

**CORPORATE SOCIAL RESPONSIBILITY ACCOUNTING AND THE
PROFITABILITY OF OIL AND GAS COMPANIES IN NIGERIA**

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CERTIFICATION

The undersigned certify that this project work “Corporate social responsibility accounting and the profitability of oil and gas companies in Nigeria” was carried out by **Onyeabor Chidinma Dorcas** with **Matric No: SBS/2012060228** under our supervision, and that it is adequate in scope and quality in partial fulfillment of the requirements for the award of Higher National Diploma (HND) in Accountancy.

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DEDICATION

This project is dedicated to God almighty the giver of life, knowledge, wisdom and understanding and also to my parent Mr & Mrs. **Onyeabor** for their endless love and support.

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Abstract

The project work examined corporate social responsibility accounting and the profitability of oil and gas companies in Nigeria for the period of 2016 to 2020 quoted on the Nigerian Stock Exchange. The specific objectives are to evaluate the effect of CSR accounting on the Net profit margin of oil and gas firms in Nigeria, to determine the effect of CSR accounting on Return on Equity of oil and gas firm's in Nigeria and finally to ascertain the effect of CSR accounting on Return on Assets of oil and gas firm's in Nigeria. Ex-post research design was used, data were collected from the audited financial statements of the selected firms for a period of five (5) years. Using Net profit margin, Return on Equity and Return on Assets as proxies for financial performance, correlation and regression analysis were conducted. It revealed that CSR has a positive and significant impact on the Net profit margin, Return on Equity and Return on Assets of Oil and Gas under study and also CSR has a positive and significant impact on the Return on Assets of oil and gas firms in Nigeria. The study concluded that firms that are socially responsible continues to flourish, partly as a result of CSR activities yielding it's return. Finally, the researcher therefore recommends among others that Government as part of their responsibility should put in place policies that will create a good business environment for firms operating in Oil and Gas sector of the economy for them to increase their investment in Corporate Social Responsibility.

CHAPTER ONE

INTRODUCTION

1.1 Background to the Study

Over the past decade Nigeria firms' especially those in oil and gas sector has witnessed tremendous financial and social changes. As a result, business is encountering a lot of challenges and demands. One of the emerging issues that confront business now is that of corporate social responsibility. Due to interest in it and what it means, much research are been done in this area. In contrast, developing countries are slower in responding to the increased concern about the issue of corporate social responsibility (Gauobadia, 2000). CSR has been defined as a concept whereby companies integrate social and environmental concerns in their business operations and in their interaction with their stakeholders on a voluntary basis (green paper promoting a

European framework for Corporate Social Responsibility, 2001). A company is not only an economic entity but a social and political entity also. Most of the creditors, debtors, employees and the society at large in one way or the other (Kapdor & Sahdhu 2010) as cited in Uadiale & Fagbemi (2012). Promoters of CSR have argue that company should integrate economic, social and environmental concerns into their business strategies, their management tools and their activities going beyond compliance and investing more human, social and environmental capital. (Bela and Monium,2009),(Perrine,2006),(Lee and park,2010),(Nigesinghe and Senaraine,2011), has in their previous study observed that there is relationship between CSR and Financial performance.

Many researchers have shown concerns in ecological problems facing Nigeria in its bid to achieving some industrial growths and developments. Others have dealt with the apparent environmental damages done by many manufacturing industries of the economy. But none has shown concern on the environmental degradation caused by the oil firms particularly at the Niger Delta Area of the country. Niger Delta oil producing community are expose on the irrational methods their businesses and, most importantly, the unwillingness of the oil multinational to adhere to environment standards, adherently, poses a problem and concern in the ecosystem in the Niger Delta Areas. In fact, the unfriendly altitude of the oil companies have not helped in minimizing oil spills, deforestation, air and water pollution and the general impoverishment of the inhabitants of the Niger Delta Areas. The fact remains that the Federal Government of Nigeria has not been able to enact or promulgate functional decrees or laws through which the oil multinational corporation's activities can be checked. This lackadaisical attitude of the federal government is also what this essay tends to reveal.

1.2 Statement of the Problem

The pursuit of financial growth does not always lead to social development and is often detrimental to the environment, resulting in unhealthy workplaces, exposure to toxic substances and urban decay and sometimes death of the populace due to inhalation of toxic waste Shehu,(2013).Societal conflicts arise due to the concern of host Community of oil and gas firms over negative and potentially negative effects which business brings to the Community. Managers and practitioners are often criticized for being single minded about value maximization. The turn of events has pressurized firms to put serious efforts into a wide range of CSR activities.CSR has become a critical aspect in strategic decision making of companies primarily due to pressure from host community and a drop in investors' confidence.

Series of arguments based on researches are found in literature as to the relevance or otherwise of CSR on the host environment, as there are no unanimous agreement on the subject matter due to peculiarities of different sectors and the variation in methodologies adopted by the studies. Some of the studies argue in favors of CSR, as it leads to profitability increments, societal and environmental stability (Freeman,1984) and Donaldson and Preston as cited in (Amole, Adebisi & Awolaja,2012), others argue that it is a waste and unnecessary leading to diversion of firm's resources to project motive (Amole et al 2012).This stimulated the need to undertake a study of a specific sector in order to ascertain the consequential effect of implementing CSR. In view of the above, this study will assess Corporate Social Responsibility and firm profitability using some selected oil firm as a case study.

1.3 Objectives of the Study

The broad objective is to examine corporate social responsibility accounting and profitability of oil and Gas Companies in Nigeria . The study has the following specific objectives to:

- i. . Evaluate the effect of CSR accounting on the Net profit margin of oil and gas firms in Nigeria.
- ii. Determine the effect of CSR accounting on Return on Equity of oil and gas firm's in Nigeria.
- iii. Ascertain the effect of CSR accounting on Return on Assets of oil and gas firm's in Nigeria.

1.4 Research Questions

The following questions were used to articulate answers from the achievement of the outlined objectives:

- (i) How does Corporate Social Responsibility accounting affect Net profit margin of oil and gas firms in Nigeria?
- (ii) What is the effect of Corporate Social Responsibility accounting on Return on Equity of oil and gas firms in Nigeria?
- (iii) How does Corporate Social Responsibility accounting affect Return on Assets of oil and gas firms in Nigeria?

1.5 Statement of Hypotheses

The following hypotheses were formulated and addressed in this study:

Hypothesis I

H₀: Corporate Social Responsibility accounting has no significant effect on Net profit margin of oil and gas firms in Nigeria.

Hypothesis II

H₀: Corporate Social Responsibility accounting has no significant effect on Return on Equity of oil and gas firms in Nigeria.

Hypothesis III

H₀: Corporate Social Responsibility accounting has no significant effect on Return on Assets of oil and gas firms in Nigeria

1.6 Scope of the Study

This study seeks to examine the effect of corporate social responsibility accounting and the profitability of oil and gas companies in Nigeria using some selected oil company as a survey, within the period from 2016-2021.

1.7 Significance of the Study

Corporate Social Responsibility reporting assumes that the oil and gas firm are socially conscious to discharge their social obligations for the well being of the stakeholders and society in general. Hence this study will be relevant to the following groups of people:

- i. Governments and its agencies will find the work very interesting as it will help strategize effective ways of regulating environmental, labour and social impacts of industry. Governments appear to be particularly interested in disclosure system that may also be more cost effective, flexible, and decentralized, and that build on market mechanism and public participation.
- ii. The study will benefit the consumers since they are among the public that have growing concern about the environmental and social impacts of the products they buy, the places they work and the communities they live in, which led to new demands for corporate disclosure.
- iii. Investors have increasingly urge oil sector to demonstrate their social and environmental performance to investors – both traditional mainstream investors and growing numbers of socially responsible investors will highly benefit from this study.

Corporate organization will find the study useful in the process of developing reporting systems, measuring performance, and tracking changes over time can support the development of information systems that improve internal management of risks, stakeholders etc.

v. The study will add to the empirical evidence on Corporate Social Responsibility and accountability literature in Nigeria.

1.8 Limitation of the Study

The execution of this research was not without problems. It is evident to observe without proof that, it has been particularly constrained by unaccessibility to some relevant data for analyses as some of the data is classified as "Confidential". Also there are problem of time and financial constraints. These, no doubt may set some limit to the analyses carried out.

It must be noted that the essence of the work is to highlight the institutions critically and also provide a useful appraisal of the corporate social responsibility so that at the end, a sound body of knowledge that would be useful to providing solution for conflict free operation of Shell Petroleum Development Company in their areas of operation must have been amassed. Therefore, this study is not conclusive in it but may serve as a starting point for further research.

1.9 Operational Definition of Terms

For the purpose o(this research, the under- listed terms are define thus:

1. **Corporate Social Responsibility (CSR):** is a business process that a company adopts beyond its legal obligations in order to create added economic, *social* and environmental value to society and to minimize potential adverse effects front *business* activities, which includes interactions with suppliers, employees, consumers and community in general. it also describes a company' obligations to be accountable to all its stakeholders in all its operations and activities.

It is a concept describing a company's obligations - to be accountable to all of its stakeholders in all its operation and activities on a voluntary basis.

2. **Social responsibility disclosure:** refers to the disclosure of information about a company's interaction with society (Branco and Rodrigues, 2006)

3. **Corporate performance:** is a vital concept that relates to the way and manner with which the financial resources at the disposal of the organization are judiciously put into usage to achieve the corporate objectives of such organization (Kajola 2008). The corporate performance of organization would disclose to the various stakeholders of the organization the continuous ability for such organization to remain in business.

