



EFFECT OF CORPORATE SOCIAL RESPONSIBILITY EXPENDITURE ON THE FINANCIAL PERFORMANCE OF SELECTED LISTED MANUFACTURING FIRMS IN NIGERIA

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Abstract

This study examines the effect of Corporate Social Responsibility Expenditure on the Financial Performance of Selected Listed Manufacturing Firms in Nigeria for the period 2012-2020. Data for the study were collected from the annual reports of the companies under the study. Data on Corporate Social Responsibility expenditures on social responsibility, environmental responsibility, community responsibility and employee responsibility represents the explanatory variables whereas Return on Asset (ROA) of the companies represents the dependent variable of the study. Data obtained were analyzed using Ordinary Least Square multiple regression. Results of the analyzed data demonstrate that CSR expenditures directed toward social responsibility and environmental responsibility have a positive and significant effect on the return on assets. The study also shows that CRS expenditures on community responsibility has positive and insignificant effect on the return on assets while expenditures on employee responsibility is negatively and significantly related the return on asset of listed manufacturing companies in Nigeria. Based on the findings, the study recommends that manufacturing companies should increase and strategically structure their social responsibility expenditures and strengthen their community responsibility initiatives.

Keywords: Return on Asset, Social Responsibility, Environmental Responsibility, Community Responsibility and Employee Responsibility.

Introduction

Corporate organisations constantly appraise their financial performance to ensure stable and sound financial standing. Financial performance is a key instrument for companies to fund their economic activities and boost company value (Ali & Aminu, 2021). Thus, a company whose financial performance is sound and stable is able to maximise the wealth of its shareholders and guarantee its future growth prospects. Financial performance could, therefore, be

evaluated in terms of the level of profit that an organization generates as a result of effective and judicious use of scarce resources by the management (Aman et al., 2018) since, the overriding objective of shareholders and other stakeholders of a company is to maximise profit.

Financial performance represents a firm's ability to effectively utilize its resources to generate earnings and enhance shareholder value, often measured through indicators such as return on assets (ROA), return on equity (ROE), earnings per share (EPS), and net profit margin

(NPM) (Olanrewaju & Okunlola, 2020). In the Nigerian manufacturing sector, financial performance has attracted significant scholarly and policy interest due to its central role in industrial growth, economic diversification, and employment creation (Adeniran & Obembe, 2021). The sector operates within a challenging economic environment characterized by erratic power supply, high production costs, exchange rate volatility, and infrastructural deficiencies, all of which influence profitability and operational efficiency (Adegbe et al., 2022; Manufacturers Association of Nigeria (MAN), 2023). These macroeconomic and structural constraints often limit the capacity of manufacturing firms to optimize asset utilization and maintain stable profitability.

Despite these challenges, the manufacturing sector remains critical to Nigeria's economic development agenda, contributing to GDP growth and serving as a major source of non-oil export potential (Ogunniyi & Ajao, 2021). As a result, financial performance becomes not only an internal metric of managerial efficiency, but also a broader indicator of sectoral resilience and competitiveness. Studies have shown that factors such as corporate governance quality, sustainability practices, firm size, operational capabilities, and corporate social responsibility (CSR) activities influence financial performance outcomes among Nigerian manufacturing firms (Eberechi, 2024; Olayinka & Temitope, 2020). The increasing emphasis on CSR, stakeholder engagement, and sustainable business practices underscores the need to assess how non-financial drivers affect profitability and value creation in the sector.

Given the sector's operational challenges and the increasing global shift toward sustainable business practices, the

financial performance of Nigerian manufacturing companies is increasingly viewed through corporate social responsibility (CSR) strategies. CSR dimensions, such as social responsibility, community responsibility, environmental responsibility, and employee responsibility have become integral to firm-stakeholder relationships and long-term financial success (Adebayo & Uchendu, 2022). Social responsibility initiatives, including contributions to societal welfare, educational programmes, and health-related interventions, could enhance corporate reputation and strengthen customer loyalty, thereby improving financial performance (Oyelere & Omoruyi, 2021). Similarly, community responsibility activities, such as community development projects and infrastructural support, often promote goodwill and reduce conflicts with host communities, which could translate into improved operational stability and profitability (Okafor & Anidiobu, 2020). Environmental responsibility, involving pollution control, waste management, and resource efficiency, is increasingly recognized as a driver of cost reduction and risk mitigation, particularly in a context where environmental compliance pressures are rising (Nwosu & Nnamdi, 2023). Furthermore, employee responsibility, reflected in fair wages, training investments, workplace safety, and staff welfare, contributes to improved workforce productivity, reduced turnover, and enhanced organizational commitment, all of which are positively linked to financial performance (Idowu & Towobola, 2022).

The extant literature reveals significant contradictions in the CSR financial performance relationship. While some studies report positive and significant effects of CSR on financial outcomes (Eberechi, 2024; Ngangi et al., 2023; Audu & Achema, 2024), others document negative or insignificant relationships (Audu et al., 2024; Omotoso et al., 2024). Further

inconsistencies arise in foreign studies, such as Shruti (2014), which presents mixed results across industries and different financial performance indicators. These divergent findings raise concerns about the theoretical coherence and empirical robustness of the CSR–performance relationship, particularly within the Nigerian context.

