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Research Article

Methods to Assess How Corporate Social Responsibility Affects Organizational Performance: A Nigerian Perspective On Firms' Profitability

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Abstract: This study investigates the relationship between corporate social responsibility (CSR) and the profitability of businesses in Nigeria, using secondary data from the annual reports and financial statements of ten (10) randomly selected companies over the period from 2019 to 2024. The study aims to explore how CSR practices impact the financial performance of companies, specifically examining the Profit After Tax (PAT) as a measure of profitability. Ordinary Least Squares (OLS) regression analysis is employed to analyze the data and establish the connection between CSR activities and company performance.The findings of the study show that the companies in the sample allocated less than 10% of their annual profits to CSR initiatives. This suggests that while some companies engage in CSR, their contribution remains relatively small in proportion to their overall profitability. The coefficient of determination reveals that changes in CSR activities have a significant impact on the variations observed in the performance of these companies, particularly in terms of PAT. Furthermore, the study highlights the need for stronger regulatory frameworks to enforce CSR practices. It recommends that the Nigerian government introduce laws and regulations that require firms to allocate a portion of their profits to social responsibility, ensure transparency in social accounting, and address social costs effectively. The study emphasizes that by improving CSR engagement, businesses can contribute to national development while enhancing their long-term financial performance.

Keywords: *Corporate social responsibility, Firm profitability, Nigeria business performance*

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1. Introduction

Generally speaking, a business needs to be accountable for all the action that they do, ethically and socially. It is vital to check the effect of the organization on the social prosperity and surroundings. Corporate social obligation can also be defined as the feeling of responsibility of the business towards social atmosphere and society Abalaka, (2023). It helps to understand that what actually company is doing with their profits and how they are affecting the society. Similar to the expanding economic factor and the development of business strategies, organizations are answerable to stakeholders, including suppliers, customers, employees, and the community, in addition to shareholders. It is basically a partnership between the business corporations and socially active groups for the purpose of society growth. and social growth Sulaiman (2023).

The emerging perspective on social responsibility for businesses is not to focus on shareholder viewpoint by maximizing of profit but is to focus on the stakeholder view perspective (employees, customer, supplier, management and environment) and for their welfare. In actual sense, commercial socially responsibility is the alliance of company activity with social norms. Businesses and organizations are interacting with society more than ever in the modern day. Corporate social responsibility is a crucial component of corporate organizations since it helps them not only outperform their rivals but also expand their presence in the community. Therefore, the business can improve its performance by concentrating on financial achievement and community development quickly as contrasted to its competition.

According to experts and authors, talking about ethics is an essential to the development of business success therefore now a day ethics acquired tremendous attention and numbers of books produced in recent 2 decades. Both government and individual efforts are insufficient to transform society. However, as corporate social responsibility (CSR) gains respect and popularity, more businesses are contributing significantly to the development of community values and societal norms around environmental policies, human rights, and business ethics (Sulaiman, 2020). As a result, businesses today give social and environmental concerns the same weight as their financial results. Some businesses engage in corporate social responsibility (CSR) at a far higher rate than their numerous rivals. As businesses engage in CSR, they establish a positive reputation in the marketplace.

and draw in additional customers and job seekers, which boosts organizational effectiveness (Viswesvaran et al., 1998). Conversely, through CSR, the business is able to improve customer loyalty, employee satisfaction, and overall business performance (Ajiteru, 2023).

Sustainable development and poverty reduction are major concerns that governments must address, particularly in the developing countries. But without the cooperation of the private sector, the government cannot meet this alone. Politicians place a high value on the private sector's potential contribution to these policy priorities. CSR is emerging as a force that addresses these issues and is becoming increasingly important in day-to-day business operations as the subject of sustainable development gains traction. According to Nolan, CSR is now used to build clear public ties. It is also utilized as a preventative step to defend the skin against unintentional hazards and market scandals, probable eco-accidents, national legislation and rules, secure dazzling benefits, differentiate brands and expanded voluntary cooperation Sulaiman (2020). Today, businesses know that their CSR operations, sustainable reporting and commercial strategies are posted on their websites to allow them to get their sympathy. CSR is also used since governments and customers now demand that businesses behave more morally.

Companies readily accept CSR in their strategies, declarations of purpose and multifaceted principles, comply with labor and environmental legislation, and take care of the competing stakeholders' interests Ajiteru, (2023). The lack of competitive advantages for comparable organizations is another factor for top CSR businesses in existence today. CSR efforts also assist organizations attract and keep customers and motivated staff, which secures the company's long-term viability. Through sound businesses that prioritized corporate social responsibility, Drumright (1996) enhanced employee and customer loyalty and promoted a distinct social identity [5, 8 & 9]. The most widely used CSR KPIs have to do with improved financial outcomes for the firm. According to Gildea's research, businesses that practice good corporate social responsibility and take care of the environment are more appealing to consumers. Margolis discovered significant favorable correlations between CSR and Sulaiman's financial outcomes (2023). This makes it possible for the researcher to investigate how corporate social responsibility affects organizational operations. Ajiteru (2023).

Following the completion of the study, corporate social responsibility plays a crucial role in increasing the productivity of businesses. Cheruiyot has been researching the relationship between financial efficiency and corporate social responsibility. He came to the conclusion that there was a statistically significant correlation between CSR and organizational success

(Abalaka, 2023). Numerous Chinese businesses evaluated an evaluation exam in order to choose a high-performing, high-value business. CSR study has also found a high association between portfolio performance and CSR. The strong corporate image of CSR investors was a result of the fruitful collaboration. The excellent performance of CSR is the reputational value of the company Ajiteru, (2023).

