures on social donations, economic responsibility was measured by earnings per share while legal responsibility was measured by a summation of directors remuneration, auditors fee, tax paid, interest expenses and staff costs. The data were analysed using correlation and Ordinary Least Squares (OLS) regression analysis. The regression result showed that Ethical and Legal CSR have a negative significant relationship with firm performance while Economic CSR has a positive significant relationship with firm performance. The research recommends that economic responsibility should be encouraged as there is a significant positive relationship with firm performance. An increase in economic responsibility also brings about an increase in firm performance. Legal responsibility should be encouraged as there was a positive relationship with firm performance though it was not significant. An increase in legal responsibility encourages an increase in firm performance. Ethical responsibility should be managed or in fact discretionary depending on the conducive nature of host community environment as revealed by the study. Government should encourage CSR to be recognised as an investment and reported as such in the financial statements of oil and gas companies.*

**1.0 Introduction**

This natural endowment (crude oil and gas) are predominantly found in rural communities, creeks, swamps, deep offshore and predominantly in the Niger Delta region in Nigeria which includes but not limited to Edo, Bayelsa, Rivers, Cross Rivers, Delta, Akwa-Ibom, Ondo, Abia and Imo States. An apiary of activities runs on a very fragile ecosystem of this Niger-delta region. These activities include operations of hundreds of producing oil wells, oil plants, networks of thousands of kilometres of crude pipe transporting crude to flow stations and export terminals in the region. Being primarily farmers and fishermen, the socio-economic lives of the inhabitants are adversely affected by the destruction of the ecosystem due to these oil exploration activities (Ebeide, 2016). Corporate Social Responsibility (CSR) activity is a business tactic that contributes to maintainable development by delivering economic, social and environmental benefits for all stakeholders (Robins, 2011). Such corporate social responsibility includes corporate philanthropy where economic and ethical responsibilities are entrenched depending on the motive for philanthropic expenditures; this includes contributing to community development

activities and initiating infrastructural social projects such as the building of schools, bridges, roads, hospitals, recreation centre, and training institute among other projects.

In addition, corporate social responsibility is often conceptualized as corporate ethical responsibility, and these activities include embarking on pollution control and ecosystem recovery projects, adhering to federal government standard and continuous evaluation of production/operation procedures with a view to obtaining improved processes and better community relationship through corporate responsibility activities. Employee safety and health hazards are not left out and these are addressed by putting in place effective work environment policies and medical and safety facilities.

Corporate social responsibility can also be viewed from legal perspective whereby Schwartz and Carroll (2003) described it as firms' response to compliance, shunning civil litigation and responding to civil expectations directed by Federal, State and local jurisdiction of firms' operation. Succinctly the practice of corporate social responsibility as a concept entails the practice whereby corporate firms willingly incorporate both societal and social uplift in their business operations and values.

Given the huge financial investment these companies inject into CSR activities, projects and programs, it is obvious that it has a huge financial burden. There is the fear that this burden may negatively affect their financial performance. Firms' financial performance consists of measuring the results of firm's policies and operations in monetary terms. This can be measured by a number of indicators such as Return on Capital Employed (ROCE), Gross Profit Margin, Net Profit Margin, Asset Turnover, Return on Asset, Return on Equity and price to earnings ratio. However, the profitability of a firm is the ability of the firm to generate earnings or income as compared to its expenses and other relevant costs incurred during a specific period of time. It, therefore, appears that the practices of CSR will further jeopardise financial performance-profitability of the firms. As a result of the aforementioned issues peculiar with the oil and gas operating sector, there is, therefore, the need to enquire on the effect of the Corporate Social Responsibility on the profitability of the oil and gas firms.

