# AMNESTY, CORPORATE SOCIAL RESPONSIBILITY AND FINANCIAL PERFORMANCE OF LISTED DOWNSTREAM OIL COMPANIES IN NIGERIA

**BY**

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**(MSC/ADMIN/2922/2011-2012)**

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## Declaration

I declare that the work in this dissertation entitled "Amnesty, Corporate Social Responsibility and Performance of Downstream Listed Oil Companies in Nigeria" has been performed by me in the Department of Accounting. The information derived from literature has been duly acknowledged in the text and a list of references provided. The work has not been presented for another degree or diploma at this or any other institution.

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## Certification

This dissertation entitled ‘‘Amnesty, Corporate Social Responsibility and Financial Performance of Downstream Listed Oil Companies in Nigeria’’ by Sybil Chikaodili, UWAKWE meets the regulations governing the award of the degree of Master of Science (MSc) in Accounting and Finance of Ahmadu Bello University, Zaria and is approved for its contribution to knowledge and literary presentation.

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I dedicate this dissertation work to Almighty God who in His infinite love and mercy gave me Grace to conduct this study successfully.

## Abstract

In 2009, the federal government of Nigeria launched its amnesty programme for Niger Delta region of the country to address the concerns of the communities that host the oil and gas companies operating in the country. One of the matters arising since the launching is whether the programme has helped in the restoration of peace and security in the region to enable the companies operate optimally, realise their full potentials and increase their productivity and consequently their financial performance. Another question relates to the extent to which the programme motivates the companies to make more effort to satisfy the communities through increased corporate social responsibility (CSR) activities. This study examined the effect of amnesty and CSR on the financial performance of listed downstream oil companies in Nigeria. The study formulated three hypotheses with the third hypothesis focusing on the moderating effect of firm size on the extent to which amnesty and CSR affect the financial performance of the companies over the period of 10 years from 2004 to 2013. The robust regression result based on the annual data collected from five (5) companies revealed that both amnesty and CSR have significant effect on the financial performance of the companies. The result also revealed a high level of interacting effect of size on amnesty and CSR. Based on the findings, the study recommended among other things that the federal government should continue with the implementation of the amnesty programme and initiate even other similar interventions as means of maintaining or restoring peace within the Niger Delta and other regions of the country where such interventions are needed. The study also recommended that the management of oil companies should continue to execute more CSR programmes in order to guarantee safety and security of personnel and equipment that are used to generate higher profits.

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# CHAPTER ONE

# INTRODUCTION

## 1.1 Background to the study

The Niger Delta region of Nigeria, which is richly endowed with crude oil, and also known for its gas, wealth of hydrocarbon and water resources had suffered the effect of oil exploration with its attendant environmental degradation for years due to the activities of multinational oil companies in the region. It is argued that the companies have over the years exploited the widespread ignorance of the people of the region about the obligation for them to be socially responsible. Consequently, until the late 2000s, the rich natural endowment was not seen to have translated into concrete development in the region.

However, as the Niger Delta Environmental Survey of 1992 indicated, while the exploitation was going on, the people in the region were becoming increasingly enlightened about their rights as citizens, in the same vein that they were increasingly aware of how much is derived from their communities as oil revenues both for the government and the multinational oil corporations (Niger Delta Survey, 1992). Thus, as their business activities continue to expand and their sizes increase, the companies were confronted with issues related to sustainable development in the region through Corporate Social Responsibility (CSR). The call for CSR was premised on the fact that corporations that align business interests with community interests in terms of CSR objectives can minimize the risks and liabilities associated with operating in culturally different regions from their homes countries (Bertels & Vredenburg, 2004; Grossman, 2005; Lipineux, 2005; Thompson, 2005; Porter & Kramer, 2006).

Corporate social responsibility connotes the commitment of companies towards encouraging community growth and development and voluntarily eliminating practices that are not in accordance with public interest. It is thus the deliberate inclusion of public interest into corporate decision making and the honoring of a triple bottom line: People, Planet and profit (Solihin, 2009). It is believed that if corporations or businesses establish an understanding with host community where such businesses are located, an understanding anchored on the protection of the people from the adverse effects or impacts of its activities, this will further enhance the operation of such companies in the organization. However, oil companies in the Niger Delta have been found to be practicing CSR in the form of donations and charitable concerns to less privileged, contributions, sponsorship and charitable gifts devoid of consideration of their different sizes and scope of activities instead of long lasting CSR programmes.

The host communities on their part perceived those donations as not sufficient but deceptive and destructive to the environment compared to the damage being caused by the companies especially those with expanded scope of activities. According to the host communities, the region has over the years been deprived of its resources that were expected to bring about good life to its inhabitants (Inokoba and Imbua, 2008:647). Prior to the discovery and exploration of oil and gas resources in the region, the primary occupation of the people was fishing and farming. It was however noted that oil activities have destroyed the subsistence economy of the people and the environment suffers degradation occasioned by oil spillages has made life extremely difficult for the local people. (Fedelis & Kimiebi, 2011).

This consequently affected the livelihood support system of the inhabitants; the people continue to live in poverty and famine. As a response, some of their youth formed militant groups that embarked on disruption of crude oil and gas installations, production obstruction and kidnapping of foreign oil company personnel. The actions of the militia led to violent conflict in the region and posed threats to the oil sales, and in turn reduced drastically the oil revenue to the government.

Various strategies were devised by the companies and the federal government to enthrone peace in the region. The companies began to spend large amount of money according to their size and scope of operations in order to hire security operatives to safeguard their facilities and personnel from attacks by the Niger Delta militia, while government expends huge amount of money in peace maintenance in the region. Despite the huge expenditure, peace could not be restored in the region and oil revenue continues to decline.

In order to resolve the conflicts, President Umaru Musa Yar'Ádua introduced Amnesty programme in 2009. The program was designed in four phases starting with pardoning the militants for them to willingly renounce violence, followed by disarmament, rehabilitation and reintegration (DRR) of the militias. The essence of the programme was to change the mindset of the militants and facilitate their adjustment to normal civil life. The hitherto militants were therefore equipped in different areas of skills and entrepreneurship in the orientation and rehabilitation camp in Obura in Cross River state. The quantity of crude oil production for example jumped from 0.80 million barrels in 2008 to over 1.6 million barrels from second quarter of 2010 (Ambily, 2012). Thus the programme created a conducive atmosphere and peaceful environment that present an opportunity for oil companies to enhance their production, increase their profitability and consequently carry out more CSR activities for the betterment of the region. Furthermore, as the various oil companies are of varying sizes, the extent of their damage to the host communities varies as well, hence the need for the Amnesty policy benefits to be commensurate to damages caused as well as the need for the companies to increase their CSR activities. In view of the mixed feelings with which the host communities received the amnesty policy from the time it was launched (Fidelis & Kimiebi, 2011), a study on the effect of the intervention on the CSR activities and consequently performance of the oil company is considered imperative.

Many empirical studies have been conducted on CSR and its impact on the performance of firms largely in developed countries and relatively in developing countries. The studies have however yielded mixed results (Friedman, 1970; Bragdon and Marlin, 1972; Klassen and McLaughlin, 1996; Cordeiiro and Sarkis, 1997; Wright and Ferris, 1997; Orlitzky et al., 1997; Bird et al., 2007; Arago´ n-Correa et al., 2008; Nicolau, 2008). This could be attributed to methodological issues such as model specifications and choice of variables, or domain; or due to CSRs measurement challenge as captured in the findings of literature review of CSR and financial performances. According to the literature, measuring CSR has always been a difficult undertaking as there is no consensus about which measurement tool is the best to apply. In addition, the studies seem to focus more on the manufacturing sector, perhaps in view of the nature of its multi-scale activities and the effect of the activities on the society. The mixed results documented in the literature have created a motivation for further research.

## 1.2 Statement of the Problem

CSR has been a subject of debate especially in the oil producing and refining communities of the Niger Delta region of Nigeria. Prior to the launching of the Amnesty policy, the relationship between oil companies and some of their host communities was not cordial owing to different perceptions of the role that the oil companies are expected to play in the development process of their host communities and on the contrary the extent of environmental degradation they have visited on the host community. On the one hand, the host communities claim that oil companies are not doing enough considering the amount of oil wealth taken away from their lands. On the other hand, oil companies feel that they are doing enough and, have, even gone beyond the realm of normal corporate social responsibility. The oil companies as stated by chevron claimed to have implemented several projects in the host communities as part of their Corporate Social Responsibility. The claims include: construction of hospitals, roads and schools, providing portable water, electricity, sponsorship, scholarships and; supportive health campaign programmes among others. However the host communities in Niger Delta seem not to have accredited these acclaimed community development projects by oil companies as they continue in their hostile disposition to the companies (Alabi, 2012). It was in the face of this controversy that Amnesty was introduced as an intervention policy by the government in 2009 in order to resolve the crisis that affected in no small measure the level of activities of the firms. The introduction of the policy, which was due largely to the activities of the militants in the Niger Delta who felt that the region was ignored by both the oil companies and the government despite the hazards facing them as a result of the activities of the companies, was a reconciliatory approach to the crisis. The policy was therefore meant to pacify the host communities and alleviate their sufferings and at the same time create a peaceful and conducive atmosphere for the oil companies to continue with their activities.

With the policy now going into its six years, an empirical study of its effect on the performance of the oil companies is desirous. Incidentally, while attempts have been made by researchers to study the relationship between CSR and performance as found in the works of Williams (2006) and Amaeshi, Olufemi, Adi and Ogbechie (2006), they did not incorporate the amnesty programme to address its effect on the financial performance of oil and gas companies. Of recent few others attempted to study the dimension of the crisis in the Niger Delta even after the introduction of the Amnesty policy but resorted to the opinions and perceptions of either the host communities or staff of the companies. To the best of the researcher's knowledge, no effort has been made to empirically study the effect of the policy on the activities of the oil companies on the one hand, and on the other hand, the combine effect of Amnesty and corporate social responsibility on the financial performance of the firms. This study is therefore a modest effort to study an area that attracts little or no attention in Nigeria.

## 1.3 Research questions

The study sought to answer the following questions:

i. What is the impact of amnesty programme on financial performance of firm listed downstream oil and gas companies of Nigeria?
ii. To what extent does corporate social responsibility on financial performance of listed downstream oil and gas companies of Nigeria?
iii. To what extent does size moderate the effect of CSR and amnesty on the financial performance of listed downstream oil and gas companies of Nigeria?

## 1.4 Objectives of the study

The overall objective of this study is to examine the impact of CSR and Federal government amnesty on the financial performance of listed downstream oil companies in Nigeria. Specifically however, the study seeks to:

i. assess the impact of amnesty programme on financial performance of listed downstream oil and gas companies of Nigeria.

ii. determine the effect of CSR on financial performance of listed downstream oil and gas companies of Nigeria.

iii. examine the extent to which size moderate the effect of CSR and amnesty on financial performance of listed downstream oil and gas companies of Nigeria.