Numerous studies have tried to clarify how CSR and financial performance are related. Ajiteru (1985). The lists of economic added value and consumer added value have addressed the connection between corporate social responsibility (CSR) and organizational profitability. There have been CSR and a company's trustworthiness are strongly correlated, according to Sulaiman (2020). There is no proof that the market value and economic added value of businesses with codes of ethics are significantly higher than those without. The possible benefits and drawbacks of CSR initiatives by lodging facilities, dining establishments, and airlines on the financial outcomes of both good and negative operations are also assessed by CSR-Economy. The financial results of each CSR-directed action are shown by Abalaka (2023), and different industries demonstrate varying results amongst enterprises by establishing an accepted policy on CSRs [11].

It's unclear how corporate social responsibility and the company's success—whether it be non-financial or financial—relate to one another. Ajiteru (2023). Although there is a body of research on corporate social responsibility, the paucity of published Based on specific organizational outcomes, there is substantial evidence of the importance of corporate social responsibility (CSR) in enhancing corporate management. The CSR influence on this performance is hard to understand, even if it can lead to various variables, such as overtime recorded CSR events. As a result, the researcher highlights how corporate social responsibility affects an organization's success (Abalaka, 2023). The most important issues are:

1. As a result, a lot of businesses use the benchmarking methodology to argue for implementation, productivity, and social responsibility policies in their industries.
2. The analysis, assessment, and social and environmental impact of CSR policies, as well as the clients' comprehension of these policies, are all included in benchmarking.
3. Following an internal policy evaluation and a compressive analysis, a distinction can be made.

The following are included in the analysis, which attempts to look into how social responsibility affects the company's success:

1. Recognize the social responsibility of companies, the government and its agencies, stakeholders, and society at large.
2. Evaluating how corporate social responsibility affects business outcomes.
3. Look for innovative ways to link businesses with the various societal stakeholders. Learn how companies support their country's development by helping with disaster relief,
4. hiring to rules and regulations, and working financially with the government to maintain a strong and stable economy.

Fundamental questions are raised by the scientist regarding his responses Ajiteru (2023). The author wants to pinpoint a few crucial problems in order to find the impact on the performance of corporate social responsibility. The following are the study's questions:

1. To what extent does corporate social responsibility hold significance?
2. In what ways does corporate social responsibility assist customers or clients?
3. Does an employee's social duty impact their performance?
4. What impact does the company's overall success have on social responsibility?

2. Literature Review

Corporate social responsibility has a variety of consequences on an organization's performance. It aids in improving the business's financial performance, which enables it to expand quickly and earn the most money possible in the marketplace (Ajiteru, 2023). A business will undoubtedly be able to outperform rivals if it adheres to CSR and makes an effort to please its stakeholders. The concerns around corporate social responsibility have grown significantly during the past few decades and actions Sulaiman (2020). "There is a lengthy debate among shareholders, stakeholders, and community organizations regarding who will benefit and who will bear the cost of implementing CSR activities due to increased awareness among them about the requirements and needs of CSR" (Tsoutsoura, 2016). As a result, no accurate definition of corporate social responsibility (CSR) exists, and various researchers have given it different definitions. For example, Hill (2006) defined CSR as a collection of practices that elaborate on the role of good management, business activities, and practices, and that goes beyond disclosure to stakeholders and organizational transparency. CSR has a direct impact on the organization's financial sector and shareholder profit. Abalaka (2023).

These days, CSR has emerged as Every company has a different way of implementing corporate social responsibility (CSR) in their business practices. Dibella and Woodilla (2016) explained the concept of CSR in the simplest way possible: the process of CSR creates the harmony between the shareholders and stakeholders. Sulaiman (2020) described the relationship between CSR and ownership, the differences between two main factors of social responsibility of any organization; stakeholders and social issues. A perspective that can help to increase the overall financial performance of the organization suggests different ways of decision making to the top management and shareholders of the Abalaka, (2023).

The impact of various ownership structures on the degree of CSR on Business Responsibility Types

This alludes to the conventional corporate philosophy, which proposes three main areas where businesses can and ought to fulfill their social obligations. These three areas include ethical business, corporate social responsibility (with an emphasis on sustainable development and stakeholder goals), and traditional corporate philanthropy. Ajiteru (2023).

Traditional Corporate Philanthropy Vs. CSR. According to Barry Gaberman (2018), corporate philanthropy is a more popular method of CSR. Different definitions of philanthropy have been proposed over time. Some are based on theological ideas, some are linguistic in character, and some date back to the Greek Classics. The word's root implies a love for people and the obligation to share one's belongings with others is an essential part of all major religions and has been for thousands of years. Ajiteru (2023). A straightforward definition, however, would be most useful from a practical standpoint: "Philanthropy is the voluntary capture of private wealth for public purposes." Although the transfer of material riches is the primary meaning of philanthropy, it also encompasses non-monetary elements like knowledge, gifts-in-kind, and volunteer labor. There are two main types of philanthropy: organized philanthropy and individual philanthropy, regardless of the size of the donations. Certain types of philanthropy, such faith-based philanthropy, can be either individual or organized, but other types, like giving circles, basically combine organized and individual giving (Sulaiman, 2023).