A major source of these inconsistencies lies in the methodological and conceptual gaps within the reviewed studies. CSR is measured using varying and sometimes simplistic proxies, ranging from keyword counts (Shruti, 2014) to broad expenditure categories (Audu et al., 2024), aggregated CSR spending (Ogunsola, 2024), and general sustainability disclosures (Omotoso et al., 2024), resulting in conceptual ambiguity and difficulty in comparing results across studies. Moreover, the majority of studies assess very small samples, such as two cement firms or five pharmaceutical companies, limiting representativeness and weakening the generalizability of findings to the wider manufacturing sector (Audu & Achema, 2024; Ogunsola, 2024). Methodologically, many studies rarely disaggregate CSR into stakeholder-specific dimensions, such as social, community, environmental, and employee responsibilities, making it difficult to determine which components of CSR exert the strongest influence on financial performance in Nigeria.

Conceptual Review

Financial Performance

Financial performance is a performance that could be measured and expressed in monetary terms. Financial performance is one of the paramount criteria for evaluating a firm's financial health, and it

is used also as a common indicator of the general strength of a firm over time. Every business is established to achieve one purpose or the other. The traditional objective of a firm is believed to be profit-making, which is an absolute measure of financial performance. It, therefore, becomes necessary for a business to measure its operating performance at a regular interval, usually on annual basis, to ascertain whether its profit-making motive is being met or not. Financial performance means how well a business does in its financial operations (Chen et al., 2016). Making adequate profit in business could be adjudged a good financial performance, while sustaining losses implies poor performance. For a profit-oriented-business to survive and remain in the market, it must be able to cover its operating expenses and generate adequate returns for the providers of resources. A company's capability to maintain a desired level of profit throughout its operations is a requirement of both its long-term viability and its value. Financial statements give information about a company's financial performance on which stakeholders rely in deciding whether to invest in the company or to continue contractual dealings with the company (Jibril, 2016).

According to Chen et al. (2016), financial performance is the extent to which profit-making motive is being met. Profitability is the most popular indicator of financial performance which is usually employed to determine the financial wellbeing of a firm for a specific period, and it is also employed to compare the performance of different firms in the same industry for the same period. In the view of Isanzu and Fengju (2016), a firm's financial performance is an assessment of how effectively it could utilize available resources and generate profit from its core operations. It is the degree of an entity's policy and procedure in financial terms (Emamoke & Omodero 2021). A company's financial performance is an indicator of its financial health

and is determined by its financial instruments. A corporate's financial performance shows productivity over time. According to Malik and Nadeem (2014), financial performance indicates a means of how effective a company is making use of its resources for revenue generation by evaluating the financial condition of a company over a certain time period.

A company's financial health is assessed using metrics like return on investment, return on equity, net income, earnings per share, and financial value of assets. Profitability as a financial performance measure includes return on capital employed, return on equity, return on assets, and net profit margin (NPM) (Najeb & Awni, 2017). For this study, return on assets is used to measure financial performance.

Corporate Social Responsibility

CSR does not have a universally acceptable interpretation; different intellectuals defined it based on their viewpoint and awareness. Zahari et al. (2019) see CSR as how firms incorporate economic, social and environmental concerns into their corporate value system, organizational culture, strategy, decision making and operations in a transparent manner and creating better practices within the firm, improving financial performance and addressing their social responsibilities. Mubeen and Arooj (2014) averred that CSR is the organizational duty to design their process in a way that incorporates social as well as environmental factors into their strategy and places a focus on advancing the interests of all stakeholders. According to Freeman (1994), CSR is an activity a company decides to do that materially impacts the wellbeing of some certain social stakeholders. Companies that practise social

responsibility are eager and prepared to adopt business practices and strategies that go above and beyond the bare minimum of legal requirements while still enhancing the welfare of their primary stakeholders and the environment. Consequently, CSR is considered as what firms might do to some areas of the community in which they are located, in terms of economic, socio-economic, educational and even political values and effects that are not restrained by law (Zakari, 2017). Alkababji (2014) asserted that CSR developed as a result of the spread and growth of the global market, which allowed for the rise of international firms with financial weight greater than the GDP of several economically developing nations.

Stakeholders throughout the world are putting more and more pressure on businesses to be socially responsible. A key goal is to work closely with the environment. Managements are under pressure to use resources efficiently and reduce their negative effects on the environment. Environmental standards that businesses could follow as created by the International Organization for Standardization (ISO) and included in ISO 26000 include standards for the consumption of natural resources, strategy for environmental preservation, and standards for managerial minimization of negative effect on the environment. These are the core elements of social responsibility. Environmental management is a main aim of stakeholders, both inside and outside the firms, in particular international firms, as good environmental management directly benefits the firms. Business environment management is used as a business strategy whose efficiency must exceed that of competition. Survey results have shown that companies that adopt ecological and environmental social responsibility see firm advantage as a major motivator. Additionally, environmental processes resulting from

environmental management also influence financial performance.

