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An Empirical Assessment of the Relationship between Corporate Social Responsibility and Corporate Financial Performance among listed Firms in Nigeria

By

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Abstract
This study sought to investigate the relationship between the Corporate Social Responsibility (CSR) and financial performance of listed firms in Nigeria. The specific objectives of the study were to determine the level of CSR disclosure among the listed firms and the extent of the relationship between CSR and financial performance as well as the direction of their relationship. The population of the study consists of firms listed on the Nigerian stock exchange among from which a sample of 84 firms was selected. Content analysis of the annual reports of the selected firms for six years ranging from the year 2011 to the year 2016 was done to obtain information on CSR disclosure on four measurement categories of CSR. Return on Assets (ROA) was used as the measurement of financial performance. Descriptive statistics, a unit root test and a Granger's causality test were used to test if a significant causal relationship exists amongst the two variables. Against the popular view that more socially firms were more profitable, this study found no significant relationship between corporate social responsibility and financial performance among the firms and no causal relationship hence, the hypotheses of a uni/bi-directional relationship between the variables of CSR and financial performance was not accepted. This study concludes that organizational efforts aimed at improving the governance of firms through CSR may still be fruitful in improving the firm's acceptance and brand image which might have a positive impact on the financial position in the long term.

Keywords: Corporate Social Responsibility, financial performance, slack resources theory.

1.0 Introduction

In recent years business executives have been compelled more than ever before, to think beyond traditional financial measures for managing businesses and look at the issue of corporate social responsibility (CSR). CSR is a form of corporate self-regulation which organizations integrate into their business model to embrace responsibility for its actions as well as make a positive impact through its activities on the environment, consumers, employees, communities, stakeholders and all other members of the public sphere who may also be considered as stakeholders. CSR can be considered as "a model of extended corporate governance whereby who runs a firm (entrepreneurs, directors, manager) have responsibilities that range from fulfilment of their fiduciary duties towards the owners, to fulfilment of analogous fiduciary duties towards all the firms stakeholders" (Sarconni, 2004). Business organizations have been tasked on the need to contribute positively to the development of the society in which they operate (Odetayo, Adeyemi & Sojuyibe, 2014).

Due to the rising pressures for and visibility for CSR activities in the increasingly socially aware climate of developed countries the concept of corporate social responsibility has been evolving and consequently, there has been a substantial increase in investments in CSR and these investments are now being considered to have a strategic role in organizations.. It is believed that the contribution undertaken by companies to the society through its core business activities, its social investment and philanthropic programs, its engagement in public policy that impact on the economic, social and environmental landscape directly affects the relationship with stakeholders; in particular employees, customers, business partners, governments and the society at large. Also corporate social responsibility has long been argued to be related with the profitability of an organization thus; apart from being the noble thing to do CSR has been canvassed as a tool to improve

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the financial position of an organization (Bowman, 1973; Dowell, Hart & Yeung, 2000; Solomon & Hansen, 1985)

The effect of CSR on profitability has been the subject of great debate among scholars. Many researchers have argued that CSR is just another expense that lowers the profit of an organization and it will have no impact on an organization's profitability. Friedman (1970) was one of the first to argue that the only social responsibility of a business is to use its resources and engage in activities designed to increase its profit so long as it engages in open and free competition without deception or fraud.

Research to prove the business case for CSR by determining whether investment in CSR is not just a form of corporate philanthropy but also profitable for the organization has come up with conflicting results. Studies that have shown significant positive effects of corporate social and environmental performance on corporate financial performance include Orlitzky, Schmidt and Rynes (2003) and Mackey, Mackey and Barney (2005). Others who have also argued in favour of CSR as a means to promote economic success include McIntosh, Leipziger, Jones and Golemanic (1990), Wheeler & Sillapaa (1997), Zadek, Pruvan, & Evans (1997) and Heal (2004). These studies suggest that a firm's policy on CSR may be connected to financial performance, brand image as well as its capital market performance. Conclusions from the above studies would suggest that "firms do well by doing Good" therefore, cost of CSR activities are justified. Scholars who oppose this school of thought such as Wright and Ferris (1997) and Patten (2002) are of the view that CSR has no impact on financial performance.

