CORPORATE SOCIAL RESPONSIBILITY COSTS AND FINANCIAL PERFORMANCE OF LISTED FIRMS IN NIGERIA

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Abstract

This study examined the effect of corporate social responsibility costs on financial performance of listed manufacturing firms in Nigeria. Secondary data from the financial statements and annual reports of selected firms were collected. The panel (Simple) regression model was adopted for analysis of data from twelve (12) firms that were randomly selected from 2015 to 2020 (six years period). Validity test was conducted to enable a non spurious regression result in which unit root and co-integration tests were carried out to filter out data that were capable of distorting the validity of the result. Also, Hausman and Wald test was conducted to choose between the pooled random and fixed effects. Findings from the study revealed that, corporate social responsibility cost has a positive insignificant effect on earnings per share of listed firms in Nigeria. The study further revealed that; corporate social responsibility cost has a positive significant effect on net profit of listed firms in Nigeria. Also, corporate social responsibility cost has a positive significant effect on leverage ratio of listed firms in Nigeria as revealed by the result of the analysis. The study recommended firstly, Eco-efficiency practice, which suggests that organization can produce more useful products while simultaneously reducing negative environmental impacts, resource consumption and costs. When this is adopted, the earnings will improve and investors will be better off than worst off with corporate social responsibility practices. Secondly, Debt financing strategy will improve leverage and shift some outgoing resources to allowable expenditure, thereby increasing the size or volume of value added and thirdly, quality of life measures should be explored. Quality of life measure is primarily a subjective sense of well-being encompassing physical, psychological, social and spiritual dimensions. Corporate social responsibility practices would improve standard of living of the host community. When social status of stakeholders is raised there will be increase in effective demand backed-up by purchasing power. This will in turn lead to increase in volume of sales revenue and the resultant profit. Finally, there should be regulation mandating the firms to carry out corporate social responsibility practices in Nigeria and strict enforcement is advocated like what is obtainable in advanced economy.

Keywords: Corporate social responsibility costs, financial performance, eco-efficiency and quality of life.

1.0 Introduction

Corporate social responsibility construct, advocates that, firms like manufacturing firms whose economic activities affect the environment directly are more or less impacting negatively the eco-system as observed by Lo and Sheu (2007). Many stakeholders clamor for a corporate social responsibility practice into the firms' system in order to meet their numerous needs. Firm incurring social responsibility cost is seen as developmental stride that seeks to compensate the host community and other stakeholders for the damages caused by firms' economic activities (Yahya & Ghodratollah, 2014). Some scholars opined that corporate social responsibility

practices are a sustainable development strategy that seeks to achieve societal wellbeing and equity while, at the same time, pursuing economic gain (Ijeoma, 2015). Amacha & Dastane, 2017; Erhirhie & Ekwueme, 2019), posit that corporate social responsibility is broad, and a controversial concept that balances the need for economic growth with society protection and social justice. Ajide and Aderemi (2014), opined that corporate social responsibility thinking encourages organizations to reduce their negative impacts and enhance their positive impacts on stakeholders. Some of global trends in business practice in 21st century economy were noted in the work of Amacha and Dastane (2017) as government policies, pressures from relevant stakeholders like investors, customers, employees, local communities, regulators and non-governmental organizations. Firms on their part are becoming aware of the sustained long term importance and benefits of embracing sustainable business practice. Firms are also under increasing pressure to demonstrate strong financial performance and positive socio-environmental impacts (Eccles, Ioannou & Serafeim, 2012). In response to this, corporate social responsibility has become a contemporary business concern globally and hence the essence of this study.