## **1.2 Statement of the Problem**

The previous studies carried out to examine the relationship between corporate social responsibility on firm financial performance has been inconclusive in their findings. For instance Amole, Adebisi and Awolaja (2012), Ajide and Aderemi (2004) and Akinyomi, Enahoro & Olutoye 2013 in their findings disclosed a positive relationship between CSR and corporate financial performance. On the contrary the findings of Babalola (2012), Mulyadi and Anwar (2011) and Martin and Yunita (2012) revealed negative significant relationship between CSR and corporate financial performance. The findings of previous studies are incongruous hence difficult to draw inferences from. The methodology used differs and most of those studies were carried out in corporations of varying sectors. The population used for the studies differ, their methodology, time covered, tools of analysis are also divergent. This should therefore affect the findings. There by making the findings divergent. Although this has been a problem, most research in this area had taken a narrow perspective to the assessment of the effect of CSR on firm performance which involved a one-dimensional view of CSR. Considering that each dimension may have a different influence on firm performance because of it conceptual and practical differences, it is important that the effect of various dimensions/components of Social Responsibility on firm performance be examined. Thus, this study sets to investigate the effect of corporate social responsibility on firms' financial performance in Nigeria.

The following hypotheses are formulated:

- H<sub>01</sub>: Ethical social responsibility activity has no significant effect on firms' financial performance.
- H<sub>02</sub>: Economic social responsibility activities has no significant effect on firms' financial performance.
- H<sub>03</sub>: Legal social responsibility activities has no significant effect on firms' financial performance.

## **2.0 Literature Review**

### **2.1 Conceptual Framework**

#### **2.1.1 Concept of Corporate Social Responsibility (CSR)**

Corporate Social Responsibility according to Carroll (1991) is conceived as a pyramid now known as Carroll's Pyramid. Jamali and Mirshak (2006) explained that CSR demonstrates a concern for society's objectives and needs which surpasses the economic impact. He claims there are four kinds of Social Responsibility namely Economic, Legal, Ethical and Philanthropic also described as discretionary Responsibility. Similarly, Longe, et al., (2006), advocates that CSR is an ethical obligation to customers, employees, and community by firms carrying out various categories of responsible actions. Nkanbra and Okorite (2007) opined in their term "Corporate Social Responsibility Accounting CSRA" that the key performance indicator of an organization's performance/value/worth is to assess their ability to set up reciprocally valuable initiatives in the societies which they operate by investing back income from profit earned. Lomberdo (2009) believes that CSR is moral value of business practices and processes with regards to people, community, and environment. Meanwhile, McOliver and Yomere (2009) attributed CSR as an organizational objective, whose ultimate goal is to contribute to the society materially or in kinds such as in terms of goals or services. Sendil (2015) indicated that firms and stakeholders have relentlessly recognised that there is a significant effect of firms' activities on stakeholders such as shareholders, government, investors, business associates, competitors, communities, environment, customers, and workers. Also, that effect of firms' decision has high potentials of having a considerable influence on their own prosperity, societal prosperity and ultimately globally.

#### **2.1.2 Firm Financial Performance**

Firm performance can be conceptualized by the stakeholder theory (Freeman, 1984) by identifying the stakeholders and defining the set of performance outcomes that measure their satisfaction. Based on stakeholder satisfaction, firm performance can be viewed in seven features viz growth, profitability, market value, customer satisfaction, employee satisfaction, social performance and environmental performance. For the purpose of this study, we shall base on financial performance which has profitability as the bottom line. Meanwhile, Bobakova (2003) affirms that the fundamental objectives of an organization's management are to obtain profit in the course of the business venture. Financial performance in organizations is basically measured by profit level. Profit is a measure of profitability and this can be described as an income, an act of producing good or helpful results or effect from a business venture or as the excess of revenue generated from a business venture after deductions have been made of expenses incurred directly in relation to the generation of such revenue. Assessment of profitability can be done before the onset of the business through feasibility study or when the business is in operation. Profitability can also be viewed as the potential of a business venture to be successful financially. Profit is the major concern of business owners. This could be measured by price to earnings ratio. Ajanthan (2013) describes profitability as a measure of the amount whereby revenue exceeds company's expenditure. Profitability ratios are usually used to

ascertain management's ability to create income from revenue – generating ventures within the company.