The new corporate social responsibility paradigm emphasizes accountability to stakeholders, including shareholders, employees, management, customers, and the community) as opposed to maximizing shareholder profits. Additionally, there is increased emphasis on the distribution of well-being and the long-term sustainability of the business and environment (Ajiteru, 2023). The triple-bottom-line—profit, planet, and people—is becoming more widely acknowledged. The triple-bottom line emphasizes that a company's stakeholders are more than simply its shareholders, that economic sustainability and sustainable development are important, and that corporate earnings should be evaluated alongside social prosperity. The triple bottom lines are terms that should be used and practiced in every decision an organization makes, according to Wikipedia, the free encyclopedia. Fair and advantageous business procedures for workers, the community, and the area where a corporation operates are relatable to people. Planet is a reference to environmentally friendly, sustainable methods Sulaiman (2023). A triple bottom line business, for instance, does not manufacture destructive or hazardous goods like firearms, hazardous chemicals, or batteries that contain heavy metals. After subtracting the cost of all inputs, including the cost of the capital that was tied up, the organization's profit is the economic value that was produced. For this reason, it is not the same as the definition of profit used in traditional accounting. The majority of business entities have historically seen corporate social responsibility (CSR) as an extension of financial support for humanitarian causes (Ajiteru, 2023). But the modern CSR environment is more nuanced. Srivastava and Venkateswaran assert that a firm cannot be considered socially responsible if it engages in community-focused activities (such as philanthropic, social investment, or commercial efforts) without adhering to fundamental business principles.

Moral Conduct in Business

The more basic, newer trend on the global stage is ethical business. It concentrates on details like the idea of fair profit, how a firm is run, and how it is conceived. The core focus of an ethical business is social ideals, and operations are carried out in a way that aligns with both the long-term interests of stakeholders and more general society principles.

CSR Activities and Their Advantages for the Company and the Community

CSR Activities or Areas

Richard Welford (2017) asserts that corporate social responsibility varies over time, between industries, and between locations. It is becoming more widely acknowledged that in order to accurately define what social responsibility means to a business, it must engage with When creating CSR plans and programs, take into account the requirements, expectations, and aspirations of its communities (Sulaiman, 2023). Because CSR will always have a context that is distinct to a given region, this is one of the reasons it is challenging to describe accurately. Therefore, it is essential to comprehend and consider community priorities. Companies must, to some degree, have internal stakeholder discussions that are unique to their particular organization; nonetheless, the main goal here is to give the business community (and others) some direction regarding societal expectations and CSR priorities (Abalaka, 2023).

Welford et al. (2017) used a sample of 491 respondents from 15 corporate social responsibility domains to compare and rank them a number of areas, including the government, media, business, academia, social and environmental NGOs, and others. The environment, health and safety, and governance were found to be the most crucial issues. Interestingly, generosity was the least significant factor, despite the fact that all other characteristics were considered significant (Ajiteru, 2023). According to Sulaiman (2023), the study revealed CSR priorities for companies and their stakeholders that could be applied in different contexts. The table below displays the findings of the study conducted by Welford et al. (2019):

Table 1. Ranking of the 15 CSR factors with abbreviations used

Factor	Abbreviation
1-Good environmental performance	Environment
2-Good health and safety practices	Health and safety
3-Good corporate governance	Governance
4-Good human resource management & employment practices	HRM
5-Codes of conduct on bribery and corruption	Corruption
6- Codes of conduct on supply chains and factory inspections	Supply chains
7- Ongoing stakeholder dialogue	Stakeholder dialogue
8- Published social and environmental policies	Policies
9- Social and environmental reporting	Reporting
10-Product and service responsibility and responsible marketing	Product responsibility
11- Partnerships with other business and NGOs	Partnerships
12- Community investment and employee volunteering	Community
13- Support for human rights initiatives	Human rights
14- Adherence to international standards and guidelines	Standards
15- Philanthropy and charitable donations	Philanthropy

(Source, Sulaiman (2020).

It's important to recognize that there are significant variations both within and across stakeholder groups and between enterprises and their stakeholders. Since different groups may have different priorities, the research's findings shouldn't be utilized as a perfect model for choosing which CSR initiatives to pursue.

Typical Forms of Telecom Sector Corporate Social Responsibility Initiatives

Corporate social responsibility has numerous facets, and whether a corporation chooses to focus on one or several of them, the ultimate result is a more successful business with improved employee engagement and overall business performance. Ajiteru (2023). The telecommunications sector frequently employs corporate social responsibility in the methods listed below (Abalaka, 2023).

1. Environmental sustainability: This encompasses recycling, water and waste management, the use of renewable energy sources, the creation of "greener" supply chains, pollution prevention, the construction of buildings in accordance with LEED (Leadership in Energy and Environmental Design) standards, etc.
2. Involvement and support of the community: This can involve promoting local charities, encouraging volunteerism, sponsoring events, hiring locals, fostering economic development in a community, implementing fair trade policies, assisting with health and arts initiatives, and providing housing and education for those from low-income backgrounds.
3. Ethical marketing techniques: Businesses that use ethical marketing show their customers that they appreciate them as individuals with inherent worth. They don't make an effort to deceive or influence prospective customers. This is crucial for businesses hoping to be seen as moral.
4. Employee Support: Care for worker participation, safety, job security, profit-sharing, and union relations.