Profitability: refers to degree to which a business or activity yields profit or financial gain.

CHAPTER TWO

REVIEW OF RELATED LITERATURE

2.1 Conceptual Framework

2.1.1 The Concept of Corporate Social Responsibility (CSR)

The concept of CSR was not known clearly in the first half of the twentieth century, where corporations were trying to maximize their profits by all means (Ako & Agbonifoh,, 2013). According to Alkababji (2014) CSR developed because of the expansion and globalization of the world economy which led to the emergence of multinational companies with economic power greater than the gross domestic product of many small or developing countries. Therefore, business activities correspondingly have a more extensive effect on society than ever before. In addition, with many developed countries recently experiencing severe financial crisis, society increasingly requires that companies take responsibility for environmental conservation,

employment, safety, and local community development—areas that previously were primarily the responsibility of national governments (Alkababji, 2014). In general, CSR means that companies take into consideration the concerns of a wide range of corporate stakeholders (e.g., shareholders, employees, suppliers, customers, government, and the local community) and incorporate principles of social fairness and environmental sustainability into the business process (Alkababji, 2014).

According to Carroll and Buchholtz (2003) corporate social responsibility can be defined as the "economic, legal, ethical, and discretionary expectations that society has of organizations at a given point in time". According to Macmillan (2005) as in Adeyanju (2012) "CSR is a term describing a company's obligation to be accountable to all its stakeholders in all its operations and activities. Socially responsible companies will consider the full scope of their impact on communities and the environment when making decisions, balancing the need of stakeholders with their need to make a profit". "CSR is concerned with treating the stakeholders of the firm ethically or in a socially responsible manner. Since stakeholders exist both within a firm's and outside a firm, hence, behaving socially and responsibly will increase the human development of stakeholders both within and outside the corporation" (as in Adeyanju, 2012).

Corporate social responsibility may be referred to as "corporate citizenship" and can involve incurring short-term costs that do not provide an immediate financial benefit to the company, but instead promote positive social and environmental Arias and Petterson, (2009). In emphasizing the ecological conceptualization of social responsibility, Buchholz (1991) as in Adeyanju (2012) noted that any good definition of social responsibility must contain if not all, most of the following:

Responsibility that:

- a) Goes beyond the production goods and services at a profit;
- b) Helps in solving important social problems those that the organization are responsible for creating;
- c) Makes corporations have greater constituency than stockholders alone;
- d) Makes corporations have great impacts that goes beyond marketplace transactions; and,
- e) Makes corporations serve a wider range of human values that can be captured by a sole focus on value.

The concept of Corporate Social Responsibility is closely linked with the principle of Sustainable Development, which argues that corporations should make decisions based not only on financial factors such as profits or dividends, but also based on the immediate and long-term social and environmental consequences of their activities Arias and Petterson, (2009).

The concept of Sustainable Development, was first introduced by the World Commission on Environment and Development (1987), was defined as meeting ‘the [human] needs of the present without compromising the ability of future generations to meet their own needs’. Elkington (1997) as in Nuryaman (2013) states that Corporate Social Responsibility (CSR) is divided into three main components, namely: people, profit and planet. These three components are currently frequently used as a basis for planning, implementation and evaluation (reporting) programs of corporate Social Responsibility (CSR), which later became known as the triple bottom line. ‘People’ in CSR means a business must be responsible for the promotion and social welfare as well as all its stakeholders. Profit in the Company's CSR meaning must not only have the advantage for the organization alone but should be able to deliver economic progress to companies stakeholders. 'Planet', it's meant that Company should be able to use natural resources, in production activity they have to very responsible maintaining the state of the

environment and minimize waste of production. Triple bottom line is a synergy of three elements which are the basic components of the basic implementation of Corporate Social Responsibility (CSR). Triple bottom line is often used as a reference in making programs Corporate Social Responsibility (CSR). Dahlsrud (2006) as in Awan and Akhtar (2014) analysed the differences and similarities in CSR definitions by doing a literature analysis. He identified five categories and dimensions, which are commonly associated with definitions of CSR: Environmental, social, economic, voluntary, and stakeholder concern (Dahlsrud, 2006, as in Awan and Akhtar, 2014).

2.1.2 Corporate Profitability

The concept of profitability is a controversial issue in finance largely due to its multidimensional meanings. According to Murphy, Trailer & Hill (2009), research on firm profitability can be traced to organization theory and strategic management. Profitability measures are either financial or organisational. Financial profitability such as profit maximization, maximising profit on assets and maximising shareholders' benefits are at the core of firm's effectiveness (Chakravarthy, 1986: Tian & Zeitun, 2007).

Most organizations are set up with the aim of making profit and giving back sufficient returns to its shareholders (Ani, Ugwunta, Ezeudu & Ugwuanyi, 2012). . Corporate profitability can basically be defined as the degree to which an organization can effectively utilize its available funds and assets, and convert them into profits Tian and Zeitun (2007). Profitability of corporate ventures enables organizations to better withstand negative shocks and contribute to the stability of the business environment. The profitability of an organization is affected by numerous factors. These factors include elements internal to each organization and several important external forces shaping earnings performance (Ani, Ugwunta, Ezeudu & Ugwuanyi, 2012).

Arias and Petterson, (2009). said that “in practice, firms’ managers who are able to identify the optimal capital structure are rewarded by minimizing the firm’s cost of finance thereby maximizing the firm’s revenue.” This is because the firm financing policy is a crucial aspect of their survival and efficient corporate profitability. The importance of corporate profitability can be appraised at the micro and macro levels of the economy. At the micro level, profit is the essential prerequisite of a competitive enterprise and the cheapest source of funds. It is not merely a result, but also a necessity for successful business in a period of growing competition in financial markets. Hence, the basic aim of an organization’s management is to achieve profit, as the essential requirement for conducting any business (Bobakova, 2003). At the macro level, a sound and profitable business environment is better able to withstand negative shocks and contribute to the stability of the business environment. Organizations are generally perceived to play a central role in developing economies and their performance is one of the most important issues for many firm stakeholders such as shareholders, creditors, employees, suppliers and governments (Bhayani, 2010; Madrid-Guijarro, Auken & Perez-de-Lema, 2007). For this reason, analyzing the factors determining firm profitability and identification of the sources of variation in firm-level profitability has been regarded as important research themes by the researchers in the fields of economics, strategic management, marketing, accounting and finance (Gaur & Gupta, 2011; Nunes, 2009; Jonsson, 2007).

2.1.3 Return on assets (ROA)

The return on assets (ROA) indicates the profitability of a company's assets after all expenses and taxes have been paid. It calculates the firm's profit after taxes for every dollar invested in assets (Horne & Wachowicz, 2005). It is a measure of a manager's effectiveness. When evaluating a company's financial health, it is critical to know how well it converts what it already has into new income for its owners and shareholders. The ROA formula is a simple

computation using components that may be found easily on a company's financial accounts. As a result, a greater ratio value indicates superior managerial success (Ross, Westerfield & Jaffe, 2005). Increased profit margins or asset value can boost ROA. The return on assets (ROA) is one of the proxies used in this study to quantify financial performance. The return on assets (ROA) is computed by dividing net profit by total assets. This result indicates what the company can do with what it has, i.e. how much more money they can make from each dollar of assets they own. It indicates the company's capital intensity, which varies by industry; enterprises that require substantial initial investments will typically have lesser return. ROAs over 5% are generally considered good.

Another related indicator of financial performance is return on investment. The return on investment (ROI) is a basic measure of business success in the corporate sustainability literature, as well as in the majority of strategy research (Barnett & Salomon, 2012).

Return on assets is a financial profitability ratio that shows how much profit a company is able to generate from its assets. Put differently, return on assets (ROA) measures how efficient a company's management is in generating earnings from their economic resources or assets on their statement of financial position [20]. Return on assets (ROA) is an indicator of how profitable a company is relative to its total assets. ROA gives a manager, investor, or analyst an idea as to how efficient a company's management is at using its assets to generate earnings [21]. Return on assets is displayed as a percentage.

$$\text{Return on Assets} = \frac{\text{Net Income}}{\text{Total Assets}}$$

The conceptual framework can be represented diagrammatically as follows.

The diagram shows the study variables and their relationships. Financial sustainability which is the dependent variable is represented by net profit margin (NPM) and return on asset (ROA) while the independent variable which is corporate social responsibility is measured by donations (DON).

2.1.4 Return of equity

The ROE is net profit after taxes divided by shareholders' equity which is given by net worth. ROE indicates how well the company has used the resources of owners and it is one of the most important relationships in financial analysis. The ratio is of great interest to the present as well as the prospective shareholders and also of great concern to management, which has the responsibility of maximizing the owners' welfare (Pandey, 2015). Taophic, et al. (2017) evaluated the effect of CSR on 10 listed manufacturing firms in Nigeria over a five period ranging from 2010 to 2014. Applying panel regression technique, the authors found among others that CSR to the community has positive effect on ROA and ROE, while CSR to employees has positive effect on ROA, but no significant effect on ROE.

Return on Equity effectively measures how much profit a company can generate on the equity capital investors have deployed in the business, and can be used over time to evaluate changes in a company's financial situation. At Jensen, we calculate ROE as the company's annual net income after taxes (excluding non-recurring items), divided by the average shareholder equity. Net Income is the amount of profit that a company has made after all expenses and taxes are deducted from revenues. Shareholder equity is the value that the owners of the company have invested that has not been paid out in dividends.