**Figure 2.1:**  
**Carroll's Pyramid of Corporate Social**

### **Responsibility**

Economic Responsibility refers to organizations ability to provide valuable goods and services to the society, which will result in making of profit, and this profit is the nexus on which other responsibilities are executed. Expectations of society are that businesses carry out their activities within the ambit of the law. That is conforming to legislative requirements of government which is the legal responsibility. While ethical responsibilities are those activities that reflect fair and just concern on selected stakeholders which should not go contrary to society expectation of economic or legal responsibilities. Philanthropic responsibility involves the act of promoting and enhancing human welfare and goodwill. This can also be described as being a good corporate citizen. It is worthy to note that Carroll's pyramid represents one of the earliest attempts to merge tangible and intangible responsibilities which are economic and social responsibilities respectively.

### **2.2 Theoretical Framework**

The theoretical framework is anchored on Stakeholder theory.

**Stakeholder theory:** This theory was originally propounded by Edward (1984) in the book *Strategic Management: A stakeholder approach* with its major theory principle being organizational management and business ethics that addresses morals and values in managing an organization by

identifying the groups which are stakeholders of the organization and describing/endorsing methods by which management can give due regard to the interest of these groups.

Business conceptions had in earlier times been perceived to be the main objective of making money. Stakeholder theory is a modern extension of older conceptions of business engagement. Similar to earlier day's conceptualization of Corporate Social Responsibility, Stakeholder theory is described as a call to management to broaden its vision of its duties and roles to include the interests of non-owners or non-stockholding groups, other than the maximization of profits.

Freeman (1984) believes that stakeholder theory is the values and morals used in managing organizations. Simply put, it is organizational management and business ethics. Here stakeholders are identified and suggestions of how management can give consideration to the concerns of these groups.

Stakeholder theory suggests that other parties to a business include employees, customers, suppliers, financiers, trade unions, communities, governmental bodies, political groups and trade associations to mention a few. Stakeholder theory is usually viewed through two perspectives; the normative theory of stakeholder identification and the descriptive theory of stakeholder salience. This is aptly described as identification of the stakeholders and then the treatment stakeholders by management.

### **2.3 Empirical Review**

Amole, Adebisi and Awolaja (2012) in their study, Corporate Social Responsibility and Profitability of Nigerian Banks - A causal relationship, uses annual reports of First Bank of Nigeria PLC for the period 2001-2010. Data on CSR expenditure and profitability were analysed using ordinary least square (OLS) model of regression. The statistical tool employed was regression analysis. Their conclusion was that there was a positive relationship between CSR expenditure and bank profitability.

Choi, Kwak, and Choe (2010) studied the empirical relation between CSR and Corporate financial performance in Korea during 2002-2008. Using a time series fixed effects approach of KLD Socrates Database. Their findings revealed that there was a significant and positive impact between Corporate Financial performance and stakeholder weighted CSR.

Richard and Okoye (2013) sought out to study the effect of Corporate Social Responsibility on deposit money banks in Nigeria. The method used was descriptive study design. The study revealed that Social Responsibility has a great impact on the society, by improving on society infrastructure and development. Their conclusion was that society has to give back to society in which it operates by ways of providing infrastructure and pollution clean-up if any arises.

Bessong and Tapang (2012) studied effect of Corporate Social Responsibility on banks in Nigeria. They analysed secondary data from five (5) Nigerian banks using the Ordinary Least Square (OLS) method. Their analysis showed that social cost and cost of pollution had a negative influence on profitability. Their Conclusion stated that Social Responsibility cost is as important as other bank liabilities and this should be managed properly.

Ugochukwu and Okafor (2006) in their study of impact of corporate social responsibility on financial performance: Evidence from listed Banks in Nigeria, with the aid of SPSS 20.0 simple regression analysis was employed on the data from the annual financial Statements published by the selected banks for a period of five years (2010-2014). The regression result showed that EPS and DPS have a negative significant relationship with CSR while ROCE has a positive significant relationship with CSR.

Emezi's (2015) studied impact of corporate social responsibility (CSR) on organization profitability, made use of profit after tax and investment in CSR data which were secondary data from Nigeria Breweries PLC and Lafarge Africa PLC annual reports from 2005-2014. The data collected were analysed using simple regression, the coefficient of correlation (R) and coefficient of determination ( $R^2$ ). The findings revealed that there was a positive correlation between CSR investments and organizational profitability.