### 1.4 Research Hypotheses

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

$H0_1$: Amnesty has no significant impact on financial performance of listed downstream oil and gas companies of Nigeria.

$H0_2$: CSR does not significantly affect the financial performance of listed downstream oil and gas companies of Nigeria.

$H0_3$: Size has no significant moderating effect on the relationship between CSR and amnesty and the financial performance of the oil and gas companies of Nigeria.

### 1.5 Scope of the study

This study focuses on the effect of CSR and federal government amnesty on the financial performance of listed downstream oil companies in Nigeria. The study covers ten (10) years from 2004 to 2013 with 2004-2008 and 2009-2013 representing before and after amnesty programme respectively. The choice of the period is predicated upon the statement below; it allows analysis of the relationship between the dependent and independent variables over a relatively reasonable period of pre and post.

The oil sector was chosen as the domain focusing on the amnesty program and the oil and gas sector. This was considered imperative owing to the fact that the study concentrated on the area.

### 1.6 Significance of the study

The need for government intervention through Amnesty for the host communities of Nigerian petroleum companies is not only important but necessary in view of the role that petroleum companies play in the national economy. A research work of this nature will be useful to all stakeholders in the oil and gas companies. The results of the study will be important to investors in understanding whether or not amnesty has enhanced the operations of the oil and gas companies and the impact of corporate social responsibility on their performance.

Oil companies will also find this study useful as it will assist them in making informed managerial decisions as regards to the welfare of their immediate community in which they operate, which will further enhance a more peaceful environment and improve their performance. The findings will be useful in understanding the extent to which CSR practices affect the performance of oil and gas companies in Nigeria. In addition, Government will find the outcome of this study useful in a number of ways. It will inspire policy makers to attend to issues that could bring unrest and setback and consequently affect the economy of the nation. It will also guide the National Oil Spill Detection and Response Agency (NOSDRA) on the needs of the Niger Delta Communities and other similar regions that might unfold.

# CHAPTER TWO

# LITERATURE REVIEW

## 2.1 Introduction

This chapter provides the conceptual framework of the study and reviews relevant literature and empirical studies on the relationship between corporate social responsibility, amnesty policy, and firm performance. The chapter discusses the theoretical framework that underpins the research.

## 2.2 The Concept of Corporate Social Responsibility

According to the World Business Council for Sustainable Development, CSR is a business commitment to give a contribution for continuous economic development, working ethically with employee and their family, local community, and society in order to reach a good line. In this context, CSR encompasses the activities undertaken by corporations to facilitate economic development (Anderson & Bieniaszewska, 2005). Other authors have used CSR as a broad term encompassing corporate citizenship, corporate accountability, philanthropy, increasing shareholder value, or corporate participation in sustainable development (Amba-Rao, 1993; Frynas, 2005; Valor, 2005). CSR refers to relationships between corporation and all stakeholders, including customers, employees, investors, suppliers, government, and even their competitors. The concept was built around what is popularly known as 3P (profit, people, planet) introduced by Solihin (2009). It is premised on the notion that business objective is not merely for profit but also for welfare of people and to ensure sustainability of this planet. From a moral point of view, CSR broadly represents the relationship between a company and the principles expected by the wider society within which it operates. It assumes businesses recognize that profit oriented entities do not exist in a vacuum and that a large part of their success comes as much from actions that are congruent with societal values as from factors internal to the company.

Corporate social responsibility therefore is the continuing commitment by business to conduct themselves ethically and add to economic development while improving the quality of life of the workforce, and their family as well as the local community and the society at large. It is measured on the philosophy that businesses as natural or artificial persons should take decisions that are considered in deed to be in the interest and benefit of a large number of people hence have respect for the fundamental rights of the public of the organization. In today's globalizing world, where individuals and activist organizations feel empowered to enact change, CSR represents a means of anticipating and reflecting societal concerns to minimize operational and financial constraints on business. It adds value because it allows companies to reflect the needs and concerns of their various stakeholder groups. By doing so, a company is more likely to retain its societal legitimacy and maximize its financial viability over the medium to long term.

There are numerous ways of implementing CSR by an organization. CSR practices can address environmental issues, social issues or both. The implementation can be done by integrating CSR in the business or it can be run as a project. Sometimes there are CSR strategies and policies framing the CSR agenda, sometimes there are not. (Löhman & Steinholtz, 2003) quoting World Business Council for Sustainable Development states that "an active CSR work might include areas such as:

i. The management of the organization clearly declares its views and obligations towards the society and its stakeholders

ii. The organization develops and implements clear policies
iii. The organization has rules for purchasing, including social and environmental concerns
iv. The organization reduces its "ecological footprints", both in production and in the process of production
v. The organization has objectives with regard to environmental and social concerns
vi. The organization shows an active engagement with regard to the development of its local society.
vii. Consumers are educated in how products ought to be used
viii. The organization informs about all its different business areas in a transparent manner "

Social responsibility as the thrust of corporate social responsibility guides businesses to ethical decisions that insulate the businesses and their operations from government agencies' direct regulations. The areas of responsibility according to Ferrell and Fracedrich (1997) and Kalishi (2001) can be categorized as economic; legal; ethical and voluntary responsibilities respectively. Economic responsibilities relate more to production of goods and services needed for exchange and transaction purposes at fair prices for the satisfaction of corporate profit objectives as obligation to investors through the satisfaction of identified target market. Legal responsibilities impose obligations to respect statutes and regulations of government. Ethical responsibilities expect businesses to acknowledge and observe to meet other societal expectations that are not expressly stated as part of documented law; while the voluntary responsibilities are additional behaviors' and activities that society finds desirable and that the value of the business dictate

(Bateman & Snell, 1999). CSR as a universal set can be "negative" to the extent that it places obligation on the natural or artificial personalities to refrain from acting (resistance) or "positive" as obligation to act (proactive stance) is placed on the personalities. Hence social responsibility activities span beyond recycling wastes (residuals) for re-use, volunteering and monitoring as routine events to allowing these activities form corporate lifestyle as influenced by top management philosophies.

### 2.3 History of Oil and Gas CSR in Nigeria

CSR initiatives in the Niger Delta go back to the 1960s and 1970s, when the first wave of transnational oil corporations started oil exploration and production in the region. The Royal/Dutch Shell company, operating under the Shell Petroleum Development Company (SPDC) of Nigeria, began commercial production of oil in the Niger Delta in 1958 (Ukeje, 2004) in Ogula, (2012). The company extracts more than half of Nigeria's crude oil (Watts, 2007). SPDC, Exxon-Mobil, Chevron-Texaco, Agip, and Elf operate over 5,284 oil wells and thousands of miles of pipelines traversing the entire Niger Delta region (Ghazvinian, 2005; Ikelegbe, 2006; Ite, 2004; Watts, 2007). The industry expanded in the 1990s, attracting new entrants such as the Statoil/BP Alliance, Total Nigeria, Amoco, Conoco, and Abacon. SPDC, the oldest oil company in the region, started operations in the 1930s; Chevron, Texaco Overseas, Elf and Philip came later in the 1960s; and Pan Ocean Oil and Agip arrived in the 1970s (Evuleocha, 2005; Idemudia & Ite, 2006).

In the past half of a century, SPDC and other oil companies have adopted various CSR strategies. Some of the strategies adopted include philanthropic projects and scholarship awards, cash payments, agricultural projects, schools, healthcare centers, and roads. Several problems suggest that these measures were inadequate over the long term. First, the approach to CSR adopted by SPDC and other oil companies seem to be predicated on the primacy of business objectives and focused on fulfilling only the most minimal ethical obligations. Underlying this approach is the assumption that the economic goals of business are incompatible with the developmental aspirations of the local communities. Reliance on this narrowly defined business focus prevented the oil companies from taking proactive steps in designing and implementing CSR programs. In sum, despite millions of dollars invested in community help projects, CSR practices in the Niger Delta were perceived by observers the communities as cosmetic attempts to act in a socially responsible manner or actions taken only to protect the companies' reputations (Ite, 2004).

Second, CSR projects were not designed to address urgent economic, environmental and social problems. For example, SPDC's gifts of schools and healthcare facilities were presented as one-time offers instead of as sustainable projects (Ite, 2004). Ad hoc implementation of CSR projects and the failure of the Nigerian government to respond to the needs of the region left the burden of dealing with the negative consequences of oil extraction on the communities (Evuleocha, 2005; Idemudia & Ite, 2006).

Third, the integration of community development and self-help projects in CSR strategy in the Niger Delta did not occur until the mid-1990s. The evidence suggests that early attempts at community help projects and infrastructure development were reactive (Ite, 2004). The oil companies integrated CSR into corporate strategies only when hostility against the companies intensified.

Fourth, the lack of a coordinated strategic approach to the implementation of CSR produced uneven results that had little impact on the people of the Niger Delta (Idemudia & Ite, 2006). The millions of dollars spent on scholarships, schools and agricultural extension projects have had no impact on poverty alleviation or the socio-economic development of the region. The absence of a comprehensive emergency response plan to address oil spills in the region illustrates this point. The oil companies' response to such environmental disasters rarely extends beyond the villages in the vicinity to communities downstream where farmlands and rivers have been equally ruined. The oil companies have also made effort to extend CSR projects to the poorest and most ecologically devastated communities in the region (Evuleocha, 2005).

CSR practice in the oil industry has evolved, and for the most part, has integrated into a corporate strategy (SPDC, 2004, Idemudia & Ite, 2006, Idemudia, 2007a ;). The change in strategy is evident in SPDC's shift in CSR policy from community development to sustainable community development (SCD) (SPDC, 2004). SCD was adopted as a new strategy to improve company-community relations in the Niger Delta (SPDC, 2004, 2005). SPDC's new approach emphasized strategic partnerships with the government, international development agencies, and the communities. To demonstrate commitment to SCD, SPDC in partnership with Nigerian National Petroleum Corporation (NNPC) allocates large sums of money annually to build roads, water, healthcare, education and other programs. Chevron-Texaco, Exxon-Mobil and other oil companies have embraced the use of global memorandum of understanding (GMOUs) to provide development projects in return for a peaceful and secure operating environment (Amnesty International, 2005).

Corporate Social Responsibility relates to ethical and sensitive behavior by organizations towards social, cultural, economic and environmental issues (ISO, 2006). Thus, for efficiency in the practice of corporate social responsibility, firms must assess the impact of their operations on the host community and must be willing to plan and execute actions that will ensure minimal negative impacts of their activities on the environment. In the case of the Niger Delta, the oil exploration especially the spills and other environmental threats associated with oil in the region have tremendously caused disruption of the ecosystem stability and traditional livelihood structures of the host communities (Zabbey, 2005).