2.1.5 Net profit margin (NPM)

This could be called net profit on sales ratio. This is a measure of the proportion of revenue which remains after deduction of all expenses. It indicates the net profit earned on each sale (Barnett & Salomon, 2012).. A very low ratio shows that operating expenses are eating deep into revenue . It can be measured using the formula:

$$\text{NPM} = \text{Net profit [Before Interest and Tax]} / \text{Net sales}$$

2.1.6 Measures of Firm Profitability

The profitability of a firm reflects how effectively the firm has been managed and resources utilized. It can be measured in terms of Returns on Assets, Return on Equity and profitability. The usefulness of a measure of profitability may be affected by the objective of a firm that could affect its choice of profitability measure and the development of the stock and capital market. For example, if the stock market is not highly developed and active then the market profitability measures will not provide a good result. The most commonly used profitability measure proxies are return on assets (RCA) and return on equity (ROE) or return on investment (ROL). These accounting measures representing the financial ratios from balance sheet and income statements have been used by many researchers (Demsetz & Lehn, 1985, Gorton & Rosen, 1995, Mehran, 1995, &Ang, Cole & Line, 2000). However, there are other measures of profitability called market profitability measures, such as price per share to the earnings per share (P/E) (Abdel, 2003), market value of equity to book value of equity (MBVR), and Tobin's Q. Tobin's Q mixes market value with accounting value and is used to measure the firms value in many studies (Zhou, 2001). Two accounting measures, RCA and ROE, are used as proxy measures for corporate profitability, and three market profitability measures, P/E, MBVR, and Tobin's Q. The stock market efficiency and other economic and political factors could affect a firm's profitability and its reliability (Abdel, 2003).

2.1.7 Measurement of Corporate Social Responsibility (CSR)

This study measures CSR based on the lump sum value invested in CSR as measured by (Shehu & Farouk, 2013). This measurement is chosen owing to the high level of objectivity and precision involved in the measurement. However, Past studies on CSR have often been criticized for using inappropriate measures of CSR. Researchers have used various proxy measures to assess CSR: (a) one-dimensional surrogate measures such as reputation ranking of companies on pollution control performance (Chen and Metcalf, 1980; Freedman and Jaggi, 1982), (b) Moskowitz's social responsibility ratings (Cochran and Wood, 1984;) Fortune corporate reputation index (Fomburn and Shanley, 1990; McGuire Sundgran, &. Schreeweis,, 1988). These measures have been criticized for their inability to incorporate stakeholders' issues Norris & Dwyer 2004. To overcome such inadequacies, studies of (Norris & Dwyer) use CSR data developed by various agencies that evaluate CSR from stakeholders' perspective such as the Kinder Lydenberg Domini database of Kinder, Lydenberg, Domini & Co., Inc. (Kinder *et al.*, 2005). The term CSR is in itself not a measurable variable, which has led to the construction of the Corporate Social Performance (CSP) concept. CSP therefore operationalizes CSR through a number of measurable variables, which can be used in testing the CSR/firm performance relationship. Specifically, (i) Corporate action—such as philanthropy, social programmes and pollution control; (ii) corporate reputation ratings or social indices produced by researchers and social rating institutions; and, (iii) social disclosure about social concern are the three broad classes of measurable variables that have been identified by Johnson and Greening (1999), Mahoney and Thorne (2005), Moore (2001), Orlitzky, Schmidt and Rynes (2003), Sotorrio and Sanchez (2008), Van Beurden and Grossling (2008) and, Wu (2006) (as cited in Comincioli, Poddi & Vergalli, 2012).

Other measurable variables under the scope of CSR include employee rights and poverty (Roberts, 1992). However, the variables used in this present study are: waste management cost; pollution abatement cost; social cost; and, fines and penalties. The first three variables fall under corporate action, while we identify the last variable, fines and penalties, under social disclosure about social concern. This is because fines and penalties often arise or become applicable when firms fail to act timely on and/or report promptly on their social responsibility (Deegan & Gordon, 1996).

Market, accounting and mixed variables can be used in measuring the performance of firms in the context of CSR (Poddi & Vergalli, 2009). The market variable is Market Capitalization (MKTCAP). Accounting variables include Return on Equity (ROE), Return on Assets (ROA), Return on Investment (ROI) and Return on Capital Employed (ROCE). The mixed variable is the Market Value Added (MVA). Each of these variables provides a credible measure. However, following the lead of Preston and O'Bannon (1997), we select ROCE for use in this study. This variable is essentially a financial efficiency measure that seeks to establish the extent to which a firm generates sufficient returns to cover its cost of capital. It is represented as a ratio of pre-tax profit to the capital employed by the firm. Pre-tax profit is the profit on ordinary activities before interest charges and tax, while capital employed is shareholders' fund plus long-term liabilities and debt capital.

The implementation of CSR in Nigerian firms is explicit CSR because the policies are voluntary and not required by law (Adeyanju, 2012). Researchers have indicated that leaders of firms in Nigeria who practice CSR and corporate governance are more ethical and less likely to practice bribery and corruption (Amaeshi et al., 2006; Gberevbie, 2012).

Research has shown that leaders in Nigerian oil sector are better able to reach their organizational goals and thus assist the country with development when they incorporate CSR into operations (Akindele, 2011). Erondu et al. (2004) conducted a research study to test ethics, efficiency, social responsibility, and law and professional codes in the Nigerian banking sector. The basis of the theoretical framework of the study was two constructs, which argued that a number of different types of ethical climates could exist in organizations (Erondu et al., 2004).

2.1.8 Benefits of Corporate Social Responsibility

Corporate social responsibility ideas emerged after a realization that there is a need for an economics of responsibility, embedded in the business ethics of a corporation (Babalola, 2013). Hence, the old idea of laissez faire business gives way to determinism, individualism to public control, and personal responsibility to social responsibility (Ajide & Aderemi, 2013).

According to Susanto (2009) as in Nuryaman (2013) benefits to be gained from Corporate Social Responsibility (CSR) include: (a) Reduce risk and avoid accusations that the company did act unethically, (b) Corporate Social Responsibility (CSR) can serve as a protector, and helps companies minimize the adverse effects caused by the production activity. (c) Pride employees, employees will feel proud to work for companies that have a good reputation, which has consistently made efforts to help improve the welfare and quality of life and environment surroundings.

2.1.9 Sectoral Evaluation

Shell Petroleum Development Company (SPDC), in its 2000 report there exist concrete evidence of its support for community development which is guided by two interrelated objectives, first, adhering to the shell group's principle of social responsibility and sustainability. In the Niger Delta, where the company operates, this is expressed through series of direct social

investment which the company selects with participating communities, to meet the needs they felt to be most important. Secondly, underpinning the long-term sustainability, where the company works with the Government of Nigeria and other stakeholders towards the development of an enabling social and economic environment. According to the report, the host communities will increase their access to improved socio-economic services, and the company gains in terms of a more peaceful and stable operating environment.

- a) **Education:**-It is now about 46 years since Shell petroleum Development Company (SPDC) began its educational programme to improve literacy levels in its host communities. Since then, the programme has been expanded to include scholarship awards, youth development training and the provision of educational infrastructure (see table 1) below. SPDC also continued the provision of building and equipment to improve the teaching and learning environment. Sixty- five classroom blocks were constructed for over 15,000 students in host communities (SPDC, 2000).
- b) **Agriculture:**-Shell petroleum Development Company (SPDC) in partnership with host communities established eight oil palm processing mills, 25 hectares of oil palm plantation a commercial oil palm nursery, an integrated fish hatchery six off-shore fishing ventures and 10 creek fishing ventures in various states across the Niger Delta. Other agricultural projects include community youth farms at the Oto-owhe, Oben and Uturogu oil fields communities. In the Agricultural sector still, another leading oil major in Nigeria ENI (AGIP)-the Italian oil and gas corporation which operates through its subsidiaries in Nigeria: the Nigerian Agip oil company ltd. (NAOC), Agip Energy and National Resources Ltd (AENR) and the Nigerian Agip Exploration Ltd (NAE) launched its important social project since 1988 – the Green River project (a modular, integrated

agricultural project aimed at encouraging the social economic self sufficiency of the rural population particularly in the Rivers, Bayelsa, Delta and Imo states. The project began in 1987, when the Nigerian Government asked the oil companies to contribute to the agricultural development of areas within their concession (Nigeria Tribune Business 2007).

- c) **Health:**-SPDC has built three new cottage hospitals at Kalaibiana, Tomagbena and Ellu were added to a network of community hospitals and health centres supported by SPDC. Exxon Mobil has a foundation to fight malaria in Nigeria, Angola Chad and Equatorial Guinea including other infectious diseases. An amount totaling more than US\$4m was earmarked to support the effort in the above named countries. The primary goal of Exxon Mobil foundation, African health initiative is to strengthen the ability of African to stop the spread of malaria and to treat more effectively the people who are ill with the disease. (Nigerian Tribune Business 2007)
- d) **Infrastructure Development:**-Shell petroleum Development Company (SPDC) during the same period, constructed a total of 261 kilometers of community roads and Bridge projects out of which 82 kilometers have been completed. Some 45% of community roads were constructed in swampy and seasonally flooded areas and extensive sand-filling was carried out. The Nembee-Yenagoa road is the single most expensive community project to be embarked upon by SPDC at the cost of US\$100m. SPDC worked on rural electrification projects in 21 communities at the cost of US\$100m in the year 2000. (SPDC, 2000).