Bhunja and Das (2015) in their study on impact of Corporate Social Responsibility on firms' profitability- a case study of Maharatna companies in India. they based on secondary time series yearly data collected from annual reports of the seven Maharatna Central public sector Enterprises in India. Correlation, simple regression and multiple regression test methods were used for data analysis. Their findings were that CSR affects the firms' profitability positively in the case of just one of the companies and negatively in the case of the rest of the companies under study.

Nelling and Webb (2009) tested the casual relationship between CSR and financial performance. Using a time series fixed effects approach of KLD Socrates Database. Results showed that there existed a weaker relationship between CSR and Financial Performance what they anticipated. Though they never concluded that there was no relationship between CSR and financial performances, rather their conclusion stated that the relationship was weaker than anticipated.

Carlsson and Akerstom (2008) submitted a result of the positive relationship between CSR and profitability. The study was done on Öhring Price waterhouse Coopers (PwC) in Sweden for eight (8) years 2000 to 2007. The method used was cross case analysis. Martin and Yunita (2012) having assessed profitability using Return Assets (ROA), Return on Equity (ROE) and Net Profit Margin (NPM) and measuring firm value with Tobin's Q, used double linear regression model on Indonesian corporation data for the period 2007-2009. Their conclusion was that there is no significant relationship between CSR and firm value.

Das and Halder (2011) studied the CSR activities of Oil and Natural Gas Corporation limited (ONGC) and its effect on the socio-economic development of the rural population in Assam. They used both primary and secondary data. It was concluded that despite ONGC being a company in the PSU, Public Sector Unit, it had demonstrated a high level of awareness and commitment in different spheres by engaging in Social Responsibility activities.

Balabanis, Phillip and Lyall (1998) investigated the relationship between CSR and the economic performance of corporations. This was achieved by first testing the theories that suggest a relationship between the two. Measures of CSR performance and disclosure developed by the new consumer group were analysed against (the past, concurrent and subsequent to CSR performance period) economic performance of 56 large UK Companies.

### **3.0 Methodology**

#### **Research Design**

Ex-post facto design was adopted for this study. Ex-post facto design was used since the researcher relied on historic (secondary) accounting data obtained from accounts of active companies in the Oil and Gas sector listed on the NSE for the period 2006-2015. The researcher ensured that the companies selected had ten years financial statement. The target population for the study is all the twelve (12) companies in the Oil and Gas sector listed on the Nigeria stock exchange as at 31<sup>st</sup> Dec. 2015. The study sample eight oil and gas firms using purposive sampling techniques to select the actively traded

firms that had consistent ten years financial statements obtainable. The data for the study were analysed using multiple linear regression analysis with the aid of Eview software.

### Model Specification

$$ROCE_{it} = \beta_0 + \beta_1 ETHICAL_{it} + \beta_2 ECONOMIC_{it} + \beta_3 LEGAL_{it} + \mu_{it}$$

Where ROCE = Return On Capital Employed

$\beta_0$  = Intercept Coefficient (constant)

$\beta_1$ ,  $\beta_2$  and  $\beta_3$  are coefficient for each of the independent variables.

$\mu$  = Error Term.

$i$  = Panel ID of cross section of active oil and gas companies quoted on the NSE.

$t$  = time period.

ETHICAL = Ethical Responsibility Activities. This is measured by Social donations.

ECONOMIC = Economic Responsibility Activities. This is measured by Earnings per share.)

LEGAL = Legal Responsibility Activities. This is measured by Directors Remuneration + Auditors fee + Tax paid + Interest expenses + Staff costs.

ROCE = Return on capital employed (EBIT/Total assets – current Liabilities).

### 4.0 Presentation and Analysis of Results

This research study, investigates the relationship between corporate social responsibility (CSR) on firm performance of selected quoted oil and gas companies in Nigeria. we examine how corporate social responsibility and its interactions ethical, legal, and economic responsibilities for oil and gas companies that reported 2006 to 2015 audited financial statement with the Nigerian stock exchange. In this study, some preliminary analysis were conducted, such as descriptive statistics and correlation matrix together with a post regression analysis of Heteroscedasticity testing and the variance inflation factor test for verifying the possible presence of autocorrelation in the data sample.