1.1 Statement of the problem

Firms' economic activities over time have an adverse effect on the society in terms of environmental degradation and the disruption of host community social activities. This has posed a problem to the firms in terms of their relationship with host community. There are growing demands for firms to compensate the host communities and diverse stakeholders affected by their economic activities. This compensation can be done through corporate social responsibility at a cost. The cost incurred by firms for corporate social responsibility practice has generated mixed reactions on the part of scholars and firm managers which have led to debate on the effect of such cost on financial performance of the firms. While the scholars argue that corporate social responsibility enthrone legitimacy and acceptability of the business venture, managers complain that their stewardship to investors of funds are at stake as a result of corporate social responsibility costs that tend to deplete the size of income. Another problem is the lack of regulation mandating the firms to carry out corporate social responsibility practice. Many studies on corporate social responsibility and financial performance have been inconclusive around the world and Nigeria. This and many more have created both empirical and methodological gaps in the literature and we wish to fill the gap by carrying out research on corporate social responsibility costs and financial performance of listed firms in Nigeria.

1.2 Objectives of the study

The main objective of this study is to examine corporate social responsibility costs and financial performance of firms in Nigeria. Specific objectives include to:

i. Examine the effect of corporate social responsibility costs on earnings per share of listed firms in Nigeria.
ii. Ascertain the effect of corporate social responsibility costs on net profit of listed firms in Nigeria.
iii. Determine the effect of corporate social responsibility costs on leverage ratio of listed firms in Nigeria.

1.3 Research Questions

The following research questions are expected to be answered in the course of this study:

i. To what extent does corporate social responsibility cost affect earnings per share of listed firms in Nigeria?
ii. What is the effect of corporate social responsibility costs on net profit of listed manufacturing firms in Nigeria?
iii. To what extent does corporate social responsibility cost affect leverage ratio of listed firms in Nigeria?

1.4 Research Hypotheses

The following hypotheses have been formulated in Null form to guide the researchers in the investigation:

Ho_1: Corporate social responsibility cost has no significant effect on earnings per share of listed firms in Nigeria.

Ho_2: Corporate social responsibility cost has no significant effect on net profit of listed firms in Nigeria.

Ho_3: Corporate social responsibility cost has no significant effect on leverage of listed firms in Nigeria.

2.0 Review of related literature

2.1.1 Concept of corporate social responsibility

Corporate social responsibility has no single commonly accepted definition as the concept is a fuzzy one with unclear boundaries (Adam & Zutshi, 2004). It generally refers to business practices based on ethical values, with respect to people, communities and the environment (Ameer & Othman, 2012). Lin, Chang and Dang (2015), defined social responsibilities as the long range goals of an organization inevitably focused upon its contributions to the needs of society's tangible or intangible, its contribution may be in terms of goods or services or both. Again, Adam and Zutshi (2004) asserted that social responsibility as management's decisions and actions taken for reasons at least partially beyond the organizations direct economic or technical interest. Okegbe and Egbunike (2016) defined social responsibility as the obligation of corporate decision-makers to take actions, which protect and improve the welfare of the society which the organization does business. That is to say in addition to their economic and legal obligations, they also owe the society some responsibilities. Shruti (2014) defined corporate social responsibility disclosure as the process of communicating the social and environmental effects of organization's economic actions to particular interest groups within the society and to society at large. Disclosures about the firm corporate social responsibility strategy would enhance corporate reputation through gaining trust and support by various stakeholders. Corporate social responsibility strategy assists to evaluate the congruence between the social value implied by corporate activities and social norms. Adeyanju (2012), posits that social responsibility of firms helps; to extend aid to societies need; to use business resources to promote the interests of all stakeholders affected by a company's operations; to respond to changing public needs and expectations; for business to recognize its moral obligations; and to facilitates a firm's correction of some problems caused by the business, for example, pollution of the environment. On the other hand, Nnamani, Onyekwelu and Ugwu (2017), argued that corporate social responsibility adds cost burden to the firms. Nnamani et al., (2017) stated further that firms should be encouraged to make strategic plans, while carrying out corporate social responsibility activities, to minimize the cost implication to the

firm**.** Flowing from the above definitions, corporate social responsibility costs can be defined as the integration of costs incurred for implementing social welfare concerns of stakeholders into the corporate strategic planning. This will provide legitimacy and acceptance by the stakeholders and long term sustainable development of ecosystem and quality of life of the various publics.