The Telecom Industry's CSR and Its Advantages for the Company and the Community

CSR in Ghana's Telecommunications Sector

There have been numerous corporate social responsibility initiatives in the nation within the last ten years. Organizations have undertaken development initiatives throughout the nation in a variety of ways. Through its numerous award-winning television program Vodafone Health Line, for example, Vodafone has revolutionized corporate social responsibility (CSR) in Ghana by providing dependable health information to a large number of Ghanaians (Sulaiman, 2020). People in all parts of Ghana have benefited greatly from the initiative, which has empowered them by enhancing the communication of knowledge about common health problems and, more significantly, by saving many lives. To the delight of the organization that believes in creating a lasting impact by transforming a concept into a reality that transforms lives, the health line exhibit has assisted about one hundred (100) people in undergoing successful procedures. Ajiteru (2023). Vodafone has made contributions totaling over GH¢30,000 to many traditional councils' educational budgets around Ghana. These consist of Otumfuo Educational Fund Ga Traditional Council, Essikado Traditional Council, Asogli State, and New Juaben Traditional Area Abalaka, (2023).

The 21 Days Yellow Care initiative was launched in Ghana by the Mobile Telecommunication Network (MTN) Ghana Foundation in 2007. The telecom company's employees take part in a number of initiatives and events across the nation. Activities for community development are the program's main focus. The program, called Corporate Employee Volunteerism, was established by the firm to encourage MTN employees to get directly involved in community development initiatives. Employees use these occasions to educate the public on a range of social topics, such as preventing malaria, breast cancer, and road safety issues. Additionally, in 2008, they donated to underprivileged organizations such as the Akropong School for the Blind (Sulaiman, 2023).

The Community Gains from CSR Community-Defined

There are numerous definitions for "community," which is commonly mistaken for the far more general term "society." However, for the sake of the subject under discussion, the definition that follows will be taken into account:

A community is a collection of individuals who share a same history, reside in the same region, and have similar social interests. Ajiteru (2023). According to the definition given above, it is crucial to consider a community's "shared interest" when participating in CSR initiatives since poorly managed CSR results in subpar company performance. Abalaka (2023). Because they are a part of or belong to a social structure, corporate organizations—including management and employees as individuals—have an obligation to act responsibly. "Companies are a part of society, not apart from society," a former South African Supreme Court justice stated to a group of corporate people in Bangalore. Be socially responsible, then. (DNA Agency, January 2014

Many Ghanaian telecom businesses now consider corporate social responsibility (CSR) to be their primary business strategy. This is because several concerns have been voiced regarding the harm that their operations create to the community (Ajiteru, 2023). That is, the requirement to control dangerous emissions (like radiation) from telecommunications equipment. There are many different methods to be socially responsible, and the practice of corporate social responsibility (CSR) has greatly benefited society.

According to Jenkins and Obara (2020), telecommunications firms have been implementing community involvement programs for years in addition to generating income for the local community and offering monetary compensation for the loss of land, housing, and livelihoods. These programs include:

a. Infrastructure upgrades, such as constructing community buildings and access roads as well as schools.
b. Community health initiatives, which include constructing and outfitting hospitals and health facilities for local communities as well as providing health services to

communities (such as the Vodafone health line, which provides medical aid to Ghanaians).

c. Community foundations: these garnered interest from outside contributors and are a fund created by the business for social investment reasons.
d. Promoting local small companies by giving local suppliers preferred treatment in procurement procedures.
e. Sustainable livelihood projects - the purpose of these is to reduce the communities' economic dependence on government, and develop alternative and sustainable employment opportunities for stakeholder communities.
f. Microcredit finance programs: these loans are utilized to start new businesses, provide employment, and support thriving economies. With access to credit, families can invest according to their own priorities, for example fees for education, healthcare, food, or housing, and instead of concentrating on daily survival, people can make plans for the future. The most underprivileged sections in communities were given opportunity through microcredit programs targeted at women.

Three Advantages of CSR for Businesses

In their 2000 study, Winning with Integrity, the Business Impact Task Force of Business in the Community (United Kingdom) listed the following advantages for businesses who participate in CSR:

a. Reputation: Influenced by a company's product and service costs and perks, employee and environmental treatment, human rights record, local government investment, and even bill promptness;
b. Competitiveness: Benefits of positive connections with suppliers and customers, a diverse staff, and work or equilibrium in life, as well as effective handling of environmental problems;
c. Risk management: Improved control over risk, whether it be monetary, legal, environmental, or influenced by customer sentiment.

Putting a focus on social responsibility can draw clients. According to an Opinion Research Corporation survey, a company's reputation influences 89% of adult consumers' purchases. Abalaka (2023). Companies gain from CSR as well because it makes it possible for them to hire top talent. People looking for a company they would be happy to work for are drawn to it by the company's reputation and the goodwill that comes with socially conscious initiatives. Ajiteru (2023) According to a 1999 survey of 25,000 people in 23 countries on six continents, opinions of businesses worldwide are more closely related to corporate citizenship (56%) compared to either the perception of business management (34%) or brand quality (40%). These studies demonstrate how stakeholders value corporate social responsibility initiatives. Many organizations in Ghana prioritize social responsibility initiatives and give them the attention they require. Other organizations, on the other hand, do not incorporate social responsibility initiatives into their annual plans but take impulsive action when necessary (Sulaiman, 2023).