The demand for a reverse of this damages and ecological disruption is the cause of conflict between oil exploration firms and their host communities. This is especially so because the oil firms had erroneous presumption that as long as they have been able to satisfy the conditions of issuance of operational licenese and the subsequent payment(s) of various taxes to the Federal Government of Nigeria (FGN), then they have no obligation to develop oil producing communities with the apparent near-zero level of corporate responsibility (Zabbey, 2008). So while the companies maintain the view that it is the function of government to ensure that life in the oil producing areas is improved, the host communities assert that the oil TNCs owe their hosts pay back development and alternative means of livelihood, having exploited their wetlands that were in the end transformed to or abandoned as wetlands (Zabbey, 2009). The management of these parallel concepts of optimization of benefits to the TNCs, government and the Niger Delta people was viewed as the hallmark of corporate social responsibility, especially as it ensures that the TNCs retain the social license of operation issued by their host communities.

## 2.4. The Concept and History of Amnesty

The American Heritage Dictionary of the English Language, Fourth Edition (2000) defines "amnesty" as a general pardon, especially for offences against a government (or for political offenses). It is a period during which a law is suspended to allow offenders to admit their crime without fear of prosecution. It could also refer to a situation or initiative where individual are encouraged to turn over illicit arms to the authority. Amnesty according to Legal dictionary is the action of a government by which all persons or certain groups of persons who have committed a criminal offense usually of a political nature that threatens the sovereignty of the government (such as edition or treason) are granted immunity from prosecution. It allows the government of a nation or state to "forget" criminal acts, usually before prosecution has occurred. It has traditionally been used as a political tool of compromise and reunion following a war. An act of amnesty is generally granted to a group of people who have committed crimes against the state, such as treason, rebellion, or desertion from the military.

Amnesty is usually granted because the war or other conditions that made the acts criminal no longer exist or have faded in importance. An amnesty is therefore, an exoneration and pardon from punishment for certain criminal, rebel and insurgent actions committed usually against the state and society. It is a law backed by policy that has a specified period of time for the assumed offenders to admit the offence and accept pardon. It guarantees an interregnum of peace, cessation of hostility and a state of unsecured quiet which necessitates a post conflict scenario for peace building.

The history of amnesty dates back to 403 B.C. according to Greek and Roman law. One of the documented ones was the long-term civil war in Athens which was ended after a group dedicated to reuniting the city took over the government and arranged a general political amnesty. The amnesty which was affected by loyalty oaths was taken by all Athenians, and only later made into law. The amnesty proclaimed the acts of both warring factions officially forgotten. The amnesty which was also known as the Act of Oblivion was specifically to heal the wounds resulting for the civil war between democrats and oligarchs. The amnesty prevented the prosecution of those who were considered political enemies having supported the reign of the thirty. Athenians jurors were required to swear “we will remember past offences no more.” The amnesty of 403 BC was passed by majority vote and affected almost everyone that participated in the war.

In Nigeria, President Umaru Musa Yar’Adua, following his inauguration in May 2007, promised to address the Niger Delta conflicts, and so recognised it in his seven-point agenda. In fulfilment of his promise, the late President, in line with the suggestion of the Niger Delta elders (Obi & Rustad, 2011) inaugurated the Technical Committee on the Niger Delta. The 45-member Committee was inaugurated on 8th September, 2008 to collate and review all past reports on Niger Delta, appraise their recommendations and make other proposals that will help the Federal Government to achieve sustainable development, peace, human and environmental security in the Niger Delta Region.

The Committee submitted its report on 1st of December 2008 (Mitee, 2009) in Oluduro and Oluduro (2012). The Committee’s recommendations include appointing a mediator to facilitate discussions between government and militants; granting of amnesty to some militant leaders; launching a disarmament, demobilization and rehabilitation campaign, and increase in the percentage of oil revenue to the Delta to 25 percent from the current 13 percent; establishing regulations that compel oil companies to have insurance bonds; making the enforcement of critical environmental laws a national priority; exposing fraudulent environmental cleanups of oil spills and prosecuting operators, ending gas flaring by 31st December 2008 as previously ordered by the Federal Government (Report of the Technical Committee on the Niger Delta, 2008).

In line with the determination of the government to address the Niger Delta problem, the government partly yielded to the report of the Technical Committee by setting up a Presidential Panel on Amnesty and Disarmament of Militants in the Niger Delta on the 5th of May, 2009 to implement the recommendation concerning the granting of amnesty to Niger Delta militants. In its recommendations, the Panel set out the terms, procedures and processes of the grant of an amnesty to the Niger Delta militants. Accepting the recommendations, President Umaru Yar'Adua pursuant to section 175 of the 1999 Constitution of Nigeria granted 'amnesty and unconditional pardon to all persons who have directly or indirectly participated in the commission of offences associated with militant activities in the Niger Delta' (Vanguard, 2009). Under Section 175, the President may, after consultation with the Council of State (a) grant any person concerned with or convicted of any offence created by an Act of the National Assembly a pardon, either free or subject to lawful conditions; (b) grant to any person a respite, either for an indefinite or for a specified period, of the execution of any punishment imposed on that person for such an offence; (c) substitute a less severe form of punishment for any punishment imposed on that person for such an offence; or (d) remit the whole, or any part of any punishment imposed on that person for such an offence, or of any penalty, or forfeiture otherwise due to the State on account of such an offence.

The amnesty which was unveiled on 25th June, 2009 was scheduled to run between 6th August to 4th October, 2009, that is, a 60 day period; and was 'predicated on the willingness and readiness of the militants to give up all illegal arms in their possession, completely renounce militancy in all its ramifications unconditionally, and depose to an undertaking to this effect'. During the declaration, the President acknowledged the fact that the challenges in the Niger Delta arose as a result of the inadequacies of the previous attempts at meeting the yearnings of the people of the region, which thus led to the restiveness witnessed in the Niger Delta (Oladuro & Oladuro, 2012). The high incidence of violence in the Delta led to the amnesty initiatives. For instance , according to Oladuro & Oladuro, 'in the first nine months of the year 2008, about 1,000 people lost their lives, 300 were taken hostage and the government lost $23.7 billion to attacks, oil bunkering and sabotage (Report of the Technical Committee on the Niger Delta, 2008)''.

Apart from the inability of Nigerian government to meet up with its Organisation for Petroleum Exporting Companies (OPEC) quota and other negative economic effects, the oil Multi-National Companies (MNCs) on their part reportedly lost billions of dollars to the conflicts. For instance, between 2003 and 2007, SPDC estimated that it lost US$10.6 billion, with a total loss of not less than US $21.5 billion by the oil MNCs as a whole since 2003 (Nwozor, 2010) in Oluduro and Oluduro (2012) . It can be seen that a major drive for the use of amnesty in the management of oil-related conflicts in Nigeria is the belief that it is only through peace that sustainable development can be guaranteed in the Niger Delta.

## 2.5. CSR and Amnesty Programme in the Niger Delta

Although decades of alleged political marginalisation of the Niger Delta region has been addressed since the coming to power of President Goodluck Jonathan, an Ijaw indigene from the Niger Delta, yet economic woes, ecological devastation and insecurity remained the status quo. The rebellion against the state by arrays of militant groups (symbolized by Movement for the emancipation of the Niger Delta) between 1999 and 2009 achieved economic sabotage, reduced income from oil by 40 percent, and threatened national stability. The amnesty programme was put in place since October 2009 by former President Umaru Yar'Adua aimed to grant militants freedom from persecution, demobilisation and rehabilitation and thus restore peace.

The oil companies have allocated undisclosed amount to the amnesty programme perhaps as part of their corporate social responsibility. Later, it emerged that oil companies and government paid top notched ex-militants to keep them at bay. While government paid four warlords cumulative awards of US $35 million annually, Shell spent about US$400 on protecting its oil installations between 2007 and 2009, and 2009 alone "spent US $75 million on other unexplained security expenditure (Ojo,2012). Yet, such funding will likely detract from the overall funds available to addressing the problems of community development in ways that the amnesty may even become a liability to the CSR process. Thus, the amnesty programme has been described as no more than an effort "to buy short-term cease-fires", with too little government commitment "to engage core conflict issues, or adequately understand the region's problems" (Newsom, 2011:1).

According to Ojo, (2012), 'The amnesty package seems to follow a similar trend of the oil companies CSR that often targeted voices of dissent. Some of the warlords have been heavily 'settled' by monetary gains, becoming oil spill cleanup contractors, a service that renders them a liability to oil companies' Yet, only a few of the rank and file unemployed ex-combatants have benefited from limited training and skills acquisition programmes both within and abroad while some have been aided with business starter packs with economic incentives. Yet, others have been left out including women who were part of the militants' operational command. Still, the socio-economic problems and grievances which ignited the armed revolt, in the first instance, have been left largely unaddressed.

It is pertinent to question the relevance of oil companies CSR and the amnesty programme that are being administered with a common goal of poverty reduction, environmental health and security. The fact that CSR initiatives were already in place before the commencement of militants' revolt only illustrates that the social amenities provision by oil companies failed to address the region's socio-economic needs. An emphasis on CSR as a solution side by side the amnesty programme will also appear misplaced prompting the need for a unified integrated approach to community development. The absence of a formal structure of conducting CSR beyond impacted or restive communities is bound to produce marginal results.

### 2.6 Amnesty and Financial Performance

Olaolu (2011) examined the community relations strategies used by oil companies in managing the crises in the Niger Delta. The study population comprised the community relations units of oil companies in the Niger Delta (among which Shell, Chevron and Agip were selected) and the indigenes of Omoku and Obrikom communities in Rivers State and Eruemukohwarien, Tisun and Kolokolo communities in Delta State. Both quantitative (survey) and qualitative (key informant interview and focus group discussion) methods of data collection were employed. The respondents for the survey were randomly selected while those for the interviews and focus groups were purposively selected. The study established that conflicts between oil companies and host communities had serious implications for the two parties and that the community relations strategies adopted by the selected oil companies were not adequate in preventing and resolving conflicts in the Niger Delta.

Egbe and Paki (2011) studied the place of Corporate Social Responsibility (CSR) in the Niger Delta, with the Shell Petroleum Development Company of Nigeria Limited (SPDC) as a case study adopting an extensive desktop review. The study established that CSR undertaken by SPDC in oil host communities are inadequate and not making the desired impact. Though, in SPDC's current community development model, the Global Memorandum of Understanding (GMOU), projects within the clusters where the GMOU is operational is community initiated, communities outside the GMOU influence are still top-down initiated and that is the problem. Ojo (2012) assessed CSR among oil companies in Niger Delta as an anti-conflict strategy for development mainly from the viewpoint of Niger Delta residents. The study which was conducted in 2009 and 2010 covered a cumulative period of six months in four oil-bearing states: Edo, Delta, Bayelsa and Rivers.

