Research Article / Review Article FUPRE JOURNAL 8(4):187-198(2024)

FUPRE Journal

of

Scientific and Industrial Research

ISSN: 2579-1184(Print) ISSN: 2578-1129 (Online)

http://fupre.edu.ng/journal

Assessment of Corporate Social Responsibility Disclosure on Return on Asset and Share Price of Seplat Energy Plc in Nigeria

OLORUNNISOLA, A. O. *[*1], *ARUWAJI, A. M.* [2]

[1]*Department of Business Administration, Kampala International University, Uganda*

[2]*Department of Accounting and Finance, Kampala International University, Uganda*

ARTICLE INFO

Received: 21/08/2024
Accepted: 21/10/2024

Keywords

Capital market, Corporate social responsibility (CSR), Return on asset (ROA), Rhare price (SP)

ABSTRACT

Corporate social responsibility (CSR) is considered an instrument for improving a company's reputation with key stakeholders, generating revenue, and improving bottom-line results; however, rather than corporate organizations, most studies concentrated on Nigeria, a sovereign state. Therefore, it is imperative to investigate the specific relationship between corporate social responsibility disclosure and its effects on asset returns and share prices, with specific reference to an oil firm such as Seplat Energy Plc in Nigeria. Nigeria. Ex-post facto or causal comparative designs were utilized because the study's data came from the annual reports of Seplat Energy Plc on the Nigerian Stock Exchange. Pearson Product Moment Correlation (PPMC) and regression analysis were used to analyze this study. The results showed that corporate social responsibility indices are positively related to ROA, except size. Additionally, it was observed that the corporate social responsibility index explains 46.8% of the variance in ROA. Because the size and donation values on the t-calculated values of -1.089 and 0.620, respectively, are less than the t-tabulated value of 1.833. Based on the research findings, Seplat Petroleum Development Plc was found to have acknowledged the value of corporate social responsibility (CSR) and to be fulfilling its commitments to both internal and external stakeholders as well as the broader community. It was recommended that a law be enacted that will fix the minimum percentage of profit that organizations should spend on corporate social responsibility.

1. INTRODUCTION

Corporate Social Responsibility, or "CSR," initiatives are no longer only altruistic endeavors; they are now instruments for enhancing the company's reputation, appeasing important stakeholders, and boosting bottom line results. According to Islam (2012), the definition of business has shifted from being about producing profits to being about social welfare, with companies now accountable to all of their stakeholders in addition to their shareholders. According to Nicolau (2008), socially conscious businesses are those that balance stakeholder needs with the full spectrum of environmental impact when making operational decisions aimed at maximizing profits. The main aim of businesses is to make profit. Other non-financial goals of an organization are typically perceived as being at risk in order to achieve this goal. Businesses nowadays are understanding that they must be socially and environmentally responsible in order to be viable in a fast-changing environment.

*Corresponding author, e-mail:abiol2k2@kiu.ac.ug

Thus, the idea of Corporate Social Responsibility (CSR) emerged from the conviction that businesses should consider the interests of all stakeholders in addition to their own shareholders when generating profits. Corporate social responsibility (CSR) is the continuous efforts of businesses to act morally, encourage economic growth, and improve the standard of living for employees and their families, as well as for the local community and global society, according to the World Business Council on Sustainability Development (1998). These days, companies are held accountable to stakeholders in addition to their immediate owners, such as debt holders and shareholders. This is a significant improvement over the past few decades, when corporations were solely focused on maximizing profits (Manescu and Starica, 2008). Ajide and Aderemi (2014) noted that organizations and societies in Nigeria are becoming more and more aware of the CSR issue. According to Godfrey (2005), corporate social responsibility (CSR) can offer "insurance-like" protection for many of a company's unique intangible assets, and this protection eventually results in wealth for shareholders. According to Revelli and Viviani (2015), CSR in stock market portfolios is neither a strength nor a drawback when compared to traditional investments.