**Table 4.1: Descriptive Statistics**

	ETHICAL CSR	ROCE	ECONOMIC CSR	LEGAL CSR
Mean	20487.58	20.34189	4.839383	10772190
Median	3193.000	20.31445	3.710000	5338892.
Maximum	364814.0	229.7618	32.40000	1.31E+08
Minimum	0.000000	-263.3163	-20.23000	99559.00

Std. Dev.	54944.18	50.98785	6.589272	20473346
Skewness	4.183778	-1.517437	0.577890	4.104949
Kurtosis	22.79885	17.19555	7.513504	21.20536
Jarque-Bera	1540.035	702.4135	72.35849	1329.459
Probability	0.000000	0.000000	0.000000	0.000000
Sum	1639006.	1627.351	387.1506	8.62E+08
Sum Sq. Dev.	2.38E+11	205381.1	3430.062	3.31E+16
Observations	80	80	80	80

Table 4.1 shows the mean (average) for each of the variables, their maximum values, minimum values, standard deviation and Jarque-Bera (JB) Statistics (normality test). The results in Table 4.1 provided some insight into the nature of the selected Nigerian quoted companies that were used in this study. Firstly, the large difference between the maximum and minimum values of social donations (Ethical CSR) shows that not all the sampled quoted companies in this study made social donations. While the maximum value stood at 364814.0, the minimum value stood at 0. This finding is supposedly correct since the period of analysis coincides with the periods during which Niger Delta militants increasingly disturbed the operations oil and gas companies in Nigeria as reported by Ebeide (2016). However, it is expected that the management of the disturbed firms may not consider it fit to allow provision for social donations, instead may choose to divert all such funds for the repair and reinstallation of damaged pipelines and pipeline equipment so destroyed by militant activities.

Secondly, it was observed that on the average over the ten (10) years period (2006-2015), the sampled quoted companies in Nigeria were characterized by positive Return on Capital Employed (ROCE = 20.34189). The table also shows large standard deviation values of 20473346 and 54944.18 for LEGAL and ETHICAL variables respectively. This large standard deviation values of LEGAL and ETHICAL values shows that our sampled companies are well specified and are not dominated by companies with either large or small Legal and Ethical activities. Also, the table with the mean value of 10772190 and 20487.58 reveals that most sampled companies in Nigeria are involved in either LEGAL or ETHICAL corporate social responsibility or both. This therefore justifies the need for this study as we expect that companies that are involved with either LEGAL or ETHICAL activities or both will perform better than those that are not involved. We also observed that the average legal responsibility of the sampled firms for the chosen period is very high. This indicates that most of the quoted firms in the sample did take the legal responsibilities of their companies very seriously. However, this is likely to occur since any infringement in its legal duties may warrant actions inimical to performance both in the long and short run periods.

Lastly, Jarque-Bera (JB) which test for normality or the existence of outliers or extreme values among the variables shows that all the variables are normally distributed at 1% level of significance. This means that no variable incorporated an outlier which will likely distort our conclusion. Therefore our reported coefficients are reliable for drawing generalization. This also implies that a least square estimation can be used to estimate the regression model.

## 4.2 Correlation Statistics

In examining the association among the variables, we employed the Spearman Rank correlation coefficient (correlation matrix) and the results are presented in Table 4.2.