CSR has been the subject of ongoing debates over the years. It is based on whether or not a company is viewed as essentially an economic system with owners as its sole stakeholders, or a socioeconomic system with stakeholders including the consumers, employees, the society and the environment (Okeudo, 2012). CSR is also known as corporate social performance or corporate conscience, and is based on the responsibility that firms have to the communities in which they operate, such as providing social services, protecting the environment, supporting medical institutions, giving to charities, and more (Odetayo et al., 2014).

CSR might be summed up as a decision-making methodology that takes into account societal and environmental conditions. Therefore, it might be concluded that CSR refers to the intentional consideration of public benefit in business decision-making as well as the observance of the triple bottom line made up of the People, Planet, and Profit. The triple bottom line concept takes into account the fact that corporations have more than just one goal in mind: maximizing profits. They also want to improve the society and the environment (Mirfazli, 2018). Given the trend toward globalization in all areas of business organizations, corporate entities must move their focus away from just owners' interests and meeting consumer wants to include other important stakeholders who might have an impact on or be affected by the operations of corporations. Odetayo et al. (2014) viewed CSR as the organization's constructive response to new societal goals and expectations, together with its ethical business practices and consideration of other

stakeholders in the community. In fact, the concept of CSR suggests ways that businesses might manage their operations to have a good overall effect on societal economic growth. It also denotes how firms behave honestly and further the economic development of the society by enhancing the wellbeing of the local population and entire society.

Theoretical Framework

The study is anchored on legitimacy theory.

Legitimacy Theory

The legitimacy theory was propounded by Max Weber in 1947 and further developed by Lindblom (1994) and Suchman (1995). They pointed out that legitimacy is a condition that drives entities to ensure that their respective value system remains similar with the value system of the larger society in which they operate (Gbabayen et al., 2016; Naseem et al., 2017). In the view of Uwuigbe and Uadiale (2016), the legitimacy theory seeks to explain attempts by firms to narrow any perceived legitimacy gap as an effort to avoid sanctions or threats to their survival. This theory suggests that businesses operate in society through an express or implied social contract upon which their survival and growth are dependent. Patten (1992) had earlier noted that disclosure of CSR initiatives positively correlated with organizational legitimacy, which suggests that firms legitimized their operations through voluntary CSR disclosures. Legitimacy theory, therefore, tries to justify a company's actions in implementing, developing and cooperating on social corporate accounting policies.

The legitimacy theory is relevant to this study because it reacts to community and other stakeholders' expectations as they continually seek to ensure that they are perceived as operating within the norms of their respective societies, and that their activities are perceived

as being legitimate. The theory is relevant within the context of CSR disclosure because firms seek to create, maintain or repair their society legitimacy, and they also stand to benefit from the supportive influence of the society, and from the increased awareness of their products and services, and from the patronages of customers and other stakeholders. The relevance of the Legitimacy theory is that it explains the interconnectedness between the company, its stakeholders and the society at large. The theory is emphatic about the fact that no firm could survive without carrying along the interests of its critical stakeholders, including putting in place proper environmental sustainability policies and strategies.

Empirical Review

Onyeka and Nwankwo (2016) assessed the effect of CSR on the profitability of 10 listed manufacturing companies in Nigeria for the period 10 years from 2004 to 2013. CSR was measured by the natural logarithm of the quantum value of CSR expenditure as reported in the financial statements of the sampled companies, while profitability was measured by net profit margin (NPM). OLS simple regression was the methodology used for data analysis. The resulted showed that CSR had positive and significant effect on the NPM of the sampled manufacturing companies during the study period. Strengths of this study include its measure of CSR using actual expenditure, avoiding subjective scoring; use of 10-year dataset, providing strong temporal coverage; and its application of simple, interpretable OLS regression. Nonetheless, weaknesses of the the study, which reflected the gaps in the study, include its use of only NPM as a measure of performance, which might not capture broader financial implications of CSR.

The logarithmic transformation of CSR expenditure is appropriate, but the simple OLS model lacks control variables, making omitted variable bias a significant concern.

Robert et al. (2016) studied the effect of CSR on the financial performance of 49 companies listed on the Nairobi Securities Exchange in Kenya covering a five-year period from 2010 to 2014. CSR was measured by expenditure on education (EDUC) (higher education support, secondary education support, primary education support and informal education support), environmental conservation (ENCON) (afforestation, beautification, garbage collection and cleaning, and sponsorship for conservation organizations), and infrastructure development (IFRD) (construction of passenger waiting bay, construction of community buildings, construction of perimeter walls, and paving of streets). Financial performance was measured by profitability (proxy by ROCE), liquidity (proxy by current ratio (CR)) and asset growth (AG). Descriptive statistics, t-test statistics, chi-square and Pearson correlation were the statistical tools or methodology used for analyzing the combined primary and secondary data collected for the study. The study established that the mean ROCE, current ratio, and asset growth were significantly higher for industries with CSR expenditure of 20 million and above than for their counterparts with CSR of less than 20 million. CSR also correlated with all the financial performance variables positively and significantly. The study measures CSR using three distinct categories (education, environment, infrastructure), allowing multidimensional analysis. However, the CSR proxies are limited and do not account for firm-specific CSR strategies. The mixture of primary and secondary data without clear harmonization raises reliability concerns. Also, using Chi-square and T-tests for financial performance differences did not isolate causal effects as regression would.

These limitations reflect the gaps in the study.