2.1.10 The Role of Government in Corporate Social Responsibility Disclosure.

Large multinational banks, private investors, or non-governmental organizations have often driven corporate social responsibility. Nonetheless, there are important roles for governments, and particularly developing country like Nigeria, to play in further advancing reporting systems. The World Bank has previously grouped government roles in supporting corporate social responsibility into five categories of action: mandating, facilitating, partnering, endorsing and demonstrating (Deborah, 2006). Governments, and their citizens however must decide how they can most effectively support an environment for socially responsible business, and specifically advance CSR reporting.

According to the European Commission (2001, 2002, 2006), CSR is “a concept whereby companies integrate social and environmental concerns in their business operations and in their interaction with their stakeholders on a voluntary basis”. The main idea behind CSR is also known as the triple bottom line principle, implying that businesses (should) not only serve as economic, but also social and environmental ends (Elkington 1994). For some scholars, this view of the corporation stands in stark contrast with the neo-classical shareholder view, asserting that a firm’s only responsibility is to do business and make a profit (Friedman 1970; Henderson 2001a, b). For most business ethics scholars, however, CSR is in the interest of businesses, in particular when stakeholders such as employees, consumers, Civil Society Organisations (CSOs), and governments demand and value the respective efforts (McWilliams & Siegel 2001). Overall, the discourse on the role of businesses in society has been extensive in recent decades, and proponents as well as opponents of CSR can agree at least that a new, challenging notion of CSR that is concerned with ‘built-in’ triple bottom line management rather than ‘bolt-on’ corporate philanthropy has become increasingly popular for the (neo-liberal) opponents of CSR this is being done to a threatening degree (Henderson 2001).

Given the management focus and widely accepted voluntary character of CSR, why do governments care about the concept at all? This question can be answered by the following five literature-based propositions:

First, governments are interested in CSR because the respective business efforts can help to meet policy objectives on a voluntary basis (see section 2). This motivation touches not only on policy objectives related to sustainable development and environmental protection, but also to foreign policy goals such as human development and development assistance (Haufler 2001,). Liston-Heyes and Ceton (2007) state that CSR is concerned with redistributing corporate resources to public causes. As the CSR critic Henderson (200) puts it provocatively, CSR is now “a common body of doctrine” that requires businesses to “play a leading part in achieving the shared objectives of public policy and making the world a better place”.

Second, CSR policies are regarded as an attractive complement for hard-law regulations in cases where new regulations are politically not desirable or infeasible (in particular at the international level; for examples see Haufler 2001). Compared to hard-law regulations, the soft-law character of CSR and CSR policies implies comparatively low political costs in terms of resistance by special interest groups (Moon 2002, 399f; 2007, 302). Some scholars argue that contemporarily (at least until the financial and economic crisis of 2008/2009), corporations are less likely to be the subject of state interventionism than they were in Keynesian times until the late 1970s. To put it positively, a decrease of state interventionism “might open up the possibilities for more ‘responsible’ forms of interaction between stakeholder groupings”, including new forms of government interventions such as CSR policies (Mellahi & Wood 2003, 190f; see also Moon 2005). In this sense, Haufler (2001,) frames CSR as an element of the

“third way’ between socialism and capitalism” that provides social protections while strengthening national economic competitiveness.

Third, governments inevitably define CSR negatively with conventional social and environmental regulations because the ‘voluntary business contribution to sustainable development’ starts where the legal framework ends (McWilliams & Siegel 2001). In addition, governments seek to play a more active role in defining the concept and also fostering the respective practices positively with softer, non-binding initiatives.

Fourth, a look into the governance literature of recent years shows that the soft approach of CSR policies coincides with a broader transition of public governance altogether, which leads away from hierarchical regulation towards more network-like and partnering modes of self- and co-regulation (Kooiman 1993; 2003; Pierre 2000; Rhodes 1997; see also section 5). In this respect, “CSR is not simply a feature of the new global corporation but is also increasingly a feature of new societal governance” (Moon 2007, 302). As shown in another paper in detail (Steurer, forth-coming), new governance and CSR in fact became two complementary concepts, both implying (and prompting) that the steering of societies is no longer a sole matter of governments, but rather one of all three societal domains working together through new governance arrangements (see also Knill & Lehmkuhl 2002; Moon 2002; Midttun 2005). While new governance is the often-told story line of how political steering has moved from hierarchical state regulation (or governing) to societal co-regulation through networks that bring state and non-state actors closer together (Thompson et al. 1991; Rhodes 1996; Pierre 2000; Gamble 2000; European Commission 2001; Considine & Lewis 2003; Kooiman 2003; Donahue 2004), the implication for businesses is that they are becoming increasingly involved in meeting not only their business objectives but also the social and environmental issues that are raised by

their stakeholders, such as investors, regulators, employees, suppliers, customers, and Civil Society Organisations (CSOs). In other words, new governance and CSR both highlight ‘the public role of private enterprises’ (Nelson 2004; see also Haufler 2001).

Fifth and finally, since CSR is concerned with managing business relations with a broad variety of stakeholders, the concept obviously reshapes not only management routines but also the roles of, and relations between, businesses, governments, and civil society. In this respect, CSR leads to “shifting involvements of the public and the private” sectors (Hirschman, quoted in Moon 2002). Since CSR is far more than a management approach that could be left to the discretion of managers, governments have a natural interest in co-defining the shifting involvements of the different sectors rather than being passive objects of change.

Consequently, many European governments have assumed an increasingly active role in shaping and promoting CSR in recent years, in which the effect has been that a new thematic area of political activity, i.e. a distinct policy field has emerged. As this paper shows, the numerous governmental CSR initiatives form a cross-sectoral yet coherent policy field because (i) they are all characterised by the governance principles of voluntariness and collaboration, (ii) The policy instruments are consequently soft-law in character, and, (iii), They all share the purpose of fostering CSR and sustainable development complementarily to traditional hard-law regulations.

Mandating Role:-According to Deborah (2006) government can legally mandate reporting requirements through company law, stock listing regulations, pensions fund regulations, or direct disclosure laws. These laws can set precise standards for corporate reporting, including lists of metrics, format for reporting and frequency of reporting. Government can also set other laws – such as tax law, labour standards, environmental

regulations, etc. that establish measurement and reporting requirements. Government can then monitor this reporting, both by evaluating reporting data and comparing it to physical inspections of facility performance. Government agencies can work to ensure the quality of the work to ensure the quality of reported data by requiring external, third-party verification procedures, quality assurance standards and regulations for auditors of CSR reports, (David, 2000). Government agencies can then oversee these verification and assurance procedures and hold auditors accountable. In addition, government can also mandate sanctions for non-disclosure or false disclosures of CSR data to create incentives for full and accurate reporting.

Facilitating:-Baune & William (2002) argue that government can also work to facilitate CSR reporting through the development of voluntary agency might work with trade associations, banks, or multi-stakeholder organization to design voluntary programs. The government could then play a facilitating role in assisting in the collection, collation and dissemination of CSR information. Government agency as opined by Bakar and Mallen (2002) could to support users of CSR information both inside and outside banks. One strategy for facilitating firm learning, according to Brower and Carol (1996), would involve dissemination of information from reporting through a programme of technical assistance to banks to learn about “best practices” in their industry. Government technical assistance might also support improved participation of small and medium-sized enterprises (SMEs) in reporting systems. Government can also support and motivate increased dialogue with the business community to ensure CSR reporting is in line with government priorities and policies. According to Conroy and Micheal (2001), government might go further to tie reporting and performance to tax incentives, export promotion assistance, export quotes, buyer-supplier matching, or direct production subsidies. Trade and investment promotion and could significantly motivate and facilitate reporting. Doane and Deborah (2002)

added that Government efforts can also support citizens and NGOs who seek to use CSR information to motivate laggards to improve performance. Perhaps the most important form of facilitation would involve building a stable and transparent environment for socially responsible business within a country. This would involve basic efforts to improve the openness and accountability of governance structures and economic activity.

Partnering:- As noted by Bakar and Mallen (2002), government can also play a positive role through partnering with specific groups to support reporting. By engaging multi-stakeholder initiatives or individual banks, government agencies and can act as partners in the development of reporting initiatives. Graham and Mary (2001), further added that government agencies could also establish and support simple networks of operating banks in order to facilitate learning on environmental or social problems and strategic responses.

Government agencies might also ‘partner’ by providing government collected data (or links to government databases) to non-governmental disclosure systems. Government data on enforcement actions, compliance rates, numbers of inspections according to Reo and David (2000), could be very useful to open dialogues and decision making processes to stakeholders, and to facilitate learning.

Endorsing:-Government can focus more on endorsing disclosure as pointed out by Wade and Will (2003), May through positive efforts to increase awareness of CSR issues by commending, supporting and honouring banks that are transparent. Their agencies can as well support award programmes, disseminate information on “leading” banks, and otherwise lend credibility and legitimacy to company efforts. While Fung et al (2002), maintained that governments can create a wide range of incentives and rewards for banks that act responsible and take leadership position on reporting. It is quite clear that government can also help to better

inform the public, and particularly consumers, about the performance of banks. Government statements and reports can help transparent banks distinguish themselves in the market place.