### Table 4.2: Covariance Analysis: Ordinary

Date: 04/08/17 Time: 09:35

Sample: 2006 2015

Included observations: 80

Correlation t-Statistic	ETHICAL CSR	ROCE	ECONOMIC CSR	LEGAL CSR
ETHICAL CSR	1.000000			
ROCE	-0.169018 -1.514516 0.1339	1.000000 -----		
ECONOMIC CSR	-0.143947 -1.284681 0.2027	0.339428 3.186947 0.0021	1.000000 -----	
LEGAL CSR	0.627231 7.112633 0.0000	-0.102825 -0.912967 0.3641	-0.317061 -2.952548 0.0042	1.000000 -----

The use of correlation matrix in most regression analysis is to check for multicollinearity and to explore the association between each explanatory variable and the dependent variable. Table 4.2 focuses on the correlation between firm performance measured by (ROCE) and corporate social responsibility as measured by Ethical, Economic and Legal responsibilities of the sampled firms

The findings from the correlation matrix table show that there exist a strong positive association between firm performance (ROCE) and firm economic responsibilities (0.34), significant at 1% level of significance (0.002). This finding implies that both variables of firm performance and corporate social responsibilities through economic activities tend to move in the same direction during the period of study. Hence, firms' obligation to produce goods and services to customer satisfaction has a strong association with the firms' goal of making a profit. However, the variable of legal (-0.10) and ethical (-0.17) responsibility of the sampled firms showed a negative and insignificant association with the variable of performance.

In checking for multicollinearity, we notice that no two explanatory variables were perfectly correlated. This means that there is the absence of multicollinearity problem in our model. Multicollinearity between explanatory variables may result to wrong signs or implausible magnitudes in the estimated model coefficients, and the bias of the standard errors of the coefficients.

**Table 4.3: Regression result coefficients**

Dependent Variable: ROCE

Method: Panel Least Squares

Date: 04/08/17 Time: 09:36

Sample: 2006 2015

Periods included: 10

Cross-sections included: 8

Total panel (balanced) observations: 80

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	7.298151	7.983538	0.914150	0.3635
ETHICAL	-0.000190	0.000127	-1.492246	0.1398
ECONOMIC	2.736120	0.870112	3.144561	0.0024
LEGAL	3.42E-07	3.56E-07	0.962027	0.3391
R-squared	0.140422	Mean dependent var		20.34189
Adjusted R-squared	0.106492	S.D. dependent var		50.98785
S.E. of regression	48.19656	Akaike info criterion		10.63716
Sum squared resid	176541.0	Schwarz criterion		10.75626
Log likelihood	-421.4864	Hannan-Quinn criter.		10.68491
F-statistic	4.138505	Durbin-Watson stat		1.917495
Prob(F-statistic)	0.008994			

In testing for the cause-effect relationship between the dependent and independent variables in the model, we reported the regression coefficients as estimated by Ordinary Least Square Regression Techniques. In estimating the OLS results we follow the assumption of no heteroscedasticity and no evidence of autocorrelation.

Following the above, we observed that from the results the R-squared and adjusted R-squared values stood at (0.14) and (0.11). This indicates that all the independent variables jointly explain about 14% of the systematic variations in ROCE of our sampled companies over the ten-year period (2006-2015). The below average R-squared value is realistic as it clearly shows that all three independent variables of corporate social responsibility do not clearly help in better understanding the behaviour of ROCE of companies. The F-statistics (4.13) and its p-value (0.009) show that the regression model is generally significant and well specified. The F-Statistic also shows that the overall regression model is significant at 1% level.

### **4.3 Regression Analysis Interpretation and Discussion**

The results from the Model examines the impact of Corporate Social Responsibility (CSR) on performance variable of return on capital employed (ROCE). The general hypothesis of this model is that there is no statistically significant relationship between the variables of corporate social responsibility and firm performance in oil and gas firm in Nigeria. The results obtained are presented in Table 4. 3.

#### ***Hypotheses Testing***

*Hypothesis 1: Ethical social responsibility activity has no significant effect on firms' financial performance.*

Based on the coefficient -0.000190 and p-value of 0.139, the variable of ethical responsibility appears to have a negative influence (inverse relationship) on our sampled quoted companies' ROCE performance but is statistically insignificant even at 10 % since its p-value is greater than 0.09. This result, therefore, suggests that we should accept hypothesis ( $H_{01}$ ), which states that ethical responsibility of quoted oil and gas firms in Nigeria does not significantly impact firm performance. This means that on the basis of the efficient use of firm's capital resources to generating profit, companies with increased ethical responsibilities will perform poorer.