To provide a better understanding of the link between the variables Preston and O'Bannon (1997) and Griffin and Mahon (1997) argue that the relationship between CSR and CFP involves two issues; direction and causality, that in examining the relationship much attention has been focused on the direction of the relationship rather than the causality, that the causality is necessary to denote which of the variables is independent and which is dependent. It is being suggested that the positive relationship exist not because "firms that do good, do well" but because "firms that do well, do good". This assertion is based on the supposition that CSR requires resources to undertake and therefore, financial performance comes first and CSR is the dependent variable.

This differing positions points to the fact that the insights to fully understand the relationship between CSR and financial performance is yet to be resolved despite a strong support for CSR as evidenced in media releases and the large volume of academic publications on the issue hence the need for this research.

Also, most of the research that examined the impact of CSR on firm performance conducted in Nigeria focused on the direction of the relationship rather than the causality. This study therefore sought to investigate the relationship between CSR and CFP among Nigerian listed firms by identifying the causality of the relationship. The findings from this study will be of great importance because it will provide useful information on the relationship between corporate social responsibility and profitability among listed firms in Nigeria that can assist management in making realistic internal management decisions as regards investments in CSR.

The next section of the paper reviews studies on CSR as well as theories developed to support the implications of CSR on financial performance of firms. The third section presents the research methodology as well as the hypothesis developed for the study. The analysis of data collected and results are presented in the fourth section while section five contains the discussion and implications of the study.

2.0 Literature Review

2.1 The Construct of CSR

There has been no consensus definition for corporate social responsibility as a concept rather various writers have defined CSR based on their background, interest, exposure, as well as values embodied in the writer's frame of reference and this has resulted in the concept of CSR being open to conflicting interpretations (Windsor, 2006). The term Corporate Social Responsibility has also been referred to as Corporate Citizenship, Corporate Responsibility, Corporate Social Performance (CSP), Responsible Business and Sustainable Responsible Business (SRB). Some definitions of CSR include Frooman's (1997) definition of CSR as "engagements by a firm in which the firm chooses to take action on that which substantially affects

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an identifiable social stakeholders' welfare". Wood (1991) defines CSP as "a business organization's configuration of the principle of social responsibility, processes of social responsiveness and policies, programs and observable outcomes as they relate to the firms societal relationship". Carroll and Buchholtz (2011) also defined corporate social responsibility as the "economic, legal, ethical, and discretionary expectations that society has of organizations at a given point in time" and McWilliams and Siegel (2001) defined it as aactions that appear to further some social good, beyond the interests of the firm and that which is required by law.

Beliefs and attitudes about CSR has evolved beyond regarding it as a form of corporate philanthropy which represents acts of charity or benevolence taken on by choice but as an ethical conduct expected of a business and which is obligatory for the maintenance of the relationship between an organization and its constituents. The concept of social responsibility proposes that business organizations have responsibilities to society that extend beyond profit maximization. CSR is now considered as a multipurpose concept and some writers have equated CSR to morality (Freeman. 1994; Bowie, .1998; Phillips 2003), environmental responsibility (Des Jardins, 1998) stakeholders engagement (Andriof and Waddock, 2002), corporate citizenship (Carroll, 2004; Matten and Crane, 2005), social responsible' investment, (Warhurst, 2001; McLaren, 2004), sustainability (Bansal, 2005) amongst others.