According to surveys, opinions about how companies engage in corporate social responsibility (CSR) vary, which is reflected in employee loyalty and willingness to buy products based on suppliers' ethical policies and practices or their affiliation with "good causes." like giving to charities (Davis, 2016). Once more, an Opinion Research Corporation survey from 1996 revealed that 89 percent of adult purchases were impacted by a company's reputation. Ajiteru (2023). Brand awareness is the main advantage that telecom firms in Ghana get from CSR. Bankas (2010). Many firms in Ghana nowadays take corporate social responsibility seriously because they want to be seen as good "citizens," adhere to industry standards, obtain a competitive advantage over rivals, enhance their reputation, and draw in and hire the best people. Abalaka (2023).

The Difficulties in the Telecom Industry with CSR Practices

When it comes to their CSR initiatives, businesses face numerous obstacles. A study carried out by According to Ajiteru (2023), there are four (4) major obstacles that businesses are expected to face while implementing corporate social responsibility. They are divided into four categories: internal, infrastructure, governmental, and community issues.

a. The incapacity of businesses to assist as many individuals as they would have liked and to reach all the communities in need of assistance were the communal difficulties that arose. This is a result of few resources, and occasionally businesses go over their CSR budget because customers keep approaching them for assistance. The resistance of illiterate communities to change is another issue that organizations deal with in the community (Abalaka, 2023). Until people realize that it is in their best interests for businesses to behave responsibly, they often respond antagonistically.
b. Matters of governance: According to the study, there isn't much of a governmental barrier because Ghana doesn't have a legislation on corporate social responsibility. However, the researcher recognized that this is problematic because it is the reason why many firms do "anything" under the guise of CSR.
c. Infrastructure problems: One of the biggest obstacles was the inadequate road system connecting settlements.
d. Internal problems: The biggest obstacle management encounters in their attempt to be charitable is a lack of resources, which relates to the previously mentioned resource constraints. Businesses have nearly insurmountable challenges when it comes to fulfilling their social obligation. However, they are able to overcome some of those obstacles because of their dedication and want to help society.

How CSR And Business Performance are Related

There has been much discussion over the past few years over whether corporate social responsibility (CSR) improves business success, and as of right now, there isn't any actual agreement on the subject (Ajiteru, 2023). This is due to the fact that while many organizations in wealthy nations swear by corporate social responsibility (CSR) because it has elevated their operations to a new level, others, particularly in emerging nations, see it as a waste of organizational resources (Sulaiman, 2020). However, the truth is that CSR has contributed to long-term and multi-level improvements in corporate performance. In other words, it will be challenging to separate corporate social responsibility (CSR) from business performance them. In order to determine whether or not CSR initiatives were successful, the researcher examined "business performance" from five (5) perspectives (although other perspectives could be used): financial and organizational performance; employee dedication, corporate reputation, and brand differentiation (Abalaka, 2023).

Financial Performance and CSR

"The set of metrics (standards) used to quantify both the efficiency and effectiveness of actions" is how Neely et al. (2015) define a performance system (p. 81). As a result, "Financial Performance" can be viewed as a subjective indicator of how well a company uses resources from its main business to produce income. Additionally, this phrase can be used as a broad indicator of a company's overall financial health over a specific time period be applied to evaluate comparable businesses in the same sector (Abalaka, 2023).

One of the most researched measures of the strategic importance of CSR is financial performance. Sulaiman A meta-analysis of 160 research conducted in 2020 revealed that 55% of them showed a favorable correlation between CSR and financial performance, 22% found no correlation, 18% found a mixed link, and 4% found a negative correlation. Another meta-analysis by Orlitzkyet al. (2018) produced findings that were comparable. These studies support the generally held belief that a company's financial performance would typically improve if it were socially responsible. In fact, Aguilera et al. (2007) recently demanded that the discussion surrounding the connection between CSR and financial success be put to rest, claiming that there is overwhelming evidence of a favorable and substantial connection between the two. Regardless of the reason for the involvement, Ajiteru (2023) maintained that businesses must eventually explain to stakeholders why they are engaging in CSR. Abalaka (2023).

Organizational Performance and CSR

An analysis of an organization's performance in relation to its goals and objectives is known as organizational performance, according to the Business Dictionary (2014). Financial performance, market performance, and shareholder value performance are the three main outcomes that are examined in corporate organizations (production capacity performance may also be examined in certain situations). Considerable work has been done to comprehend how CSR initiatives affect the performance of organizations, Sulaiman According to a thorough analysis of empirical research on the connection between corporate social responsibility (CSR) and organizational performance conducted in 2020, companies that are thought to have complied with social responsibility standards have generally either outperformed or outperformed other businesses that aren't always socially conscious. A recent meta-analysis of the connection between CSR and organizational performance has likewise confirmed this beneficial association (Orlitzky et al., 2018).

CSR and Workers' Dedication

"The extent to which a business unit's staff members are fond of their employer, see their future as tied to that of the company, and are willing to put in personal sacrifices for the business unit" is the broad definition of employee commitment. According to Ajiteru (2023), workers evaluate their employer's CSR initiatives based on their views of the company's CSR initiatives, the results of those initiatives, and how the implementation process is handled. "Socially responsible or irresponsible acts are of serious concern," the authors assert repercussions for workers, Abalaka, (2023).