However, the long-term effects of macroeconomic variables on the performance (market capitalization) of the Nigerian stock market, including interest rates, foreign capital flows, exchange rates, GDP growth, inflation, and trade, were studied by Felicia et al. (2020). Their study focused on Nigeria, a sovereign state, rather than corporate organizations; therefore, its purview was wider than ours. As we have seen from above, though studies on corporate social responsibility and performance remain rampant, there is a need to re-examine the specific relationship between corporate social responsibility Disclosure and its impact on return of asset and share prices with specific reference to an oil firm such as Seplat Energy Plc in Nigeria. This study is therefore aimed to determine the effect of Corporate Social Responsibility Disclosure on Return on Asset of Seplat Energy Plc and to ascertain the effect of Corporate Social Responsibility disclosure on Share Price of Seplat Energy Plc, using the following hypothesis:

$H0_1$: Corporate Social Responsibility disclosure has no significant effect on Return on Asset of Seplat Energy Plc.

$H0_2$: Corporate Social Responsibility disclosure has no significant effect on Share Price of Seplat Energy Plc.

1.1. The Emergence of Corporate Social Responsibility (CSR)

Concepts related to corporate social responsibility originated from the understanding that a corporation's business ethics must incorporate an economics of responsibility (Babalola, 2013). According to Ajide and Aderemi (2013), this means that the previous notion of laissez-faire business is replaced with determinism, individuality with public control, and personal responsibility with societal duty. Susanto (2009) and Nuryaman (2013) both listed the following advantages of corporate social responsibility (CSR): (a) lower risk and prevent claims that the business acted unethically; (b) CSR can act as a shield, assisting businesses in minimizing the negative effects brought on by their production activity. (c) Employers with a strong reputation and a track record of enhancing people's welfare, quality of life, and environment will make their staff members feel proud to work there.

1.2. Measurement of Corporate Social Responsibility

There have been many attempts to gauge social responsibility; nonetheless, the outcomes are typically inconsistent. This is probably because it can be challenging to determine what needs to be measured. For the purpose of measurement, Boones (1984) classified CSR as follows: Community Projects: Those in which the business made a major contribution or offered a lot of assistance. These consist of local earth programs, student and social activities, civic and cultural programs, and youth activities; contributions to federated drives, educational initiatives, urban and civic affairs, and cultural events are among them. Equal job opportunities: these have to include minorities and women; energy conservation and environmental concerns: this is the presence of rules or guidelines aimed at energy conservation; The voluntary sector: This measure, which is based on the number of hours that people who are lent or given a lease time for a public service job contribute, aims to promote social investment and individual involvement. These include loans that would not have been granted in the absence of social consideration or those that would not have qualified under the company's ordinary lending guidelines. Organizations with a CSR focus would proactively advance the public interest by supporting the growth and development of local communities.

1.3. Development of Corporate Social Responsibility Indices

Companies are realizing more than ever that their strategic vision needs to include CSR as a key component. This focus is partially due to increased awareness on the part of the businesses themselves. On the one hand, this agenda is set by the larger society, particularly regulatory authorities depending on the climate, which now require businesses to be more socially responsible in their decisions and actions. In response to this trend, several global organizations developed CSR as a new metric for assessing corporate value and set out to assess the market performance of socially conscious companies. This effort gave rise to the so-called CSR disclosure.

The CSR indices have been employed as instruments to assess how companies and their operations affect the environment and society. These assessments have gained significant traction in the global financial markets as organizations aim to assess the contribution of corporate social responsibility (CSR) to the overall value of a company's socially responsible investments (SRI). The Dow Jones Sustainability World Disclosure (DJSI World), the world's first CSR disclosure, was developed in 1999 by the Dow Jones Stocks and Sustainability Asset Management Co. with the intention of valuing the stock performance of socially conscious companies in light of societal norms. The finding that indices focused on environmental, social, and governance (ESG) or CSR topics have outperformed benchmark indexes globally has contributed to the following emergence of CSR indices. In an effort to create a reflecting market mechanism that evaluates a company's efforts in carrying out its social responsibilities, stock exchanges all over the world are following the lead of the United States in many of the disclosure initiatives and the corresponding CSR indexes that have arisen. Sustainability reports are now required to be released by listed firms in Nigeria. Listing rules for companies on the exchange's premium board mandate the filing of yearly ESG reports as of 2019.Four key areas—economic, environmental, social, and governance—are the focus of the disclosure standards released to support the reporting of listed firms. It was recommended that businesses measure their sustainability initiatives using performance indicators that are guided by the four main areas, even if no formal CSR disclosure was mentioned. The organizations are improving themselves as well as society by contributing positively to it. It is not just about earnings; it is also about the economy and employee mindset (Okeudo, 2012).