2.1.2 Management of ecosystem in business environment

An ecosystem is largely determined by the natural environment as opposed to the activities of man. There is a dynamic interrelationship between the natural environment and man. Environmental Right Action (ERA) (1998) contribution to the issue of environmental sustainability emphasizes man's critical responsibility to face the challenge of depletion of the environment. Eco-efficiency suggests that organization can produce more useful products while simultaneously reducing negative environmental impacts, resource consumption and costs. Eco-efficiency further suggests that rather than focus on the consequences of negative environmental impact, attention should be on attacking the causes. In the opinion of Aert, Cornier & Magnum (2006) this concept suggests at least three important messages, firstly, improving ecological and economic performance which should be seen as complimentary. Secondly, that improving environmental performance should not be viewed as charity and goodwill but a matter of competitive necessity. This is in contrast to Deegan (1998)'s view, where he had opined that social costs (i.e. environmental costs) which are not matched with related revenue are incurred not for the good of individual company but for the society. A third suggestion is that eco-efficiency should be seen as supportive of sustainable development.

2.1.3 Quality of life concept

This construct asserts that unrestricted industrial production for economic development has not only resulted in increase of social costs in proportions, but also evident in environmental pollution and social ills. The adverse effect has triggered-off society's negative attitude toward industrialization. Business organizations are therefore regarded as villains since they are responsible for degradation of the environment and all the social ills. It is a multidimensional evaluation of an individual's current life circumstances in the context of the culture in which they live and the values they hold. Quality of life theory is primarily a subjective sense of well-being encompassing physical, psychological, social and spiritual dimensions. In some circumstances, objectives indicators may supplement or, in the case of individuals unable to subjectively perceive, serve as a proxy assessment of quality of life (Araoye, Ajayi, Olatunji & Aruwaji, (2018).

2.1.4 An overview of financial performance

The definition of firm performance and its measurement continues to challenge scholars due to its complexity. The stakeholder theory offers a social perspective to the objectives of the firm and, to an extent, conflicts with the economic view of value maximization (Uwaoma & Ordu, 2016). Since stakeholder theory has found its way into the corporate and academic world, it is possible to see its influence in corporate annual reports. The use of stakeholders' satisfaction as firm performance was also adopted by a large number of different authors. Besides offering a way to decide what financial performance is in a comprehensive way, the use of this theory allows one to resolve the issue of differentiating between performance antecedents and outcomes (Owolabi., Akinwumi & Uwuigbe, 2016). Performance measures assess the satisfaction of at least one group of stakeholders. This conceptualization of firm performance

is applicable across different companies, as acknowledged by Okegbe and Egbunike (2016), allowing one to differentiate between high and low performers in the eyes of each stakeholder using indices such as earnings. Financial performance is a way to satisfy investors and can be represented by earnings on investment. Earnings per share represent the external assessment and expectation of firms' future performance (Hirigoyen & Poulain, 2015). It should have a correlation with historical profitability and growth levels, but also incorporate future expectations of market changes, corporate social responsibility and competitive moves. Usman (2019), posits that Debt and Equity are the main financing options used by all the firms. For the purpose of operating a firm, intensity of debt or equity option used by the firm to finance its operations represents the firm's capital structure. If the organization is financing through debt, they have to pay the interest to the bank and if they are financing through equity, they have to give the dividends to the shareholders from their profit and sometimes from the retained earnings account. Total debt to total equity refers to the ratio of debt to equity capital of a company and as a result, the payment of interest and repayment of principal amount of the debt, would decrease a large part of the firm's cash flow (Magpayo, 2011).