The relationship between CSR and employee commitment has been the subject of several research (Sulaiman, 2020). Overall, prior research indicates that employees care about a company's social responsibility initiatives (Ajiteru, 2023) and that these initiatives typically increase employees' commitment. According to Branco and Rodrigues (2016), companies that are seen as having a strong social responsibility image are frequently better able to draw in top candidates for open positions, keep them on board once they are employed, and sustain employee morale. According to Maignan et al. (2019), companies that participate in CSR initiatives are likely to have higher levels of employee commitment for two primary reasons: first, they are committed to making sure that working experiences are of a high caliber; and second, they tackle social concerns like the preservation of the environment or community well-being that affects society as a whole and, consequently, workers as well (Ajiteru, 2023).

Corporate Reputation and CSR

"Outsiders' judgments about what the company is, how well it meets its commitments and conforms to stakeholders' expectations, and how efficiently its performance as a whole fit with its socio-political environment" is how Sulaiman (2023) defines reputation. Reputation is largely a general characteristic of businesses and indicates how much "stakeholders see firms as 'good' or 'not bad'." (Doweling & Roberts 2002: 1078). Therefore, having a good reputation means that a company is highly respected or revered. Abalaka (2023).

Research already conducted indicates that a company's reputation is an important intangible asset that helps the competitive advantage of a company According to Ajiteru (2023), "a firm must make steady and consistent investments over time in order to develop a good reputation," which takes time (Roberts and Dowling, 2017). Businesses' choices to participate in or refrain from CSR initiatives can either improve or harm their reputation. CSR "builds a reservoir of goodwill that firms can draw upon in times of crisis," according to Bhattacharya and Sen (2018). Similarly, CSR "creates a reputation that a firm is reliable and honest," according to McWilliams and Siegel (2001, p. 120).

In emerging economies, there is a complex relationship between corporate social responsibility (CSR) and reputation. In contrast to employee commitment, which allows workers to witness their companies' CSR initiatives, the effect of CSR on company image, is influenced by how the company reports its CSR actions in the national media and other communication media, as well as how it communicates these activities to various but primarily external stakeholders. Ajiteru (2023). According to Sulaiman (2023), companies can establish a favorable reputation by successfully engaging with a variety of stakeholders to show that they operate in line with social and ethical standards; on the other hand, failing to do so may put their reputation at risk.

Brand Differentiation and CSR

Businesses aim for a unique selling proposition that will help them stand out from the competition in the eyes of customers in crowded markets. Building client loyalty on the basis of unique ethical ideals is something that CSR can help with A number of well-known companies, like American Apparel, The Body Shop, and The Co-operative Group, are founded on moral principles. Establishing a reputation for honesty and best practices can also help business service businesses. Abalaka (2023).

Despite critics' claims that businesses would not gain from their CSR efforts, the researcher is adamant that stakeholders are not uncaring and insensitive to the enterprises' actions. They don't react badly either. Conversely, consumers react to corporate social responsibility initiatives based on their sense of connection or attachment to businesses that carry out CSR initiatives that they find meaningful. As a means of supporting their work, they are thus persuaded to purchase from socially conscious businesses (Ajiteru, 2023).

3. Research Methods

The primary source of data for this study is secondary data which was acquired from the ten (10) lucrative companies on the Nigerian Stock Exchange that were chosen at random. There are financial summaries and annual reports covering the ten (10) year period "1999-2008." The following companies were chosen: May and Baker Plc, Nigerian Bottling Company, Northern Nigerian Flour Mill Plc, Nestle Plc, PZ Plc, UAC Foods Plc, Flour Mills, Cadbury Nigerian Plc, Unilever Plc, and Pepsi Abalaka (2023).

Model Details

This study looks at how corporate social responsibility affects businesses' profitability. The study in Nigeria uses the econometric approach to create a regression model that will be examined using ordinary least square regression (OLS). Sulaiman's (2023) earlier work, "appraisal of the practice," will serve as the model for this investigation of social responsibility by Nigerian corporate entities. According to the study's methodology, the researcher looked at the annual reports and financial statements of businesses that were chosen at random and contrasted their turnover with their social responsibility investment, which was expressed as follows:

TUV = β0 + β1CSR

To examine the relationship between the two variables, he used regression, analysis of variance (ANOVA), and correlation (Abalaka, 2023). For this investigation, the aforementioned model would be used and adjusted. Consequently, the model below is presented in this study:

Y = f (X1) (1)

Y = b0 + b1X1 (2)

PAT = b0 + b1CSR + u Where:

PAT = Profit after Tax to proxy firm's profitability as dependent variable CSR = Corporate Social Responsibility of the selected company

b0-b1, = Parameter of the Estimate

U = Error term (3)

Data Analysis Method

Ordinary least squares are used for this investigation because the parameter estimate it produces is deemed appropriate due to its relatively straightforward computing process and low data requirements. Abalaka (2023).

Decision-Making Criteria

The following standards will be used to determine whether this analysis is valid.

Standard Error Test: If the standard error is less than half of the coefficient Sulaiman (2020), the estimate is considered accurate.