The forms in which CSR can be exhibited which is referred to as the components of corporate social responsibility consist of Economic, Legal, Ethical and Philanthropic models (Carroll, 1991). Under the business model enterprises have a responsibility to produce goods and services which the society requires and which are sold at fair prices. Fair prices are prices that society thinks represent the true value of the goods and services delivered and which also provides businesses with profits adequate to ensure its survival and growth and to reward its investors for their risks. The legal model reflects society's view of codified regulations that embody basic notions of pair practices as established by the law and it is a responsibility of business to the society to comply with these laws. Abiding by laws is the prerequisite for any corporation to be socially responsible. The ethical model recognizes that although laws are essential, they are not adequate to cover every situation thus ethical responsibilities are needed to embrace activities and practices that are expected or prohibited by society even though they may not be codified into laws. Ethical responsibilities embody the full scope of acceptable norms, standards, values and expectations that reflects what the society regard as fair, just and consistent with the respect for and protection of stakeholder's moral rights. This means that the conduct of corporation's activities should be in a manner that goes beyond what is required by law to contribute to the social well-being of society. The philanthropic model reflects the expectations of the public in regard to activities which are voluntary and guided only by business's desire to engage in social activities that are not mandated by law nor generally expected of business in an ethical sense. It represents the public expectation that business should give back out of the profit made as part of the social contract between business and society. When businesses incorporate these four components into their business model, they are considered to exhibit total CSR.

2.2 Theoretical Perspectives on CSR

Many theories have been propounded against and in support of the argument that firms need to engage in CSR. There are several theories that provide a justification for CSR. Such theories include the stakeholder theory which proposes that business organizations must satisfy a variety of constituents (e.g. investors and shareholders, employees, customers. suppliers, government and local community organizations) who can influence the firm's outcomes; the Social Impact Hypothesis which advocates that meeting the expectations and demands of very diverse stakeholders contributes to improving the performance of the company (Perrini, Russo, Tencati & Vurro, 2011); the Resource Based View theory (RBV) which presumes that firms are bundles of heterogeneous resources and capabilities which are imperfectly mobile across firms and for certain types of firms these capability or resource can lead to a sustained competitive advantage for the firm which can be used as a strategic tool for corporate differentiation and also as a basis to develop predictive patterns of CSR investment for specific firms.

Theories that oppose the notion of CSR include the agency theory which advocates that the fiduciary relationship between a principal and agent places a responsibility and duty on the agent to exercise authority

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only for the maximum good of the principal. Thus when firms engage in CSR it is a signal of an agency problem within the firm; an indication of self interest on the part of business managers and, a misallocation of firm's resources which should have been better spent on value added internal projects or alternatively returned to shareholders. Also the shareholder theory, otherwise known as the classical economic view cautions that "business job is not governments and government's job is not business".

2.5 Theoretical and Empirical Perspectives on the Relationship between CSR and CFP

Literature on the relationship between CSR and CFP has tended to discuss rather than test the relationship. Most studies examining the causal relationship between CSP and CFP have been conducted under two theories "the slack resources theory" and the good management theory". The good management theory suggest that social performance comes first, because a business perceived by stake holders as having a good reputation will find it easier through market mechanisms to achieve superior financial performance therefore "firms do well by doing good". The opposing theory, the slack theory resources theory argues that companies' must have a good financial performance to be able to undertake CSR because CSR requires resources which the firm may not have the ability to spare if it is not prosperous, therefore financial performance comes first and it is from this that a firm can have social performance meaning that "firms that do well do good".

Postulates of the Good Management theory are of the view that it is in the best interest of the firm to engage in socially responsible activities as a strategic tool to do well financially. Solomon and Hansen (1985) posit that the costs of CSR are more than compensated for by the benefits. They argue that companies that include social characteristics into products and manufacturing process, make greater use of environmentally friendly technologies and methods of production like recycling and waste/pollution abatement may avoid some business risk. Such risks include the recalling of defective products, costly litigations and heavy fines for pollution as well as damaged reputation which could require millions in advertising to correct. As an illustration, DOW chemical in the US in reducing pollution claims that it saved tens of millions of dollars in valuable solvents by systematically cutting back on all sources of chemical loss to the environment (Heal, 2004).