In Edo State, Gelegele and Ologbo communities were visited while Iwherekan and Gbaramatu communities were visited in Delta State. In Bayelsa State, Imiringi and Beniseide were visited while in Rivers State, Rumu-Erushi and Okirika communities were the focus communities. The oil-bearing communities were chosen for their prominence as recipients of oil companies' social responsibility projects as well as being host-communities to important oil and gas infrastructures operated by transnational oil companies namely, Shell Petroleum and Development Company (SPDC), Texaco, ExxonMobil, Total, Agip and a few other indigenous oil firms. Both primary and secondary data were collected from primary and secondary sources. A total of 100 questionnaires were administered in the communities, however, only 84 of the questionnaires were duly completed and returned. The study found that CSR is only coincidental to community development.

Onweazu (2012) examined if the operation of multinational oil corporations in Niger Delta complies with the principles of corporate integrity. The study adopted descriptive survey research design of ex- post facto. The instrument used in the study was tagged Corporate Integrity and Sustainable Development Questionnaire (CISDQ). The research questions raised for the study were analyzed with Mean and Standard Deviation statistical data. The study observed that the multinational oil corporations have reached out to their host communities through various sustainable programmers that center round economic empowerment of the host community members, peace building and infrastructural development in their area of operations.

Alabi and Ntukekpo (2012) assessed the CSR efforts of Chevron, in three oil communities of Niger Delta. A total of 150 opinion leaders from three communities were purposively selected for participation in the study. Data were generated with Corporate Social Responsibility Project

Assessment Instrument (CSRPAI) (r=0.84).The results indicated that although, the community development efforts of Chevron were actually on ground in the three communities, they were considered not satisfactory nor relevant enough to the needs of the community dwellers. Aliyu (2012) examined the Corporate Social Responsibility performance by Multinational Companies (MNCs) operating in Nigeria. He focused on employees as a vital internal stakeholder. The findings of the study revealed a low ethics and social responsibility performance by the MNCs with respect to their employees as one of the internal stakeholders.

Duru and Ogbonnaya (2012) investigated the poverty of crises management strategies in the Niger Delta region of Nigeria with a focus on the amnesty programme. They acknowledged the fact that amnesty programme remains one of the most realistic effort by the government to ease the unrest in the Niger Delta region though other issues are yet to be answered suggesting that the composition of the Nigerian State should be altered significantly along with vested interest and that mere government policies like the amnesty programme cannot produce the desired result. Etekpe (2012) examined the effect of amnesty on peace and development in the Niger Delta. The research used secondary data and complemented it with personal interview. He found that the amnesty programme has been beneficial to the two principal stakeholders, government, and oil companies, but not the host communities and the repentant militants. Also Olukayode, (2012) investigated the Niger Delta environmental crisis after the introduction of amnesty. He concluded that despite the allocation of huge sum of money for developmental project and training of the militants, like in the past, the supervision and judicious implementation of such projects is not accorded great attention by the government; and as such the remarkable possible impact of such projects on the lives of the people in the region is yet to be seen.

Amnesty policy was formulated to stop the ugly effect of militancy on the economy of Nigeria. Achoja, Idoge, Ukwaba, and Ariyoh (2013) assessed the economic impact of government amnesty policy on artisanal fishing business, using structured questionnaire. Following a counter factual approach, the data were disaggregated into pre-amnesty and post - amnesty policy eras. The result showed that artisanal fishing output after the amnesty policy was significantly higher than output before the amnesty policy. Similarly, the result showed that the average revenue from fish sales (N10, 428.750) after the amnesty policy is significantly higher ($P<0.05$) than revenue obtained before amnesty policy intervention. The result of the counter factual analysis of output/revenue of fishers indicated that government amnesty policy intervention significantly and positively impacted on artisanal fishing business in the region. It was concluded that the amnesty policy has translated to peaceful business environment necessary for development of artisanal fishing agribusiness in the region.

The study of Odey, Eteng and Levi (2013) examined analytically the pre and post amnesty situation in the Niger Delta region of Nigeria using desk research. The research posited that the Amnesty extended to the militants in the area was one of the necessary steps towards resolving the restiveness in the region. It further recommended that government should look beyond the amnesty to address the key issues of underdevelopment such as widespread poverty, high level of unemployment and lack of basic infrastructure and amenities and environmental degradation in the region. Chukwuma (2013) appraised the amnesty programme as a strategy for restoration of peace in the Niger Delta. He argued that the people of the region have been exposed to sundry socio-economic, political and ecological malaises for which there has been no proper recompense and that the apparent insoluble instability in the Niger Delta, even in its post-amnesty phase, is a sort of retribution for decades of abuse of the land and people of the Niger Delta. He maintained that the crisis will prevail, and may even degenerate the more, until and unless the organic context which precipitates and sustains it is comprehensively and adequately addressed.

Achoja, Idoge, Ukwaba, and Ariyoh (2013) analytical assessed the economic impact of amnesty policy intervention on artisanal fishing agribusiness in Niger-Delta. Structured questionnaire was used to collect primary data from respondents. Following a counter factual approach, the data were disaggregated into pre-amnesty and post - amnesty policy eras. Null hypothesis of no significant impact was tested using t-statistics. The result showed that artisanal fishing output after the amnesty policy is significantly higher than output before the amnesty policy. Similarly, the study found that the average revenue from fish sales (10, 428.750) after the amnesty policy is significantly higher ($P<0.05$) than revenue obtained before amnesty policy intervention. The result of the counter factual analysis of output/revenue of fishers indicated that the policy has significantly and positively impacted on artisanal fishing business in the region

Andabai and Basuo (2013) examined multinational oil companies and corporate social responsibilities with particular reference to host communities' experience. An accessible population of ten (10) communities in Bayelsa state was studied. Primary and secondary data were used and analyzed using tables, percentage, average, frequency distribution, and chi-square (x2). The result obtained showed no positive significant relationship between multinational oil companies and corporate social responsibility to the host communities. Therefore, they recommended that multi-national oil companies should foster close relationship with their host communities by providing them with social amenities and employment opportunities and that government should monitor the social activities of multinational oil companies and guard against any inhuman treatment that is detrimental to the environment and the health of community residents.

## 2.7. CSR and Financial Performance

Throughout the past several decades, numerous aspects of CSR have been the subject of investigation in academic and business literature, and according to the framework of (Schwartz and Carroll 2003), economic, legal and ethical domains can be epitomized as the most common components of CSR. One aspect of CSR interesting to many financial economists is the economic domain: financial impact of CSR for profit-seeking corporations. Regarding the relationship between companies' CSR activities and their performances (especially, financial performance), the literature presents three assertions. The first group of researchers, based on the viewpoint of (Friedman 1970), has found a negative relationship between CSR activities and financial performance as measured by, for example, stock price changes (Vance, 1975), excess return (Wright and Ferris, 1997), or analysts' earnings-per-share forecasts (Cordeiro and Sarkis, 1997). Friedman argued that managements are selected by the stockholders as agents and their sole responsibility is acting on behalf of the principals' best interests. From Friedman's perspective, the one and only social responsibility of business is to use its resources and engage in activities designed to increase profits and wealth of owners. Any other activities disturbing the optimal allocation of scarce resources to alternative uses exert an adverse influence on firm performance.

The second group argued for positive impact from companies' CRS activities on financial performance (Arago´ n-Correa et al., 2008; Bird et al., 2007; Bragdon and Marlin, 1972; Klassen and McLaughlin, 1996; Nicolau, 2008; Orlitzky et al., 1997). This group's assertion, based on stakeholder theory (Freeman, 1984), suggests that firms expand the scope of consideration in their decision-making and activities beyond shareholders to several other constituencies with interests, such as customers, employees, suppliers and communities. The group asserts that CSR activities, which encompass all legitimate stakeholders' implicit claims as stakeholder theory suggests, can improve firm value by (1) immediate cost saving, (2) enhancement of firm reputation, and (3) dissuasion of future action by regulatory bodies including governments which might impose significant costs on the firm (Bird et al., 2007).

A third group has supported no particular relationship between CSR activities and financial performance (Abbott and Monsen, 1979; Alexander and Buchholz, 1978; Aupperle et al., 1985; Teoh et al., 1999), partially arguing for the existence of too many confounding factors for researchers to uncover a particular impact from CSR on firm performance. Seemingly contradictory themes between (Friedma, 1970) viewpoint and the stakeholder theory arise from the assumption that CSR, which considers the interests of a broad spectrum of stakeholders (suggested by stakeholder theory), is in fact detrimental to value maximization activities of the firm (asserted by Friedman's viewpoint). However, Jensen (2001) attempted to reconcile the potential conflict between these two viewpoints by proposing enlightened stakeholder theory, which asserts that a firm cannot maximize its long-term value if it ignores the interests of diverse stakeholders. And, according to Post et al. (2002), a firm's capacity that generates sustainable wealth over time and its long-term value are determined by the relationship with both internal and external stakeholders. CSR, if it contributes to enhancing firm value, can be an appropriate corporate strategy as the stakeholder theory suggests, not an exploitation of shareholders' wealth to benefit other parties, as Friedman (1970) worried.

Using extensive data over a period of five years, Tsoutsoura, (2004) explored and tested the signs of the relationship between CSR and financial performance. The dataset used were S&P 500 firms and covers the years 1996-2000. The results indicated that the sign of the relationship is positive and statistically significant; supporting the view that socially responsible corporate performance can be associated with a series of bottom-line benefits. In view of the fact that the study was conducted in 2004, the author should have extended the scope.

Ngwakwe (2009) attempted to establish a possible relationship between sustainable business practice and firm performance. Using a field survey methodology, a sample of sixty manufacturing companies in Nigeria was studied. Categorizing the firms into two groups, as environmentally 'responsible' and 'irresponsible' firms, he investigated into the possible relationship between firm performance and three selected indicators of sustainable business practice: employee health and safety (EHS), waste management (WM), and community development (CD), common within the 30 'responsible' firms. Findings from the empirical results revealed that the sustainable practices of the 'responsible' firms are significantly related with firm performance. In addition, sustainable practices were found to be inversely related with fines and penalties. He concluded that within the Nigerian setting at least, sustainability affects corporate performance and sustainability may be a possible tool for corporate conflict resolution as evidenced in the reduction of fines, penalties and compensations.

Fauzi, and Idris (2010) investigated whether there are any positive relationships between corporate firm performance (CFP) and CSR under the slack resource theory and whether there are any positive relationships between CSR and corporate firm performance under good management theory by integrating concept of strategic management into the definition of CSR as sustainable corporate performance including economy, social, and environment. The study used a questionnaire-based survey research design, sampling responses from managers of state-owned companies (BUMN) and private owned companies using post and e-mail services. Results obtained thereof revealed that there were a positive relationship between CFP and CSR under the slack resource theory and under good management theory.