Government agencies can also work with financial and sustainability rating agencies to highlight superior performance of banks within a country (Nicholas, 2001). Over the long-term, governments might also use endorsing strategies to market a region or country that supports a positive climate for socially responsible banks that hosts banks that produce sustainable, fair trade or socially responsible goods and that publicly reports on conditions and practices in their country, Jenkins et al (2004). According to Fung (2002), government can directly demonstrate the principles of increased transparency by publicly disclosing material information on their own activities. He added that they are in many countries either the largest, or one of the largest employer, consumers of goods and services, owners of land, mineral rights, buildings, vehicles, etc. and users of energy and other resources.

Over the last several years, a number of governments have thus begun initiatives to provide information to the public on the impacts of this consumption, employment and resource management. Some governments are now taking a role in “walking the talk” to show private sector entities – from whom they are demanding increased transparency that government agencies can help to similar standards. These initiatives range from simple disclosure of raw data on the environmental, social and economic impacts of government agency operations, to structured reporting of performance information, to reporting on the effectiveness of government policies and programmes, to progress reports on government efforts to achieve sustainability goals. In recognition of these varied initiatives, the Global reporting Initiative (GRI) has begun a project to learn from the helps standardize public agency sustainability reporting. A number of governments are now sponsoring this work and experimenting with GRI report for their

operations, in order to demonstrate the benefits of reporting for other government agencies, private sector actors and the public.

2.2 Theoretical Review

The economic theories often used to hinge researches on CSR include stakeholder theory (Freeman, 1984), stockholders' theory (Friedman, 1982), agency theory, good management theory, slack resource theory and legitimacy theory. For the sake of this study, legitimacy theory is adopted to anchor the CSR and performance. The legitimacy theory states that CSR is a response to various environmental pressures including social, political and economic forces. In this context, legitimacy means the extent to which corporate activities meet the expectation of the members of the society.

- i. Stake holder theory :-** Was propounded by . R. Edward Freeman 1983 The stakeholder theory is a theory of organizational management and business ethics that addresses morals and values in managing an organization. It was originally detailed by Ian Mitroff in his book "Stakeholders of the Organizational Mind, published in 1983 in San Francisco. R. Edward Freeman had an article on Stakeholder theory in the California Management Review in late 1983, but makes no reference to Mitroff's work, attributing the development of the concept to internal discussion in the Stanford Research Institute. He followed this article with a book Strategic Management: A Stakeholder Approach. This book identifies and models the groups which are stakeholders of a corporation, and both describes and recommends methods by which management can give due regard to the interests of those groups. In short, it attempts to address the "principle of who or what really counts. In the traditional view of a company, the shareholder view, only the owners or shareholders of the company are important, and the company has a binding fiduciary

duty to put their needs first, to increase value for them. Stakeholder theory instead argues that there are other parties involved, including employees, customers, suppliers, financiers, communities, governmental bodies, political groups, trade associations, and trade unions. Even competitors are sometimes counted as stakeholders – their status being derived from their capacity to affect the firm and its stakeholders. The nature of what constitutes a stakeholder is highly contested (Miles, 2012), with hundreds of definitions existing in the academic literature (Miles, 2011).

The stakeholder view of strategy integrates both a resource-based view and a market-based view, and adds a socio-political level. One common version of stakeholder theory seeks to define the specific stakeholders of a company (the normative theory of stakeholder *identification*) and then examine the conditions under which managers treat these parties as stakeholders (the descriptive theory of stakeholder *salience*). The traditional Anglo-American model of corporate governance is based on profit maximisation which claims to protect shareholders interests whereas, the German model considers that corporations are run in the interests of stakeholders i.e. shareholders, employees, management, creditors, public and society in general. The former has been labeled share holdership (shareholder theory) and the latter stake holdership (stakeholder theory). This study will investigate how deontological and teleological ethical perspectives can be applied to stake holdership and share holdership in both theoretical and practical contexts. The current history of stakeholder theory has been well documented by Donaldson and Preston (1995). Indeed, vestiges of the concept may be found in many areas of business from finance, strategic management, and corporate governance.

(Mason and Mitroff, 1982; Keasey, et al 1997), organisation theory (Dill, 1975); and business ethics (Sherwin, 1983, Freeman, 1984, 1994, 1996; Blair, 1995; Phillips, 1997 and 2003). Since the 1980s stakeholder theory has developed the thesis that the organisation has a moral relationship with groups other than shareholders (Freeman, 1984). This is based on the assumption that an organisations as well as individuals, possess moral status and therefore should act in a moral responsible manner. Evan and Freeman (1993) considered that acting in a moral responsible manner entailed two significant principles. The first principle involved harming the rights of others and was based on deontological ethical reasoning. The second principle being responsible for the effect of the organisation's actions and was based on teleological ethical reasoning. Each of these moral perspectives will be used in this paper to analyse stakeholder theory in the modern global business environment and investigate how this may assist corporations to manage the interests of their stakeholder groups in more effective ways. First, this paper overviews stake holdership and share holdership and analyses these in relation to ethical perspectives of corporate governance.

Second, through a case study of HSBC bank it outlines and discusses some dilemmas facing the definition of stakeholder in a changing global environment. Finally this paper discusses the implications a global environment has for ethical perspectives regarding business decisions and corporate behaviour.

- ii. **Legitimacy Theory was propounded by Suchman in 1995** :-Suchman (1995,) considers that “Legitimacy is a generalized perception or assumption that the actions of an entity are desirable, proper, or appropriate within some socially constructed system of norms, values, beliefs, and definitions.”

In our conception, legitimacy theory has the role of explaining the behavior of organizations in implementing and developing voluntary social and environmental disclosure of information in order to fulfill their social contract that enables the recognition of their objectives and the survival in a jumpy and turbulent environment.

Social perceptions of the organization's activities are reported in accordance with the expectations of society. In the situation when the organization's activities do not respect social and moral values, the organization is severely sanctioned by society. Legitimacy theory has become one of the most cited theories within the social and environmental accounting area. Yet there remains deep scepticism amongst many researchers that it offers any real insight into the voluntary disclosures of corporations. This brief paper outlines responses to two specific concerns identified in the literature. It will eventually form part of a much larger project addressing a range of issues associated with legitimacy theory.

First, the paper brings some of the more recent developments in the management and ethical literature on legitimacy and corporations to the accounting table. Second, there are contributions to the theory that have already been made by accounting researchers that are yet to be fully recognised. The author believes that legitimacy theory does offer a powerful mechanism for understanding voluntary social and environmental disclosures made by corporations, and that this understanding would provide a vehicle for engaging in critical public debate.

The problem for legitimacy theory in contributing to our understanding of accounting disclosure specifically, and as a theory in general, is that the term has on occasion been used fairly loosely. This is not a problem of the theory itself, and the observation could be equally

applied to a range of theories in a range of disciplines (see for example Caudill (1997) on the abuse of Evolutionary Theory). Failure to adequately specify the theory has been identified by Suchman (1995, p. 572, emphasis in original), who observed that “Many researchers employ the term legitimacy, but few define it”. Hybels(1995,) comments that “As the tradesmen [sic] of social science have groped to build elaborate theoretical structures with which to shelter their careers and disciplines, legitimating has been a blind man’s hammer.” This paper begins to address these issues Furthermore, according to the legitimacy theory, companies need to perform well and undertake various socially responsible activities if they want to continue to survive and grow. As such, firms may embrace CSR to gain and hold power and legitimacy (Davies, 1997; Deegan, 2002; Mile and Patten, 2002). In the legitimacy theory, organisations are required to look for a balance between their actions and expectations of society. Moreover, society’s perception of an organisation is crucial and there are high expectations of firm’s social responsibility. If society is not satisfied with a firm due to any unacceptable business conduct, it will withdraw the organisation’s contract in such a way as to terminate its operations. For instance, in event that consumer is reducing the demand for the products of the business because it is felt that the product is harmful to health or environment. In relation to this, the legitimacy concept is considered to be a manipulative tool or mechanism on which an organisation may depend for survival.

Much past studies, particularly in CSR reporting, have adopted the legitimacy framework in studies on whether the firms use certain social disclosures to legitimise their existence within society. Based on the premise that the legitimacy theory is based on the notion that business operates through a social contract, it is vital for organisations to disclose any kind of social information in their annual reports so that society will be able to determine whether they

have good CSR or not. However, it is believed that some of the activities of the firms towards CSR are aimed at developing and increasing the firm's competitive advantage through image, reputation, segmentation and long term cost savings (Miles *et al.* 1997; Miles and Russel, 1997; Miles and Covin, 2000). In their words, McGuire *et al.* 1988) posited that corporate social performance often represents an area that is relatively important, so therefore the initiation or cancellation of social and environmental responsibilities may largely depend on the available laws governing the participation in corporate social responsibility by corporate organizations.

2.3 Empirical Review

i. Corporate Social Responsibility and Profitability of Firm

Profitability is often used as a measure to assess the achievements and performance of the company or as the basis of assessment measures, such as earnings per share (Zaki and Othman, 2011). Profitability is an indication of the success of an enterprise, although not all companies make profits as its primary purpose, but it will require effort to maintain profits (Zaki and Othman, 2011). Profitability ratios include return on assets (ROA), net profit margin (NPM), and others which are clear indicators to financial performance. The increased interest in environmental, social and governance issues stimulated a dynamic development of econometric and financial literature focusing on the relationship between corporate social performance and firm profitability (Manescu and Starica, 2008).

Friedman argued that only CSR which is related to the company's business is positively associated with company's profit, i.e. CSR concerning the use of resources in terms of achieving profitability and well-being of shareholders (Nuryaman, 2013).