1.4. Firm's Performance and the Capital Market

A company's performance is a complex and varied phenomenon (Ress and Robinson, 2004). Previous studies showed that managers' companies' performance measurements provided them with support in formulating plans and in questioning their views and presumptions about their firms. This was in line with the concept of double-loop learning and provided managers with a means of identifying the discrepancy between expectations and actual results (Neely and Najjar, 2006). The primary determinants of a company's performance are its profitability and the performance of its stocks on the capital market. Firm performance measures are classified into two categories: market-oriented measurements and accounting-oriented measures. It is widely acknowledged that accounting-based assessment is a valuable indicator of the profitability of the company when compared to a benchmark rate of return equivalent to the risk-adjusted weighted average cost of capital. The following are only a few examples of measurement indicators of a business's profitability that are based on accounting.

Profit Margin (PM): The ratio of profit after taxes to turnover or net sales is used to compute profit margin. Its main function is to give information about the proportion of profit that sales can produce. Because profit for the period is compared to sales for the current period, this accounting-based performance indicator might be classified as forward-looking.
ROA (return on assets): It is commonly calculated by dividing total assets by profit after taxes. An alternative method is to divide earnings before interest and tax by the entire amount of assets. It provides insight into how well management uses its resources to turn a profit. Divide profit by equity to arrive at return on equity (ROE), a metric. Return on equity is a gauge of a company's profitability.

The division of profit by equity yields the return on equity (ROE) metric. By indicating how much profit a business makes with the capital that shareholders have contributed, return on equity serves as a gauge of a corporation's profitability. Its combination of market-based equity and accounting-based profit makes it a popular choice for a hybrid measure of a company's performance. ROCE stands for return on capital employed. The aforementioned ratio is commonly considered a basic measure of a company's profitability. Usually, it is understood to be the sum of the business's long-term borrowings and owners' equity. In light of this, it considers overall business efficiency.

Share Price (SP): The market price of a share of common equity, as reported by Stickney et al., is a very special and informative figure because it represents the combined expectations of all market players following that particular stock. The market price reflects the outcome of the market's trading activity in that stock. It condenses the collective knowledge that market players possess about the company as well as the collective projections regarding the company's growth and profitability in the future. A share's price isn't set; instead, it fluctuates based on the state of the market.

Nuryaman (2013) studied one hundred manufacturing companies that were listed between 2010 and 2010 on the Indonesian Stock Exchange (IDX). The study's goal was to find out how corporate social responsibility (CSR) disclosure activities affected business performance. The study used share price, ROA, and NPM as operational performance indicators to analyze the performance of the company in the market and to evaluate corporate performance. The study's findings indicate that CSR disclosure has a positive impact on stock prices and significantly impacts business profitability.

Ajide and Aderemi (2014) investigated the effects of corporate social responsibility activities (CSR) disclosure on bank profitability in Nigeria. Along with independent variables like owners' equity, bank size, and CSR disclosure scores, the model also included returns on equity (ROE), a dependent variable that measures how profitable banks are. The findings indicated a negative correlation between owners' equity and bank profitability and a positive correlation between banks' size and CSR disclosure score. Babalola (2013) used the Ordinary Least Squares Technique (OLS) to investigate how corporate social responsibility affected the profits of ten randomly selected Nigerian companies between 1999 and 2008.

The finding showed the outcome that corporations gave less than 10% of their annual profit to social responsibility, while the exact amount varied amongst them. The empirical study found that the two variables—profit after tax and investment in social responsibility, or PAT and CSR—had an inverse correlation, or negative relationship. Mahbuba and Farzana (2013) used Dutch Bangla Bank Ltd. (DBBL) as a case study to analyze the connection between CSR and profitability in Bangladesh. Annual reports from DBBL from 2002 to 2011 were used in the study. The results demonstrated a favorable correlation between profitability (calculated using earnings after taxes) and corporate social responsibility (CSR). Using primary data, Dabbas and Al-Rawashdeh (2012) investigated the impact of corporate social responsibility (CSR) on the earnings of Jordanian industrial enterprises. To gather responses to the questionnaires, they employed a sample of fifty employees from Jordanian industrial enterprises. According to the study, there is a substantial correlation between industrial companies' profitability and corporate social responsibility (CSR) initiatives, such as establishing non-profit projects, donating to charity, and supporting these initiatives. Nonetheless, there is no connection between the success of industrial enterprises and awareness and advisory efforts. Wibowo (2012) used a sample of 25 companies from SRI-KEHATI Disclosure and studied the relationship between corporate social responsibility disclosure and profitability (as determined by return on assets) for the years 2005–2010.