The T test is used to determine whether the parameters are significant. The alternative hypothesis will be tested against the null hypothesis, H0 = β1 = 0, using the student t distribution. H0 = β1≠. Consequently, we can determine the outcome. whether the critical t value from the table is more or less than the calculated t value, t (n-k) degree of freedom at the 50% level of significance. We reject the H0 and accept the alternative hypothesis that the beta estimate differs considerably from zero if the calculated t is higher than the critical t (Ajiteru, 2023).

R2 coefficient of determination: The percentage or proportion of the dependent variable that can be explained by the independent variable or variables is shown by the R2 coefficient of determination. Its highest value is 100%, or 1.

F Test: It indicates the entire regression equation's significance for additional forecasting. At the 5% level of significance, this test will show whether or not the predicted variable or variables are present at (k-1) (n-k) degrees, where N is the number of observations probably happened by accident or not Sulaiman (2023).

The rule of thumb is to regard the question as relevant and dependable for prediction or policy formulation if the computed F is more than the critical F (from the table), i.e., H0 = 1 = 0. Accept the equation as important and untrustworthy if calculated F is smaller than critical F, i.e., H0 = ≠ 0

Watson Durbin: We will then be able to determine whether autocorrelation exists in the dispersed terms. The theories are:

H0: $\beta 1 = 0$. No association

Ho: autocorrelation $\beta 1 \neq 0$

Regression Co-Efficient: This displays the sign and value associated with every parameter. The sign is crucial since it enables us to determine whether or not our findings support the idea, Abalaka, (2023). The regression coefficient's sign should be positive if a positive association between a dependent variable is anticipated; the same is true for a negative relationship, according to Sulaiman (2023).

4. Results and Discussion

Results

Table 2. Showing Average of Profit After Tax and Investment in Corporate Social Responsibility of Ten Selected Firms in Nigeria

YEAR	Profit After Tax (N'000Million)	Investment in CSR (N'000Million)
2008	10,441,650.50	5,022,839.14
2007	12,509,238.50	12,739,304.00
2006	29,115,905.60	3,529,258.50
2005	26,728,203.80	3,255,632.25
2004	24,733,337.90	5,478,534.33
2003	10,523,460.20	5,035,579.60
2002	5,924,806.30	10,886,232.78
2001	6,920,775.00	1,669,611.00
2000	7,502,626.40	625,389.63
1999	8,143,388.50	1,400,191.83

Source: Researcher Computation (2011)

Model Summary

Dependent Variable: PAT
Method: Least Squares10
Included observations:

Variable	Coefficient	Std. Error	t-Statistic	Prob.
CSR	-0.177424	0.792544	-0.223866	0.8285
C	15135117	4946862	3.059539	0.0156

R-squared = 0.622016 (62%) Adjusted R-squared = 0.591254

Durbin-Watson stat = 0.642927 F-statistic = 24.103260

The aforementioned investigation clarifies the connection between Nigerian firms' profitability and corporate social responsibility. The table showed that different companies had different levels of commitment to social responsibility (Ajiteru, 2023). According to Sulaiman (2020), the statistics also showed that all of the sample companies contributed less than 10% of their yearly profits to social responsibility.

Nonetheless, the aforementioned E-view research shows a negative correlation (-0.177424) between the firm's performance measure with profit after taxes and social responsibility investment. This suggests that there is an inverse link between the two variables (PAT and CSR), as the estimate's slope is consistent with the a priori predictions. This suggests that the higher the profit that businesses record, the less money spent on corporate social responsibility in Nigeria Ajiteru (2023). This implies that different stakeholders, especially their host communities, may pose a danger to these organizations' long-term viability and capacity to turn a profit. Abalaka (2023). This outcome is consistent with research conducted by Lopez, Garcia, and Rodriguez (2018) using the Dow Jones Sustainability Index. The study examines the pertinent accounting variables using a sample of 110 businesses from 1998 to 2004. A compilation of accounting data from sample firms was made. They discovered that there is a negative correlation between CSR and the performance metric (Sulaiman, 2023).

The resulting result's coefficient of determination is 0.622016 (62%), indicating that the Changes in corporate social responsibility (CSR) in Nigeria are the explanatory variable responsible for roughly 62% of changes or variations in selected businesses performance (PAT). The autocorrelation test indicates that the regressed model under investigation does not exhibit serial autocorrelation because the obtained value of 0.642927 is below the autocorrelation range (Abalaka, 2023).

Discussion

The regression results reveal important insights into the relationship between corporate social responsibility (CSR) and firm profitability in Nigeria. The coefficient of determination ($R^2 = 0.622016$) indicates that approximately 62% of the variation in profit after tax (PAT) among sampled firms can be explained by their CSR investments. This relatively high explanatory power suggests that CSR practices are a significant factor influencing firm performance, even though the direction of the relationship is negative. The adjusted R^2 value of 0.591254 further confirms the robustness of the model, accounting for the number of predictors used. The F-statistic of 24.103260 demonstrates that the overall regression model is statistically significant, reinforcing the reliability of the findings.

The negative correlation (-0.177424) between CSR expenditure and profitability suggests that as firms increase their CSR spending, their reported profits tend to decline. This outcome is consistent with prior studies, such as Lopez, Garcia, and Rodriguez (2018), who found similar inverse relationships using the Dow Jones Sustainability Index. In the Nigerian context, Ajiteru (2023) and Sulaiman (2020) observed that most firms allocate less than 10% of annual profits to CSR, reflecting a cautious approach to balancing social commitments with financial performance. While this strategy may preserve short-term profitability, it raises concerns about long-term sustainability, particularly in relation to stakeholder expectations and community relations (Abalaka, 2023).