Dowell et al (2000) and Bowman (1973) also posit that, the stock market responds to the behaviour of corporations in terms of the market value of its shares. They believe that a firm's value can be linked to its social contributions because the capital market valuations internalizes externalities by recognizing the difference between private and social cost, and the market treats the excess of social cost over private cost as a liability that an organization will have to meet at some point in time because society has been known to penalize firms perceived to be in conflict with its underlying values. Corporate executives can therefore look to CSR as a form of risk management to promote corporate strengths, regulate the relations between the firm and various stakeholders and improve standards of social development.

To examine the notion that only "firms that do well can do good" Orlitsky (2001) and Itkonen (2003) related CSR to firm size because they believe that at business inception business strategies are focused on survival and not on ethical and philanthropic responsibilities and only as firms grow do they focus more on CSR, therefore financial stability and performance comes first before CSR. In supporting this position that firms with a good financial performance may tend to engage more in CSR Custodio and Rosario (2007) posit that corporate brand and firm value influences CSR because corporate brand is a source of competitive advantage and managers are adopting CSR as a brand management strategy to prevent reputation decline which could lead to loss of customers and subsequent decline in sales and profit.

Ulman (1985) believes that neglect of the contingency perspective may be the reason why there is a failure to explain the conflicting results of studies on CSR and financial performance. The contingency theory may help to put the issues regarding CSR in perspective by identifying under what conditions will, the social performance of firms be related to their financial performance. In situations where what is profitable for a business enterprise is not profitable for society CSR may affect financial performance, otherwise there might be no effect. In using the contingency perspective to explain the relationship between CSR and financial performance Russo & Fouts (1997) argue that the type of industry will determine the relationship while Husted (2000) argues that the relationship will be dependent on stakeholder issues.

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Lougee and Wallace (2008) have also examined a circular causality in the relationship between CSR and CFP in which they found that profitable companies are more likely to invest in CSR initiatives and then find that their performance is further improved by such investment. This position forms the conceptual framework for this study which postulates that there is a bi-directional relationship between CSR and CFP where whichever of the variables comes first influences the other and continue to impact each other. This is illustrated by the following diagram:

CORPORATE SOCIAL RESPONSIBILITY

* Community Involvement and Charitable Giving
* Employee Welfare and Human Rights
* Production Processes/ Environmental Impact
* Supplier Relations and Monitoring

CORPORATE FINANCIAL PERFORMANCE

* Good Brand and Image
* Good employee Morale and Productivity
* Good Market Value
*Lower Cost of Negative Externalities

Figure 2.2. Conceptual Framework

Source: Author

3.0 Methodology

3.1 Research Hypotheses

The aim of this study was to investigate the direction of the relationship between Corporate Social Responsibility (CSR) and Corporate Financial Performance (CFP) among listed firms in Nigeria. Based on the conceptual framework and to achieve the aim of the paper, the following hypotheses have been formulated

(i) there is no significant relationship between CSR and CFP among listed firms in Nigeria.
(ii) CSR does not influence CFP among listed firms in Nigeria.
(iii) CFP does not influence CSR among listed firms in Nigeria.

3.2 Research Design, Population and Sampling

This study makes use of secondary data extracted from the annual reports of companies listed in the Nigerian Stock Exchange as well as from websites of the selected companies. The population of the study comprised of all the firms quoted on the Nigerian Stock Exchange, as at 31st December, 2016 which were 180. However, 45 firms were excluded from the study due to inactivity. Also, the annual reports of 26 firms for the years covered in the study (2011-2016) were not available and consequently they were excluded. The study sample thus consists of 84 firms with available and complete data for the years covered in the study.

3.3 Data Collection Techniques

The annual reports of the 84 selected firms were subjected to content analysis on four measures of CSR consistent with the GRI framework. The CSR categories are: (i) Community Development (ii) Employee Welfare (iii) Product Responsibility and (iv) Human Rights and Stakeholders Interest Protection. If any of the operational measures for each of the four categories is reported it is scored 1; if none of the operational measures is reported on, the variable is scored 0. The scores for each of the years (2011-2016) were obtained and the average score was computed to obtain one score for each variable.