Yang, Lin and Chang (2010) investigated the relationship between Corporate Social Performance (CSP) and CFP while adopting firm size and research and development (R&D) as control variables. Data were sourced from companies listed in the Taiwan Stock Exchange. The results of the study pointed out that previous CSR had positive impact on the return on assets for the next period; however, previous CFP had nothing to do with the latter CSP. Al-mohammad (2010) investigated the relationship between CSR and consumer loyalty. He used purposive sampling strategy of approximately 350 respondents to survey Nestle Malaysia consumers. The results of the study revealed that good CSR is not only good for society but also provides companies with a competitive advantage by acquiring loyal consumers in their marketplace.

Erhemjamts, Li and Venkateswaran (2011) examined the determinants of CSR and its implications on firms' investment policy, organizational strategy and performance. The results revealed that firms with better performance, higher R&D intensity, better financial health, and firms in new economy industries are more likely to engage in CSR activities, while riskier firms are less likely to do so. They also found U-shaped relation between firm size and CSR. Indicating that either very small or very large firms are equally motivated to participate in CSR activities. Iqbal, Ahmad, Basheer and Nadeem, (2012) estimated the relationship between CSR, financial performance, market value of the share and financial leverage. They made use of 156 listed companies on Karachi Stock Exchange (KSE) from textile sector, chemical sector, cement sector and the tobacco sector. The observations were taken for the entire period of 2010 and 2011 from the published resources of state bank of Pakistan. It was concluded that CSR had no effect on CFP. The study also recorded that CSR had negative effect on the market value of the share but no significant relationship to debt to Equity behaviour of the firm was documented.

In Indonesia, CSR currently is an obligation only for corporation in natural resources-related business. The Application of CSR is treated as an investment, as there are many benefit from CSR. Mulyadi and Anwar (2012) examined 30 selected listed Indonesia corporation (not in natural resources business) to examine the relationship between CSR, firm value and profitability. Using double linear regression model and usage of Global Reporting Initiative (GRI) as measurement of CSR activity, their study found out that there was no significant relationship between CSR and firm value (measured by Tobin's Q). The results further revealed the same evidence for relationship between CSR and profitability (measured by ROA, ROE and NPM). The research was not conducted for a sector that has direct relationship with natural resources and environmental activities, thus creating a gap to make conclusion, this emphasizes why my sector better suit the relationship between CSR and firm performance.

Flammer (2012) examined the effect of CSR on financial performance. Specifically, he analyzed the effect of CSR-related shareholder proposals that pass or fail by a small margin of votes. The results, which were consistent with the view that CSR is a valuable resource, revealed that adopting a CSR-related proposal leads to superior financial performance. The effect was however weaker for companies with higher levels of CSR, suggesting that CSR is a resource with decreasing marginal returns. Finally, consistent with institutional theory, the results revealed that the effect is stronger for companies operating in industries where institutional norms of CSR are higher. The findings of the research is commendable and the view that more recent work should be written on CSR and performance to consistently capture new challenges and proffer way forward for the resolution.

Uadiale and Fagbemi (2012) focused their study on Nigeria. Using a sample of forty audited financial statements of quoted companies in Nigeria, their study examined the impact of CSR activities on financial performance measured with Return on Equity (ROE) and Return on Assets (ROA). The results show that CSR has a positive and significant relationship with the financial performance measures. These results reinforce the accumulating body of empirical support for the positive impact of CSR on financial performance. This study is well sampled and as such the conclusions are reasonable to the best of my knowledge.

Islam (2012) examined the relationship between financial performance and CSR initiatives of banks in Bangladesh. Out of 47 banks, data were collected from 37 (78.72%) for four years.

Panel data with Random-Effect Generalized Least Square Regression Model was used for data analysis. Using size of business, (ROE), asset quality and capital adequacy ratio (CAR), the study found that CSR initiatives represented by CSR expenditure of banks are positively connected with the size of business, ROE and asset quality, and negatively with CAR. The implication of the finding was that better regulatory requirements will foster more CSR initiatives.

Cheung et al (2009) also researched on CSR in Asian emerging markets. Using CSR scores compiled by Credit Lyonnais Securities (Asia), they assessed CSR performance of major Asian corporation from 2001 to 2004. The result shows that there is a positive and significant relation between CSR and market valuation among Asian corporation. Choi, Kwak and Choe (2010) studied the empirical relation between CSR and CFP in Korea during 2002-2008. They measured CFP with ROE, ROA, and Tobin's Q. ROE and ROA were used as profitability indicators, while Tobin's Q was used as measurement of firm value. They find positive and significant impact between CFP and stakeholder-weighted CSR companies. Jo and Harjoto (2011) examined the impact of CSR on firm value. Using Kinder, Lydenberg, and Domini's (KLD's) Stats database, they concluded that several governance characteristics positively affect the choice of CSR engagement. Moreover, they found that CSR increase firm value. Also, external monitoring by security analyst over CSR activity of a corporation is more significant than any other kind of monitoring mechanism.

Contrast findings included those of Nelling and Webb (2009) and Mulyadi and Anwar (2011). Nelling and Webb examined causal relationship between CSR and financial performance. Using a time series fixed effects approach of KLD Socrates Database; they found weaker relationship between CSR and financial performance than what they have expected. Although they do not conclude there is no relationship between CSR and financial performance, their study showed the result is lower than their expectation. Mulyadi and Anwar (2011) used panel data from responsibility and corporate governance rating of Indonesian listed companies. The findings show that CSR has no significant impact on stock's return (corporate financial performance/firm value).

The impact of CSR on accounting performance (for example ROA) is a long-standing but still unresolved question. According to management literature summarized by Margolis and Walsh (2003), over 120 studies between 1971 and 2001 examined the empirical relation between CSR and financial performance, and the results are largely inconclusive. It explains why we have different result of relationship between CSR and corporate financial performance.

### 2.8 Firm Size and Financial Performance

Tatiana (2013) evaluated the relationship between firm size and export performance. Firm size was proxied by sales level, number of employers, sales/employers ratio and investment level, while export performance was proxied by percentage of export to sales, export growth, export profit level and export market share. Data were collected from questionnaires survey and analysed using average percentage. The findings revealed that size significantly affect performance but when the proxies vary, opposite results are achieved. The study lacks indepth analysis because simple percentages are not adequate for a perception study to arrive at a more reasonable result. Regression would have given a better result since the study had tried to compare relationship between two variables.

Velnampy and Nimalathasan (2010) examined the effect of firm size on profitability of commercial banks of Ceylon limited. Data were extracted from the financial statements of the banks. They proxied profitability by Net profit (NP), Operating profit (OP), return of average assets (RAS), and firm size by number of branches, number of advances, number of depositors and gross income. Simple regression was used for analysis and the results drawn from descriptive statistics and correlation matrix. The finding shows that size has significant effect on profitability of commercial banks of Ceylon limited.

Rehana (2012) studied the relationship between profitability, growth and size of non-financial companies in Pakistan using seventy non-financial companies listed in Karachi Stock Exchange for a ten year period (2001-2010). The findings revealed that size has weak and negative relationship with profitability. Asimakopolous, Samitas and Papadogonas (2009) studied the impact of profitability on growth. They found a positive relationship between growth and profitability. Heshmati (2001) investigated 8000 small firms in Sweden in the study of firm size and growth; and measured growth by number of employees, sales and assets. The results showed nonlinear relationship between the two. Vijayakumar and Devi (2011) studied Indian automobile firms they used ROA, ROE and ROS as measure of profitability and growth was measured by compound growth rate of net sales in current price, their findings showed that there exist positive relationship between profitability and growth.

The literature on the relationship between firm size and performance has been reviewed from various researchers and the findings revealed diverse results. Some documented that size has positive impact on performance while others arrived at a conclusion that there exist negative and less significant relationship between size and performance.

## 2.9 Theoretical Framework

The theories that underpin this study are; stakeholder theory, legitimacy theory, political cost hypotheses theory. The stakeholder theory provides a distinction between the narrow and wide concept of the essence of stakeholders. The narrow concept defines the relevant groups that directly enhance the key economic interests of a corporation. It emphasizes the significance of sustaining the moral relations between the corporations and represents the core of the normative theory. The wide concept is based on empirical reality where corporations actually influence interests of others and are dependent on someone. This concept is the core of the descriptive stakeholder theory. Both concepts are based on two assumptions: stakeholders are individuals and groups that influence the corporation and are dependent on the corporation, they either create expenses or brings benefits to the corporation.

Stakeholder theory demands that the interest of all various stakeholders such as suppliers, employees, customers, governments, communities, should be considered in managerial decision making for optimal performance. The theory also suggests that corporations should relate well with all their stakeholders because these relations can represent intangible assets and if they are positive and based on honesty and trust, could attract greater benefits for the corporation. If the effect is negative, involving dishonesty and distrust, the outcome will be adverse. It is this stakeholder theory as supported by the second strand of the literature that popularized the issue of firms' corporate social responsibility towards the society

Stakeholders are individuals or groups that have or demand ownership rights or interest in the corporation and its activities (past, present and future). The rights or interests are the results of transactions or actions undertaken by the corporation and they can be legal or moral, individual or collective" (Clakson, 1995:105). Under the theory, firms are expected to act justly to their immediate environment to achieve greater returns which will yield increase in the performance. This study therefore employs the stakeholder theory because it is of public interest and people driven which impacts positively on performances. Hence the need for oil and gas firms to adopt the propositions of this theory and practice CSR which is of public interest and people driven.

The Legitimacy theory 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 definition (Suchman, 1995:574). It is believed that legitimacy theory does offer a great mechanism for understanding voluntary social and environmental grants made by corporations and government, and that this understanding would provide a vehicle for engaging in critical public debate. The theory deals with how organizational structures as a whole have gained acceptance from society at large. As an alternative, instead of trying to subjectively measure a firm's legitimacy directly it can rather be inferred from the fact that being legitimate enables organizations to attract resources necessary for survival (Hearit, 1995: 2). The Amnesty programme to the Niger Deltas community can be considered legitimate, proper and appropriate within the issues going on in the region and it was well accepted by the communities. The knowledge gained from this theory will then be used to provide better and more useful information to inform decision making by stakeholders. In this way the society would be enabled to have greater control and oversight over the way resources are allocated. Government serves as the promoters here while the communities where these oil and gas firms operate are the beneficiaries.