The Durbin-Watson statistic (0.642927) indicates no evidence of serial autocorrelation, suggesting that the regression model is statistically sound and free from bias in residuals. However, the inverse relationship between CSR and profitability highlights a tension between financial objectives and social responsibility. Firms may perceive CSR as a cost rather than an investment, which could undermine their reputation and stakeholder trust. Over time, neglecting CSR commitments may expose organizations to risks such as community hostility, regulatory sanctions, or reputational damage, ultimately threatening their long-term viability.

In summary, while CSR appears to reduce short-term profitability in Nigerian firms, the literature emphasizes its potential to enhance long-term organizational resilience and stakeholder trust. The findings suggest that firms should adopt a strategic perspective on CSR, viewing it not merely as an expense but as an investment in sustainable growth and community legitimacy.

5. Conclusion

The results of the investigation indicate that different companies have varying levels of commitment to social responsibility. The information also showed that fewer than 10% of the sample companies' yearly profits went toward social responsibility. However, the Empirical analysis above depicts that negative relationship exists between firm’s performance measure with profit after tax and investment in social responsibility. which shows that the two variables (PAT and CSR) have an inverse relationship. The obtained result's coefficient of determination is 0.622016 (62%), indicating that changes in corporate social responsibility (CSR) in Nigeria account for roughly 62% of changes or variations in the performance of the chosen organization (PAT). The autocorrelation test indicates that the regressed model under investigation does not exhibit serial autocorrelation because the obtained value of 0.642927 is below the autocorrelation range (Abalaka, 2023).

Businesses that use CSR have obstacles and constraints. These are frequently ingrained in culture and typically pertain to either organizational-level or political issues. Organizations face new challenges as a result of the complexity of operating in a global world as well as their leadership. According to the study's findings, profitable companies in Nigeria tend to underinvest in corporate social responsibility, which could jeopardize their long-term viability.

Managerial Implications

The findings of this study carry important implications for managers and policymakers in Nigerian firms. The negative correlation between corporate social responsibility (CSR) spending and profit after tax (PAT) suggests that many organizations perceive CSR primarily as a financial burden rather than a strategic investment. However, the literature and empirical evidence highlight that neglecting CSR commitments can expose firms to reputational risks, strained community relations, and long-term sustainability challenges.

First, managers should adopt a strategic perspective on CSR, recognizing that short-term profit reductions may be offset by long-term gains in stakeholder trust, brand reputation, and market legitimacy. Rather than treating CSR as discretionary spending, firms should integrate it into their core business strategies.

Second, organizations should prioritize community engagement and transparency. By aligning CSR initiatives with the needs of host communities—such as infrastructure, education, or environmental sustainability—firms can reduce hostility and strengthen their social license to operate.

Third, managers should balance CSR investments with profitability goals by adopting measurable performance indicators. This includes evaluating CSR outcomes not only in financial terms but also in social impact, employee satisfaction, and customer loyalty.

Finally, policymakers and regulators should encourage firms to adopt minimum CSR contribution thresholds, ensuring that companies consistently invest in social responsibility without compromising financial stability. Such frameworks can help standardize CSR practices across industries and reduce disparities in commitment levels.

In summary, while CSR may appear to reduce short-term profitability, managers who view it as a long-term investment can enhance organizational resilience, secure stakeholder support, and sustain profitability in Nigeria's competitive business environment.

Policy Recommendations

The results of this study highlight the need for stronger institutional frameworks to balance corporate profitability with social responsibility in Nigeria. While firms often perceive CSR as a cost that reduces short-term profits, the evidence suggests that neglecting CSR commitments can undermine long-term sustainability, stakeholder trust, and community relations. Policymakers therefore have a critical role to play in shaping CSR practices across industries.

1. Establish Minimum CSR Contribution Thresholds

Government regulators should mandate a minimum percentage of annual profits to be allocated to CSR initiatives. This would ensure consistency across firms and prevent underinvestment in social responsibility, particularly in sectors with high community impact.

2. Incentivize CSR through Tax Relief and Recognition

Tax incentives, subsidies, or public recognition programs can encourage firms to view CSR as an investment rather than a burden. By linking CSR contributions to tangible financial or reputational benefits, policymakers can foster greater compliance and innovation in CSR practices.

3. Strengthen Monitoring and Reporting Mechanisms

Regulatory agencies should require firms to publish standardized CSR reports, detailing expenditures, outcomes, and community impact. Transparent reporting will enhance accountability and allow stakeholders to evaluate the effectiveness of CSR initiatives.

4. Align CSR with National Development Goals

CSR policies should be integrated with Nigeria's broader socio-economic priorities, such as education, healthcare, environmental sustainability, and infrastructure development. This alignment ensures that corporate contributions directly support national growth objectives.

5. Promote Public–Private Partnerships (PPPs)

Government should encourage collaboration between firms and public institutions in delivering CSR projects. PPPs can pool resources, reduce duplication, and maximize the social impact of CSR investments.

In summary, policy interventions should transform CSR from a discretionary activity into a structured, strategic practice that balances profitability with social responsibility. By institutionalizing CSR through thresholds, incentives, and accountability mechanisms, Nigerian regulators can safeguard community welfare while ensuring firms remain competitive and sustainable.

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