Results indicate that social performance has a positive correlation with firm profitability and that business profitability has a positive correlation with firm social performance. A sample of forty audited financial statements of quoted businesses is used by Uadiale and Fagbemi (2012). The study looks at how CSR initiatives affect financial success as determined by ROE and ROA, or return on assets. The findings demonstrate a strong and favorable correlation between CSR and financial success metrics. Akanbi and Ofoegbu (2012) investigated how corporate social responsibility (CSR) affected the performance of banking organizations, specifically focusing on the United Bank for Africa. The study, which employed primary data and conducted interviews with 250 bank workers, found that the elements of corporate social responsibility have an impact on organizational performance.

In order to investigate the connection between corporate social responsibility and financial success in Nigeria, Olayinka and Temitope (2011) used a qualitative study methodology. Data on variables thought to be related to both financial success and corporate social responsibility (CSR) were collected for the study. These factors included the Environment Management System, Employee Relations, Community Performance, and ROE and ROA. The outcome demonstrates that there is a substantial and favorable correlation between CSR and financial success metrics. These findings added to the growing corpus of empirical evidence supporting CSR's beneficial effects on financial performance.

The perception of investors and financial analysts on the improvement of earnings quality through corporate social responsibility (CSR) was studied by Hyunjung and Doocheol (2016). They used the Korea Economic Justice Institute Disclosure as a proxy for CSR participation and a sample of Korean-listed businesses from 2002 to 2011. Employing earnings response coefficients (ERCs) as a tool to gauge investors' opinions on the quality of earnings, they discovered that companies that participate in CSR have higher ERCs. On the other hand, they discovered that enterprises that participate in corporate social responsibility (CSR) have a stronger predictive ability of past earnings when utilizing past earnings to estimate future earnings to quantify analysts' judgments of earnings quality. The findings demonstrated how capital market players view CSR as a signal of enhanced earning quality.

Upon reviewing Corporate Social Responsibility and Stock Prices: A Study on the Italian Market, Giovanni et al. (2015) found that, when considering various social performance indicators related to environment, community, and employment activities, stock prices were used as a proxy for financial performance. They discovered evidence of a negative correlation between good social performance and stock prices in the Italian Stock Exchange Market, with this correlation being especially evident when taking into account the environmental strategies of the Italian listed companies, which Italian investors view as avoidable expenses that reduce shareholders' income and companies' value. This data aligns with the characteristics of the Italian capitalist system, which appears to be immature enough to properly assess the worth of these measures due to its reluctance to embrace CSR and associated issues.

Based on two concepts—socially responsible investing (SRI) and business donations to stakeholders—Yunhchih (2011) created a local CSR Disclosure (CSRI). In order to compare short- and long-term stock returns to those of benchmark portfolios (market disclosure, value stocks, and growth stocks), three CSR portfolios based on the CSRI (high, medium, and low) are constructed using data sampled from the Taiwan Stock Exchange and Taiwan Economic Journal for the years 2001 to 2009. The primary discovery indicates that stock performance is considerably enhanced by fulfilling corporate social responsibility. The inference implies that a company could pursue an increase in stockholder value while also acting as a decent corporate citizen.

2. METHODOLOGY

Ex-post facto or causal comparative designs were utilized because the study's data came from the annual reports of Seplat Energy Plc on the Nigerian Stock Exchange. The demographic sample was selected based on information from Seplat Energy Plc's annual report covering the seven-year period from 2014 to 2020. Pearson Product Moment Correlation (PPMC) and Regression analysis were used to analyze this study.

3. RESULTS AND DISCUSSION

H01: Seplat Energy Plc's return on assets is not significantly impacted by their disclosure of corporate social responsibility. To test the hypothesis, a multiple regression model built on SPSS version 25 was employed. In order to determine the impact of corporate social responsibility disclosure on return on equity (ROA), the data for the independent variables in Table 1 were regressed on the ROA data.