2.2 Theoretical Framework

2.2.1 The Utilitarian theory

This study was anchored on the Utilitarian theory**.** Garriga and Mele (2004), posit that Utilitarian theory could likewise be synonymous with instrumental theories in which the firm is seen as just an instrument for creating wealth, and its social interventions are just the programs to accomplish financial results. The utilitarian theories are identified with systems of strategies for wining market competition. The advocates of these theories include; Porter and Kramer (2011); Chiu, Wang, Fang and Huang (2014) who saw the theories as origins for conveying strategies in the dynamic utilization of assets of the company for wining market competition advantages. The systems additionally incorporate corporate social responsibility strategies as firms' assets that are socially perceived as instruments for effective performance. Helg (2007), classified utilitarian cluster of theories into two; that is, the corporate social responsibility cost of the firm and the thought of functionalism. The corporate social responsibility cost theory advocates that financial performance of the firm is affected by the corporate social responsibility activities of the firm. It is called instrumental theories in light of the fact that it is understood, that corporate social responsibility activity as a simple gesture intends to be an end, which prompts the way that the social force of the firm is perceived, by host community and other stakeholders to be in good light.

2.3 Empirical review

Oboreh and Arukaroha (2021) examined the effect of corporate social responsibility on performance of organization, using quoted companies in Nigeria as the reference point. They analyzed data sourced from 2020 annual reports and accounts of the respective companies using descriptive statistics and simple linear regression. They found that, corporate social responsibility expenditure of the companies studied has significant effect on return on assets, return on equity and net profit margin.

Syder, Ogbonna and Akani (2020) examined the effect of corporate social responsibility accounting report on shareholder value of quoted oil and gas companies in Nigeria. They employed the use of cross-sectional and ex-post facto research designs. Using an Autoregressive Distributed Lag (ARDL) bound test, descriptive statistic, model estimations

and diagnostic analysis as well as multiple regressions, the study found that employee training and community development expenditures had positive and significant effect on shareholder value added of the companies.

Ejike (2019) investigated disclosure of corporate social responsibility and financial performance of public limited firms in Nigeria. CSR was measured in terms of keywords on the annual reports of selected firms over five years ranging from 2008-2012, while the financial performance of the firms was measured as return on assets (ROA), Tobin's Q, and total shareholder return (TSR). Linear regression was performed on the data to validate the impact of CSR disclosure on the financial performance of firms. Findings revealed that there exists no significant impact of CSR disclosure on the financial performance, both in short-run and long-run for the selected public limited firms in Nigeria.

Mehwish (2018) examined corporate social responsibility and its impact on financial performance, using the banking industry in Pakistan. Finding from his analysis which was done using the Ordinary Least Square (OLS) regression technique to determine the comparative reputation of individual variables to know which independent variable affects the dependent variables represented by the sign of beta coefficients revealed that CSR has a significant positive impact on ROE and ROA.

Najeb and Awni (2017) studied corporate social responsibility and company performance: An empirical analysis of Jordanian companies listed on Amman stock exchange. Their data were purposively sampled while descriptive statistics, regression and correlation analyses were used to arrive at their results. They found a positive but not significant association between CSR, accounting-based performance (ROA, ROE and ROCE), and market-based performance (P/R, EPS, P/V), whilst EPS ratio reported a significant and ROS ratio is a negative relationship. RE model results indicated that there is an inverse relationship between CSR, accounting- and market- based company performance (ROA, ROS, P/R, and EPS).

Han, Kim and Yu (2016), carried out empirical study on relationship between corporate social responsibility and financial performance in Korea. The study made use of Environmental, Social and Governance (ESG) score to proxy CSR variables, while financial performance variable was proxy by Return on Equity (ROE) for listed firms on Korea Stock Market in the period 2008-2014. They conclude that the ESG disclosure scores in the Korea corporations showed diversified results. Particularly, the environmental responsibility performance revealed a negative relationship with financial performance, whereas the governance responsibility performance score revealed a positive relationship with financial performance. On the other hand, they did not find any statistically significant evidence of relationship between the social responsibility performance score and financial performance.