Najeb and Awni (2017) analysed the effect of CSR on the financial performance of 107 listed Jordanian companies for 10 years from 2002-2011. CSR was measured by Employee Relations (EMP); Environmental Impact (ENV); Community Development (COM); Product Quality (PROQ); and Corporate Governance (CORG). Dummies were used to measure these variables: 0, if the company is not considered to be socially responsible; or 1, if otherwise. Financial performance was measured by accounting-based measures, such as ROA, ROE, Return on Sales (ROS), and ROCE; and market-based measures, such as Price-earnings ratio (P/R), EPS and Price Book Value (P/V). Company size (SIZE), Company age (AGE), Leverage (LVRG), and Systematic risk (BETA) were used as control variables. Fixed effects regression was used as the method for data analysis. The result showed that CSR has positive insignificant effect on ROA, ROE, ROCE, P/R, and PV; negative insignificant effect on ROS; and positive significant effect on EPS. This study was robust as it used five CSR dimensions, offering a holistic CSR construct; employs seven financial performance measures, both accounting and market-based; incorporated four control variables, reducing endogeneity; and used fixed effects regression, which is appropriate for unobserved heterogeneity. The 10-year window is also good. However, using dummy variables for CSR greatly reduced measurement precision and overlooked variations in CSR intensity across the studied firms. This weakness reflects the gap in the study.

Ibida and Emeka-Nwokeji (2019) studied the effect of corporate social responsibility on the financial performance of

eight listed oil and gas companies in Nigeria for the period of 10 years from 2006-2015. CSR was measured by ethical responsibility (ER-CSR) (proxy by expenditures on social donations), economic responsibility (EC-CSR) (proxy by earnings per share), and legal responsibility (LR-CSR) (proxy by summation of directors' remuneration, auditors fee, tax paid, interest expenses and staff costs). ROCE was used to measure financial performance. The method of data analysis was correlation and OLS regression. The regression result showed that ER-CSR has negative and insignificant effect on ROCE; EC-CSR has positive and significant effect on ROCE, while LR-CSR has a positive but insignificant effect on ROCE. A major strength of the study is that it uses ROCE, which captures efficiency of capital use. However, the use of only ROCE as the performance metric, limited multidimensional understanding of financial outcomes.

Kaur and Singh (2020) explored the effect of CSR on the financial performance of 40 listed companies in the Indian steel industry for the period of 14 years from 2004/2005 to 2017/2018. Financial performance was measured by value-added measures (VAM) (economic value-added (EVA) and market value-added (MVA)); profitability measures (PM) (return on total assets (ROTC), return on equity capital (ROEC), net profit (NP), and earnings per share (EPS)); market measures (MM) (stock market returns (SMR) and price earnings ratio (PER)); and growth measures (GM) (growth in sales (GIS) and growth in assets (GIA)). Age (AGE), size (SIZE) and risk (RISK) were employed as control variables. For method of data analysis, fixed effect regression was applied for VAM and PM models, while random effect regression was applied for MM and GM models. The result showed that CSR has positive and significant effect on all the financial performance measures. The study is strong due to its long 14-year window, big sample size and multiple

performance measures. However, CSR measurement was not clearly described—whether expenditure, disclosure, or scoring—raising concerns about construct validity. Also, industry concentration (steel only) limited external validity.

Igbekoyi (2020) determined the effect of CSR on the financial performance of 27 quoted manufacturing companies in Nigeria covering a period of 15 years from 2002 to 2016. Community relations expenditure (COM) and employee relation expenditure (EMR) were used as proxies for CSR, while ROA was used as proxy for financial performance. Board size and board diversity were employed as control variables. The method of data analysis used was the Augmented Dicker-Fuller (ADF) and Phillips Perron (PP) panel unit root test, and Autoregressive Distributed Lag (ARDL) co-integration test in order to determine the short run and long run effect of the variables. The result showed that both CSR measures positively and significantly influence ROA in the short-run and long-run. The use of ARDL is robust, but CSR measurement was limited to two categories only. The study focused solely on ROA; inclusion of market-based indicators would have improved comprehensiveness. A bigger sample size would have also enhanced generalizability. These weaknesses reflect the gaps in the study.

Emamoke and Omodero (2021) investigated the effect of CSR on the financial performance of five consumer goods companies in Nigeria for the period of five years from 2015-2019. Investment in CSR was used to proxy CSR while PAT, EPS and net assets per share (NAS) were used to measure financial performance. OLS simple regression was used as methodology to analyse the data for the study. The result showed that CSR

has positive but insignificant effect on PAT, EPS and NAS. The study's strength lies in its use of three performance indicators, thereby providing a robust result. However, the sample of five firms over five years was too small to draw meaningful statistical conclusions. Also, CSR proxy (total investment) lacked detail about the nature or scope of CSR, and the insignificant results might be due to sample limitations rather than true absence of effect. These limitations reflect the gaps in the study.