This result implies that the performance on the average, of listed oil and gas firms who engage in philanthropic responsibilities and voluntary spending, norms and values implicitly derived from the society as well as all such activities that have no legal consequences should in case the company chooses not to follow such responsibilities are not guaranteed. Based on the analysis result, the study accept the null hypothesis and reject the alternate hypothesis, it therefore concludes that ethical responsibility has no significant effect on firm financial performance of listed firms in Nigeria.

*Hypothesis 2: Economic social responsibility activities have no significant effect on firms' financial performance.*

Based on the coefficient 2.74 and p-value of 0.0024, the variable of economic responsibility appears to have a positive influence on our sampled quoted companies' ROCE performance and is statistically significant at 1 % since its p-value was less than 0.05. This result, therefore, suggests that we should reject hypothesis two ( $H_{02}$ ), which states that economic responsibilities of oil and gas firms in Nigeria do not significantly influence firm performance. The empirical findings show that the relationship is positive and significant at 1% level. Here, the empirical evidence shows that the variable of economic responsibility is strong enough to drive performance. Based on the analysis result, the study rejects the null hypothesis and accepts the alternate hypothesis; it therefore concludes that economic responsibility has a positive significant effect on firm financial performance of listed firms in Nigeria.

*Hypothesis 3: Legal social responsibility activities have no significant effect on firms' financial performance.*

Following the coefficient 3.42 and p-value of 0.339, the result appears to show a positive influence (direct relationship) on our sampled quoted companies' ROCE performance but is statistically insignificant even at 10 % since its p-value is greater than 0.09. This result, therefore, suggests that we should accept hypothesis three ( $H_{03}$ ), which states that legal responsibilities of oil and gas firms in Nigeria do not significantly influence firm performance. Although the relationship is positive, the empirical evidence shows that the variable of legal responsibility is not strong enough to drive performance. Based on the analysis result, the study accepts the null hypothesis and rejects the alternate hypothesis; it therefore concludes that legal responsibility has no significant effect on firm financial performance of listed firms in Nigeria.

#### **4.5 Discussion of Findings**

This study examines the effect of corporate social responsibility on firm performance, using ethical responsibility, economic responsibility and legal responsibility as explanatory variables. The study finds that corporate social responsibility has a positive significant effect on firm financial performance of listed oil and gas firms in Nigeria. Thus about 14 percent changes in corporate social responsibility can be attributable to changes in firm financial performance. The analysis result reveals that:

Ethical responsibility has no significant effect on firm financial performance of listed firms in Nigeria. This finding is in line with the findings of Nelling & Webb (2009), Mulyadi and Awar (2011) and those of Bessong and Tapang (2012) but contrary to that of Carlsson and Akerstrom (2008). Economic responsibility has a positive significant effect on firm financial performance of listed firms in Nigeria. This finding is in line with that of Jo and Harjoto (2010), Ugochukwu and Okafor (2006), John, et al., (2013) and that of Choi and Choe (2010) but negates that of Nelling & Webb (2009), Mulyadi and Awar (2011) and Legal responsibility has no significant effect on firm financial performance of listed firms in Nigeria. This finding is in line with of Odetayo, et al., (2014), Bhunia and Das (2015), Richard

and Okoye (2013), Ajide and Aderemi (2014), Carlson and Akerstom (2008), whose, studies found a positive relationship with firm performance. But this result negates the result of John, et al., (2013).

## **5.0 Conclusion**

Base on the following discussion of findings the study concludes that:

Ethical responsibility and Legal responsibility has no significant effect on firm financial performance of listed oil and gas firms in Nigeria, while economic responsibility has a positive significant effect on firm financial performance of listed firms in Nigeria and this is significant at 1% level.

## **5.1 Recommendations**

1. Ethical responsibility should be managed or in fact discretionary depending on the conducive nature of host community environment as revealed by the study during the militancy period of 2006-2015.
2. Economic responsibility should be encouraged as there is a significant positive relationship with firm performance. An increase in economic responsibility also brings about an increase in firm performance.
3. Legal responsibility should be encouraged as there was a positive relationship with firm performance though it was not significant. An increase in legal responsibility encourages an increase in firm performance.

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