3.1 Methodology

This study adopts ex-post facto research design due to the fact that, the audited financial statements of listed manufacturing firms which are the source of data were already in existence. The population of the study comprised of the 56 listed manufacturing firms on the Nigerian Exchange Facts Book, 2022. The random sampling method was used in selecting the sample size of 12 out of the 56 listed manufacturing firms. The selected firms were listed in ***appendix I*** of this study. The study adopts the descriptive statistics to summarize the collected data in a clear and understandable way using numerical approach. The simple regression (Panel)

technique using ordinary least square regression (OLS) method was adopted in investigating the relationship between the dependent and independent variables.

3.2 Model Specification

The researchers formulated the following models used;

$EPS_{it} = \alpha + \beta_1 CSC_{it} + U_{it}$ ....*Model 1*

$NTP_{it} = \alpha + \beta_1 CSC_{it} + U_{it}$ ....*Model 2*

$LVR_{it} = \alpha + \beta_1 CSC_{it} + U_{it}$ ....*Model 3*

Where;

α = Constant

EPS = Earnings per share (The Log of reported earnings per share of the listed manufacturing firms at a given time).

NTP = Net profit (The Log of reported profit after tax of the listed manufacturing firms at a given time).

LVR = Leverage ratio (The reported total debt divided by the total equity of the listed manufacturing firms at a given time).

CSC = Corporate social responsibility costs (The log of reported costs incurred in carrying corporate social responsibility by the listed manufacturing firms at a time).

it = Cross sectional data($_i$) Time ($_t$)

U = Error term used in the model.

$\beta_1 + \beta_2 + \beta_3$ = Beta coefficient of the independent variable.

Decision Rule

Accept the null hypothesis if the calculated value is greater than the significant level of 0.05.

4.1 Data Presentation and analysis

The comprehensive data used for the study are in **Appendix I** below.

Table 1: Descriptive statistics

	CSC	EPS	NTP	LVR
Mean	7.321115	2.058447	9.162582	0.575455
Maximum	8.453372	2.989450	10.65976	1.834261
Minimum	5.569999	0.778151	7.918837	0.032461

Std. Dev.	0.808581	0.489908	0.747064	0.405840
Skewness	-0.489800	-0.400300	0.224511	1.652312
Jarque-Bera	4.557192	2.109463	2.778407	49.30967
Probability	0.102428	0.348286	0.249274	0.000000
Observations	72	72	72	72

Table1 presents the descriptive statistics of all the variables. The number of observations for the study was 72. Corporate social responsibility cost (CSC) records a mean of 7.321115, with a deviation of 0.808581. CSC also revealed maximum value of 8.453372 and a minimum value of 5.569999. Earnings per share (EPS) reflect a mean of 2.058447 and a standard deviation of 0.489908, it has a minimum value of 0.778151 and a maximum value of 2.989450. Net profit (NTP) reflects a mean of 9.162582 and a standard deviation of 0.747064, it has a minimum value of 7.918837 and a maximum value of 10.65976. Leverage ratio (LVR) reflects a mean of 0.575455 and a standard deviation of 0.405840, it has a minimum value of 0.032461 and a maximum value of 1.834261. These various means and deviation shown by the variables shows the level of variation amongst the variables in the listed firms.

The Skewness statistics of the study variables falls between -0.489800 to 1.652312. This shows that the set of data are not skewed outside the accepted range of -2 to +2 which is considered the accepted range of skewness for a normalized data (Koutsoyiannis, 2007). The Jarques Berra probability statistics revealed values that are > 0.05 for CSC, EPS and NTP which depicts stationarity of data except the LVR variables with a Jarques Berra Probability statistics <0.05. this is as a result of the nature of LVR data which is ratio based. Jarques Berra Probability statistics is not an appropriate test of normality for ratio based data. As a result, the study relies on the skewness test outcomes.