Decision Rule: If the computed t-value is higher than the tabulated t-value, the null hypothesis is to be rejected.

Table 1: Correlations of CSRD and ROA

		Return on Asset	**CSRD**	**Total Asset**
ReturnOnAsset	Pearson Correlation	1	-.208	-.437
	Sig. (1-tailed)		.327	.163
	N	7	7	7
CSRD	Pearson Correlation	-.208	1	.823*
	Sig. (1-tailed)	.327		.012
	N	7	7	7
TotalAsset	Pearson Correlation	-.437	.823*	1
	Sig. (1-tailed)	.163	.012	
	N	7	7	7

*. Correlation is significant at the 0.05 level (1-tailed). Source: SPSS Output file (v25)

Table 1 illustrates the relationship between firm size, return on asset, and CSR donations. With r= -0.208 and -0.437 for CSRDLn and SIZLn, respectively, it is clear from the table that the independent variables have a combined negative correlation with return on asset.

Table 2: Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.512[a]	.262	-.107	.57435

a. Predictors: (Constant), TotalAsset, CSRD
b. Dependent Variable: ReturnOnAsset

Source: SPSS Output file (v25)

Table 2 shows that the research model's known R value is 0.512 and its coefficient of determination is -0.107, or adjusted R square. This implies that 51.2% of the variance in the dependent variable can be explained by the independent factors. That example, a 51.2% increase in ROA will result from a 1% increase in the independent variable. The independent variables in the study model have not been able to account for the 57.4% variance in the dependent variable. Stated differently, 51.2% of ROA is influenced by CSRDLn and SIZLn, whereas 57.4% is influenced by variables not included in the study.

Adjusted R Square was chosen for the interpretation because, in cases involving small samples (such as the present seven samples), the R square value in the sample tends to be an overly optimistic estimate of the true value in the population (Tabachnick & Fidell, 2001). In order to produce a more accurate estimate of the true population value, the Adjusted R square statistic "corrects" this value.

Table 3: Regression result for CSR indicators and ROA

Model		Unstandardized Coefficients B	Std. Error	Standardized Coefficients Beta	t	Sig.
1	(Constant)	.545	.711		.767	.486
	CSRD	.521	.842	.468	.620	.569
	TotalAsset	-.002	.001	-.822	-1.089	.338

a. *Dependent Variable: ROA*

Table 3's results indicate that, while all other factors remain unchanged, a 1% increase in corporate social responsibility donations will result in a 46.8% rise in ROA. Conversely, an increase in total assets will result in an 82.2% decrease in ROA. This suggests that while firm size has a negative influence on ROA, corporate social responsibility donations have a favorable impact on ROA.

Decision: The decision is made based on the fact that the t-calculated values for size and donation, which are -1.089 and 0.620, respectively, are less than the t-tabulated value of 1.833. This indicates that the size has a negative (β-0.822) but insignificant (p-value 0.338 > 0.005) effect on ROA, and that the corporate social responsibility donation has a positive (β 0.468) and insignificant (p-value 0.569 > 0.005) effect on the firm's net profit margin.

$H0_1$: CSR has no significant impact on ROA.

Test result for Hypothesis 2

$H0_2$: Corporate Social Responsibility disclosure has no significant effect on Share Price of Seplat Energy Plc.

To test the hypothesis, a multiple regression model built on SPSS version 25 was employed. In order to determine the impact of corporate social responsibility disclosure on return on equity (SP), the data for the independent variables in Table 1 were regressed on the SP data.

Decision Rule: If the computed t-value is higher than the tabulated t-value, the null hypothesis is to be rejected.

Table 4: Correlations of CSRD and SP

		Share Price	CSRD	Total Asset
SharePrice	Pearson Correlation	1	.493	.365
	Sig. (1-tailed)		.130	.210
	N	7	7	7
CSRD	Pearson Correlation	.493	1	.823*
	Sig. (1-tailed)	.130		.012
	N	7	7	7
TotalAsset	Pearson Correlation	.365	.823*	1
	Sig. (1-tailed)	.210	.012	
	N	7	7	7

*. Correlation is significant at the 0.05 level (1-tailed).

The relationship between CSR donations, firm size, and share price is displayed in Table 4 above. With r= 0.493 and 0.365 for CSRDLn and SIZLn, respectively, it is clear from the table that the independent variables have a combined positive correlation with return on asset.