Oladele et al. (2022) assessed the effect of CSR on the financial performance of listed manufacturing companies in Nigeria using a 10-year period from 2011-2021. CSR was proxy by Community Involvement (CI) and Donation (DNT), while financial performance was measured by Revenue (RV) and Profit After Tax (PAT). OLS regression was used for data analysis. The result indicated that DNT has positive and significant effect on PAT, while CI has positive but insignificant effect on PAT. For RV, DNT has negative and insignificant effect, while CI has positive but insignificant effect. Strong points for this study are its application of both revenue and PAT, thereby capturing growth and profitability aspects. It also separates CSR into community involvement and donations; and applied 10-year dataset, thereby enhancing robustness of the result. However, the CSR proxies are limited in scope and might not capture broader CSR. The inconsistent findings between PAT and revenue raised concerns about omitted variables, and OLS without panel structure wastes firm-specific variation.

Adetosoye (2022) studied the effect of CSR on the financial performance of five listed manufacturing companies in Nigeria for five years from 2016-2020. CSR was measured by the total expenditure on CSR activities in the sampled companies, while financial performance was measured by ROA, EPS, Dividend per share (DPS) and ROE. OLS regression was used for data

analysis. The result showed that CSR has positive and significant effect on all the measures of financial performance. A strong point for this study is its use of four financial performance measures, which improved generalizability. Weaknesses of this study include the small sample size and short study period, which limited reliable regression inference. Also, the CSR proxy (total CSR expenditure) did not distinguish between different types of CSR activities.

Doutimiareye (2022) explored the moderating effect of firm size on the relationship between CSR and the financial performance of 10 consumer goods firms in Nigeria for a six-year period from 2015-2020. Firm size (FS) was measured by the natural log of total sales; CSR was measured by community development cost (CDC) (potable water and roads) and training cost (TC) (scholarship and skills employment); while financial performance was measured by ROE. Panel least squares was employed for analysis of data. The findings revealed that CDC has negative but significant effect on ROE, while TC has positive and significant effect on ROE. FS has positive and significant moderating effect on CSR and ROE. Strengths of this study are that it investigated moderating effect of firm size, thereby contributing theoretically to the literature; used panel least squares, which is suitable for small samples; and differentiated CSR into community and training costs. However, CSR proxies (CDC and TC) covered only two dimensions of CSR which did not represent full CSR engagement. The study used only ROE as performance indicator, thereby limiting insight. The moderating effect tests are meaningful, but the small sample reduces its statistical power.

Ngangi et al. (2023) explored the effect of CSR on the financial performance of

nine manufacturing firms listed under the manufacturing, construction and allied sectors of the Nairobi Securities Exchange (NSE) in Kenya for seven years spanning 2015-2021. CSR was measured by environmental sustainability initiatives (ENSI) (cost on minimizing pollution, renewable energy, water safeguarding activities, and factory waste disposal activities), and employee-focus corporate expenditures (ECE) (paid staff leave allowance and classical employee benefits), whereas financial performance was measured by ROA. Random effect regression was used to analyse the data of the studied companies. The result showed that ENSI and ECE have positive and significant effect on ROA. The study concludes that ENSI and ECE positively influenced financial performance in the studied firms during the study period. The study, therefore, recommended that ENSI and ECE should be intensified so as to improve financial performance. The study benefitted from clear CSR activity-based measures and a seven-year panel, but the very small sample size limited generalizability. Its reliance on only ROA and the narrow industry focus also restricted the breadth of financial performance assessment.

Nangih (2023) assessed the effect of CSR investments on the profitability of six quoted consumer goods companies in Nigeria for the period of seven years from 2014-2020. CSR investments was measured by corporate donations, while profitability was measured by profit after tax (PAT). Management efficiency (ME) was used as a moderating variable. Random effect was employed as the method of data analysis. The results revealed that CSR investments have positive but insignificant effect on PAT, while ME negatively but significantly moderated the effect of CSR on PAT. The study concluded that CSR investments did not impact on profitability, and, therefore, recommended that consumer goods firms should re-evaluate their CSR investments as well as sustainability

strategy so as to increase their profitability. Strengths of the study include its employment of management efficiency as moderator, thereby adding theoretical contribution; its use of seven-year panel, which is suitable for dynamic CSR analysis; and its combination of CSR with firm-level behavioural variables. Weaknesses of the study illustrate that CSR measurement using donations alone is narrow, and the moderating variable is vaguely operationalized.

Ahmed et al. (2024) investigated the effect of CSR on the financial performance of 15 listed manufacturing companies in Nigeria for the period of 10 years covering 2013-2022. Expenditures on initiatives related to education, health, social welfare, environmental protection, and sports were used to measure CSR, while ROCE, EPS and NPM were used as proxies for financial performance. Firm age (FAGE), firm size (FSIZE) and leverage (LEV) were employed as control variables. Fixed effect regression was utilized as method of data analysis. The findings indicate that CSR has negative and insignificant effect on ROCE, and positive and significant effect on EPS and NPM.