The Political cost hypotheses (theory) explain why firms make voluntary social disclosures (Markus, 2001). According to Watts and Zimmerman, (1990) “politicians have the authority to use the politics of the distribution of wealth and with mechanisms like taxes, aids, contributions, insurance and among others, affect the companies. Watts and Zimmerman also proposes that political costs in relation to the size of the company, they confirm that larger company suffer more political costs than smaller company. In fact, they express that the amount of the political costs depends largely on the size of the company. That is to say that government amnesty policy is in line with the notions above. The federal government of Nigeria granted amnesty to the Niger Deltas which subsequently affected their performances. However size as a moderating variable is duly explained by this theory. This is because the size of the company determines the extent of damage the company would cause the host communities and thereafter a corresponding amnesty grant should be given to commensurate the effects.

# CHAPTER THREE

# RESEARCH METHODOLOGY

## 3.1 Introduction

The chapter discusses the research methods and design; population and sample size and variables used in the study. It explains the sources and methods of data collection; statistical techniques used to analyze the data and test the research hypothesis and justification for adoption of the techniques chosen.

## 3.2 Research Design

The study employs correlational research design and Ex-post Factor research design to address the problem of the research. Correlational design helps to establish relationships, and it measures the association or variability of two or more variables in relation to another variable. The design enables an assessment of the relationship between the variables of the study and also the ex-post factor design which compares the pre and post effect of a variable. The choice is informed by the research paradigm which is the positivist approach. This approach is associated with scientific, experimental, quantitative and deductive frameworks where researchers strive for specific quantifiable observations hence regularly using statistics and experiments to test their hypothesis.

## 3.3 Population of the study and Sample Size

The population of this study comprises the listed downstream oil companies in Nigeria. Based on Nigerian Stock Exchange (NSE) Fact Book as at 31$^{st}$ December 2013, there are (8) quoted companies; Mobil, Oando, Forte, MRS, Total, Eterna, Conoil and Beco Oil. Two criteria were adopted in order to arrive at an adjusted population. The first criterion is availability of annual reports within the periods of study. This is to ensure consistency of data and completeness of observations. The second criterion is disclosure of CSR cost. For a company to be included, it should have the amount spent on CSR in lump sum or addition of the aggregate values disclosed for the period of study. Generally the firms practice CSR in different ways. For example while some of the companies disclose their CSR figure in terms of donations and charitable concerns to the less privileged, others relate their CSR in terms of contributions, sponsorship and charitable gifts.

Therefore, once company practice any of these CSR activities and disclose such in their financial report, it is considered socially responsible, and thus eligible to be included in the study. Based on the two criteria, five (5) out of the eight (8) companies, namely: Mobil Oil, Oando Oil, Forte/Ap, MRS Oil and Total oil were considered the adjusted population. All the five (5) companies were used based on census approach.

### 3.4 Sources and Methods of Data Collection

The data for this study were collected from secondary sources through the Nigerian Stock Exchange Fact Book, companys' website and annual reports of the companies for the period 2004-2013. Secondary data were considered sufficient in view of the nature of the variables under study because collecting data through questionnaire or interview in respect of amnesty and CSR may be associated with a lot of response bias.

### 3.5 Technique of Data Analysis

Multiple regression was employed as the technique of data analysis. The technique was preferred for the analysis because the data for the study were balanced panel data. Relevant tests of robustness such as Multicollinearity test, Hetteroskedacticity test and Normality test were also carried out to enhance the reliability of the results.

### 3.6 Model Specification and Variables Measurement

The study primarily uses two independent variables, amnesty and CSR, and one dependent variable, financial performance. Financial performance is represented by returns on assets (ROA). The linear relationship between the independent variables and the dependent variable is given as:

$$ROA_{i,t} = a + \beta_1 DAMN_{i,t} + \beta_2 CSR_{i,t} + \mu_{i,t} \qquad (1)$$

Where:

| | |
|---|---|
| *ROA* | Return on assets representing performance |
| *DAMN* | Dichotomous variable representing amnesty |
| *CSR* | Corporate social responsibility |
| $a, \beta$ | parameters to be estimated |
| $\mu$ | error term |
| $i, t$ | firm $_i$ at time $_t$ |

The study expects that differences in the size of the firms under study would affect the total amount of CSR a particular firm would spend in order to make its host community feels it belongs, that is, the bigger the size of a firm the higher the amount of CSR it will spend. The study also expects that variation in sizes will affect the way amnesty affects the financial performance of the firms. This is because the bigger the size of a firm, the more amnesty activities that would have to be implemented to restore the desired peace and security that will enable the firm continue with its full scale operations. Accordingly, the study hypotheses that size affect the extent to which amnesty and CSR affect financial performance of the firms. In view of the above, the study introduces firm size as a moderator variable, and restates the equation as follows:

**Unconditional Model/Relation**

$$ROA_{i,t} = a + \beta_1 DAMN_{i,t} + \beta_2 CSR_{i,t} + \beta_3 SIZE_{i,t} + \mu_{i,t} \qquad (2)$$

Where SIZE is a moderator variable calculated as the natural log of total assets

To capture the moderating effect of SIZE on the extent to which amnesty and CSR independently and collectively affect the financial performance of the firms, the equation is represented in line with Dawson (2014) as:

**Conditional Model/ Relationship**

$$ROA_{i,t} = a + \beta_1 DAMN_{i,t} + \beta_2 CSR_{i,t} + \beta_3 SIZE_{i,t} + \beta_4 ASIZE_{i,t} + \beta_5 CSRS_{i,t} + \beta_6 ACSRS_{i,t} + \mu_{i,t} \qquad (3)$$

Where:

| | |
|---|---|
| ASIZE | amnesty*size |
| CSRS | CSR*size |
| ACSRS | amnesty*CSR*size |

Since the interactive variable of interest to the study is the moderating effect of size on the combined effect of amnesty and CSR on financial performance, and in view of the fact that amnesty is a dummy variable that is represented by 0 and 1 for pre-and-post amnesty periods, the study adjusts equation (3) to focus on only the interacting effect of size on the combined effect of amnesty and CSR as suggested by Kim, Kaye and Wright (2001). The adjusted equation is represented as follows:

$$ROA_{i,t} = a + \beta_1 DAMN_{i,t} + \beta_2 CSR_{i,t} + \beta_3 SIZE_{i,t} + \beta_4 ACSRS_{i,t} + \mu_{i,t} \qquad (4)$$

The study adopts this approach in order to ensure that severe and harmful multicollinearity is not present in the data. The approach is also justified in view of the fact that presenting all the six (6) estimator variables in the model, $\beta_1 - \beta_6$ as in equation (3) will make the number of estimators greater than the number of cross sections, which would affect random effect estimation based on Generalised Least Squares (GLS) in case there is absence of heterogeneity among the independent variables.

The dependent and all the explanatory variables and their measurement are given in table 3.1

**Table 3.1 Study Variable and their Measurements**

| S/N | Variable Acronyms | Variable Name | Variable Type | Measurement | Source |
|---|---|---|---|---|---|
| 1 | CSR | Corporate Social Responsibility | Independent | Natural log of the amount spent | Carrol (1991) |
| 2 | DAMN | Amnesty | Independent | Dichotomised into 0 and 1 for pre and post amnesty periods | |
| 3 | Size | Firm size | Moderator | Natural log of total assets of each of the companies | Velnampy et al, (2010) |
| 4 | ROA | Return on Assets | Dependent | Ratio of profit after tax and total assets | Anwar (2012) |
| 5 | ASIZE | Amnesty and firm size | Moderator | Amnesty multiplied by firm size | |
| 6 | CSRS | Size | Moderator | CSR multiplied by firm size | |
| 7 | ACSRS | Amnesty and CSR and firm size | All interaction | Amnesty multiplied by CSR and firm size | |

Source: Author's compilation

In addition, the study uses the mean-centred values of the continuous independent and moderator variables, and the absolute values of the dependent and dummy variables to run descriptive statistics, carryout normality test, examine correlations between the variables, and estimate the model. The study considers this necessary in order to reduce the likelihood of severe and harmful level of multicollinearity. The rule in using moderator variable is to estimate two separate equations, one without the interacting effect of the moderator variable and the other with it. The two results are then compared by observing the R-square ($r^2$) of the two results to ascertain whether or not the moderator variable has an effect on the independent variable(s). If the R-square ($r^2$) of the result that included the interacting effect is higher than the R-square ($r^2$) of the first result, the moderator is of relevance and the hypothesis would be considered for analysis, otherwise, it would be discarded.

# CHAPTER FOUR

# DATA ANALYSIS AND DISCUSSION OF RESULTS

## 4.1 Introduction

This chapter presents and analyses the results obtained from the regression output. The chapter begins with descriptive statistics and correlation matrix of the variables. This was followed by the presentation and discussion of the regression results for the purpose of estimating the model used in the study. Also, findings of the study and policy implications of the results were discussed.

## 4.2 Descriptive Statistics and Correlation Matrix

The summary of the descriptive statistics of the variables is given as follows.

Table 4.1: Summary of Descriptive Statistics

| Variable | Mean | Std. Dev. | Minimum | Maximum |
|---|---|---|---|---|
| Roa | -1.12298 | 6.4885 | -29.1164 | 7.7256 |
| Damn | .5 | .5050763 | 0 | 1 |
| Csr | .00002 | 1.49239 | -6.4819 | 2.0802 |
| Size | .00004 | 1.556799 | -6.7003 | 2.0989 |
| Acsrs | -.000028 | 7.16124 | -7.0418 | 9.3658 |

*Source:* Output generated using Stata

The result from table 4.1 shows that the average mean value of ROA is -1.12 with a standard deviation of 6.49. This implies that ROA can deviate from the average mean value to both sides by 6.49. The table also shows that the standard deviation is higher than the average mean value, which indicates a great difference in the data. The variability serves as a useful indication for further analysis of the data.

DAMN has an average mean value of 0.50 with standard deviation of 0.51. This implies that DAMN can deviate from the mean to both sides by 0.51. The values of 0 and 1 for minimum and maximum also show variability in the data because the minimum value before the period of amnesty is 0 while 1 represents the period after amnesty. The standard deviation is higher than the average mean value, which indicates that there is great difference in the data. In addition, the table shows that CSR has an average mean value of .00002 with standard deviation of 1.49. This implies that CSR can deviate from the mean to both sides by .00002 with a range of -6.48 (i.e. difference between minimum and the maximum). This shows high variability. The standard deviation is higher than the average mean value, which indicates that there is great difference in the data. Furthermore, the table reveals that SIZE has an average mean value of .00004 with standard deviation of 1.56. This implies that SIZE can deviate from the mean to both sides by 1.56 with a range of -6.7 (i.e. difference between minimum and the maximum) which also shows the standard deviation is higher than the average mean value, which indicates that there is great difference in the data. Lastly, the table shows that ACSRS has an average mean of -.000028 with a standard deviation of 7.16, implying that ACSRS can deviate from the mean to both sides by 7.16, with a range of -7.04. The standard deviation is higher than the average mean, which indicates that there is great difference in the data.