Table 2: Validity test

	Coint	Unit root	Order	Hausman	Wald test
CSC	6/11	1st Diff	I(1)		
EPS	6/11	1st Diff	I(1)	**0.0858**	
NTP	6/11	1st Diff	I(1)	0.1619	
LVR	6/11	1st Diff	I(1)	0.0038	**0.8967**

Source: E-view result

The validity table (2) above present result for further validity test to enable a non-spurious regression result. This test is necessary to ascertain the level of stationarity. To do this, the unit root and co-integration test are conducted so as to filter out corresponding data in the model that is capable of distorting the validity of regression result (Outliers). After that, the study conducted the Hausman and Wald test to choose between the pooled, fixed and random effect model.

From the table (2) above, it was deduced that, all the variables under review are unit root at 1st Difference which led to the co-integration test. The co-integration result reveal 6 co-integrating statistics with values <0.05 out of 11 overall test statistics. This means that, the data for the three models are mean reverting in the long run. This necessitates the adoption of an ordinary least square method.

To choose between the pooled, random and fixed effect model, the Hausman and Wald test are conducted for each model. The table revealed Hausman probability value of 0.0858 for model 1 and 0.1619 for model 2. This enabled the study to choose the random effect model for both model 1 and model 2 respectively. For model 3, the Hausman test result of 0.0038 necessitated the Wald test to choose between the fixed effect model and the pooled effect model. The Wald test of 0.8967 means, the pooled effect model is preferred.

Table 3: Regression of the Estimated Model Summary

This section presents the results produced by the model summaries for further analysis. Thus:

Statistics	Model 1 (EPS)	Model 2 (NTP)	Model 3 (LVR)
R^2	0.001843	0.275020	0.193742
R(adj)	-0.012416	0.264663	0.182224
Constant	1.743727	4.834202	-0.041956
Coefficient	0.042988	0.591219	0.220924
Prob.	0.7166	0.0000	0.0001
DW	0.720300	1.852430	0.962058

Source: E-view result

The regression summary table above, presents the regression result between corporate social responsibility (CSC) and financial performance (EPS, NTP & LVR). From the model summary table above, the following information can be distilled. The R^2 value (s) stood at approximately 0.001843, 0.275020 and 0.193742. The R^2 otherwise known as the coefficient of determination shows the percentage of the total variation of the dependent variables (EPS, NTP & LVR) that can be explained by the independent (CSC). Thus the R^2 value (s) indicates that 0.18%, 27.5% and 19.3% of the variation in EPS, NTP and LVR of the listed firms in Nigeria is determined by their corporate social responsibility cost while, the remaining 99.82%, 72.5% and 80.7% (i.e. 100-R^2) is accounted by other factors not included in this model. The adjusted R^2 (2) of approximately -0.012416, 0.264663 and 0.182224 indicates that if the model is adjusted and other factors considered, this result will deviate from it by only 0.014, 0.011 and 0.011 (i.e. $R^2 – R_{adj}$). This result shows that there will be a deviation of the sample variable examined and the factors to be considered by 1.4%, 1.1% and 1.1% for each model respectively. The table further shows Dublin Watson statistic values of approximately 1, 2 and 1 for the first second and third model to further prove the absence of autocorrelation issues in each of the model specified (Koutsoyiannis, 2007). The regression results as presented in the model summary table above shows that when the corporate social responsibility cost is held stationary; the level of EPS, NTP and LVR is estimated at 1.743727, 4.834202 and -0.041956 respectively. This simply implies that given intercept only model, there will be increase in the earnings per share and net profit by 1.743727 and 4.834202 units while the leverage ratio will decrease by 0.041956 units occasioned by factors not incorporated in this study. Thus, a unit increase in CSC will lead to increase in EPS, NTP and LVR by 4.2%, 59% and 22% respectively.