Eberechi (2024) assessed the effect of CSR disclosure on the financial performance of 10 quoted manufacturing companies in Nigeria for the period of 10 years from 2014 to 2023. Human resources disclosure (HR), environmental disclosure (ENV), community involvement disclosure (COM) and product information disclosure (PROD) were employed as measures of CSR disclosures, while EPS was used as proxy for financial performance. Firm size (SIZE) and Leverage (LEV) were employed as control variables. OLS regression was utilized for data analysis. The findings showed that all the CSR disclosures proxies exert positive and

significant effect on EPS. The study is strong in its adoption of four CSR disclosure dimensions which provide breadth in assessing CSR communication practices. The use of EPS as a market-performance indicator is a useful alternative to ROA and aligned with investor-value perspectives. However, the exclusive reliance on disclosure-based CSR measures rather than actual expenditures or activities raised concerns about impression management and disclosure bias. The sample size of 10 firms is again a limitation and reduces external validity. The study also utilized OLS regression on panel data, which might be inappropriate if unobserved heterogeneity exists; alternative models such as fixed or random effects might have been more suitable.

Audu et al. (2024) investigated the effect of CSR on the financial performance of 10 listed manufacturing companies in Nigeria covering a period of 10 years from 2014 to 2023. CSR was determined by Health Expenditure (CSRHE), Community Development Cost (CSR CDC), and Training Cost Expenditure (CSRTC), while financial performance was determined by ROA. Random effect regression was used to analyse the data for the study. The result demonstrates that all the measures of CSR have negative and insignificant effect on ROA. This study's strength lies in its use of multiple CSR components, which enhances the dimensionality of CSR measurement. The study also covered a large 10-year period, improving reliability. However, the sample size of 10 firms is small for a national study and might weaken generalizability. The use of only ROA as financial performance indicator is insufficient, as CSR might influence market-based or value-based measures differently. The consistently negative and insignificant results might also suggest measurement or model specification issues, which the authors did not address.

Methodology

This study employed ex-post facto research design, because it sought to identify antecedents of a present situation. The ex-post facto design is suitable for this study because the events under study, especially events relating to independent variables, have already taken place and the data is already in existence. The sample size of 35 manufacturing companies is drawn from the population of 45 manufacturing companies listed on the NGX. Ex-post facto research design supports the use of secondary data. Thus, the data collected, presented, analyzed and discussed in this study were obtained from the published annual reports and accounts of the selected manufacturing companies for the study period. Data on CSR expenditure measures of social responsibility, community responsibility, environmental responsibility and employee responsibility were extracted from the directors' report in the corporate governance section. Panel or pooled data were collected for the study, which is a combination of data on time series and cross-section. The analysis of the data was done using Ordinary Least Square (OLS)

of regression.

Model Specification

The model for this study was adapted from the study of Eberechi (2024), and is specified as follows:

$$ROA_{it} = \beta_0 + \beta_1 \text{LogSOCRE}_{it} + \beta_2 \text{LogCOMRE}_{it} + \beta_3 \text{LogENVRE}_{it} + \beta_4 \text{LogEMPRES}_{it} + \mu_{it}$$

Where:

ROA_{it} = Return on assets (proxy for financial performance)

LogSOCRE_{it} = Natural log of social responsibility expenditure

LogCOMRE_{it} = Natural log of community responsibility expenditure

LogENVRE_{it} = Natural log of environmental responsibility expenditure

LogEMPRES_{it} = Natural log of employee welfare responsibility expenditure

β_0 = Constant term (intercept) of the regression model (expected value of the dependent variable when all independent variables are zero).

β_1 - β_4 = Coefficients to be estimated

μ = Error Term

i = Firm dimension of the variables (1-35)

t = Time dimension or time period of the variables (2012-2023).

Results

Descriptive Statistics

Table 1: Descriptive Statistics

Variables	Obs.	Mean	Standard Dev.	Minimum	Maximum
ROA (%)	420	0.056	0.125	-0.781	0.935
SOCRE (₦'000)	420	15237	50195	0	513400
COMRE (₦'000)	420	103445	311164	0	3400000
ENVRE (₦'000)	420	446	3760	0	66000
EMPRES (₦'000)	420	76	780	0	14100

Source: STATA Output

From Table 1, the mean value of ROA is 0.056. This indicates that, on average, the sampled listed manufacturing companies in Nigeria made a positive ROA of approximately 6%. The standard deviation of 0.125 or

approximately 13% shows there is wide variability or dispersion of ROA values around the mean. A high standard deviation suggests that the ROA values are spread out over a wider range from the mean. The minimum ROA

value is -0.781 (-7.81%), and this was recorded by Chellarams Plc. in 2021, while the maximum ROA value of 0.935 (94%) was earned by Cap Plc in 2012. Similarly, from Table, the average SOCRE for the sampled listed manufacturing companies in Nigeria during the study period was ₦15.237 million. The standard deviation of ₦50.195 million suggests that there is a high amount of variability in SOCRE among the sampled listed manufacturing companies during the study period. The result shows that at least one of the companies did not incur any SOCRE expenditure during the study period, while the maximum SOCRE of ₦513.400 million was recorded by Dangote Cement Plc in 2022.