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This study has adopted Return on Assets (ROA) as a proxy for financial performance following the work of Waddock and Graves (1997) and Andrikopoulos and Kriklani (2013).

3.5 Data Analysis Method

Descriptive statistic was used to determine the level of Corporate Social Responsibility among Nigerian listed firms, a Unit Root Test was used to determine if there is any long run relationship between the variables of CSR and CFP and the Granger Causality Test was conducted to ascertain the direction of causality. The two models for this study as well as the procedure to test the causality of the relationship between CSR and CFP are illustrated below:

$$CSR_t = \sum_{j=1}^{K} A_j\, CFP_{t-1} + \sum_{j=1}^{K} B_j CSR_{t-j} + U_{1t} \ldots\ldots (1)$$

$$CFP_t = \sum_{j=1}^{K} C_i\, CSR_{t-1} + \sum_{j=1}^{K} D_j CFP_{t-j} + U_2 t \ldots\ldots (2)$$

Equation (1) represents the slack resource theory and postulates that current CSR will be related to the past values of CFP as well as that of itself and equation (2) represents the good management theory and postulates that CFP will be related to past values of CSR as well as that of itself. Unidirectional causality from CFP to CSR is indicated if the estimated coefficient on the lagged CFP in equation (1) is statistically different from zero as a group (i.e$\sum Ai \neq 0$) and the set of estimated coefficients on the lagged CSR in equation (2) is not statistically different from 0 (i.e $\sum D_j = 0$). The reverse is the case for unidirectional causality from CSR to CFP. Feedback or bilateral causality exists when the sets of CSR and CFP coefficients are statistically different from 0 in both regressions (Gujarati, 2004).

4.0 DATA PRESENTATION AND ANALYSIS

To ascertain the level of CSR disclosure among listed firms in Nigeria a content analysis of measures of CSR disclosed in the financial statements for the 84 sampled firms was carried out for the five years of the study. The descriptive statistics of findings is presented in Table 4.1.

Table 4.1 Descriptive Statistics of the Level of CSR Disclosure of Listed Firms in Nigeria

Statistics	CSR	ROA
Mean	3.253968	0.077099
Median	3.000000	0.036633
Maximum	4.000000	0.271173
Minimum	0.000000	-0.065516
Std. Dev.	0.884472	0.163548
Skewness	-1.380722	9.597697
Kurtosis	5.205818	139.3983
Jarque-Bera	262.3154	398432.1
Probability	0.000000	0.000000
Sum	1640.000	38.85795
Sum Sq. Dev.	393.4921	13.45423
Observations	504	504

Source: Author's Computation, using E-view 8, 2017

The result showed that the mean social disclosure is 3.25 out of a maximum score of 4. This signifies a very good level of disclosure. It implies that on the average listed firm in Nigeria discloses at least three of the four required social information while most disclose the entire four in their annual report. The mean value of Financial Performance, measured as return on assets is 7.7%. The median value of performance is 3.6% and the maximum value is 27.1%.

The degree of disclosures among sampled firms in their Annual Reports is shown in Table 4.2. The operational measure for each of the CSR variables is listed along with the percentage of disclosure.

Table 4.2: Nature and pattern of CSR Disclosure

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CSR Variables	No of Items	Percentage level of disclosure
Society/Community Development	8	73.41
Employees' Welfare	8	93.06
Product Responsibility	3	83.95
Human Rights/Stakeholder Interest Protection	6	62.90
Total	25	