4.2 Test of Hypotheses

The following hypotheses are tested;

Ho_1: *Corporate social responsibility cost has no significant effect on earnings per share of listed firms in Nigeria.*

Given the stated decision criteria and considering the outcome of the regression result, the study accepts the null hypothesis and rejects the alternative hypothesis since the calculated significant level of 0.7166 is > 0.05. Thus, corporate social responsibility cost has no significant effect on earnings per share of listed firms in Nigeria. This was in disagreement with the findings of Najeb and Awni (2017) in their study of Jordanian companies listed in Amman Stock Exchange.

Ho_2: *Corporate social responsibility cost has no significant effect on net profit of listed firms in Nigeria.*

Given the stated decision criteria and considering the outcome of the regression result, the study rejects the null hypothesis and accepts the alternative hypothesis since the calculated significant level of 0.0000 is < 0.05. Thus, corporate social responsibility cost has a significant effect on net profit of listed firms in Nigeria. This finding is in agreement with the findings of Oboreh and Arukaroha (2021), in their study of quoted companies in Nigeria.

Ho_3: *Corporate social responsibility cost has no significant effect on leverage ratio of listed firms in Nigeria.*

Given the stated decision criteria and considering the outcome of the regression result, the study rejects the null hypothesis and accepts the alternative hypothesis since the calculated significant level of 0.0001 is < 0.05. Thus, corporate social responsibility cost has a significant effect on leverage ratio of listed firms in Nigeria.

5.1 Summary of Findings

The following findings are drawn from the analysis;

i. Corporate social responsibility cost has no positive relationship with earnings per share of listed firms in Nigeria.
ii. Corporate social responsibility cost has a positive relationship with net profit of listed firms in Nigeria.
iii. Corporate social responsibility cost has a positive relationship with leverage ratio of listed firms in Nigeria.

5.2 Conclusion

In furtherance to findings above, we conclude that the result of the analysis revealed mixed effect of corporate social responsibility costs on financial performance. This is so because amongst the financial performance proxy (net profit, leverage and earnings per share) corporate social responsibility cost significantly affects net profit and leverage ratio while, corporate social responsibility cost has no significant effect on earnings per share of listed firms in Nigeria. We noted that corporate social responsibility practices help to extend aid to society's needs, promote the interest of stakeholders affected by the company's activities, respond to changing public needs and expectations, recognize moral obligations and correction of some social ills caused by business operations. A typical example is environmental degradation, such as pollution and destruction of ecosystems. However, the benefits of corporate social responsibility are not without shortcomings. This is in contrast to Deegan (1998)'s view where he had opined that social costs (i.e. environmental costs) which are not matched with related revenue are incurred not for the good of individual company but for the society. It is important

to note that unrestricted industrial production for economic development has not only resulted in increase of social costs in proportions, but also evident in environmental pollution and social ills. The adverse effect has triggered-off society's negative attitude toward industrialization. Business organizations are therefore regarded as villains since they are responsible for degradation of the environment and some societal ills.

5.3 Recommendations

In view of findings and conclusion, there is need for striking a balance between stakeholders' needs and financial performance of firms. We therefore, recommend the following:

i). Eco-efficiency: This suggests that organization can produce more useful products while simultaneously reducing negative environmental impacts, resource consumption and costs. When this is adopted, the earnings will improve and investors will be better off than worst off with corporate social responsibility practices.

ii). Debt financing: This will improve leverage and shift some outgoing resources to allowable expenditure, thereby increasing the size or volume of value added.

iii). Quality of life: This is primarily a subjective sense of well-being encompassing physical, psychological, social and spiritual dimensions. Corporate social responsibility practices would improve standard of living of the host community. When social status of stakeholders is raised, there will be increase in effective demand backed-up by purchasing power. This will in turn lead to increase in volume of sales revenue and the resultant profit. Finally, there should be regulation mandating the firms to carry out corporate social responsibility practices in Nigeria and strict enforcement is advocated like what is obtainable in advanced economy.

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