The table also shows that the average COMRE for the sampled listed manufacturing companies in Nigeria during the study period was ₦103.445 million. The standard deviation of ₦311.164 million suggests that there is a high amount of variability in COMRE among the sampled listed manufacturing companies during the study period. At least one of the

companies did not incur COMRE during the study period, while the maximum COMRE of ₦3,400.000 million was incurred by Flour Mills of Nigeria Plc in 2021. For ENVRE, the table demonstrates that the average expenditure for the sampled listed manufacturing companies during the study period was ₦446,000. The standard deviation of ₦3.706 million suggests that there is a high amount of variability in ENVRE among the sampled listed manufacturing companies during the study period. At least one of the companies did not spend on ENVRE during the study period, while Nigerian Breweries Plc spent the highest amount of ENVRE in 2021. Finally, the manufacturing companies spent an average of ₦76,000 on EMPRE during the study period, and there was high variability of this expenditure to the tune of ₦780,000. At least one of the companies did not make any expenditure on EMPRE, while Okomu Oil Palm Plc made the highest EMPRE expenditure of ₦14.1 million during the year 2012.

Correlation Analysis

Table 2: Correlation Matrix

	ROA	LogSOCRE	LogCOMRE	LogENVRE	LogEMPRE
ROA	1.0000				
LogSOCRE	0.2787*	1.0000			
	0.0000				
LogCOMRE	0.2482*	0.5469*	1.0000		
	0.0000	0.0000			
LogENVRE	0.2502*	0.3004*	0.2076*	1.0000	
	0.0000	0.0000	0.0000		
LogEMPRE	-0.1374	0.0795	0.0390	0.0796	1.000
	0.0048	0.1038	0.4256	0.1034	

Source: STATA 16.0 Output

*Significant at 5%

Table 2 shows that there is a positive relationship between LSOCRE and ROA, and the relationship is moderate (coefficient of 0.2787). This implies that LSOCRE and ROA move in the same direction: as LogSOCRE

increases, there is also increase in the ROA of the sampled listed manufacturing companies. This relationship is significant at 1% (0.0000). LogCOMRE has a positive relationship with ROA. The relationship is, however, weak

(coefficient of 0.2482). This demonstrates that LogCOMRE and ROA move in the same direction: as LCOMRE increases, ROA also increases. The relationship is also significant at 1% (0.0000). There also exists a positive relationship between LogENVRE and ROA, but the relationship is weak (coefficient of 0.2502). The relationship suggests that LogENVRE and ROA move in the same direction: as LogENVRE increases, ROA also increases. The relationship

is also significant at 1%. Finally, there exists a negative relationship between LogEMPRES and ROA. The relationship is weak (coefficient of -0.1374). The relationship also suggests that LogEMPRES and ROA move in opposite direction: as LEMPRES increases, ROA decreases and vice versa. The relationship is also significant at 5% (0.0048). Thus, there is no correlation coefficient greater than 0.8, and so no problem of multicollinearity exists.

Table 3: Summary of Random Effect Robust Regression Result

ROA	Coefficient	Std error	z	P> z
LogSOCRE	0.0085	0.0033	2.5300	0.0110
LogCOMRE	0.0031	0.0038	0.8100	0.4160
LogENVRE	0.0126	0.0057	2.2000	0.0280
LogEMPRES	-0.0407	0.0146	-2.7900	0.0050
Consant	0.0300	0.0187	1.6000	0.1090
R ²				0.1386
Wald Chi ²				14.1600
Prob>chi ²				0.0068
Hettest				0.3633

Source: STATA Output

Table 3 shows that the explanatory variables of the study jointly explain 13.86% (R²) of the total variation in the ROA of the sampled manufacturing companies during the study period, while the remaining variation of 86.14% is caused by factors not captured by the model. Although the R² is modest, it is acceptable in CSR studies where financial performance is influenced by multiple firm-specific and macroeconomic factors not captured in the model. Similarly, the results from the table show that the model is fit as indicated by the Wald Chi² of 14.16 which is significant at 1% (p-value of 0.0068). This demonstrates that the variables of the study are well selected, combined and used.

Because the dependent variable (ROA) is in linear form and the independent variables are in logarithmic form, the estimated coefficients are interpreted as semi-log (log–

linear) effects. LogSOCRE has a coefficient value of 0.0085, which connotes that LogSOCRE has positive effect on ROA, and a rise in LogSOCRE by 1% would lead to a corresponding rise in ROA by approximately 0.0085 units in the sampled listed manufacturing companies in Nigeria holding other factors constant. In linear terms, increased investment in social responsibility activities enhance firms' asset utilization efficiency and profitability.

LogCOMRE has a coefficient value of 0.0031, which indicates that LogCOMRE has positive effect on ROA, and a growth in LogCOMRE by 1% would lead to a rise in ROA by 0.0031 units, holding other factors constant. In practical terms, expenditures on host community development, such as infrastructure, empowerment programmes, and social amenities, contribute positively to financial performance by reducing operational

disruptions and improving firm–community relations.

Similarly, LogENVRE has a coefficient value of 0.0126, implying that LogENVRE has positive effect on ROA, and an increase in LogENVRE by 1% would lead to an increase in ROA by 0.0126 units, holding other variables constant. In linear terms, this effect implies that investments in pollution control, waste management, and environmentally sustainable practices significantly enhance profitability, possibly through cost savings, regulatory compliance, and improved corporate image.

Lastly, LogEMPRES has a coefficient value of -0.0407, which signifies that LogEMPRES has a negative effect on ROA. Consequently, a rise in LogEMPRES by 1% would lead to a fall in ROA by 0.0407 units, holding other variables constant. In linear terms, expenditures on employee welfare and benefits do not translate into immediate improvements in asset-based profitability, suggesting that such investments might yield long-term or non-financial benefits rather than short-term ROA gains.