This stream of research argued that CSR activity is a high cost, which in turn reduces the profit of a company. Friedman argued that management policies should be aligned with the interests of the stock holder, because management is selected by the shareholders (Nuryaman, 2013).

The second view states that there is a positive relationship between CSR and financial performance (Surroca. 2009), the profitability of the firm (Donaldson & Preston, 1995; Aragón-Correa, Hurtado-Torres, Sharma, and García-Morales, 2008). Their view of CSR is based on stakeholder theory (Freeman, 1984) that corporate responsibility is not only to shareholders but a broader responsibility to all stakeholders. Thus, CSR activities will enhance shareholder value by (1) immediate cost savings (2) enhance the reputation, (3) Reducing the risk of significant future expenditure, sanction of the government, for example, as a result of negligence in the implementation of CSR (Nuryaman, 2013).

The third view, states that no particular form of the relationship between CSR and corporate performance (Alexander and Buchholz, 1978; Teoh, Welch and Wazzan, 1999), because there are too many factors to be considered by researchers to uncover the relationships between CSR and performance.

ii. Corporate Social Responsibility by Some Oil Transnational Companies and the Development of Host Communities in Nigeria

From the literature above transnational corporate are some of the biggest employers of labour in the world and therefore have enormous impact on the way people live and behave. But TNCs by definition, cannot survive unless they can operate transnationally. In order to do so, the

human and environmental health of their areas of operation has to be sound and robust, because it takes a minimum of education for people to become addressable consumers. Advertising needs to be read and companies can only recruit employees who possess certain skills. Conversely people only become consumers with significant purchasing potential when their skills are developed and valorized. It is a similar story with health-a company that finances school milk programme help combat childhood malnutrition. One that provides mosquito nets free of charge or at cost price, help curb malaria disease. These actions remove obstacles to markets which first yield revenues for the company already present. If the hosts die or are diseased, the transnational dies. Therefore corporate social responsibility is not simply ethical/moral or charitable, it is the first principle of TNCs survival (Verse 2007). In line with what is currently going on in western countries, CSR is making greater contribution to corporate reputation than brand image. Consumers' patronage of companies is on the basis of social performance and punishes these they regard as irresponsible by not patronizing their products. (Rugman, and Verbeke, 1998).

Oil transnational companies operating in Nigeria are now trying to improve relations with local people that provide their work force and customers. But what makes the modern concept of corporate social responsibility stand out as an oxymoron (News Africa, 2004), is the fact that many oil TNCs operating in Nigeria tends not to employ local workers, nor are they operating in the country because of the lure of the local market. The lure is purely one of raw materials. In the mining and gas sectors, the very isolation of the major oil companies from the local people create stresses and strains that can generate resentment and undermine company operations. The oil majors operating in the Niger-Delta for example, may employ some Nigerian engineers or professionals who are not from the Niger Delta oil producing region, not for the dearth of these professionals that hail from the Niger delta region or for the reason of expertise but in most case

based on nepotism and other mundane reasons. Few jobs outside the catering and security industries are in offer to the locals. This has resulted into the current conflict between oil companies and local groups which have spilled over into sabotage, hostage-taking and even killings, before the federal government's amnesty programme of 2009.

iii. Corporate Social Responsibility and Oil and Gas

The oil and gas industry is a leading sector of business that has to continuously engage in corporate social responsibility practices such as social, economic, political, legal, technological and environmental areas (Frynas, 2005). There is an increasing importance being attached to CSR within the oil and gas corporate because of the nature of activities they practice and the potential threats they have especially on the environment. These practices include potential environmental damages during the processes of oil exploration, production, transportation, and refining. Perhaps the most significant ones are pipelines leakages, wastewater pollution and carbon dioxide emissions. The peculiarity of CSR in relation to the oil and gas companies is the fact that they undergo the greatest pressure from societies and face people's constant demands for corporate social responsibility from the industry because they serve strong and continuous global demands for their products. Such firms are usually expected to self-regulate, which oblige them to do more to protect the society against potential risks than merely abide by the laws. Yet, it is known that such a challenging technicality in the industry cannot always prevent accidents. From this perspective, CSR in the oil and gas industry must take the extra mile to give back to society and make sure of its goodwill. Some of the initiatives that must be taken are investing in biodiversity and going green, using long lasting materials for pipelines, proposing alternatives to the consumed and produced energy and give back to society in all aspects. The oil and gas companies all around the world are driven to engage in social investments.

They are taking initiatives to satisfy both stakeholders, the non-governmental organizations (NGOs), which promote social welfare rather than economic power, and the host countries and direct consumers, who pay more attention to the operational performance of the oil and gas corporate (Lantos, 2001). This means that they practice CSR genuinely for the goodwill of the society as a whole, just “doing the right thing”, as well as performing CSR practices to obtain competitive advantages and manage a positive reputation and external perception.

However, some social initiatives these corporations perform are not always successful, especially those that aim to accomplish corporate and business objectives rather than social welfare ones. Some of them even use public relations instead as a cover to play the part of being a socially responsible oil firm and hence achieving what PR could achieve and attributing the successfully gained effects to CSR activities. In doing so CSR in the oil and gas industry can be seen as merely an elaboration of PR work. The usual philanthropic gestures of merely donating to the local communities like what happened with Shell in Nigeria are clear examples of such practices (Frynas, 2005).

In other words, business oriented CSR initiatives usually end with a failure because their prime motive is not delivering development but rather maintaining a positive reputation about the company. Moreover, corporate social responsibility in the oil and gas industry seems to shed the light on some aspects in a micro-level environment and neglect others that are in a macro-level from the contents of CSR principles. For example, some oil and gas corporate exclude the political and economic impacts of their practices. Frynas argues that the resource curse is one of the most negative effects of the oil industry. Research found that many oil-producing developing countries consider this natural resource as a curse because they continuously face economic underdevelopment and political mismanagement (Stevens, 2003). Accordingly, many oil

companies do not take the drawbacks of developmental CSR activities related to the resource curse into their consideration.

Nevertheless, the remarkable growth in corporate ethics and social responsibility obligations illustrates the significant shift in how oil companies now invest and engage more in social developments and with their local communities than they used to. In addition to the fact that the industry is emphasizing and embracing the importance of CSR in regards with the environment by developing alternate and renewable clean energy consumption and limit the impacts of air and water pollution in the world.

CHAPTER THREE

METHODOLOGY

3.1 Research Design

Ex-post facto design was used because the data for this study already exists and the researcher has no intentions to manipulate or control the variables.

3.2 Population of the Study

The target population was twelve (12) oil and gas firm listed on the Nigeria stock Exchange.

3.3 Sample Size Determination

A sample size of four (4) listed oil and gas firms on the Nigeria stock exchange were selected four (4) out of twelve (12) oil and gas firms were used because of the availability of the required data spanning a range of five years (2016-2020). The selected firms represent those that engaged in Corporate Social Responsibility. Judgmental sampling Technique were used in

selecting four (4) out of twelve (12) oil and gas firm that were used and they were all listed on the Nigeria stock Exchange.

3.4 Method of Data Collection

The research applied on secondary data in form of financial statements extracted from the annual reports of Oil firm. These annual reports were gotten from the library of the Nigerian Stock Exchange and from websites of companies used

3.5 Method of Data Analysis

The researcher makes use of three different analysis tools in his testing of hypotheses. They are

a) **T-Statistical**:-This test was used to carry out the test of individual regression coefficient. The justification of the t-statistical is that it was employed to analyze the statistical significance of the individual regression coefficient. A two-tailed test was conducted at – 5% level of significance. The null hypothesis was tested against the alternate hypothesis.

b) **Test for Goodness of Fit (R²)**:- To test for the explanatory power of the independent variables, the coefficient of determination, R² was applied the essence of the application of this statistics is that it was used to measure the explanatory power of the independent variables over the dependent variable. This statistic was used as a test of goodness of fit R² lies between zero and one. The closer R² is to 1, the greater the proportion of the variation in the dependant variable attributed to the independent variable.

c) **F-Statistical**:-To test the statistical significance of the joint force regression plane, the F-ratio were used. The test was conducted at 5% level of Significance.

t* = computed t-value

t_{0.025} = tabulated t – value

f^* = computed f-value

$f_{0.05}$ = tabulated f – value

3.6 Description of variables

We have one independent variable corporate social responsibility (CSR) and three dependent variables which are for financial performance, namely Net profit margin (NPM), Return on Assets (ROA) and Return on Equity (ROE).

1. Corporate social responsibility: The independent variable used is measured based on donations made by these oil and gas firms for the relevant years as disclosed in their annual financial reports.