Shapiro-wilk test for normality was conducted to examine the normality of the dataset. The full result of the test is attached as appendix. The summary of the result is given below:

Table 4.2: Summary of Shapiro-wilk Test for Normality

| Variable | Probability |
|---|---|
| Roa | 0.000000 |
| Damn | 1.000000 |
| Csr | 0.000000 |
| Size | 0.000000 |
| Acsrs | 0.000000 |

*Source:* Output generated using Stata

Table 4.2 contains the summary of the normality test. The table shows that of all the variables, only DAMN has observations that are normally distributed.

To check for degree of relationship between and among the variables, correlation analysis was performed on all the variables. Table 4.3 contains the summary of the correlation results while the full result is attached as appendix.

Table 4.3: Correlation Matrix

| Variable | Roa | damn | csr | Size | Acsrs |
|---|---|---|---|---|---|
| Roa | 1.000000 | | | | |
| Damn | 0.2167 | 1.000000 | | | |
| Csr | 0.4936 | 0.2512 | 1.000000 | | |
| Size | 0.8083 | 0.3440 | 0.3034 | 1.000000 | |
| Acsrs | 0.2148 | 0.9933 | 0.2920 | 0.3624 | 1.000000 |

*Source:* Output generated using Stata

Table 4.3 indicated positive relationship between ROA of the companies and DAMN from the correlation coefficient of 0.2167. The relationship is however not statistically significant as the p-value is 0.1306. This relationship suggests that an increase in DAMN brings about an increase in the financial performance of the firms. The table also reveals a significant positive relationship between ROA and CSR with correlation coefficient of 0.4936 that is statistically significant at 1% level of significance from the p-value of 0.0003. This implies that the more companies engage in CSR activities to the communities, the more CSR brings about peace and stability in the region, the multiplier effect of which would translate to an increase in the financial performance of the companies.

Furthermore, the table reveals that Size is strongly associated with ROA. The coefficient of 0.8083 that is statistically significant at 1% with p-values of 0.0000 shows that the bigger the size of a company, the more the likelihood for it to increase its financial performance. The result also shows a positive relationship between ROA and ACSRS from the correlation coefficient of 0.2418. The relationship is however not statistically significant as the p-value is 0.1341. The table also reveals that a significant positive relationship exist between DAMN and SIZE. This is discerned from the correlation coefficients of 0.3440 which is statistically significant at 5% level of significance from the p-value of 0.0144. It also shows a significant positive relationship between DAMN and CSR from the correlation coefficient of 0.2512 which is significant at 10% level of significance from the p-value of 0.0785. This relationship suggests that increase in DAMN brings about increase in CSR. It also indicates that the combined effect of the relationship will in turn affect the financial performance of the firms.

In addition, the result shows a positive and significant relationship between DAMN and ACSRS from the correlation coefficient of 0.9933 which is statistically significant at 1% level of significance from the p-value of 0.0000. The result also shows a significant positive association between SIZE and CSR from the correlation coefficient of 0.3034 that is statistically significant at 5% level of significance from the p-value of 0.0322. Also, a positive and significant relationship exists between SIZE and ACSRS from the correlation coefficient of 0.3624 at 1% level of significance from the p-value of 0.0097.

Lastly, the table further shows a positive relationship between CSR and ACSRS in view of the correlation coefficient of 0.2920 and p-value of 0.0396. The relationship s suggests that CSR depends to a reasonable extent on the size of the firms.

### 4.3 Analysis and Interpretation of Regression Results

First, the dataset was estimated using OLS without the interacting variable. This was followed by test for heteroskedasticity using Breusch-Pagan/Cook-Weisberg to ascertain the presence or absence of heteroskedasticity. The null in this test is homoskedasticity. The result returned a p-value of 0.29, which is not statistically significant, thereby indicating the absence of heteroskedasticity. In view of the result, it was concluded that OLS is the best estimator not GLS.

Table 4.4: Summary of OLS Regression Result without interacting variable

| *Variable* | *Coefficient* | *T-values* | *Probability* |
|---|---|---|---|
| Cons | -.3629166 | -0.50 | 0.616 |
| Damn | -1.520431 | -1.44 | 0.157*** |
| Csr | 1.272405 | 3.61 | 0.001*** |
| Size | 3.168553 | 9.10 | 0.000*** |
| | | | |
| $R^2$ | | 0.73 | |
| Adj $R^2$ | | 0.71 | |
| F.stat. | | 42.17 | |
| Probability | | 0.000 | |

*Source:* Output generated using Stata

From the table, the estimated relationship between the dependent variable and the estimator variables as used in the model is:

$ROA_{i,t} = -0.36 – 1.52DAMN + 1.2\ CSR_t + 3.17SIZE_t$

The result from the table 4.4 above showed that two of the independent variables, CSR and size, are statistically significant at 1% level of significance while amnesty is not. The $r^2$ and adjusted $r^2$ are 0.73 and 0.71 respectively while the F-statistics showed a value of 42.17 that is statistically significant at 1% level of significance. In addition, the value inflation factor (VIF) test for multicollonearity showed a mean value of 1.17 indicating the absence of collinearity among the independent variables.

The dataset was then estimated with the inclusion of the interacting variable based on OLS. Test for heteroskedasticity was carried out thereafter to decide between OLS and GLS. The result returned a p-value of 0.74 in favour of OLS. Both the $r^2$ and adjusted $r^2$ values were found to be higher when compared with those of the first result. This means that the interacting effect of the moderator variable holds. Multicollinearity test was conducted on the second result. The VIF showed a mean value of 44.28. This indicates harmful collinearity relations among the explanatory variables. To correct for multicollinearity and non-normality of the dataset, a robust OLS result was obtained and used for analysis. The summary of the robust OLS result is presented in table 4.4 while the full result is attached as appendix.

Table 4.5: Summary of Robust OLS Regression Result

| *Variable* | *Coefficient* | *T-values* | *Probability* |
|---|---|---|---|
| Cons | -16.27905 | -5.76 | 0.000*** |
| Damn | 30.31168 | 5.60 | 0.000*** |
| Csr | 1.739395 | 3.37 | 0.002*** |
| Size | 3.305574 | 5.76 | 0.000*** |
| Acsrs | -2.29516 | -5.70 | 0.000*** |
| $R^2$ | | 0.80 | |
| F.stat. | | 14.37 | |
| Probability | | 0.000 | |

*Source:* Output generated using Stata

From the table, the estimated relationship between the dependent variable and the estimator variables as used in the model is:

ROA = -16.28 + 30.31DAMN + 1.74CSR + 3.31SIZE - 2.30ACSRS

The table 4.5 reveals that the R2 value is 0.80. This means that about 80% of the systematic variations in the firms' return on assets are explained by the changes of the companies' DAMN, CSR, SIZE and ACSRS. This implies that the explanatory power of the model used in the study stands at 80%; while other factors that have not been captured or included in the study model explain the remaining 20%. The F-statistic of 14.37, which is significant at 1% level of significance, also confirms the overall significance of the model, and further supports the assumption of a significant linear relationship between the dependent variable and the explanatory variables of the study.

The result provided a basis for rejecting all the hypotheses. This means that based on the robust OLS result, amnesty, CSR and firm size strongly drive the financial performance of the downstream oil companies in Nigeria. It also follows that oil companies that maintain substantial CSR contribution to the communities, with more of government amnesty stand to record higher financial performance.

A cursory look at the table shows that DAMN has a positive impact on the ROA of the companies based on the coefficient of 30.31 which is significant at 1% level of significance from the p-value of 0.0005. In view of this, the study rejects the first hypothesis which states that DAMN has no significant impact on ROA of downstream listed oil Companies in Nigeria. The study therefore infers from the result that DAMN has significant influence on the financial performance of the companies within the period under review. This means that government intervention through amnesty really matters as far as financial performance of the companies is concerned.

The table also shows that CSR has a positive statistical impact on ROA of the companies. This is based on the coefficient of 1.74 which is statistically significant at 1% levels of significance from the p-value of 0.0000. The result suggests that the CSR practiced by the companies has significant relationship effect on the financial performance of the companies. The result also suggests that when the amount a company spend on CSR increases, the company's performance increases as well. This result is in line with the study of Bragdon and Marlin (1972), Klassen and McLaughlin (1996), Nicolau (2008). The result is however in contrast with Friedman (1970), Vance (1975), Wright and Ferris (1997). The study therefore infers that CSR when practiced will have a significant influence on the financial performance of downstream oil companies in Nigeria.

In addition, the result shows that size has significant effect on ROA of the companies with coefficient of 3.31 which is statistically significant at 1% from the p-value 0.0000. This suggests that size is an important determinant of financial performance of downstream oil companies in Nigeria. The result further shows that the interacting effect of size on the combined association between amnesty and CSR on one hand and financial performance of the companies on other hand is of relevance. The result reveals that ACSRS has a p-value that is statistically significant at 1%. This shows that amnesty and CSR depend to a great extent on the size of a company. The result is in line with the findings of Velnampy and Nimalathasan (2010) and Tatiana (2013) though in contrast with Rehana (2012).

Overall therefore, the result has provided strong evidence that amnesty, CSR and size significantly affect the financial performance of downstream oil companies in Nigeria. Thus, as one of the prescriptions of the stakeholder theory is that the interest of all stakeholders must be considered, the host communities having being assisted with various CSR projects coupled with the implementation of the amnesty programme have allowed peace to reign in the region. This finding of the study based on the postulation of the stakeholder theory is in line with the studies of Bragdon and Marlin (1972), Freeman (1984), Klassen and McLaughlin (1996), Orlitzky *et al* (1997), Tsoutsoura (2004), Bird *et al* (2007), Nicolau (2008), Arago´ n-Correa *et al* (2008), Yang, Lin and Chang (2010) and Uadiale and Fagbemi (2012).

### 4.4 Policy implications of Findings

The findings of this study have a number of implications to the management of the oil companies, investors, government and the Niger Delta host communities. The implications are briefly highlighted hereunder:

Firstly, the findings have implication to management policies and decisions on or with respect to the issue of what would guarantee peaceful and well secured environment for their companies to optimally utilise its capacity.

Secondly, the findings have implication to investors. Shareholders of the companies would realise that CSR activities in the communities that host the operations of their firm is very critical to the survival of the companies and that at the level of Board meetings and annual general meeting (AGM) shareholders should encourage the management to provide CSR services as much as it should be.

Thirdly, the findings also have implication to government policy as it would place the government on a sound footing to understand the journey thus far with regard the amnesty programme that was started in 2009. It would also motivate government to initiate new programmes that would cater for the need of other militants or insurgents in other parts of the country.