Discussion

Social Responsibility and Return on Assets

The regression result in Table 3 shows that LogSOCRE has a positive and significant effect on the ROA of listed sampled manufacturing companies in Nigeria during the study period. The result suggests that investments in education, cultural development, and social welfare initiatives enhance firms' operational efficiency and profitability. This finding is consistent with the results of Robert et al. (2016) and Doutimiareye (2022) who reported that CSR activities have a positive and significant effect on firms' financial performance. Their studies argued that CSR investments help organizations build goodwill, enhance corporate image, and improve stakeholder

relationships, which in turn lead to better financial outcomes. The agreement between the present study and these earlier studies strengthens the empirical evidence that social responsibility initiatives could contribute positively to firm profitability.

Community Responsibility and Return on Assets

The regression result in Table 3 shows that LogCOMRE has a positive but insignificant effect on the ROA of listed sampled manufacturing companies in Nigeria during the study period, indicating that community-related CSR investments contribute to firm profitability, but the contribution is not meaningful. The finding is consistent with several previous empirical studies reviewed in the literature. Specifically, it concurs with the results of Najeb and Awni (2017), Ofogbe et al. (2021), Ayon and Oyedokun (2022), Doutimiareye (2022), Oladele et al. (2022), Audu et al. (2024), and Audu and Achema (2024), all of whom found that community responsibility activities exert a positive and significant influence on firms' financial performance. These studies argued that CSR initiatives enhance corporate image, improve customer loyalty, and strengthen relationships with stakeholders such as host communities and regulators. Consequently, these benefits translate into improved operational efficiency and profitability for firms.

Environmental Responsibility and Return on Assets

The regression result in Table 3 shows that LogENVRE has a positive and significant effect on the ROA of listed sampled manufacturing companies in Nigeria during the study period, and it emerges as the most influential CSR component. This result strongly supports the research objective of ascertaining whether environmental responsibility improves

financial performance, and suggests that environmental investments yield measurable economic benefits for Nigerian manufacturing firms. The result is consistent with the findings of Ojo et al. (2015), Robert et al. (2016), Isanya and Atieno (2023), Ngangi et al. (2023), and Eberechi (2024), who all reported that environmental responsibility initiatives have a positive and significant impact on firms' financial performance. These studies argued that environmentally responsible practices help firms improve their corporate image, attract environmentally conscious investors and customers, and reduce long-term operational costs associated with environmental damage or regulatory penalties. As a result, firms that adopt proactive environmental strategies are better positioned to achieve improved financial performance. The agreement between the present study and these earlier studies strengthens the empirical evidence that environmental responsibility could serve as a strategic tool for enhancing profitability and sustainability in business organizations.

Employee Welfare Responsibility and Return on Assets

The regression result in Table 4.4 shows that LogEMPRES has a negative but significant effect on the ROA of listed sampled manufacturing companies in Nigeria during the study period. This result is contrary to expectations, implying that investments in employee welfare, training, and benefits do not translate into immediate improvements in asset-based financial performance. The finding is consistent with the results reported by Shruti (2014) and Osazevbaru et al. (2021), who also found a negative but significant relationship between employee-related CSR expenditure and firms' financial performance. These studies argued that, although employee welfare initiatives are important for long-term

organizational sustainability, the associated costs could temporarily reduce profitability, especially in sectors where firms operate under tight cost structures or where the benefits of such investments take time to materialize.

Conclusion

This study assessed the effect of CSR expenditures on the financial performance of sampled listed manufacturing companies in Nigeria, with ROA serving as the measure of financial performance, and social responsibility, community responsibility, environmental responsibility, and employee responsibility as the dimensions of CSR. Drawing on legitimacy theory as the underpinning framework, the study provides empirical evidence on how different CSR components influence asset-based performance in the Nigerian manufacturing sector.

The findings of the study demonstrate that CSR expenditures directed toward social responsibility and environmental responsibility have a positive and statistically significant effect on the return on assets, but expenditure on community responsibility has positive but statistically insignificant effect on the return on assets of listed manufacturing companies in Nigeria. This suggests that manufacturing firms that invest in socially oriented programmes, maintain constructive relationships with their host communities, and adopt environmentally responsible practices are better positioned to utilize their assets efficiently and enhance profitability. These results affirm the argument of legitimacy theory that firms gain societal approval and operational stability when their activities align with societal expectations, which in turn translates into improved financial performance.

The study concludes that CSR is not merely a cost to manufacturing companies in Nigeria but, a strategic investment that

enhances financial performance when appropriately targeted. Specifically, CSR activities that strengthen social legitimacy, foster community goodwill, and mitigate environmental risks contribute more directly to improved asset utilization and profitability. The study, therefore, reinforces the relevance of CSR as a viable strategy for improving corporate performance and sustaining long-term business operations in Nigeria's manufacturing sector.

Based on the findings, the study recommends that manufacturing companies should increase and strategically structure their social responsibility expenditures and strengthen their community responsibility initiatives. The study also recommends that manufacturing companies should embed environmental responsibility practices into their operational strategies.

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