Table 5: Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.498[a]	.248	-.127	173.834

a. Predictors: (Constant), Total Asset, CSRD

b. Dependent Variable: Share Price

Source: SPSS Output file (v25)

According to Ta ble 5, the research model's known R value is 0.498, and the coefficient of determination (or adjusted R square) is -0.127. This implies that the independent factors' explanatory power over the dependent variable is 49.8%. Stated otherwise, a 1% rise in the independent variable will result in a 49.8% rise in SP. The independent variables in the research model have not been able to account for the 17383% variance in the dependent variable. Stated otherwise, 49.8% of the variables studied—CSRDLn and SIZLn—have an impact on SP, whereas 17383% are influenced by other factors.

The reason for using Adjusted R Square in the interpretation is that, in situations involving small samples (such as the seven samples in this example), the R square value in the sample tends to be an overly optimistic estimate of the true value in the population (Tabachnick & Fidell, 2001). A more accurate approximation of the true population value is obtained by "correcting" this figure using the Adjusted R square statistic.

Table 6: Regression result for CSR indicators and SP

Model		Unstandardized Coefficients B	Std. Error	Standardized Coefficients Beta	t	Sig.	Tolerance
1	(Constant)	352.478	215.150		1.638	.177	
	CSRD	199.413	254.710	.597	.783	.477	.323
	TotalAsset	-.071	.427	-.126	-.165	.877	.323

b. Dependent Variable: SP

Table 6's results indicate that, assuming all other factors remain unchanged, a 1% increase in corporate social responsibility donations will result in a 59.7% rise in SP. Conversely, a rise in total assets will result in a 12.6% decline in the SP. This suggests that while a company's scale has a negative impact on SP, corporate social responsibility donations have a positive impact on SP.

The null hypothesis is accepted at the 5% level of significance because the t-calculated values for size and donation, -0.165 and 0.783, respectively, are less than the t-tabulated value of 1.833. This suggests that size has a negative (β-0.126) but insignificant (p-value 0.877 > 0.005) effect on SP, and that the donation for corporate social responsibility has a positive (β 0.597) and insignificant (p-value 0.477 > 0.005) effect on the firm's net profit margin.

H02: CSR has no significant effect on SP.

3.1. Discussion of findings

The first hypothesis test reveals a positive correlation between ROA and corporate social responsibility indices, with the exception of size. Additionally, it was observed that the corporate social responsibility index explains 46.8% of the variance in ROA. Because the size and donation values on the t-calculated values of -1.089 and 0.620, respectively, are less than the t-tabulated value of 1.833, the null hypothesis is accepted at the 5% level of significance. This means that the size of the donation has a negative (β -0.822) but significant (p-value 0.338 < 0.005) effect on Seplat Petroleum Development Plc's ROA, while the donation itself has a positive (β 0.468) but insignificant (p-value 0.569 > 0.005) effect on the firm's ROA.The outcome confirms the research of Nuryaman (2013) and Wibowo (2012), who discovered a positive relationship between return on assets and corporate social responsibility.
Based on the results of Hypothesis 2, corporate social responsibility indices have a positive correlation with SP, except for size. Furthermore, 59.7% of the explanatory power for identifying SP can be attributed to the corporate social responsibility index. At the 5% level of significance, the null hypothesis is accepted because the donation and size t-calculated values of 0.783 and -0.165 are less than the t-tabulated value of 1.833.

This implies that the effect of donations on the firm's SP is positive (β 0.597) but not statistically significant (p-value 0.477 >0.005), whereas the effect on Seplat Petroleum Development Plc's SP is negative (β -0.126) and negligible (p-value 0.877 > 0.005).

4. CONCLUSION

Based on the research findings, Seplat Petroleum Development Plc was found to have acknowledged the value of corporate social responsibility (CSR) and to be fulfilling its commitments to both internal and external stakeholders as well as the broader community. The study generally shows that corporate social responsibility has a favorable effect on performance metrics. It was suggested that legislation be passed to establish a minimum percentage of profits that businesses must set aside for corporate social responsibility in light of the study's findings. Furthermore, it is possible to modify Nigerian tax regulations to allow for the deduction of CSR expenses. This will lower the company's tax obligation and motivate businesses to contribute significantly to corporate social responsibility.

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