2. Net Profit Margin (NPM): it is an indicator of how profitable a firm is

$$\text{NPM} = \frac{\text{Net Income}}{\text{Net Income Turnover}}$$

3. Return on Assets (ROA): This is an indicator of how profitable a firm is in relation to its total assets.

$$\text{ROA} = \frac{\text{Net Income}}{\text{Total Assets}}$$

4. Return on Equity (ROE): Measure a firms profitability by revealing how much profit the firm generates with the money shareholders have invested

$$\text{ROE} = \frac{\text{Net Income}}{\text{Shareholder's Equity}}$$

3.7 Model Specification

Model specification refers to the description of the process by which the dependent variable is generated by the independent variables (*Inyiama & Ezugwu 2016*) each model represented a given hypothesis, respectively. For hypothesis one which states that there is no positive and significant impact of corporate social responsibility on Net Profit Margin of oil and gas firms' in Nigeria, is represented as:

$$\text{NPM} = F(\text{CSR}) \text{ ----- (i)}$$

Model (i) can be further specified as:

$$\text{NPM} = B_0 + B_1, \text{ CSR} + U_t \text{ ----- (ii)}$$

For hypothesis two which states that there is no positive and significant effect of corporate social responsibility on Return on Equity of oil and gas firms in Nigeria. It is represented as:

$$\text{ROE} = F(\text{CSR}) \text{ ----- (iii)}$$

Model (iii) can be further specified as:

$$\text{ROE} = B_0 + B_1, \text{ CSR} + U_t \text{ ----- (iv)}$$

For hypothesis three which states that there is no positive and significant influence of corporate social responsibility on Return on Assets of oil and gas firms in Nigeria. It is represented as:

$$\text{ROA} = F(\text{CSR}) \text{ ----- (v)}$$

Model (v) can be further specified as: $\text{ROA} = B_0 + B_1, \text{ CSR} + U_t \text{ ----- (vi)}$

Where:

CSR – Corporate Social Responsibility

NPM – Net Profit Margin

ROE – Return on Equity

ROA – Return on Assets

CHAPTER FOUR:

DATA PRESENTATION, ANALYSIS OF DATA AND DISCUSSION OF RESULT

4.1 Data Presentation and Analysis

The study used regression model in order to provide basis for testing the three hypotheses. Simple regression model has been employed to predict the impact of the independent variable (CSR) on the dependent variable (NPM, ROE and ROA).

Table 4.1: Average values of the variables of the study as computed from Excel

S/N	Y e a r	Log C S R	N P M	R O E	R O A
1	2016	4 . 5 8 2 2	0 . 1 5 6 4	0. 15 6 4	0.0 6 0 0
2	2017	4 . 5 8 4 7	0 . 1 0 8 2	0. 1 1 9 2	0.0 5 9 7
3	2018	5 . 5 8 0 0	-1 . 7 8 9 2	- 0. 7 7 3 0	-0.01 8 5
4	2019	3 . 8 7 5 0	-1 . 6 6 1 0	- 0 . 1 8 4 8	0.0 1 9 4
5	2020	3 . 8 5 2 9	-1 . 1 7 2 3 4	- 0 . 4 7 7 8	0.0 5 5 9

Source: Researcher's computation from the Annual Reports of firms under study, 2016– 2020

Table 4.1 presents the averages values of model proxies. The data from which average were derived are in Appendix 1.

4.1: The effect of CSR accounting on NPM of oil and gas firms in Nigeria from 2020 – 2020

Table 4.2: Average percentage change in CSR accounting and NPM of oil and gas firms in Nigeria.

S/N	Y e a r	Average % change C S R	Average % change N P M
1	2 0 16	-	-
2	2 0 17	0 2 5	- 4 8 7
3	2 0 18	9 9 5	1 8 9 7
4	2 0 19	- 1 7 0 5	- 5 8 8 2
5	2 0 20	2 2 1	2 9 3

Source: Researcher’s computation using Excel

Table 4.2 represent the trend of average percentage change in CSR and NPM in Nigeria oil and change in CSR and that of NPM followed the same trend of increase / decrease over the years. Between 2016-2017, average percentage change in CSR is 0.25% while there was a negative average percentage change of -4.87% in NPM in that same period. The following periods, 2017 and 2018 has a positive percentage in terms of CSR of 9.95% and 2.21% and a negative percentage of 17.5% as of 2015 for CSR. Equally there was also positive percentage for NPM for 2018 as 18.97% and 2020 as 29.3% and also a negative percentage in 2019 of -58.82%. With the above results we conclude by saying that CSR has a positive effect on NPM of oil and Gas firms under study. This result is in line with the findings of (Amole et al, 2019) who found a positive impact of CSR on PAT.

4.3: The effect of CSR accounting on Return on Equity of oil and gas firms in Nigeria from 2016 – 2020

Table 4.3 Average percentage change in CSR accounting and ROE of oil and gas firms in Nigeria

S/N	Y e a r	Average % change C S R	Average % change N P M
1	2 0 16	-	-

2	2 0 1 7	0	2	5	-	3	7	2	0
3	2 0 1 8	9	9	5	-	6	5	3	8
4	2 0 1 9	-	1	7	0	5	-	5	8
5	2 0 1 9	2	2	1	2	9	3	0	

Source: Researcher's computation using Excel

Table 4.3 represent the trend of average percentage change in CSR accounting and ROE in Oil and Gas firms in Nigeria over the period under review. Between 2012-2013, average percentage change in CSR is 0.25% while there was a negative average percentage change of -37.20% in ROE in that same period.

The following periods, 2016 and 2018 has a positive percentage in terms of CSR of 9.95% and 2.21% and a negative percentage of 17.5% as of 2017 for CSR. Equally there was also positive percentage for ROE for 2018 which was 29.30% and also a negative percentage in 2014 and 2015 as -65.38% and -58.82%. With the above results we conclude by saying that CSR has a positive effect on ROE of oil and Gas firms under study. This result is in line with the findings of (Uadiale & Fagbemi, 2020), who found a positive relationship between CSR and ROE. This, however, contradicts the findings of (Wissink, 2012), who could not establish any relationship between CSR and ROE

4.4: The effect of CSR on Return on Assets of oil and gas firms in Nigeria from 2016 – 2020

Table 4.4 Average percentage change in CSR accounting and ROA of oil and gas firms in Nigeria

S/N	Y e a r	Average % change C S R			Average % change N P M			
1	20 1 6	-			-			
2	20 1 7	0	2	5	-	3	0	0
3	2 0 1 8	9	9	5	-	4	1	2
4	20 1 9	-	1	7	0	5	9	0
5	0 2 0	2	2	1	3	6	5	

Source: Researcher's computation using Excel

Table 4.4 represent the trend of average percentage change in CSR and ROE in Oil and Gas firms in Nigeria over the period under review .Between 2016-2018, average percentage change in CSR is 0.25% while there was a negative average percentage change of -3% in ROA in that same period. The following periods, 2014 and 2016 has a positive percentage in terms of CSR of 9.95% and 2.21%and a negative percentage of 17.5% as of 2015 for CSR. Equally there was also positive percentage for ROA for 2019 and 2020 which was 9.00% and 3.65% respectively and also a negative percentage in 201 as of -4.12%.With the above results, we conclude by saying that CSR has a positive impact on ROA of oil and Gas firms under study.

4.2 Test of Hypotheses

The hypotheses stated earlier in this research we tested using regression method. Three steps were used to test the hypotheses. In step one, the hypotheses were restated in null and alternate forms. In step two, the results were analyzed and in step three, decisions were made. The decision rule involved the rejection or acceptance of the null or alternate hypotheses based on criterion of the techniques of analysis.

Hypothesis one

Step one: Restatement of hypothesis in null and alternate forms.

Ho: There is no significant effect of corporate social responsibility accounting on net profit margin of oil and gas firms in Nigeria.

Hi: There is significant effect of corporate social responsibility accounting on Net profit Margin of oil and gas firms in Nigeria.

Decision Rule: If the coefficient estimate of CSR accounting has a positive sign and its probability less than 0.05, the null hypothesis is rejected and the alternate hypothesis is accepted. on the other hand, if the coefficient estimate of CSR does not have a positive sign and its

probability greater than 0.05, the null hypothesis is accepted and the alternate hypothesis is rejected.

Sept Two: Analysis of regression results

Table 4.5: Corporate social responsibility and net profit margin dependent variable; NPM

Method Least square

Sample (adjusted): 2 20

Included observations: 19 after adjusting end points

Variable	Coefficient	Stand. Error	t-Statistic	Prob .
C S R	0.008467	0.006647	2.273800	0.0058
C	0.085577	0.014016	6.105532	0.0000

R- squared	0.716452	Mean dependent variable	0.098586
Adjusted R-squared	0.606313	Standard dev, dependent variable	0.095821
S.E of regression	0.095518	Akaike info criterion	1.839008
Sum square resid	0.884998	Schavarz Criterion	1.786582
Log likelihood	93.03092	F-statistic	1.622567
Durbin-Watson stat	2.710260	Prob (F-statistic)	0.205778

Source: Researcher’s E-view Results.

Table 4.5 shows the result of the simple regression analysis of the effect of Corporate Social Responsibility accounting on Net profit margin of Oil and Gas firms in Nigeria from 2016-2020. The coefficient of determination R SQUARE which measures the goodness of fit of the model, indicates that 72% of the variations observed in the dependent variable were explained by the independent variable. This was moderated by the Adjusted RSQUARED of 61% . The result shows that Corporate Social Responsibility accounting has a positive and significant effect on Net profit margin of the Oil and Gas firms in Nigeria (a= 0.008,p=0.005<0.05).

Since the coefficient estimate of Corporate Social Responsibility is positive, null hypothesis is rejected and alternate accepted. Thus, CSR has positive and significant impact on Net profit margin of Oil and Gas firms in Nigeria.

Test of Hypothesis Two

Step one: Restatement of hypothesis in null and alternate forms.

Ho: There is no significant effect of corporate social responsibility accounting on return on equity of oil and gas firms in Nigeria.

Hi: There is significant effect of corporate social responsibility accounting on return on equity of oil and gas firms in Nigeria.

Decision Rule: If the coefficient estimates of Corporate Social Responsibility accounting has a positive sign and it's probability less than 0.05, the null hypothesis is rejected and the alternate hypothesis accepted. On the other hand, if the coefficient estimate of Corporate Social Responsibility accounting does not have a positive sign and it's probability greater than 0.05, the null hypothesis is accepted and the alternate rejected.