Source: Annual Reports of sampled firms 2011 to 2016

The analysis of the nature of disclosure as captured by the four categories of CSR in Table 4.2 shows that the highest form of disclosure is in the area of employees' welfare (93.06%). This pattern of disclosure is popular among the companies because it is believed that the well-being of employees is of concern to firms because they are aware that the most important resource that an organisation possesses is the human resource, therefore their welfare is paramount to the survival of firms. The second highest form of disclosure is society/community development (73.41%) and this is followed by Product Responsibility with 83.95%. Disclosure in the area of human rights and stakeholders interest protection also showed (62.90%) which was the lowest for the sampled firms. Overall, the level of disclosure as indicated in the content analysis of financial statements on all the measures of CSR was quite high indicating that listed firms in Nigeria now pay great attention to the disclosure of information relating to the corporate social activities. Firms now disclose their commitment to socially responsible activities in their annual reports in order to show to the users their commitment to the public. It was also observed that most of these disclosures were done in the Director's report, the chairman's statement as well as notes to the accounts.

4.3. Analysis of the Relationship between CSR and CFP

A Unit root test was conducted to determine if a relationship existed between the CSR of the listed firms and their financial performance. The Levin, Lin & Chu t*, ADF - Fisher Chi-square and PP - Fisher Chi-square techniques were used to test and verify the unit root property of the series and stationarity of the model. The test was used to establish whether the time series data is stationary and if not, establish the order of integration as well as check whether the variables are integrated of the same order. The result of the test is presented below in table 4.3.

Table 4.3: Summary of unit root test results

Method	ROA		LNGPI	
	Statistic	**Prob.****	**Statistic**	**Prob.****
Levin, Lin & Chu t*	-13.7523	0.0000	-7.6154	0.0000
ADF - Fisher Chi-square	150.774	0.0000	273.488	0.0000
PP - Fisher Chi-square	154.179	0.0000	296.883	0.0000
Order of integration	I(1)		I(0)	

Source: Author's Computation, 2017

The first stage required testing for the stationary properties of the variables (CSR AND CFP). From Table 4.3, it can be seen that ROA is stationary in their level form which is integrated at order zero (0) while ROA is stationary in their first difference form, which is integrated at order one (1). At this order of integration, their p value is less than 0.05. Since all the variables are stationary, not only at first difference but also at level form, there is no need for co-integration test. The conclusion drawn from the results is that there is no significant long run relationship between CSR and ROA. Based on this finding, the first null hypothesis of the study that there is no significant relationship between CSR and CFP among listed firms in Nigeria is accepted.

The result obtained from the unit root test was in line with the results of several studies such as Makni, Francoeur and Bellavance (2009), Teoh, Welch and Wazzan (1999) and Aupperle, Carrol and Hatfield (1985) that do not support the existence of a relationship between the social responsibility and financial performance of firms. McWilliams and Siegel (2001) explain that whatever the gains that accrue to a firm from engaging in social activities are usually offset by the costs of such activities leading to a state of equilibrium. Thus, even if a firm's social activities lead to financial benefits, the benefits are wiped out by the costs of such investments. Another position put forth to explain the absence of a link between the social performance and financial performance of firms is from Waddock and Graves (1997) who posit that the

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links between the two variables are so complex and moderated by several intervening variables such that a direct relationship cannot be easily established.

4.4. Analysis of the Direction of relationship between Corporate Social Responsibility and Corporate Financial Performance.

In order to determine the direction of the relationship between CSR and CFP of listed firms in Nigeria, the Pair-wise Granger Causality test was used. The Granger test determines whether a variable X "Granger-causes" a variable Y by observing the extent to which past values of Y explain its current value. It then sees if the estimate is improved by taking into account lagged values of the variable X. Y can be considered "Granger-caused" if the X variable is determinant in the estimate of Y, or if the coefficients of the lagged values of the variable X are significantly different from zero. Based on the sequential modified LR test statistic, Akaike Information Criterion (AIC), Final Prediction Error (FPE), three lag order was selected. The results of these tests are presented in Table 4.4 and Table 4.5. below:

Table 4.4: VAR Lag Order Selection Criteria

Endogenous variables: CSR ROA
Exogenous variables: C
Sample: 2011-2016
Included observations: 168