Lastly, the findings have implications to the host communities as they would be better informed of their rights and are in harmony with the oil companies operating in their region. However dialogue and peace talk could be advised as alternative to violence and revenge.

# CHAPTER FIVE

# SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

## 5.1 Summary

This study examined the effect of amnesty and CSR on the financial performance of downstream oil companies in Nigeria. The study was divided into five (5) chapters. In chapter one, background issues that relate to the matters arising and the environment in which the companies operate were discussed. Research questions were then raised and in line with the research questions, three objectives were stated and three hypotheses formulated. The study covered the period of ten (10) years. Reasons for the choice of scope in terms of variables and period were also given.

Chapter two reviewed related conceptual and empirical literature. The review of the empirical literature shows that studies on CSR and amnesty have documented mixed results across the globe and that at no time consensus exists among researchers on the nature and extent of relationship between CSR and amnesty on the one hand and financial performance of firms on the other hand. The chapter was concluded by discussing the theoretical framework that underpins the study.

Chapter three covered the methodology used in conducting the study. The research design of the study, the population and source of data collection were discussed. The outcome and explanatory variables used in the study were measured and the model was specified. Chapter four contained analysis of data and discussion of results. The chapter started the presentation of the results with descriptive statistics which include summary statistics and correlation matrix. Various robustness tests, which include normality test, multicollinerity test and heteroscedasticity test were performed on the data enhance the credibility of the research findings. The analysis of the robust OLS regression result shows that all the explanatory and moderator variables have significant effect on the financial performance of the companies. The chapter was concluded with discussion of the policy implications of the findings.

## 5.2 Conclusions

In view of the research findings, the study concludes as follows:

i. The amnesty programme of the federal government of Nigeria launched in 2009 has had positive effect on the business environment of the downstream oil companies which has consequently improved their financial performance.
ii. CSR activities practiced by the downstream oil companies over the period of the study have significantly affected their profit level.
iii. The moderating effect of the firm's size on amnesty and CSR has greatly improved the financial performance of the downstream oil companies.

On the whole, the study concludes that in so far the financial performance of the downstream oil companies in Nigeria is concerned; amnesty, CSR and size are strong determinants that the companies should pay attention to.

## 5.3 Recommendations

In line with the findings of this study, the following recommendations are made:

i. The federal government should continue with the implementation of the amnesty and initiate other similar relevant intervention programmes as means of guaranteeing lasting peace and security within the Niger Delta region and other regions of the country where there is need for such intervention by providing the necessary government aids to them, it could be in the form of rehabilitation, reintegration and reconstruction.

ii. The management of oil companies should continue to extend their good hands to the host communities where they carry out their operations in order to guarantee safety and security of personnel and equipment that are used to generate more profits.

iii. Oil companies should engage in activities such as expansion, and promotion drive that will boost their operations and consequently the size of their companies in view of the effect of size on their financial performance.

### 5.4 Limitations of the Study

Although this study has empirically provided evidence on the effect of amnesty and CSR on the financial performance of downstream oil companies in Nigeria, the result of the study is to be viewed in the light of the following limitations:

1. The measurement of CSR used in the study was the total lump sum of money each of the firms spent on various CSR activities for each year in line with most local studies. On the contrary, most studies on CSR in developed nations used the indexes developed by Global Reporting Initiative (GRI).
2. The dataset contains observations from only five listed downstream oil companies. The result may not be generalizable beyond these companies especially to other industries. Research has shown that an increase in sample size of a study leads to

improvement in regression results. Therefore, the study suggests further research to be conducted on the entire oil companies irrespective of the downstream/upstream dichotomy.

3. The study utilised only secondary data. The findings of the study might have been slightly different if the study was to use primary source of data such as questionnaire or interview in order to get the perception of members of the host communities with respect to implementation of amnesty and the impact of both amnesty and CSR on their lives. The findings could also have been slightly different if both secondary and primary data were to be used. Accordingly, it is suggested that subsequent studies consider using both sources of data.
4. The study encountered problem of multicollinerity. This could be as a result of the few firms considered in the research. It is therefore suggested that further future researches should consider the entire oil companies irrespective of the downstream/upstream dichotomy.

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Notes:
      1.  (/m# option or -set memory-) 1.00 MB allocated to data

. edit
(7 vars, 50 obs pasted into editor)
- preserve

. tsset id year, yearly
       panel variable:  id, 1 to 5
        time variable:  year, 2004 to 2013

. summarize roa damn csr size

    Variable |       Obs        Mean    Std. Dev.       Min        Max
-------------+--------------------------------------------------------
         roa |        50    -1.12298      6.4885   -29.1164     7.7256
        damn |        50          .5    .5050763          0          1
         csr |        50      .00002     1.49239    -6.4819     2.0802
        size |        50      .00004    1.556799    -6.7003     2.0989

. swilk roa damn csr size

                   Shapiro-Wilk W test for normal data
    Variable |    Obs       W           V         z     Prob>z
-------------+-------------------------------------------------
         roa |     50    0.45569     25.598     6.915  0.00000
        damn |     50    0.99878      0.057    -6.092  1.00000
         csr |     50    0.59977     18.822     6.259  0.00000
        size |     50    0.64017     16.923     6.032  0.00000

. correlate roa damn csr size
(obs=50)

             |      roa     damn      csr     size
-------------+------------------------------------
         roa |   1.0000
        damn |   0.2167   1.0000
         csr |   0.4936   0.2512   1.0000
        size |   0.8083   0.3440   0.3034   1.0000
```

```
. regress roa damn csr size

      Source |       SS       df       MS              Number of obs =      50
-------------+------------------------------           F(  3,    46) =   42.17
       Model |  1512.81642     3  504.272139           Prob > F      =  0.0000
    Residual |  550.114812    46  11.9590177           R-squared     =  0.7333
-------------+------------------------------           Adj R-squared =  0.7159
       Total |  2062.93123    49  42.1006373           Root MSE      =  3.4582

------------------------------------------------------------------------------
         roa |      Coef.   Std. Err.      t    P>|t|     [95% Conf. Interval]
-------------+----------------------------------------------------------------
        damn |  -1.520431   1.056018    -1.44   0.157    -3.646084    .6052223
         csr |   1.272405   .3521818     3.61   0.001     .5635004    1.981311
        size |   3.168553    .348033     9.10   0.000     2.467999    3.869108
       _cons |  -.3629166   .7197001    -0.50   0.616    -1.811598    1.085764
------------------------------------------------------------------------------

. hettest

Breusch-Pagan / Cook-Weisberg test for heteroskedasticity
         Ho: Constant variance
         Variables: fitted values of roa

         chi2(1)      =     1.12
         Prob > chi2  =   0.2909

. estat vif

    Variable |       VIF       1/VIF
-------------+----------------------
        size |      1.20    0.831368
        damn |      1.17    0.857913
         csr |      1.13    0.883489
-------------+----------------------
    Mean VIF |      1.17

. summarize roa damn csr size acsrs

    Variable |       Obs        Mean    Std. Dev.       Min        Max
-------------+--------------------------------------------------------
         roa |        50    -1.12298      6.4885   -29.1164     7.7256
        damn |        50          .5    .5050763          0          1
         csr |        50      .00002     1.49239    -6.4819     2.0802
        size |        50      .00004    1.556799    -6.7003     2.0989
       acsrs |        50    -.000028     7.16124    -7.0418     9.3658
```

```
. swilk roa damn csr size acsrs

                   Shapiro-Wilk W test for normal data
    Variable |    Obs         W           V         z     Prob>z
-------------+--------------------------------------------------
         roa |     50    0.45569     25.598      6.915  0.00000
        damn |     50    0.99878      0.057     -6.092  1.00000
         csr |     50    0.59977     18.822      6.259  0.00000
        size |     50    0.64017     16.923      6.032  0.00000
       acsrs |     50    0.77712     10.482      5.011  0.00000

. correlate roa damn csr size acsrs
(obs=50)

             |      roa     damn      csr     size    acsrs
-------------+---------------------------------------------
         roa |   1.0000
        damn |   0.2167   1.0000
         csr |   0.4936   0.2512   1.0000
        size |   0.8083   0.3440   0.3034   1.0000
       acsrs |   0.2148   0.9933   0.2920   0.3624   1.0000


. regress roa damn csr size acsrs

      Source |       SS       df       MS              Number of obs =      50
-------------+------------------------------           F(  4,    45) =   46.66
       Model |  1662.16169     4  415.540422           Prob > F      =  0.0000
    Residual |   400.76954    45  8.90598979           R-squared     =  0.8057
-------------+------------------------------           Adj R-squared =  0.7885
       Total |  2062.93123    49  42.1006373           Root MSE      =  2.9843

------------------------------------------------------------------------------
         roa |      Coef.   Std. Err.      t    P>|t|     [95% Conf. Interval]
-------------+----------------------------------------------------------------
        damn |   30.31168   7.826633     3.87   0.000     14.54804    46.07533
         csr |   1.739395   .3246114     5.36   0.000     1.085594    2.393196
        size |   3.305574   .3021986    10.94   0.000     2.696915    3.914233
       acsrs |   -2.29516   .5604777    -4.10   0.000     -3.42402     -1.1663
       _cons |  -16.27905   3.936027    -4.14   0.000    -24.20662   -8.351487
------------------------------------------------------------------------------

. hettest

Breusch-Pagan / Cook-Weisberg test for heteroskedasticity
         Ho: Constant variance
         Variables: fitted values of roa

         chi2(1)      =     0.11
         Prob > chi2  =   0.7430

. estat vif

    Variable |       VIF       1/VIF
-------------+----------------------
       acsrs |     88.64    0.011282
        damn |     85.98    0.011631
         csr |      1.29    0.774451
        size |      1.22    0.821176
-------------+----------------------
    Mean VIF |     44.28
```

```
. regress roa damn csr size acsrs, robust hc2

Linear regression                                      Number of obs =      50
                                                       F(  4,    45) =   14.37
                                                       Prob > F      =  0.0000
                                                       R-squared     =  0.8057
                                                       Root MSE      =  2.9843

------------------------------------------------------------------------------
             |             Robust HC2
         roa |      Coef.   Std. Err.      t    P>|t|     [95% Conf. Interval]
-------------+----------------------------------------------------------------
        damn |   30.31168   5.408585     5.60   0.000     19.41823    41.20513
         csr |   1.739395   .5160689     3.37   0.002     .6999788    2.778811
        size |   3.305574   .5736489     5.76   0.000     2.150186    4.460962
       acsrs |   -2.29516   .4028238    -5.70   0.000    -3.106489   -1.483831
       _cons |  -16.27905   2.824654    -5.76   0.000     -21.9682   -10.58991
------------------------------------------------------------------------------
```