Step Two: Analysis of Regression Result

Table 4.6: Corporate social responsibility and Return on Equity(ROE)

Dependent Variable: ROE

Method Least square

Sample (adjusted): 2 20

Included observations: 19 after adjusting end points

Variable	Coefficient	Stand. Error	t-Statistic	Prob .
C S R	0.004710	0.005809	2.810839	0.0194
C	0.075514	0.012250	6.164693	0.0000
R- squared	0.566732	Mean dependent variable		0.082751
Adjusted R-squared	0.453508	Standard dev, dependent variable		0.083332
S.E of regression	0.083478	Akaike info criterion		2.108480
Sum square resid	0.675947	Schavarz Criterion		2.056053
Log likelihood	21.3698	F-statistic		3.657459
Durbin-Watson stat	2.86316	Prob (F-statistic)		0.419443

Table 4.6 shows the result of the simple regression analysis of the effect of Corporate Social Responsibility accounting on Return on Equity of Oil and Gas firms in Nigeria. The coefficient of determination R², which measures the goodness of fit of the model, indicates that 57% of the variations observed in the dependent variable were explained by the independent variable. This was moderated by the Adjusted R² of 45%.The results shows that Corporate Social Responsibility accounting has a positive and significant effect on Return on Equity of Oil and Gas firms in Nigeria (a=0.004,p=0.02<0.05).

Test of Hypothesis Three

Step one: Restatement of hypothesis in null and alternate forms.

Ho: There is no significant effect of corporate social responsibility accounting on return on assets of oil and gas firms in Nigeria.

Hi: There is significant effect of corporate social responsibility accounting on return on assets of oil and gas firms in Nigeria.

Decision : If the coefficient estimates of Corporate Social Responsibility accounting has a positive sign and it's probability less than 0.05, the null hypothesis is rejected and the alternate

hypothesis accepted. On the other hand, if the coefficient estimate of Corporate Social Responsibility does not have a positive sign and its probability greater than 0.05, the null hypothesis is accepted and the alternate rejected.

Step Two: Analysis of Regression Result

Table 4.7: Corporate social responsibility and Return on Asset(ROA)

Dependent Variable: ROA

Method Least square

Sample (adjusted): 2 20

Included observations: 19 after adjusting end points

Variable	Coefficient	Stand. Error	t-Statistic	Prob .
C S R	10.64438	5.085600	2.093044	0.0390
C	39.14476	10.72404	3.650189	0.0004
R- squared	0.743212	Mean dependent variable		0.279010
Adjusted R-squared	0.633348	Standard dev, dependent variable		0.198187
S.E of regression	73.08195	Akaike info criterion		11.44104
Sum square resid	518074.3	chavarz Criterion		11.49346
Log likelihood	2.661457	F-statistic		4.380833
Durbin-Watson stat	3.307798	Prob (F-statistic)		0.038955

Source: Researcher's E-view Results.

Table 4.7 shows the result of the simple regression analysis of the effect of Corporate Social Responsibility accounting on Return on Assets of Oil and Gas firms in Nigeria. The coefficient of determination R², which measures the goodness of fit of the model, indicates that 74% of the

variations observed in the dependent variable were explained by the independent variable. This was moderated by the Adjusted R² of 63%.The results shows that Corporate Social Responsibility has a positive and significant effect on Return on Assets of Oil and Gas firms in Nigeria ($a=0.004,p=0.02<0.05$).

Decision: Since the coefficient estimate of Corporate Social Responsibility accounting is positive, the null hypothesis is rejected and the alternate accepted but with the provision of probability value being less than 0.05, we conclude therefore, that Corporate Social Responsibility has a positive and significant effect on Return on Assets of the Oil and Gas firms in Nigeria.

4.3 Discussion of Findings

- i. The findings indicate that the coefficient of determination R SQUARE which measures the goodness of fit of the model, indicates that 72% of the variations observed in the dependent variable were explained by the independent variable. This was moderated by the Adjusted RSQUARED of 61% . The result shows that Corporate Social Responsibility accounting has a positive and significant effect on Net profit margin of the Oil and Gas firms in Nigeria ($a= 0.008,p=0.005<0.05$).
- ii. The findings also indicates that the coefficient of determination R², which measures the goodness of fit of the model, indicates that 57% of the variations observed in the dependent variable were explained by the independent variable. This was moderated by the Adjusted R² of 45%.The results shows that Corporate Social Responsibility accounting has a positive and significant effect on Return on Equity of Oil and Gas firms in Nigeria ($a=0.004,p=0.02<0.05$).

iii. Table 4.7 shows the result of the simple regression analysis of the effect of Corporate Social Responsibility accounting on Return on Assets of Oil and Gas firms in Nigeria. The coefficient of determination R², which measures the goodness of fit of the model, indicates that 74% of the variations observed in the dependent variable were explained by the independent variable. This was moderated by the Adjusted R² of 63%. The results shows that Corporate Social Responsibility has a positive and significant effect on Return on Assets of Oil and Gas firms in Nigeria ($\alpha=0.004, p=0.02 < 0.05$).

CHAPTER FIVE

SUMMARY OF FINDINGS, CONCLUSION AND RECOMMENDATIONS

5.1 Summary of the findings:

- i. CSR accounting has a positive and significant effect on Net profit margin of oil and gas firms in Nigeria.
- ii. CSR accounting has a positive and significant effect on Return on Equity of oil and gas firms in Nigeria.
- iii. CSR accounting has a positive and significant effect on Return on Assets of oil and gas firms in Nigeria.

5.2 Conclusion

The issue of corporate social responsibility has dominated the academic literature in recent times in a bid to show that the single monolithic view of profit making at the expense of other goals by firms is biased. The emphasis now is on the achievement of sustainable development by ensuring performance across three dimensions: economic, social and environmental.

In broad terms, this study has showcased the relationship between corporate social responsibility (CSR) and profitability of companies. The emphasis on improved financial performance at the

expense of social and environmental demands has increasingly been criticized. Nowadays, managers are increasingly being held accountable for the impact of corporate activities on the environment. The issue of corporate social responsibility demands that corporations should be actively involved in activities that improve the lifestyle of their immediate communities. Thus, for corporations to survive managers need to redirect their attention to socially and environmentally directed goals.

Our study has contributed to the CSR research stream by making use of both a quantifiable measure of CRS (expenditure) and a qualitative measure (using GRI) and how the two variables (disclosure and expenditure) interact in explaining corporate financial performance.

The researcher concludes that CSR has a positive effect on financial performance of oil and gas firms in Nigeria

5.3 Recommendations

Based on this findings, the study recommends the following:

- a. All stakeholders should ensure that they encourage oil and gas firm to have serious commitment towards CSR accounting as this has provided to add value to their investment and this will also has a positive and significant effect on Net profit margin of oil and gas firms in Nigeria.
- b. It is important for managers to consider CSR accounting initiatives in the light of the firm's corporate abilities and by so doing it will have positive and significant impact on return on equity of oil and gas firms in Nigeria.
- c. Finally, oil and gas firm in Nigeria should realize that part of their social responsiveness is that of relating its operations and policies to the social environment in ways that are

mutually beneficial to the Company and Community so that CSR accounting will have positive and significant effect on Return on Assets of oil and gas firms in Nigeria.

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Appendix 1

: NPM, ROE, and CSR of the oil and gas from under study

S/ N	Firm	Year	NPS	ROE	ROA	CSR ₦
1	ETERNAL PLC	2012	0.0085	0.1260	0.1430	3,650,000
2	ETERNAL PLC	2013	0.0060	0.0882	0.1230	3,500,000
3	ETERNAL PLC	2014	0.0152	0.1571	0.1883	2,800,000
4	ETERNAL PLC	2015	0.0136	0.1365	0.1539	3,400,000
5	ETERNAL PLC	2016	0.0142	0.1457	0.1919	3,324,000
6	MRS OIL NIGERIA PLC	2012	0.0026	0.0110	0.0166	2,200,000
7	MRS OIL NIGERIA PLC	2013	0.0072	0.0323	0,0465	2,190,000
8	MRS OIL NIGERIA PLC	2014	0.0081	0.0369	0,0508	1,200,000
9	MRS OIL NIGERIA PLC	2015	0.0107	0.0446	0,0598	5,373,000
1 0	MRS OIL NIGERIA PLC	2016	0.0134	0.0661	0,0861	768,500
1 1	OANDO PLC	2012	0.5951	0.0762	0.0193	173,438,302
1 2	OANDO PLC	2013	0.3995	0.0222	0.0089	130,302,238
1	OANDO PLC	2014	-7.2024	-	-0.3684	162,772,763

3				3.6181		
1 4	OANDO PLC	2015	-6.6922	- 1.2247	-0.1953	93,840,486
1 5	OANDO PLC	2016	-6.9729	- 2.7509	0.1626	145,223,688
1 6	TOTAL NIGERIA PLC	2012	0.0214	0.0133	0	4,000,000
1 7	TOTAL NIGERIA PLC	2013	0.0202	0.3340		34,346,514. 90
1 8	TOTAL NIGERIA PLC	2104	0.0220	0.3321		56,428,951
1 9	TOTAL NIGERIA PLC	2015	00.238	0.0304 6		523,84,990
2 0	TOTAL NIGERIA PLC	2016	0.0509	0.0627 8	0.1081	4,799,000

Source: Researcher's computation from Annual Reports of firms under study, 2012-2016