Lag	LogL	LR	FPE	AIC	SC	HQ
0	-211.4219	NA	0.043499	2.540736	2.577926	2.555830
1	-122.9019	173.8785	0.015904	1.534546	1.646116*	1.579827*
2	-118.6192	8.310392	0.015851	1.531181	1.717131	1.606649
3	-111.3488	13.93491*	0.015246*	1.492248*	1.752578	1.597903
4	-108.0210	6.299171	0.015371	1.500250	1.834960	1.636091

* indicates lag order selected by the criterion

LR: sequential modified LR test statistic (each test at 5% level)
FPE: Final prediction error
AIC: Akaike information criterion
SC: Schwarz information criterion
HQ: Hannan-Quinn information criterion

Source: Author's Computation, 2017

Table 4.5. Pairwise Granger's Causality Test

Sample: 2011 2016
Lags: 3

Null Hypothesis:	Obs	F-Statistic	Prob.
ROA does not Granger Cause CSR	252	1.12047	0.3414
CSR does not Granger Cause ROA		0.96689	0.4090

Source: Author's Computation, 2017

The result of the granger causality test presented in the tables above show that there is no existing causal relationship between ROA and CSR. The relationship was examined using the pair wise Granger causality test proposed by Engle and Granger (1987) and at 5% level of significance with p = 0.3414 and 0.4090, the following null hypotheses were accepted.

(i) CSR does not cause CFP among listed firms in Nigeria.

(ii) CFP does not cause CSR among listed firms in Nigeria.

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The acceptance of the null hypothesis that reflects no uni-directional causality from CSR to CFP and from CFP to CSR shows that, there is no bi-directional relationship between the social performance of firms and their financial performance. This result is partially in line with the study by Hirigoyen and Poulain-Rehm (2015) which also using a Granger causality tests showed that there was no causal relationship between social performance and financial performance. A non-significant unidirectional relationship from social responsibility to financial performance was indicated while it was found that financial performance (measured solely by return on assets) negatively Granger-caused overall corporate social responsibility in the sample.

5.0 DISCUSSION AND IMPLICATION

The findings from the study showed that no significant relationship exists between CSR and ROA. Further analysis with the Granger Causality test also provided no evidence of a significant unidirectional or bi-directional causal relationship between social performance and financial performance of listed firms in Nigeria. These findings imply that it is not possible to state categorically whether the CSR activities by listed firms in Nigeria pays off. Although most of the results of empirical studies on the relationship between corporate social responsibility and financial performance find a positive relationship (Allouche & Laroche, 2005), this study showed that the overall social responsibility score had no statistically significant impact on accounting measures of financial performance (return on assets).

The conceptual framework of this study which was based on the postulation of Waddock and Graves (1997) that estimated that a bidirectional causal relationship existed between social performance and financial performance which creates a simultaneous and interactive relationship between the two variables and a virtuous circle where one variable drives the other was not supported. These findings provide no support for both the Good Management Theory and the Slack Resource Theory but it does support the Neutrality Hypothesis which assumes the existence of a random link between corporate social responsibility and financial performance (Ullmann, 1985). Researchers believe that any observed correlations that exist between the two variables are as a result of intermediate variables acting in an unpredictable manner, which make it possible to link the two constants and this is why the results of studies on the link between social performance and financial performance have been mixed.

Against the popular view that more socially responsible firms tend to be more profitable, this study concludes that the CSR spending of listed firms in Nigeria was not reflected in the financial bottom line of the firm. This study also concludes that the insignificant positive unidirectional relationship between social performance and financial performance is not sufficient to accept that there is a causal influence from social performance to financial performance. Despite these findings, this study notes that any effort aimed at improving the governance of firms may still be fruitful in improving the firm's acceptance and brand image which may have a positive impact on the financial position in the long term. The study is also of the view that there is no immediate detrimental impact or disadvantage from CSR activities thus firms have no rationale not to utilize their resources to improve their CSR commitment and to enhance the expectations of their stakeholders. Overall companies with effective CSR strategies can increase the willingness of their stakeholders to continue to invest in and support them.

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